

Are AMA and ASIM on collision course?

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business insurance

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

New flexible group life plan coming

NEW YORK—New York Life Insurance Co. is developing a fixed-premium, variable benefit life insurance product that might eventually lend itself to group writing techniques.

The product, which has been called "the most exciting idea I have come across in 46 years in the business" by New York Life's Board Chairman Charles W. V. Meares, may be awhile in coming. The concept must be approved by the Securities and Exchange Commission and by state insurance commissioners.

Charles M. Sternhell, exec vp of the insurance company and one of the authors of the new policy, explained it by saying:

"Think of a whole life insurance policy as it is now. It has a level premium for a man, say, 35, with part of the premium providing the protective element and the rest going into bonds and mortgages.

"WITH THE NEW policy," Mr. Sternhell explained, "instead of investing in bonds and mortgages we will invest in common stocks. As the market value of that stock portfolio goes up or down so will the value of the policy."

The new approach does contain an element of risk for the policyholder, the exec vp admitted. However, for an additional premium the insured may obtain a guaranteed death benefit for a policy's face value.

Mr. Sternhell said that in working out the approach he and others at New York Life had projected some values that might have applied during stock market lows. Following the crash of 1919, for example, a \$10,000 policy

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Risk-taking is synonymous with pro football, but the front office of the New York Jets is taking no chances with public liability or catastrophes. See story on page 20.

—Wide World photo

Late news

Swift & Co. buys broker

CHICAGO—Acquisition of Youngberg-Carlson Co. Inc., a general insurance agency here, by Swift & Co. through an exchange of stock was announced, subject to legal and tax clearances. *Business Insurance* learned that negotiations have been going on for more than a year. Norman T. Carson, vp of Swift & Co., said the transaction extends Swift's services in the insurance field. Insurance affiliates now include: Globe Life Co. and Scarborough & Co., Chicago; Raymond Hage & Co. Inc., Huntington, W. Va.; and A. Yarchin Cos., Boston.

Name Edwards, Austen to new posts

NEW YORK—James Edwards, formerly corporate insurance manager at ITT-Rayonier Inc., has joined Continental Can Co. as manager of insurance and loss prevention. He succeeds Howard C. Austen, who has joined Digitronics Equipment Mfg. Co. as insurance and loss prevention manager.

Expect bid for Alexander & Alexander

NEW YORK—An announcement is expected shortly that Corroon & Black, insurance brokers here, has made a bid to purchase Alexander & Alexander, it was learned. Corroon & Black would not confirm or deny the report.

Lefferdink exits after Bermuda 'agreement'

HAMILTON, Bermuda—Allen J. Lefferdink, operator of World Insurance Co. Ltd. here, has pulled his insurance operations out of the colony "by agreement" and has headed for Europe on his ship the *Sea Wolf*.

Sir Henry Tucker, government leader (prime minister) of Bermuda, told *Business Insurance* that he had discussed with Mr. Lefferdink the "ceasing of his insurance operations in Bermuda."

The talk between Sir Henry and Mr. Lefferdink took place after Washington State Insurance Commissioner Karl V. Herrmann warned corporate insurance buyers against purchasing coverage from companies domiciled in Bermuda or the Bahamas. Mr. Herrmann said they enjoy totally unregulated status and that his department had no information on the ability of Mr. Lefferdink's World Insurance Co. to meet its financial obligations.

COMMISSIONER Herrmann acted after Mr. Lefferdink's company assumed liability coverage on an 80-boat Seattle fishing fleet. *Business Insurance* had previously revealed the existence of a reinsurance treaty executed between Mr. Lefferdink and Philip M. Wilson, operator of Farmers and Merchants Mutual Fire Insurance Co., an unregulated minimutual in Missouri that has operated beyond its authorized boundaries and charter limitations.

"Beyond saying that Mr. Lefferdink left the colony by agreement, the government is not eager to comment on this matter," Sir Henry said. "Bermuda takes pride on the probity of companies operating here, and adverse publicity does nothing to enhance our ability to attract international companies of high standards.

"The majority of Bermudian insurance companies are owned by companies with unquestioned reputations," Sir Henry continued, "and the government of Bermuda is very much concerned about the character of insurance companies domiciled here."

Bermuda, he explained, has no insurance laws "because we regard insurance as a highly sophisticated business and the adoption of an insurance code in the American sense would impose an obligation to properly police its provisions."

A REPORT IN the Royal Gazette published in Hamilton said that Mr. Lefferdink planned to shut down his operations over a period of two to six months. The newspaper said he invited his staff of 25 persons aboard the *Sea Wolf* to show them the ship and then, with his crew of seven, set off for Europe.

NY rating law question: Less big risk capacity?

NEW YORK—Insurance buyers are fearful that a new "open competition" law going into effect here Jan. 1 will cut down—rather than increase—underwriting capacity.

The new law has triggered resignations of several insurance companies, such as Fireman's Fund, Home, Chubb and Royal Globe, from the New York rating bureaus, on the ground that they don't want to be accused of setting rates "in concert" with each other.

Under provisions of the new rating law, insurers can set their own rates without getting prior clearance from the New York insurance commissioner. However, it forbids—under penalty of triple damage actions by private policyholders—insurers from acting together to set rates.

THE CURRENT rating law here leaves it up to the insurance commissioner to deal with insurers who act in concert. The new measure, however, takes such action "out of the hands of the insurance commissioner and puts it in the hands of the judge and jury and you can't predict how it would go," explained one worried insurance company executive.

In addition, buyers are fearful that the language of the law might apply to several insurance companies bidding on the same large risk—and charging the same rate. The new law forbidding insurers to act in concert could be interpreted as saying that companies writing a big risk on a pro rata share basis would be violating the law if they all quoted the same rate.

This would open them up to

triple damage awards to policyholders rather than just a slap on the wrist from the insurance commissioner.

Therefore, buyers envision that insurers could refuse to take a share of business from another underwriter, or, at the very least, that they will end up with a jumble of different rates.

TO GET AROUND these fears, rating bureaus (such as the New York Fire Insurance Rating Organization, the Insurance Rating Board, the Inland Marine Rating Bureau, the Multiple Line Rating Board and the Surety Assn. of America) have been meeting to revise language of bylaws to the effect that they will function as technical services and fact finding bodies for New York coverages but will leave it up to individual

members to work out rates.

In the meantime, rating bureaus have come under scrutiny in Washington from the Senate antitrust and monopoly subcommittee, which has been holding hearings on auto insurance.

Wisconsin and Illinois have "open competition" legislation which will become effective on Jan. 1, 1970. However, they embody no antitrust provisions similar to the New York ban on collective rating action by several insurance companies.

Capacity effects of the New York rating law were considered by the legal department of one major insurer that decided to pull out of rating bureaus.

"WE DISCUSSED the matter of a lead underwriter offering us a percentage of a jumbo risk at a

rate they had determined," a company attorney said. "It would be our decision that in such instances we would accept the percentage of the risk but at a rate we determined ourselves."

He said that his company determined that taking such a risk at the lead underwriter's rate "would be violative of the new rating law in New York."

Harold Grauff, an assistant vp for CNA, said that the New York rating law "won't curtail the market" and would allow joint underwriters to participate on a single risk by filing a joint arrangement agreement with the New York insurance department.

ALTHOUGH HE pointed out that this was his initial reading of the new law, he felt that the

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Ho, ho, ho! Santa in a snowmobile?

NEW YORK—Santa Claus may show up this winter in a snowmobile, now that there's insurance for the vehicle.

The word from the Multi-Line Insurance Rating Bureau is that individuals can buy snowmobile coverage (including bodily injury and property damage liability) as part of the homeowners policy.

Minimum annual premiums for each snowmobile will range from \$34 to \$55, depending on liability limits. Bodily injury and property damage limits vary from \$25,000 to \$300,000. A medical payment of \$1,000 is also available.

Pension plan used as defense in attempt at corporate buyout

By GEORGE LANGWORTH

BINGHAMPTON, N. Y.—Endicott Johnson Corp.'s employe pension fund has been used as a successful front line defense against outside takeovers.

In 1961 the pension fund had purchased over 85,000 shares of Endicott Johnson common stock without acquiring the right to vote or the power of disposition over the stock. These powers were retained by the company to prevent the stock's use in any future outside takeover attempt.

But now that Endicott Johnson has been acquired by friendly forces, voting power has been transferred to the pension fund

trustee, Morgan Guaranty Trust Co. of New York.

A decision by Brcome County Supreme Court Justice Joseph P. Molinari gave Morgan Guaranty of New York City the power to "retain, sell, exchange or vote" the 10.2% of Endicott Johnson Corp. common stock held in the firm's employe pension fund. Morgan Guaranty is the trustee of Endicott Johnson's employe pension fund, which holds 85,829 shares of Endicott Johnson common, representing 5.9% of the fund's securities according to James W. Dowling, general counsel for Endicott Johnson.

AUTHORITY over the disposition of the stock had previously been in the hands of Endicott Johnson's board of directors, Mr. Dowling told *Business Insurance*. A three-man committee which was appointed by the board of directors held voting power over the stock.

The unusual situation of a pension fund trustee holding stock without any accompanying powers over its disposition came about in 1961. Mr. Dowling explained that Albert List, through his Glen Alden Corp., accumulated over 85,000 shares of Endicott Johnson common stock in the space of a few weeks. "Various organizations in the community immediately responded by buying up other available common shares in the company in order to drive the price up and stave off Mr. List's bid," he said.

Mr. Dowling explained that Mr. List, when confronted with law suits from minority stockholders, agreed to stop his attempted acquisition on the condition that his current holdings in Endicott Johnson be repurchased from him at his average cost of \$31.50 per share. The only source with enough capital was the company's pension fund.

THROUGH A COURT-approved agreement the Endicott Johnson employe pension fund purchased the 85,829 shares of stock from Mr. List. The 1961 agreement stipulated that the board of directors and a three-man committee would maintain control of the disposition of and voting power over the stock as a security measure.

The petition to place control of the stock with the trustee of the pension fund was brought by Endicott Johnson's board of directors and joined in by the trustee, Morgan Guaranty Trust. This move, Mr. Dowling explained, was intended to give the pension fund more flexibility in furthering its growth potential.

Sources at Endicott Johnson and Morgan Guaranty revealed that this move was probably made to accomodate a purported

Maxicoats viewed as maxi-problems

NEW YORK—Maxicoats, for chic and safety, should end at the ankle. However, most end at the ground, where hazards begin.

The Greater New York Safety Council has declared the coats a "feminine hazard" and one council official stated the primary reason for this is that today's woman does not know how to wear yesterday's fashions.

One New York department store has found maxicoats and escalators a bad combination and, in an effort to avoid on-premises injuries, has posted signs by its escalators reading: "Ladies, lift your maxis." Shoppers with arms full of packages find it difficult to hold railing and maxis simultaneously.

Subways and buses, with their high steps and automatic doors, pose another obvious problem for maxi-wearers—after all, the last time the long coat was in style so was the horse and buggy.

offer to exchange shares, due in the near future, with the pension fund from McDonough Co., a Parkersburg W. Va. firm which acquired control of Endicott Johnson in January of 1969.

General contractors are well aware of the importance of plans and specifications before they undertake construction work. By the same token, Pacific Indemnity "blueprints" protection to cover all of the needs of contractors. Many of the nation's leading construction firms are PI insureds. In brief, contractors are a "specialty of the house" with PI.



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Boat maker sues city for no water

H AVERHILL, Mass.—The Reynolds Boat Co., destroyed in a fire a year ago, will appeal to the state supreme judicial court its \$300,000 suit against the city of Haverhill for not providing sufficient water to battle the flames.

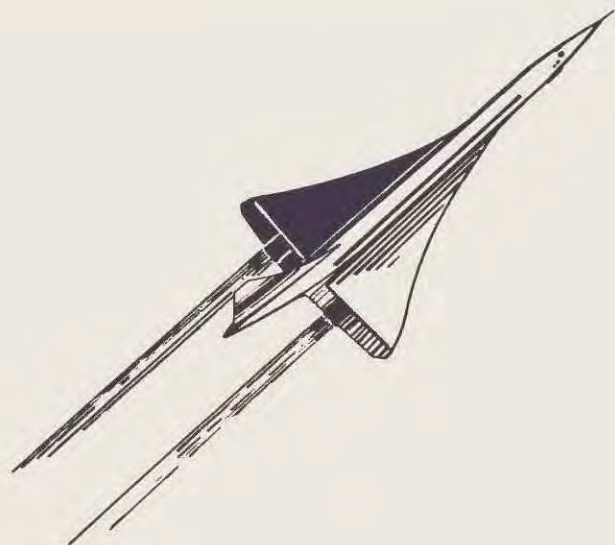
Attorney Thomas S. Allison Jr. said he planned to appeal within 21 days the decision of state superior court judge Edward J. DeSaulnier, who denied the boat company's action.

Mr. Allison said the question before the state supreme judicial court would be whether the company has the right to sue the city in such a case.

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Recommendations to ASIM

Editor suggests six ways to stem criminality in insurance industry

SAN FRANCISCO—A call for action by government and corporate risk managers to stem the rising tide of criminality in the insurance business was made by Richard Bjorklund, managing editor of *Business Insurance*, at meetings of the Southern California and Northern California chapters of the American Society of Insurance Management.

"Worthless coverage and unsatisfied judgments threaten all corporate buyers of insurance and their companies," Mr. Bjorklund asserted, "but it is possible to do something about the problem within the existing framework of state insurance regulation."

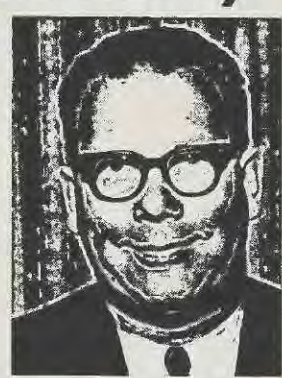
He recommended that ASIM promote among its members this six-point program for combatting frauds and criminality within the insurance industry:

- Enact a Federal law making insurance companies subject, as other companies are, to the Federal Bankruptcy Act, with the provision that state insurance commissioners be the liquidators of insolvent companies. Such a move, he maintained, would enable the Federal government to prosecute those who deplete the assets of insurance companies that are in financial straits.

- Adopt a uniform insurance regulatory act in all 50 states and the District of Columbia. Such an act, Mr. Bjorklund maintained, would prevent weak state insurance commissioners from leaning on weak provisions of their insurance regulatory statutes.

"So often," he said, "a weak or corrupt insurance commissioner takes advantage of loopholes in the insurance statutes, just as do the criminals invading the industry."

- Boycott insurance companies domiciled in the Bahama Islands, Bermuda and other places where local laws and officials do not require adequate balance sheet reports to enable U.S. insureds to measure financial adequacy of the companies. Mr. Bjorklund said that this publication has evidence that insurers operating out of Bermuda and other foreign jurisdictions complete reinsurance



Richard C. Bjorklund

and other agreements with marginal U.S. insurance companies.

- Require state insurance commissioners to delve into the balance sheets of companies domiciled in their states. He maintained that examination of financial statements is inadequate, particularly in the present business climate that promotes holding companies and other corporate arrangements that might hide financial instability.

- Creation of an American Society of Insurance Management clearinghouse for information about marginal insurance companies. Mr. Bjorklund said that there are some commercial reporting services that inform corporate buyers of the financial status and management characteristics of insurance companies. "But these services," he asserted, "are more passive than active, and sometimes they contribute to buyers' confusion when criminally operated companies adopt names similar to those approved

- by reporting services."
• Willingness on the part of risk managers to report irregularities in coverage or claim adjustments. "Courage on the part of insurance buyers can do a great deal to shut down marginal insurers," Mr. Bjorklund asserted. "This was proved when a complaint to *Business Insurance* by a California risk manager resulted in the exposure of Missouri minimutual companies that operated for years outside of the jurisdiction of the state's insurance commissioner."
Mr. Bjorklund cited as fertile areas for criminals the Missouri minimutual situation, the essentially unregulated insurers on offshore islands, the failure of insurance commissioners to suspend operations of financially impaired insurers, and peculiar loopholes in state insurance statutes as well as loose licensing practices by some state insurance commissioners.

GROUP HEALTH RATES AT NEW ENGLAND LIFE WILL STAY THE SAME FOR 36 MONTHS. WE GUARANTEE IT.

\$12 million paid on jet hull loss

LONDON—Underwriters in the London market have agreed to pay the \$12 million loss involved in the write-off of Seaboard World Airlines "stretched" DC-8 at Stockton, Cal., on Oct. 17.

It is the biggest single aviation hull loss on record to be met by any world market, Stewart, Smith and Co., international brokers who handled the affair, claim.

Collection process for the loss has now started from underwriters both at Lloyd's and among British companies. A number of large lines are on the slip.

Seaboard's DC-8 Super 63 jet was a fire loss after touching down on the runway at Stockton on a training mission.

Bowling proprietors win safety dividend

OAKLAND, Cal.—An "exceptional on-the-job safety record" has earned 73 members of the Northern California Bowling Proprietors Assn. here a record 50% dividend on their workmen's compensation insurance premiums.

The 73 members collected the dividend from Fireman's Fund American Insurance Cos. The refund covered insurance premiums for the 1968 policy year and is the largest the company has ever paid on a group account.

Phil Alston, executive secretary of the association, accepted the dividend check.

At New England Life, group health plans now come with a three-year rate guarantee. Which means that a group (from 10 to 100 people) can protect its future for a full three years, at today's prices.

A real bargain when you consider the dramatic inflation in medical care costs. Our health insurance plans are flexible because we don't sell them on a package basis. Instead, we leave lots of room so that the individual employer will wind up with a plan shaped to his individual needs.

And we make sure that our coverages are in tune with today's needs, like convalescent care. Doctor's office and home visits. X-ray and laboratory expenses. And major medical maximums up to \$50,000.

So now employers can stop losing sleep over rising group health insurance rates. Because New England Life has a plan that will help stabilize the cost of doing business. We guarantee it.





washington watch

Ribicoff group blames malpractice suits, premiums for medical bill rises

WASHINGTON—A not-yet-public, highly-explosive, 300-page Congressional study by Sen. Abraham Ribicoff's (D., Conn.) subcommittee on executive reorganization cites skyrocketing increases in medical malpractice suits and insurance premiums as a principal factor in rising doctor bills and says that because the problem "threatens to become a national crisis" the government may have to consider "alternatives of its own" to help ease the

pressures being created. The study, entitled "Medical Malpractice: the Patient vs. the Physician," says such alternatives might include a reinsurance pool to which the government would contribute, as a means of easing pressures on insurance firms to increase premiums. Other considerations that deserve Congressional study, it continues, are whether medical or surgical injury to a patient is a community responsibility and

therefore compensable by the community; whether the government should provide legal aid to the poor to help them seek redress from personal medical or surgical injury; and, whether the government should insist on creation of more effective regulatory devices over health presentation and health facilities to assure that those who are providing care are competent to do so.

THE MOTIVATING force be-

hind the government's interest in malpractice is that it is paying an increasingly higher share of the total health bill in America and is therefore directly affected by increases in doctor bills being brought on by the increasing costs of malpractice coverage.

The study quotes Aetna Life & Casualty Co. as saying that the number of malpractice claims has increased 43% in the last five years while the average cost per claim has jumped 200%.

A Cleveland lawyer is quoted as saying that the number of malpractice suits he has handled increased 400% between 1955 and 1966. And, a Los Angeles carrier reported to the committee that the average cost per claim has increased from \$2,478 in 1957 to an anticipated \$13,325 in 1970.

THE COMMITTEE further cited a 1963 American Medical Assn. study indicating that 53,000 phy-

sicians (one in six) had been subject to a malpractice suit at that time. About 12,000 (one in 25) had had two or more.

The increase in number and cost of claims has forced many insurers out of the market, the report states, and most of these who have remained have had to sharply increase their premiums. For example, the report says, in Los Angeles, premiums for general surgeons rose from \$1,900 a year in 1968 (\$8.60 per work day) to \$3,900 in 1969 (\$17.70 a work day). Applied to cost of office visits, if an Md sees 20 patients a day, his patient cost of malpractice insurance jumped to 85¢ this year from 43¢ last year.

PHYSICIANS classed as "sub-standard risks" by carriers pay an average of \$8,000 to \$10,000 a year for malpractice insurance, the report states. Doctors, lawyers and insurance companies declined to speak for the record about how well the medical profession has regulated itself, according to the study. But, it continues, privately "they feel that physician and hospital staff regulatory mechanisms are wholly inadequate."

One insurance firm told the subcommittee of a physician who was chronically negligent. Actuaries estimated that he had one chance in two of injuring a patient severely or of being responsible for a death. His premium was set at \$50,000 a year, but he declined saying he would insure himself.

SEN. RIBICOFF quotes a Los Angeles attorney who charges that the medical profession "has been loathe to weed out or restrict the practice of those physicians who are in fact guilty of medical negligence or abuse."

He cites American Medical Assn. records which show that in 1968, state boards of medical examiners revoked licenses of only 64 physicians out of a total of 300,000 licensed to practice. An additional 59 received revocations with stays and another 60 had their licenses suspended for stated periods of time.

In addition to directly adding to the physician fee, the malpractice insurance situation is indirectly pushing fees upward by limiting the number of physicians in practice, according to the report. Rising costs of malpractice premiums are not only making it difficult for young doctors to begin and continue in practice, but are forcing many elder semi-retired Mds into retiring completely prematurely, it says.

THIS IN turn contributes to the doctor shortage, causing those in practice to be overworked and therefore more prone to error.

Furthermore, the report continues, the patients feel ignored under such conditions and are therefore more likely to sue.

A third way that the worsening malpractice situation is leading to higher medical costs is that it is forcing many doctors to practice "defensive medicine,"—that is, viewing each patient as a potential malpractice claim. This often leads to excessive diagnostic procedures for patients, the report points out.

SOME MDS order complete X-ray studies of injured limbs even without the slightest indication of fracture, adding \$20 to \$30 to the patient's bill, even though it may be unwarranted in 99 out of 100 cases, Eli P. Bernzweig, special assistant for malpractice research and prevention at the Public Health Service, told the Ribicoff committee.

One idea that the private sec-
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S&H stamps approval on insurance by

Paige O'Brien Russell

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

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Touchy Question #19

Should an insurance company take advantage of “technicalities” to deny coverage under its policy?

Technicalities are legal rules whose purpose is to preserve equity. An insurance policy is a legal contract. Its terms and provisions, including both benefits and exclusions, are framed with a view to making the policy do *only* what it should, but *all* of that.

When its technicalities advance that purpose, certainly the insurance company should “take advantage” of them. To do otherwise would be unfair to all of its other policyholders, whose own rates and future insurance costs are largely determined by the number and size of the losses paid under all of the policies in force.

But the letter of the

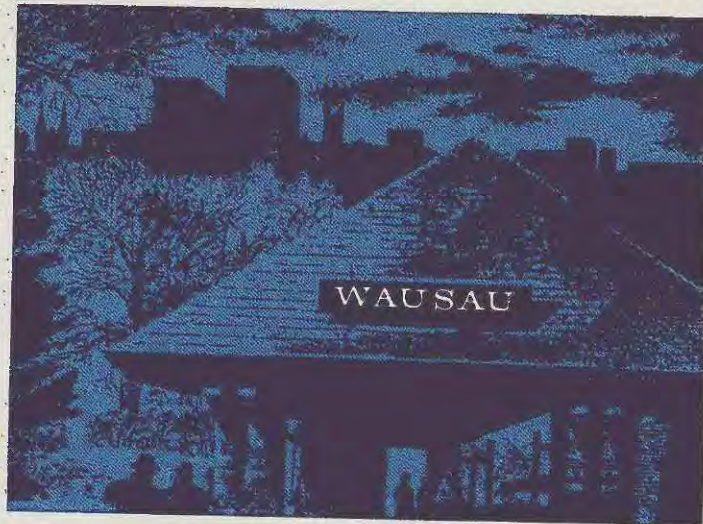
contract does not always serve its spirit. Sometimes an insurance policy coverage technicality, strictly applied, can operate not to advance fairness but to defeat it.

In that kind of situation, Employers Insurance of Wausau ignores technicalities. Our overriding objective is to fulfill the *intent* of the policy.

Why? Because good business is a product as well as a method of operation—and we’ve got to

be proud of the end result when we turn out the lights at night.

If you scoff at that, don’t ask why kids don’t want to get into the business world today.



Employers Insurance of Wausau

**We think insurance
ought to work for
a living.**

following the funds

Scott gets 15% return on pension but decides to seek outside help

By RANCE CRAIN

NEW YORK—Scott Paper Co., which has chalked up a 15% rate of return on its pension fund over the past 17 years with in-house supervision, is nevertheless in the throes of turning the fund's management over to outside advisors.

With a record considerably better than average, why change? "We felt we didn't really understand the actuarial assumptions and the accounting of pension funds," according to J. Lawrence Shane, treasurer of Scott.

"We were troubled by just how

conservative our assumptions were," Mr. Shane told a pension conference sponsored by Donaldson, Lufkin & Jenrette the other day, "and we were startled and astounded to see how much a 1% improvement in the pension performance could mean to our earnings per share."

SCOTT DECIDED to "leave the decision-making to the professionals" because the company "didn't have anybody with this expertise," according to Mr. Shane. Also, he added, the firm

wanted to introduce some competition into the pension mix "to improve the chances of increased attention" being given to Scott's \$100 million-plus fund.

Mr. Shane served on a panel which thrashed out various pension investment problems. Others adding their comments were Davis Dunbar, investment manager and assistant vp of finance of Bethlehem Steel; Russell L. Goings Jr., of Shearson, Hammill & Co.; George D. Gould, exec vp of DLJ; Charles Reilly, president of Standard & Poor's Inter-

Capital Inc.; and Peter H. Vermilye, vp of State Street Investment Corp. Moderator was Jerry Goodman, managing editor of the Institutional Investor, who as "Adam Smith" wrote "The Money Game."

Mr. Dunbar disclosed that Bethlehem has always run its own pension plan—with Morgan Guaranty Trust Co. as custodian—and it has no intention of farming out the chore. He said that from 1928 to 1949 the fund had assets of about \$30 million ("it was very aggressively managed; we were exclusively in government bonds," he quipped). The fund now has assets of \$600 million.

MORGAN GUARANTY, in addition to measuring performance of the fund—the portfolio is on the bank's computer—also provides Bethlehem with a "window on Wall St. and also gives Wall St. a window on Bethlehem," Mr.

Dunbar pointed out.

When Scott went about the job of dividing its pension business among three advisors (one of its own and two new outside experts), Mr. Shane said the company looked at 13 concerns from several different viewpoints.

Scott wanted to know the size of the firms, what other clients they had, their experience, how important pension fund management was to their overall corporate mix, their performance record, what kind of holdings contributed to their performance record, how free individual investment managers were to act and whether their investment philosophies were compatible with Scott's.

"**WE WERE** very well impressed with the entire group," Mr. Shane said. "Of course, it's not too difficult for any firm to say most of the right words. But the size of the firm and the number of accounts they handle are facts and couldn't be adjusted too much in their presentations."

Speaking of percentage figures for pension performances, several of the panelists expressed skepticism of this method of evaluation. As Mr. Reilly of InterCapital put it, "the number becomes the goal. I prefer to see a highly competitive excellent performance in the broad framework of other capital pools."

Mr. Vermilye, of State Street Investment, said his firm gives investment performance figures "with very little confidence but only because clients expect some answer. It's a mistake," he added, "for corporations to pay any attention to individual issues and to interrogate us" on each purchase. Clients, he said, should have a "keen interest" in the overall result but not bug advisors on a day to day basis.

MR. GOINGS, a onetime professional football player, sounded a theme that was later taken up by luncheon speaker Andrew Heiskell, chairman of Time Inc., namely that corporate pension fund managers have an obligation to invest funds in socially worthwhile activities.

Mr. Shane acknowledged corporate responsibility in this area, pointing out that Scott and other firms are already active in creating jobs for minority workers. "It's a short jump to taking part of our pension money and being concerned where the money goes."

Mr. Dunbar added: "The name of the game is change. Twenty years ago there was no venture capital and no stock investments. If this is coming we'll do it."

WHAT'S NEEDED, Mr. Goings said, is venture capital vehicles "with a good sound rate of return." But, he cautioned, "when you start to bring something on stream you don't hope to optimize profits" all at once.

Mr. Goings said that pension funds "have to become inclusive if the capitalist system is to remain viable. If you can't get your goods and services through the Indian territory, where are you going to sell them?"

Mr. Heiskell, in his luncheon talk, asserted that "today's pension funds are themselves a product of social unrest and upheaval in the United States. As the labor movement grew in the '20s and '30s, workingmen sought to obtain a decent level of guaranteed retirement income. American business responded to this pressure, and from the confrontation arose the pension phenomenon."

THE TIME executive contented—
Continued on page 50

The insurance squeeze: It can also pinch your profits.

Current corporate expansion is putting the insurance industry's underwriting capacity under the most severe strain since World War II. Add to this supertankers ten times the size of the largest tanker then; and now jumbo jets twice as large as any before.

Because insurance companies are being asked to cover such an unprecedented volume at a time of heavy losses and limited new capitalization, businesses are finding it harder and harder to get adequate insurance protection. Inadequate coverage endangers your profits.

In this kind of market, the J&H approach is the best way to protect your profitability. We help in a number of ways.

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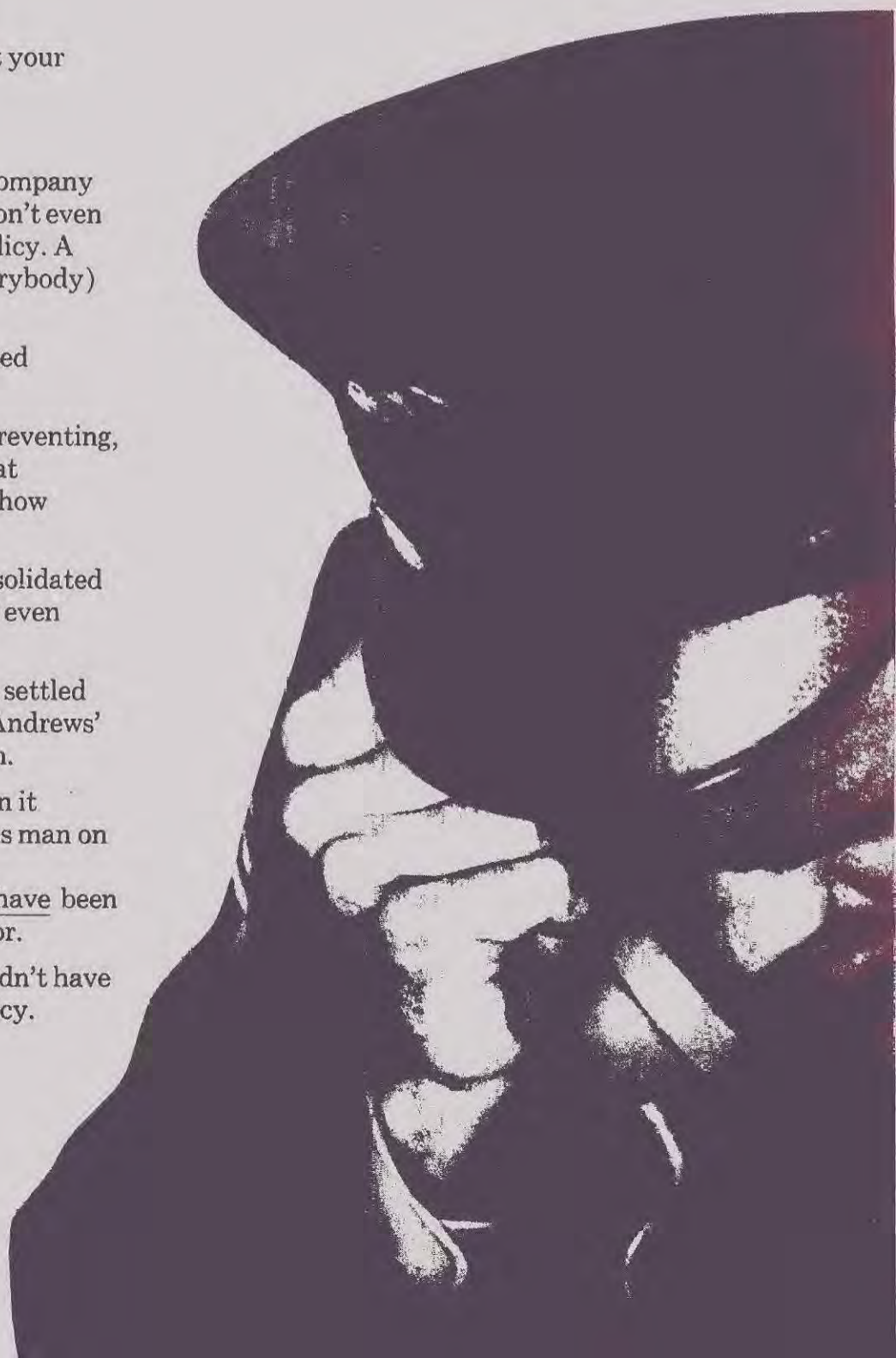
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Info for Buyers offers material that *Business Insurance* believes will be of value to its readers. The complete name and address of each supplier of information is listed so that readers can write directly to the publisher, simply saying that they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

• A pamphlet issued by the Kemper Insurance Group contains a complete check list to be followed in winterizing plant buildings and yards and roadways and fire protection systems and equipment. **Winterizing Your Plant** also lists action to take when a freeze-up does occur. Copies may be obtained by writing Combined Property Dept., Kemper Insurance, 4750 Sheridan Rd., Chicago, Ill. 60640.

• A revision of the 1955 edition of the **Safety in Quarry Operations Standard** has been completed by the National Safety Council. The 43-page document contains an illustrated appendix and sells for \$5 per copy. (Discounts are allowed for larger orders.) Write the American National Standards Institute, 1430 Broadway, New York, N. Y. 10018.

• A new line of wrenches featuring a spring-loaded ejection device has been manufactured by Miracle Instrument Co., 1569 Third Ave., New York, N. Y. 10028. The devices prevent the tools from remaining in position after a chuck has been tightened and pressure on the wrench has been released. The items sell for between \$10.80 and \$34, depending upon size. Write the company for illustrations and information.

• **101 Ways to Save Money on Your Car** is an eight-page brochure released by the National Auto Club. Points covered include: getting more miles per gallon; making tires last; saving money on insurance; maintaining the appearance of the auto; saving on engine repairs; getting longer battery life. The item would be useful and appreciated as an employe-handout and would be especially valuable to drivers of fleet cars. For each copy send 35¢ in coins to the club at Box 2368, Elmont, N. Y. 11003.

• An illustrated brochure from Willson Products Div., ESB Inc., describes **Air-supplied Respirators** used in a wide range of industrial environments as a non-emergency device to combat the long-range cumulative effects of dusts, vapors and mists. For more information, write: Merchandising Mgr., Willson Products Div., ESB Inc., P.O. Box 622, Reading, Pa. 19603.

• A 27-page, pocket-size booklet, **Logging Safety**, has been prepared by the safety engineering department of Hewitt, Coleman & Associates Inc. Free single copies of the color-illustrated item are available from the company at P. O. Box 3665, Greenville, South Carolina 29608. Quantities may be purchased for 54¢ each.

• The National Fire Protection Assn. has published in pamphlet form its **Proposed Standard for Fire Tests of Window Assemblies** (NFPA No. 257-T). The text has not yet been officially adopted by NFPA and is still subject to major revision. The item applies to window assemblies including glass block and other light-transmitting assemblies for use in wall openings to retard passage of fire. Copies are available from the association for 75¢, at 60 Battery-march St., Boston, Mass. 02110.

• Computer Claims Control has published a new brochure entitled **Facts in Motion for IMPACT**. IMPACT stands for Insurance Management + Accident Control Technique, an information control system to relate the total costs of accidental loss to each operating division of a company. Monthly computer reports are designed to communicate with divisional management to motivate correction of cost-causing conditions. To obtain a Facts Pack on IMPACT, write Guyon Saunders, Computer Claims Control, Box 9013, Armarillo, Tex. 79105.

• The thirteenth edition of **Fire Protection Handbook** has just been published by the National Fire Protection Assn. Each of the 117 chapters has been exhaustively reviewed by experts in the specific subject dealt with and updated to incorporate the latest fire experience, research and technical developments. The illustrated book is divided into 20 sections, which give a progressive understanding of fire and its control. Among additions to the current book are an entire new section on industrial and manufacturing process hazards and a table on state and provincial fire laws. The book is available at \$22.50 from the association at 60 Battery-march St., Boston, Mass. 02110. Discount prices apply to orders for six or more copies.

• **Building Codes, Their Scope and Aims** is a booklet prepared by the engineering and safety department of the American insurance Assn. It traces the development of building code concepts from the Babylonian era to the present and also discusses fire prevention, detection and extinguishing. Suggestions for stricter enforcement of existing codes are also made. The illustrated item is available for 20¢ from the association at 85 John St., New York, N. Y. 10038.

• Those responsible for safety in plant operation will be interested in an item from Lansing B. Warner Inc. The brochure covers two safety topics: **Cutting and Welding Can Be Made Safe and Operate Power Lift Trucks Safely**. A total of 17 safety precautions are detailed and an explanation of the Warner specialist and loss prevention service is also given. A free copy is available by contacting Russell K. Hedborn, Marketing Mgr., Lansing B. Warner Inc., 4210 Peterson Ave., Chicago, Ill. 60646.

• **The Industrial Policy** is an illustrated brochure from the Home Insurance Co., 59 Maiden Ln., New York, N.Y. 10008. The literature dissects the policy in terms of property damage, business interruption, automobile liability, crime and fidelity, excess and catastrophe coverage, workmens compensation and ocean marine insurance.

• The Chamber of Commerce of the United States has released a 72-page book telling businessmen how to detect organized crime in their own companies. **Desk Book on Organized Crime** points out the symptoms of organized crime techniques and suggests what businessmen can do to combat them. The book gives details on how to fight dummy or fraudulent associations, gambling, labor racketeering, loan sharking, monopoly and coercive competitive practices, illegal uses of stocks, bonds, credit cards, and illegal takeover of a legitimate business. For a copy write the news department of the Chamber of Commerce of the United States, 1615 "H" St. N. W., Washington, D. C.

• A four-page illustrated brochure on **Data-Vault, Walk-In Computer Media Vault** is available from Data-American Equipment Co., 333 N. Michigan Ave., Chicago, Ill. 60601. It explains the need for vault protection of computer tapes against fire, steam explosion and flood. The new vault protects tapes with a temperature less than 140°F. for at least six hours in a fire exposure equal to the American Standard Time and Temperature Test reaching 2,250°F.

• Information on a line of fire alarm equipment is now available from the Standard Electric Time Corp. **Alarm-matic** is a brochure describing the basic control panel module featuring low voltage operation, automatic DC standby, low voltage trouble signals and station circuits which provide positive trouble and alarm annunciation. Modular components to make up a variety of systems for a variety of applications are illustrated and detailed. Dimensional data and description of accessories are also included. Request publication 263-A from the corporation at 89 Logan St., Springfield, Mass. 01101.

• Computal Corp. offers two example booklets explaining their **Business Insurance Analysis** and **Computer Report** services. The format of the literature is that of a questionnaire, which would be filled out by the customer, and the actual analysis he would receive. For further information contact the company at 165 W. Jackson Blvd., Suite A2101, Chicago, Ill. 60604.

• Royal-Globe Insurance Cos. have compiled a 52-page publication entitled **How to Reduce Embezzlement Losses**. The material is handled in a question-and-answer form that can be easily adopted for use in any type business and flow charts are used to trace handling of incoming and outgoing funds, purchasing and receiving inventory, handling of petty cash, and checks on shipping and stock in storage and withdrawal. The item, which costs \$1, may be obtained from the fidelity-burglary department of the companies, 150 William St., New York, N. Y. 10038.

• When a disaster hits a plant or factory, what is done in the precious few minutes before public assistance arrives makes the difference between life or death and serious loss or preservation of property. **Emergency Organizations for Industry and Commerce** tells how to organize, staff, equip, train and maintain in constant readiness an emergency organization capable of coping with the situation. Free copies of the booklet may be obtained from the Combined Property Dept., Kemper Insurance, 4750 N. Sheridan Rd., Chicago, Ill. 60640.

Ask ICC to order continued coverage

NEW HAVEN—At a U.S. circuit court hearing it was decided that the Interstate Commerce Commission would be asked to order Penn Central Railroad to continue life insurance payments for 1,200 retired employees of the New Haven Railroad (since absorbed by Penn Central).

A motion for a supplemental order giving the ICC's position on the insurance issue, *Business Insurance* was told, would be filed by a Washington law firm representing a group of railroad unions. The complainants have won a 60-day extension of the insurance coverage, which was to have expired Oct. 31.

At a hearing before U.S. Circuit Judge Robert P. Anderson here, an ICC attorney said that the agency had already investigated

the question matter and formally decided that the Penn Central should continue the company-paid insurance.

HE ADDED that the ICC intended to have this coverage continued with approval of New Haven's sale to Penn Central.

Judge Anderson granted a 60-day continuance on a request for an injunction to halt the planned insurance elimination. He said that the petition would be sent to the ICC for a ruling during this period and reconsidered by the court.

Meanwhile, Congressman Robert N. Giaimo (Dem., Conn.), disclosed that the ICC would be asked for a formal interpretation of the life insurance question and for issuance of a supplemental

order if it intended the railroad to continue insurance coverage.

Purpose of the move was to speed up an answer to the question of whether the ICC intended the railroad to continue the coverage and to remove all problems related to the situation. (In effect, Mr. Giaimo's gesture plunks the issue squarely before the ICC.)

THE RAILROAD has continued to maintain that the sales agreement involving the former New Haven line did not require Penn Central to continue company-paid insurance of employees retired prior to Dec. 1. Penn Central has commented that it had "voluntarily" continued the benefit for the first six months of 1969 on a temporary basis.

The interim payments had been

continued by the bankrupt estate of the New Haven line on a temporary, voluntary basis. The bankrupt estate recently informed the retired employees that it could no longer continue the payments because of financial conditions, as reported in *Business Insurance*.

The action would affect some 1,200 men and women, most of them former employees in the general offices, between ages of 66 and 96.

It is argued that if the 1,200 lose the company-paid life insurance, additional hardships will ensue because of the high cost of coverage of individual policies at advanced ages.

The controversy does not involve pensions, which Penn Central will continue to pay.

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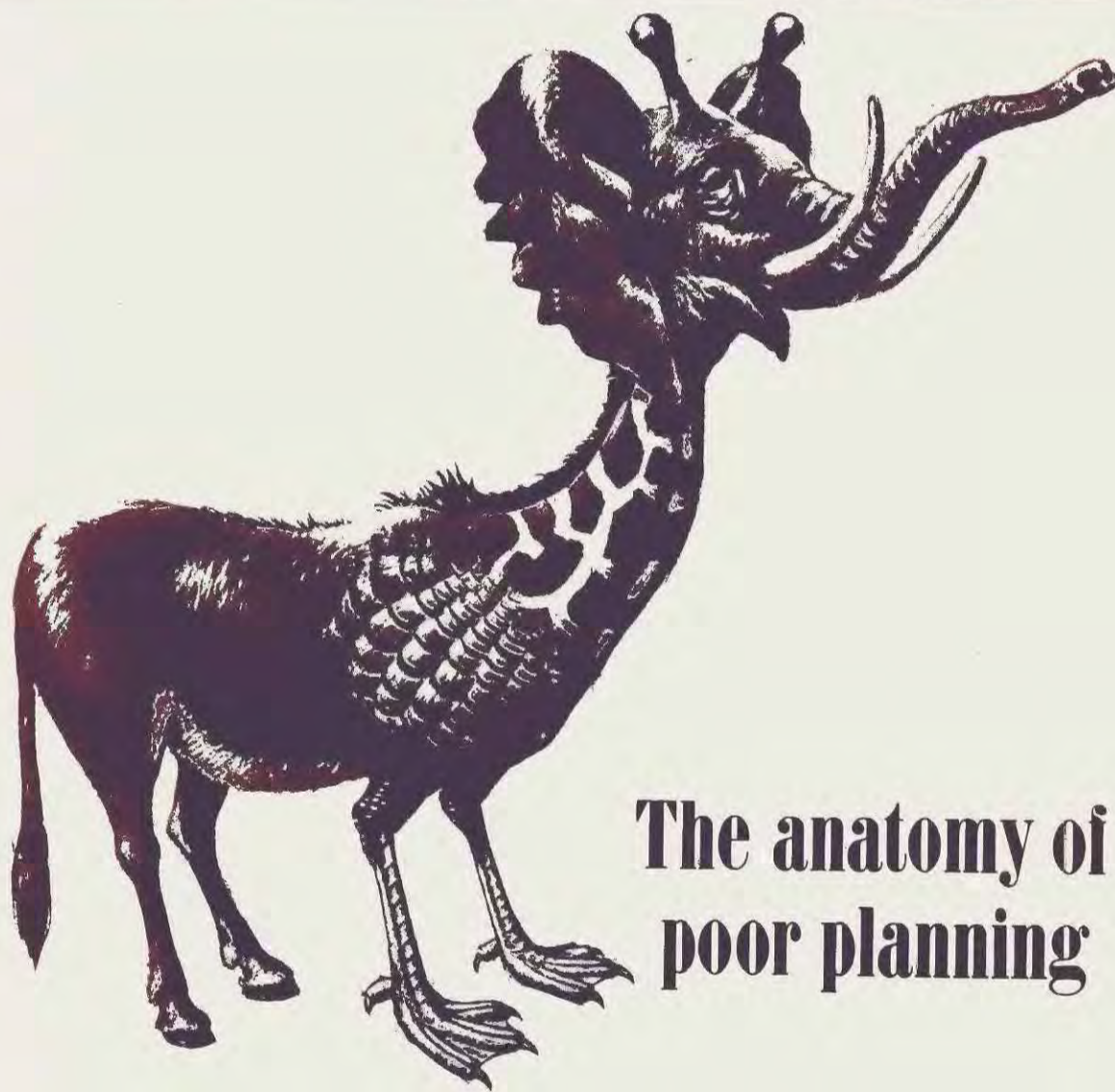
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**Canadian export unit
gives \$5 million cover**

TOF. ONTO, Ont.—Insurance available from a federal Crown corporation for the first time to Canadian companies investing abroad is seen as a means of both helping developing countries and increasing Canadian exports, according to V.L. Chapin, vp of the Export Development Corp., which provides the insurance.

Speaking at a seminar on the corporation sponsored in Toronto by the Canadian Export Assn. and the Canadian Bankers Assn., he said private capital flows encouraged by EDC investment insurance will be counted as part of Canada's attempt to achieve the United Nations target of 1% of a country's gross national product for foreign aid.

Such investment may also help Canadian exporters jump tariff barriers of developing countries and may draw in Canadian exports. Subsidiaries of U.S.-based multinational corporations have undoubtedly greatly increased U.S. exports to the countries where the subsidiaries are situated, thus helping the U.S. balance of payments.

THE EDC BEGAN operations Oct. 1, succeeding the 25-year-old Export Credits Insurance Corp. It insures Canadian exporters against both commercial and political credit risks, makes long-term loans to foreign buyers for large capital projects bought from Canada and, unlike the ECIC, may insure Canadian investors abroad against noncommercial risks.

Barry Culham, director of the EDC investment insurance program, said more than 50 companies have inquired about 70 projects in 40 countries since the program began getting publicity about three months ago—without any great effort so far by the EDC to seek clients.

About half the proposed projects are in the Caribbean, a traditional area of Canadian investment.

THE INSURANCE is generally limited to projects in developing countries and is only for noncommercial risks, such as expropriation, confiscation, war, revolution, or inability to repatriate capital or earnings. It is for new investment only, although this may include augmenting previous investment.

There is a \$5-million liability limit for any one project and a \$50 million limit for the total investment insurance liability the EDC may assume at any one time. ■

**Electric firm
sets up fund
for pollution**

LONG HARBOR, Nfld.—The company blamed earlier this year for polluting northern Placentia Bay with waste from its phosphorus plant announced the establishment of a \$300,000 fund to compensate fishermen.

But the statement by the Electric Reduction Co. of Canada Ltd. denied it had any legal responsibility to make up losses in fishermen's income.

"Nevertheless, the company has recognized that fishermen, through no fault of their own, have been subjected to hardship and it is the company's wish, as a responsible member of the community, to make a contribution to the relief of this hardship," the statement said.

Recently, about 140 Placentia Bay fishermen retained a lawyer to prepare compensation claims against Erco.

The bay was closed to fishing last spring by the Federal government but was given a clean bill of health by Federal scientists in July after Erco stopped production and agreed to dispose of plant waste in settling ponds ashore. The plant is back in operation. ■

Steinbock president

Elmer L. Steinbock has been elected president and chief executive officer of Security Mutual Insurance Co. of New York. He succeeds A. J. Gurevich, who remains chairman. Ned Gurevich was elected exec vp.

USWA wins 'biggest' benefit, wage gain of '69

SUDBURY, Ont.—The 16,000 members of United Steelworkers of America Local 6500 have ratified what the union claims as "the largest industrial settlement package of wage and benefit gains in Canada or the U.S. in 1969."

The removal of all pension offsets, a fully company-paid welfare program, a new company-paid drug plan, wage increases totaling 93¢ per hour and a new cost-of-living bonus are the major factors of a settlement between USWA and International Nickel Co. of Canada which increases the company's employee compensation by \$1.45 an hour.

Previously the employee pension plan was a combination of the Inco pension plus the Canada Provincial Pension Plan with an offset built in, Ontario Mancini, Sudbury's union area supervisor, told *Business Insurance*.

"PREVIOUSLY, the monthly total an employee would receive ran about \$271.25. Under this settlement, Canada pension offsets will be removed from the pension plan in 1971. All Inco employees going on pension will receive full benefit of both their Inco pension and of the Canada pension plan. This will up the monthly pension payment to about \$314.71, which is a \$34.00 monthly increase."

A workmen's compensation offset, which was also in effect has been done away with in the new agreement, Mr. Mancini explained. "A totally disabled employee with 25 years service at any age under 60 receiving a workmen's compensation pension of \$40 would have received \$266.41. Under the new agreement, his pension is now \$360.32 a month. This is what removing that offset means," he said.

The new prescription drug plan, which the new agreement called for was based on that plan provided by Blue Cross in Ontario. "It pays for all drugs which have prescribed by a medical doctor," Mr. Mancini explained. "There is a 35¢ deductible on each prescription." The plan, in effect as of the date of the agreement, is entirely paid for by Inco, Mr. Mancini revealed.

INCO, which had previously maintained all of its plans as at least partially contributory, agreed to the "full payment by the com-

Cost-of-living hike sought for pensions

OLYMPIA—The Washington Public Employees' Retirement Board has voted to seek legislation to provide for a retroactive cost-of-living escalator clause in public employees' pensions.

The proposal was submitted to the Washington Public Pension Commission in Nov.

The bill is to be presented to the 1970 special session of the legislature but will not require an appropriation at that time. The amount of the appropriation to be asked for has not been determined.

A bill to provide a 2% annual increase for employees already retired passed the Senate but died in the House in the 1969 session.

The new bill would differ from that one in providing the increase for future as well as past retirees and in being pegged to the consumer price index instead of a percentage.

pany for all medical insurance and welfare benefits," Mr. Mancini declared. Inco will take over the full cost of the Ontario Health Services Insurance Plan, the new \$5,000 accidental death and dismemberment insurance, the Ontario Hospital and the Blue Cross supplementary benefit plan. Inco also agreed to offer life insurance coverage to employees who have previously neglected to take out such coverage.

Under the new agreement sickness and accident benefits will be increased from the present \$65 a week for a year to \$70 of benefits payment for the first four weeks out of work and then the payment will increase to \$80 for the remaining 48 weeks of applicability. During the first two years of the contract Inco will continue to pay

60% of the cost and the employee will contribute 40%. However, in 1971, the company will assume full cost of the sickness and accident benefits program, Mr. Mancini explained.

In addition, Inco will assume the full cost of life insurance benefits in August of 1971, Mr. Mancini said, "at which time the entire welfare program will be fully paid for by the company."

UNDER THE OLD agreement, Mr. Mancini said, the minimum sick leave to which an employee was entitled was 14 days. Any extension of this period was up to the discretion of Inco management. "Now sick leave of up to one year is a right for employees with less than nine years of service and of up to two years is a

right for all employees with nine or more years of service. Any extension of these limits will be up to the discretion of the company."

According to Mr. Mancini, union and Inco negotiators agreed on three annual jumps in the average hourly wage totaling a 93¢ per hour rise. The 1969 rate jumped 43.8¢, 1970's rate climbed by 24.2¢ and 1971's rise totalled 20¢. A new cost-of-living bonus of 5¢ an hour was added to round out the total increase, he explained.

Apparently the settlement has been the major factor in Inco's price boost of nickel last month. The company announced a 25¢ per pound increase, raising the producer price to \$1.28 per pound.

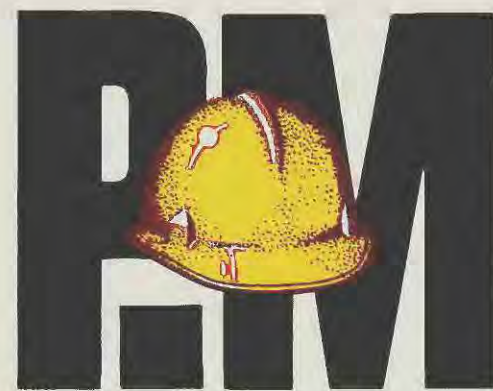
U.S. Steel Corp. followed this

Inco move by raising prices of its products which include nickel—some 3% of its shipments are affected. The increases vary according to what percentage of a product's content is nickel; a fairly common alloy which is made of molybdenum and nickel registered an increase of \$5 per ton, or about 2.2%.

Although U.S. Steel's move did not apply to big volume stainless steel products, such as sheet and strip forms of the metal, other producers of stainless steel such as Allegheny Ludlum Steel Corp. intimated that such price increases were forthcoming.

"A 25-cent a pound increase in the market price of nickel just can't be absorbed," said William Pierce, exec vp at Allegheny Ludlum.

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Fleet insurance to get Senate committee scrutiny

By STEPHEN GILKENSON

WASHINGTON—The auto insurance industry appears to be in for some rough sailing if the gathering clouds over the soon-to-be concluded Senate antitrust and monopoly subcommittee hearings are any indication.

This, at any rate, is the conclusion of *Business Insurance* which recently sat in on three days of the hearings in an attempt to determine what if any implications they hold for insurance managers responsible for drawing up coverage on their companies' auto and truck fleets.

The hearings have been continuing for months under the chairmanship of Sen. Phillip A. Hart (D.-Mich.) and are due to be wrapped up before Congress adjourns for the holiday recess.

IN ALL likelihood, the hearings will be of little immediate consequence to fleet insurance managers. However, observers here agree that the ultimate recommendations of Sen. Hart's subcommittee may indeed have some affect on fleet insurance. As one insurance source remarked: "If the committee's recommendations result in legislation adversely affecting profitability in the area of private passenger auto coverage, the industry may just try and recoup some of the loss by tightening up its competitive position in insuring large fleets."

While the long parade of hearings in room 1318 of the New Senate Office Building here have in no way focused or even touched on fleet coverages, an assistant counsel of Sen. Hart's subcommittee promises that they

will come in for some scrutiny this week.

Dean Sharp, the most aggressive inquisitor on the Senate panel, told *Business Insurance* he intends to direct some rather pointed questions to representatives of the larger private auto and fleet insurers who have been summoned before the subcommittee this week.

"I'LL BE VERY interested to get some comparisons between rates for private passenger autos and those that companies are paying for fleet coverage," Mr. Sharp said.

The overriding concern of the Hart subcommittee, however, continues to be in the area of antitrust. "We serve," Mr. Sharp said of the body's function, "to gather the evidence—the facts—and

make a hearing record. It is on the basis of this record that the Senators will draw inferences and conclusions and study recommendations by the committee and its staff assistants. Obviously," the assistant counsel asserted, "our function is to determine the need if any for Federal legislation in the area of auto insurance."

ASKED WHETHER he had drawn any conclusions at this late point in the hearings, Mr. Sharp smiled and said, "Well, the facts aren't all in yet." He added, however, that he is somewhat disturbed by the fact that "this industry has to do everything in concert. I think we all agree on that point," he said. "My question is, 'Why?'"

While it would perhaps be im-

proper for Mr. Sharp or other subcommittee members to draw conclusions before the record in its entirety is studied at length (which will be well into next year), the insurance industry and other observers have been drawing a few of their own based on the committee's line of questioning.

THE SUBCOMMITTEE investigators harped on several points continually during the recent hearings. Among them:

- The relevant purpose for insurance companies' membership in rate making bodies.

- What changes, if any, are necessary in the present system to effectuate the complete availability of auto insurance at a reasonable price.

- The most just and efficient compensation system for all automobile accident victims.

- The true profitability of the auto insurance industry.

- The degree of concentration in the industry as related to the concentration of other U.S. industries not subject to Federal antitrust laws.

APPEARING BEFORE the hearings the other day were representatives from both the Insurance Rating Board (IRB) and the Mutual Insurance Rating Bureau (MIRB). Also submitting testimony on behalf of their membership in the two rating bureaus were executives from member companies.

In response to a question from Sen. Hart, James M. Cahill, general manager of the IRB, told the committee that he thought a no-fault system might be the answer to the current auto insurance dilemma.

"A no-fault system would benefit almost everyone, except lawyers and those with particularly serious injuries, I suppose," Mr. Cahill told the committee. "It would eliminate a lot of the delay under the present system," he added, noting sizable administrative expense savings and benefit claim problems that would be minimized.

MR. CAHILL'S feelings were echoed almost to a man by the insurance industry representatives offering testimony to the committee.

Louis W. Niggemann, president of Fireman's Fund American, for example, told the committee:

"The insurance industry is being blamed for everything today. We believe it is time to overhaul the present legal liability system. We believe it is time for a no-fault system. What has happened is not the insurance industry's problem," Mr. Niggemann said. "It's a social problem and it is time for social change." The Fireman's Fund president vigorously emphasized that he believes auto insurance should be kept "intact" and within the private sector.

ANOTHER AREA touched on by the Senate subcommittee was that of auto reparability.

In response to a question from Sen. Hart, Mr. Cahill said that he feels the auto industry could play an active role in reducing the cost of insurance.

"Auto manufacturers should design cars with reparability in mind," Mr. Cahill said, alluding to a recent study done in Sweden that showed rather marked reductions in insurance costs when vehicles are designed with easy repair in mind. However, Mr. Cahill noted, "I don't think

Continued on page 45

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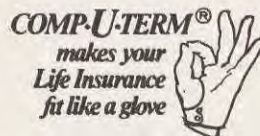
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london line

London Stock Exchange views rumours of U.S. take-over offers

LONDON—Share dealers on the London Stock Exchange have been studying surprise reports that American insurance interests might make take-over offers for one or more big British insurance corporations.

The rumours have now been firmly denied, but sources close to the Stock Exchange told *Business Insurance* that Life and Casualty, of Tennessee, was among American businesses which had been linked with the project in gossip-talk among dealers at one time.

Another corporation which kept being named in the rumours was Chase Manhattan Bank of New York. The rumours lifted the share prices of two British firms, General Accident Fire and Life Assurance, and Royal Insurance, for a time as a speculative move until they were denied.

IT WAS emphasised by these Stock Exchange sources that the names of the two American firms were being mentioned "on the floor" of the Exchange only by

conjecture as potential bidders if either of the two big British firms became involved in trans-Atlantic merger talks.

Since then, however, both General Accident and Royal have strongly denied that there is any substance in these suggestions.

The rumours were based on recent underwriting losses in the American market by British groups. It was suggested that one or other of them might be contemplating linking some of their interests with big American

groups, or of merging their own interests. The association of Continental and Phoenix was cited as a previous successful example of collaboration across the Atlantic.

BUT THEN General Accident denied that it had neither received a take-over bid from any other company, nor made any approach itself, and it also stressed that its future prospects in the American underwriting market were "not bad." Royal Insurance emphasised that there was definitely no truth in the rumours, which had mainly linked it with a merger with General Accident, rather than with any U.S.-based company.

The stir over the rumoured link-up, either within the U.K. or across the Atlantic, has now died down. But insurance shares continue to be closely watched on the London Stock Exchange.

FOOTNOTE.—It was not clear to London sources whether either

Life and Casualty of Tennessee, or Chase Manhattan Bank, were aware that their names were being linked in the rumours that were prevalent.

* * *

INSURANCE sources in Britain officially report that Hurricane Camille cost Commercial Union \$4.7 million, Royal Insurance \$1.2 million, and the Phoenix Assurance's American group \$300,000.

* * *

HULL INSURANCE of \$6 million is carried by Lloyd's and other British companies on the Nigeria Airways VC-10 which crashed while making a landing approach in Lagos, Nigeria, Nov. 20 and killed all 87 passengers and crew. It was the first V.C. 10, made by British Aircraft Corp., ever to crash in any country. It was bought by the airline from BOAC.

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Insurance complexities bother this businessman

By RANCE CRAIN

PHILADELPHIA—Marvin Orleans is a man of varied interests. He's president and chairman of FPA Corp., which operates a condominium-country club complex in Pompano Beach, Fla.; a partner in Orleans Construction Co.; president, treasurer and director of Industrial Valley Title Insurance Co., among other things. Although Mr. Orleans is mostly concerned with the workings of his far-flung enterprises, he had time one recent fall day to talk about insurance as it applies to the average businessman.

"THE AVERAGE businessman is not up on insurance," he began. "We're told one thing by one broker and another thing by an-

other. They all say they can save us money.

"We use outside experts to evaluate bids," Mr. Orleans told *Business Insurance*. "I studied insurance and I can't understand them. I think very few insurance brokers know the business. They're primarily sales people."

Mr. Orleans noted what he said were "a couple of built-in problems." The broker is "working at cross purposes" with his client. "The more insurance he sells, the more premium he gets."

For instance, Mr. Orleans said he was surprised the other day to discover that autos and trucks owned by FPA, the condominium enterprise, were insured for property damage under a \$50 deductible arrangement. "We never should have written it this way,"

he said. Years ago his companies were self-insured for auto damage.

MR. ORLEANS admitted, however, that part of the problem was that "we have never evaluated" insurance coverage, although he said his people are now in the midst of a review. "Part of it I'm sure, is inertia," he conceded, and another factor is that "we haven't been sophisticated enough as far as insurance is concerned."

In general Mr. Orleans' insurance-buying philosophy is to guard against catastrophes. "We've never been particularly interested in the \$50 deductible or anything of that sort. We're worried about getting hit on the head for real dough. The minor things we'd just

as soon self-insure."

To safeguard his condominium against a major loss, the company has just increased its umbrella liability coverage from \$1.5 million to \$5 million, Mr. Orleans said. FPA pays about \$100,000 in premiums, mostly to Travelers Indemnity Co., which handles the umbrella coverage, plus fire and general liability. Workmen's compensation will also eventually be channeled to Travelers, it's contemplated. Boiler coverage is at Zurich Insurance Co.

Murray G. Isard, exec vp of FPA, explained some of the insurance problems peculiar to the condominium business and peculiar to Florida. Some insurers, Mr. Isard said, insist on a 1% deductible for hurricane coverage of coastal property, but since the

individual owners of the condominium apartments pay for insurance on the structure as part of a fixed monthly fee, such a deductible is out of the question.

MR. ISARD said insurance on the complex's motel-restaurant is "very expensive." He said insurers require shuttering up the building during hurricane season. "We've managed to get insurance whenever we wanted but it's been very expensive."

In the area of employee benefits, FPA has a major medical, with limits of \$20,000, and is working on setting up a pension and profit-sharing plan. But the problem, as defined by Mr. Orleans, is: "How much of your profits can you afford to siphon off in a public company" toward such funds?

Also, he added, a man's annual salary "isn't necessarily his true worth."

Although not in their immediate master plan to market condominiums, both Messrs. Orleans and Isard thought it might be feasible to some day sell such apartments as a retirement oasis on a payroll deduction basis, after the initial down payment.

THEY POINTED out that "a fairly substantial percentage of purchases" are by couples who sublet the apartments for the present with the idea of moving in on a fulltime basis when they retire.

"You can take the depreciation, write off the costs of upkeep and report the rental income," Mr. Orleans explained. In six weeks during the winter season (at \$55 a day for a one-bedroom apartment), rental income is enough to take care of yearly carrying charges for the condominium, Mr. Orleans contended. ■

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Says state at fault in assault case

BUFFALO, N.Y.—A \$525,000 negligence suit against the state of New York opened in the court of claims here on behalf of a coed who was brutally assaulted by a former mental patient.

The claimant, Miss Patricia Cameron, 21, of Tonawanda, alleges that Buffalo State Hospital negligently failed to diagnose the condition of the patient and negligently released him from the hospital.

Her father, R. Orin Cameron, is a co-claimant in the trial before Judge Ronald E. Coleman. The father is seeking \$25,000 of the claim for medical expenses and other costs associated with his daughter's recovery.

ON AUG. 4, 1967, she suffered seven skull fractures, a pelvic fracture and multiple stab wounds when Dennis Butthy, then 23, attacked her in an elevator which she was operating as a summer job in the Genesee Building.

Mr. Butthy was convicted of first-degree assault with intent to kill by a County Court jury on Sept. 17, 1968. He was sentenced to five to ten years in Attica State Prison where he is now incarcerated.

Attorney Paul Birzon has filed an appeal before the appellate division to have Mr. Butthy transferred to a prison hospital at Dannemora. Mr. Birzon contended that the prisoner is mentally ill, if not legally insane. ■

Light damage recorded in Cal. earthquakes

SAN FRANCISCO—The score for California's recent spate of earthquakes has not all been analyzed yet by seismologists, but insurers, engineers and owners of this city's new high-rise buildings have gained considerable confidence in recent weeks.

All of the new construction appears to have weathered the recent earthquakes without any damage.

William Cloud, chief of the seismological section of the U. S. Coast and Geodetic Survey, reports no damage to any building here. Several of these have seismographs installed, monitored and maintained by Cloud's organization.

MANY communities now have building codes which require installation of seismographs in new buildings. Los Angeles, Orange County, Florence, and Beverly Hills all make such installation mandatory.

San Francisco does not require seismographs but a number of building owners have spent the necessary \$2,500 or so to install the equipment anyway.

The huge new world headquarters building of Bank of America has a seismograph but it had not been installed at the time of the recent Santa Rosa quake which caused \$5 million damage there.

THE BAY AREA Rapid Transit System which tunnels through, over and around the three major earth faults in this area, also came through the Santa Rosa quake with no damages.

The system has been so constructed as to "wriggle like a snake" when the earth shakes

Dismisses insurance fraud count

TORONTO, Ont.—Charges of attempted fraud against three officers of a Weston construction company were dismissed by Judge Robert Dnieper.

Aurelio Bianchini, 44, president of Leader Masonry & Forming Ltd.; Olimpio Molinari, 47, company secretary; and Ross McDonagh, office manager, were charged with attempting to defraud two insurance companies of \$11,895 after a fire in an Ottawa housing project last Feb. 7.

Leader Masonry was a subcontractor on the Playfair residential complex when a fire caused \$30,000 to \$40,000 damage.

JUDGE DNEIPEP ruled there was no evidence of any intent or knowledge of falsity on the part of Mr. Bianchini. The judge held there was no evidence that Mr. McDonagh did not believe the statements true when he made statements to the company's insurers.

Judge Dnieper said the evidence indicated that Mr. McDonagh dealt with the insurer on a proper basis, and there was no evidence that any of the three had any intention of making a false statement.

Simcoe & Erie General Insurance Co. and the Economical Mutual Insurance Co., both of Hamilton, said claims filed by the contractors were \$15,000 above actual loss.

and quivers.

Even the world's longest underwater tube, which floats on San Francisco Bay bottom mud, was built to move, according to Thomas R. Kuessel, consulting engineer for BART.

BART'S 75 miles of rails are close to the San Andreas fault which wrecked San Francisco in 1906 and are adjacent to the Hayward fault which produced major quakes in 1836 and 1868. The rails also cross the Calaveras fault.

The joints in the tube under the Bay are of neoprene rubber, permitting the tube to move.

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opinions

A necessary step

Elsewhere in this issue we report on speeches by Richard Bjorklund, managing editor of *Business Insurance*, in which he called for action to stem the rise of criminality in the insurance business.

Among other things, he recommended that insurance companies be made subject to provisions of the Federal Bankruptcy Act, a step that would enable Federal law enforcement authorities to prosecute those who willfully deplete the assets of insurance companies that later become insolvent.

This suggestion is sure to be attacked by those in and out of the insurance industry who automatically abhor any form of Federal intervention in the insurance business. There are many differences, however, between making insurance companies subject to Federal bankruptcy procedures and making them generally subject to regulation from Washington.

First of all, Federal bankruptcy laws would not affect the great majority of stable, solvent, properly managed companies. Such companies would operate as usual under state regulation. Only in instances in which companies have become financially insecure would Federal law apply.

Furthermore, it would be possible to make insurance companies subject to Federal bankruptcy laws while retaining state insurance regulation by providing that in insurance company bankruptcies the liquidator of the company be the insurance commissioner of the state in which the company is domiciled. The only change from present procedures would be that the state insurance commissioner would report to Federal court rather than a state court.

Many law enforcement officials, on both the Federal and state levels, support the recommendation that Federal bankruptcy laws apply to insurance companies. They believe that the present exemption of insurance from U.S. bankruptcy regulation has attracted to the insurance business many individuals bent on depleting the substantial assets of insurance companies.

Such was the case in Miami, Fla., where suspected Mafia figures gained control of State Fire and Casualty Co. and systematically ran it into insolvency while the insurance commissioner bided his time until it was too late to save the company for its policyholders and claimants. The company went under and Florida newspapers suggested that Florida State Treasurer Broward Williams waited an illegally long time before acting against the company.

In a recent speech to an insurance industry group, Sen. Roman L. Hruska (R.-Neb.) made a roundhouse attack on those who propose Federal remedies for ills of the insurance business.

"We have had bills in the Congress," the senator said, "to impose Federal regulation on alien excess lines insurance coverage, to control credit insurance, and most recently, a bill to create a Federal insurance guaranty corporation. In each case we have been told that the bill was merely aimed at a specific problem. But make no mistake, the real goal, and one that the sponsors never lose sight of, is complete Federal regulation."

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GROUP LIFE INSURANCE		
(total in force at year-end, 1968)		
Type	Individuals covered	Total coverage (in billions)
Group life (except dependents)	69,604,000	\$ 431.062
Group life (including dependents)	7,547,000	7.179
Group credit life	67,020,000	64.156
Wholesale life (mass-marketed ordinary)	1,047,000	5.529
Group annuities (deferred annuity and deposit administration)	7,310,000	—

Source: Institute of Life Insurance

The number of individuals covered represents the sum of the numbers reported by the companies, with no attempt to remove duplication among companies. The group life insurance total includes group coverage issued through employer-employee groups, trade unions, professional associations, credit unions, the Federal government and other groups.

We assure Sen. Hruska that the suggestion that insurance companies be subject to Federal bankruptcy laws has nothing to do with general Federal regulation of insurance. It is a measure seriously proposed to meet a specific problem, a problem that we believe was an unintended by-product of the McCarran Act that more than two decades ago exempted insurance companies from Federal antitrust laws provided that states regulate insurance adequately.

Without judging the general adequacy of state insurance regulation, it can be said that state insurance commissioners do not have sufficient punitive power to cope with the problem of criminal infiltration into marginal insurance companies. They can and do lift licenses and suspend charters and the like. But criminals who willfully deplete and steal the assets of insurance companies understand and fear only the investigative and punitive power that Federal agents and Federal courts would have if given jurisdiction over bankrupt insureds. No honest insurance company official would be affected by this necessary change in our laws.

Worthy objective

Not long ago we received an announcement from Marsh & McLennan, insurance brokers, that the brokerage firm awarded two scholarships in fire protection engineering. One scholarship went to Glenn Evenson, the son of a Marsh Mac executive; the other went to Donald Scott, the son of a Portland, Ore., fireman.

Marsh & McLennan's Charles Ward Seabury scholarships to the school of fire protection engineering at Illinois Institute of Technology seek to meet the worthy objective of upgrading the recently neglected field of fire loss prevention.

Risk managers throughout the country are faced with the dual problems of mounting concentrations of values and growing sources of fire loss. These two factors represent the mounting reasons that we must have sophisticated fire prevention engineers, young people able to cope with fire problems presented by nuclear installations, electronic data processing systems, massive jet aircraft and other fire protection problems of our generation.

There is some concern about the lack of interest young people have shown in the field of fire protection engineering. To many in the turned-on generation fire protection sounds mundane and even deadly. Yet opportunities and challenges in this career area stagger the imaginations even of those who have moved easily into the air age, the jet age and the age of space exploration.

We commend Marsh & McLennan for sponsoring a fire protection engineering scholarship in the name of the company's former chairman. Insurance companies and other brokerage firms should give serious consideration to sponsoring similar scholarships that may help the insurance industry and the risk management profession face the parameters of loss prevention in the future.

Annual 'Info' review

The Dec. 22 issue of *Business Insurance* marks the second annual review of Info for Buyers items. In addition to the new items regularly offered, we plan to list also the most asked-for materials of previous issues for the convenience of corporate readers who may have missed them.

In order to handle efficiently the large number of listings, each one will be numbered. Coupons will be provided throughout the round-up so that readers may make their requests directly to *Business Insurance*.

The Info for Buyers column is designed to bring up-to-date material on problems of risk management, safety and employe benefits to the attention of corporate executives. Info for Buyers has been enthusiastically received, with more than 14,000 requests from the last comprehensive review and we, in turn, are enthusiastic about the upcoming, comprehensive review. For the reader's convenience in finding material of direct interest to him, the special section will be categorized.

Samples of literature pertinent to our audience are always welcome for review by our editors. We require only information on the cost of the item and proper mailing instructions.

letters

Islands boycott

To the Editor: I have read the article in *Business Insurance* of November 10th suggesting the boycotting of Bermuda and Bahama insurers with particular reference to the World Insurance Co., Ltd., and British Frontier General Assurance, Ltd.

I also note that the Farmers and Merchants Mutual Fire Insurance Co. of Missouri reinsured the World Insurance Company Ltd., and I will assume by now this matter has been dealt with in a proper manner by the insurance department of the state of Missouri.

I note also that in your statement you do not suggest that all companies based in Bermuda or in the Bahamas are unsound. Nevertheless, you have no way of knowing whether they are or not.

The American International Reinsurance Co. and the Niagara Insurance Co. are domiciled in Bermuda and I dare say that there are probably some companies as financially sound and reputable as those two companies that are domiciled in the Bahamas. However, my preference is Bermuda.

I am interested in the formation and management of Bermudan insurance companies but not for the purpose of offering facilities far and wide but rather as a captive company owned by large insurance companies in the U. S. or elsewhere or by large corporations that might find it advantageous to write the insurance in their own companies reinsuring very heavily in the worldwide reinsurance market so that they can take credit for loss reserves, taxwise, which they cannot do as self-insurers.

I do not advocate the evasion of taxes but these captive insurance companies can, if they wish, assume some risks emanating from countries other than the U. S. if they wish to do so, and that business can also be heavily reinsured in the worldwide reinsurance market.

I feel that the attorneys and bankers in Bermuda and in the Bahamas who have encouraged some people, such as perhaps World Insurance Co., who have operated as they have, be advised not to kill the goose that laid the golden egg.

I propose to manage a consulting and management company as well as an insurance company in Bermuda following my retirement, which is near at hand. However, I have been impressed with the fact that in Bermuda there is a strong desire on the part of the government to issue charters only to reputable persons and that if they have made some mistakes in this regard, I think these mistakes should be immediately corrected and not be allowed to recur.

I will do everything in my power to encourage the procedures that will not be inimical either to the government of Bermuda or to the citizens of the U. S. who wish to own a captive insurance company domiciled in Bermuda.

W. Harold Leonhart
President, Leonhart and Co., Inc., Baltimore, Md.

Aircraft cover

To the Editor: Our firm is heavily involved in aircraft insurance production and read with interest, in your Nov. 10, 1969 issue, the article headed "Some 99,000 planes fly with car insurance."



D'jever see one of these things up close?

We hope not. It's a judgment roll—the frightening thing you get from the court when you lose a lawsuit. And you don't have to make a very big mistake these days to make a very expensive one.

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We've made this special policy for you vulnerable ones. Not every company offers this kind of policy, and few go so high or cover so broadly.

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coverage leaves off pretty early when it comes to things like kidney transplants or open heart surgery.

- Our Top Brass Policy covers suits for libel, false arrest, and malicious prosecution. (And that's the worst kind.) It also covers you if you should be sued concerning an oral or implied contract.

NOTE: This is *not* primary insurance. Only if you've already got \$50,000 or so of liability insurance are you ready for the Top Brass big time. (All the nitty-gritty details are in a brochure we'll send you if you're interested.)

A final note to poor people who may never be sued for a million. So your take home pay *is* less than \$25,000 a year.

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benefit tax slants

Tax Court upholds transfer of group life

By JOSEPH S. ROBINSON

NEW YORK—If it's important to transfer some of your assets now to reduce death taxes as part of your estate plan, you should consider turning over your group insurance. Chances are, such insurance "giveaway" will stand up in the Courts.

Some time ago, the Treasury stated that it would recognize the assignment of group life insurance policies for tax purposes provided both the policy itself and state law permit such transfers. But the Treasury indicated that there should be specific state statutory say-so, otherwise it will not look upon the assignment with favor.

Not so, says the Tax Court. If the state permits an effective assignment—despite the absence of any specific statutory authorization—that's enough to meet the requirement. In ruling this way, the Tax Court took the same position as the Court of Claims in a prior ruling which we previously reported. (See Gorby, 53 T. C. No. 12).

* * *

EMPLOYEES who are reimbursed for travel expenses must normally report to their employers their expenditures—if they want to avoid recording such expenses on their tax returns. However, there's an exception to this rule where employees are paid a flat per diem travel allowance up to \$25. Here, they do not have to "account."

The President has signed into law a revision of this rule whereby such per diem allowances are raised to \$31.25 per day. This means that business executives and salesmen may receive \$31.25 per diem allowances for their travel expenses without having to account.

* * *

VOLUNTARY contributions to a qualified pension or profit-sharing

plan can have a big advantage to employees. Earnings on such contributions are tax-sheltered during the build-up period. However, if the plan allows the employee to pull out his contributions together with the earnings at any time, he may be in for a big surprise.

Reason: Such provision—giving the employee the unqualified right of withdrawal—may be looked upon as "constructive receipt" of the earnings as they accrued, regardless of whether the employee

actually exercised his right of withdrawal.

Therefore, it is suggested that some substantial restriction or condition on the employee's withdrawal right be incorporated in the plan to eliminate the constructive receipt problem. (See Rev. Rul. 55-423 and Rev. Rul. 69-277).

* * *

OBTAINING Treasury approval for pensions is no longer necessary for corporations. All they need do is latch on to any one of the 75C master or prototype plans which insurance companies, mutual funds and banks are sponsoring and for which they have already won Internal Revenue approval.

However, a corporation which uses a master or prototype plan can submit Form 4462 to its local district director for a specific ad-

vance ruling that its particular adoption of that plan results in a qualified employee benefit plan. In that way, possible difficulties would be reduced when the corporation is audited. (See Announcement 69-45, I R B 1969-44, 31).

* * *

MOVING EXPENSES of an employee, for which he was reimbursed, was ruled taxable income to him even though the items of expense were for the employer's benefit. Such outlays as meals and lodging during the period of the move, house-hunting and house-selling expenses including real estate commissions were treated as additional compensation to the extent of the reimbursement. (See Ashby, T. C. Memo 1969-238).

* * *

PENSION PLANS may see more government controls next year. A bill that would require more detailed reporting by plan managers will be taken up at Congressional hearings. Suggestions made concerning such matters as vesting, funding, insurance and portability will be aired.

For example, on the issue of vesting, the Treasury feels that immediate vesting similar to Keogh plans is too stiff—and that no vesting at all (which is the pattern of many current plans), is too easy.

Some in-between standard will be recommended. Also, Congress will look into whether there should be a dollar limit on the size of an employee's account in a pension or profit-sharing plan.

Look for a lot of Congressional action on the whole subject of pensions—next year. ■

Parking lot not liable, says court

MONTREAL—Quebec's highest court has reversed a lower court decision, finding that when a motorist parks his car in a lot which operates with an automatic ticket dispensing entrance he is only renting space and not entrusting his vehicle to the lot owner.

The plaintiff in the case had argued that a "deposit" arrangement had been created between the parties, with the object being placed in the care of the "depository" who is "bound to restore the identical thing which he has received in deposit."

However, the high court justice ruled that the actual "handing over" of the auto to the lot operators was an essential element in the formation of a contract of "deposit." The ticket from an automatic machine, he ruled, does not refer to any vehicle in particular, as compared to the composite type of ticket which the attendant must compare before returning the car. ■

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C&NW's safety program on track for higher limits

By THOMAS LUTZ

CHICAGO—The Chicago and North Western Railway Company's recent safety surge has put the road on the right track with underwriters, according to Richard E. Welsch, insurance director of Northwest Industries, C&NW's parent company.

This was proven last year when Mr. Welsch returned from a meeting with Lloyd's of London with a \$10 million increase in the limit of the railway's insurance coverage in his attache case—notwithstanding the bad publicity railroading has been receiving.

While C&NW's current two-year-old war on accidents has cut train accident costs caused by man failure, injury costs have



Richard E. Welsch

been substantially reduced also. But perhaps best of all, according to Ken L. Patrick, C&NW's manager of personal injury prevention programs, "We are trying to develop approaches that have

practical application to the entire railroad industry."

THE INSURANCE in back of C&NW's impressive safety program is as unique as the railroad's safety drive itself.

Placed through the Chicago office of Marsh & McLennan is a package insurance program that was originally conceived by C&NW's president, Larry S. Provo. It is a two-part, all-risk insurance package that encompasses catastrophe coverage with a \$1 million deductible and a \$25 million limit per occurrence, in addition to excess aggregate stop loss cover for losses falling within the deductible. "To the best of my knowledge," Mr. Welsch told *Business Insurance*, "we are the only major railroad in the indus-

try to have this type of coverage."

Mr. Welsch explained that the package includes personal liability coverage for passengers, the general public and employees (the latter as determined by the Federal Employer's Liability Act). It also covers property damage, including lading.

The excess aggregate stop loss coverage has a \$2.5 million limit. It becomes effective after the aggregate annual loss ceiling is reached but always has a standard deductible in effect whether or not the aggregate annual loss ceiling has been reached.

PRIMARY INSURER for both parts of the package is the Railroad Insurance Underwriters. Lloyd's and several domestic un-

derwriters participate at various layers of the \$25-million-limit catastrophe part of the package.

"Such aggregate insurance coverage for C&NW," Mr. Welsch said, "allows us to budget insurance costs and losses."

Two other important facets of C&NW's insurance program, which have excellent loss experiences, are difference-in-conditions coverage with two domestic companies and fidelity coverage.

Proper management of the overall railroad's risk, Mr. Welsch told *Business Insurance*, "means knowing that you have all the exposures of an industrial plant along with others found only in the railroad industry." Being able to boost the railroad's catastrophe coverage limit from \$15 million to \$25 million was a favorable reflection of C&NW's accident and loss prevention program.

STARTED LATE in 1967, C&NW's safety push got underway when its president created a department called accident and loss prevention.

The department is unique in railroading because it is a consolidation of loss prevention program activities separated, organizationally, from operating functions.

At present, five program managers report to R. W. Russell, vice president of personnel, who in turn reports to Mr. Provo, the C&NW president.

Four of the program managers work fulltime at the job of cutting casualty losses. Their individual areas of concentration are train accidents, personal injuries, freight claims and field inspection. The fifth manager heads up a section called program analysis, which statistically monitors the results of all casualty loss programs through computer generated data.

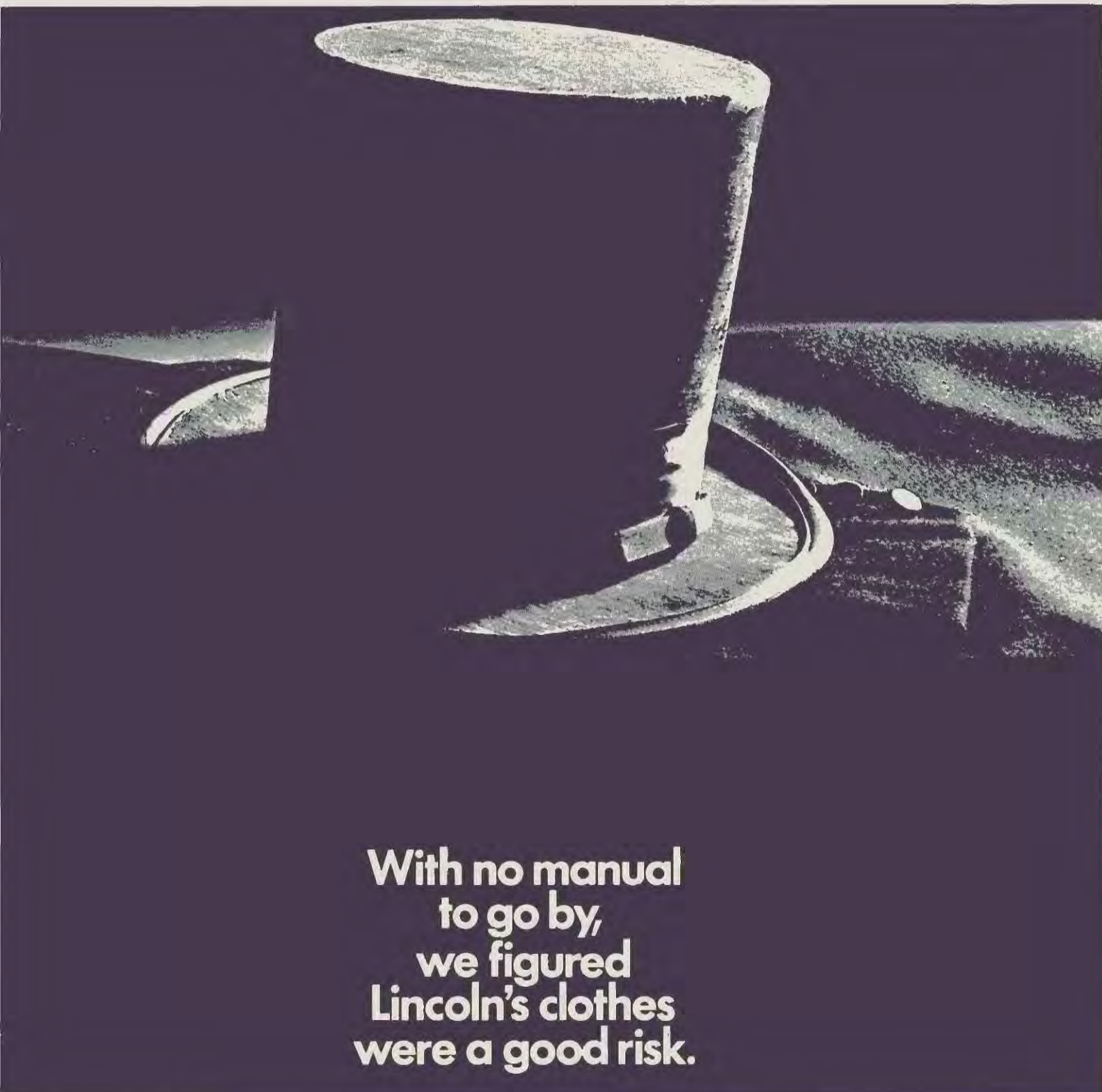
INITIALLY, the major problems confronting the C&NW in the personal injury prevention area were: lack of detailed information; lack of complete communication; inexperience of some field personnel; a need for a continuing, long-range safety program; and finally, training problems created by field employee turnover.

Creating a system that would provide the new department with accident data from all other departments on the railroad was the first order of business. But simply gathering the data was not enough. The data had to be supplied on a day-to-day basis in a form that could be acted upon. This was just as important as getting the data itself. Once the system was operative, the department was able to begin its problem analysis function. Identification of potential problem areas was the major result.

With its newfound ability to collect data and analyze it on a day-to-day basis, it became a relatively simple matter to create a closed loop by initiating programs to correct the identified problem areas before they became serious.

The human equation proved to be the most important single causal factor, regardless of the type of accident. A two-pronged program was launched to deal with the human factor. It included further development of an instructional and examination program on company rules for employees and, secondly, an amplified system of efficiency testing.

THE TESTING procedure devised by the C&NW varies from
Continued on page 52



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Jets have \$10 million liability cover and \$4 million catastrophe

NEW YORK—In Shea Stadium the average fan's concern with "protection" extends as far as the offensive line and backfield which keep star quarterback Joe Namath out of harm's way. However, to Jet business manager and traveling secretary John K. Free, another very real concern is the protection of insurance coverage.

Coverage of a professional football squad is an expensive proposition. According to Mr. Free, the Jets hold a \$10 million liability policy which extends to third par-

ties that pack into Shea Stadium when the team is playing at home. The policy is split between Insurance Co. of North America and the Home Insurance Co.

In addition the Jets hold a \$4 million catastrophe cover, written with Lloyd's, which protects in the event of a tragedy befalling the entire team, such as a plane crash.

WERE SUCH AN event to occur, American Football League regulations specify that each remaining team in the league would be assessed four or five

players. The teams would be compensated from the \$4 million—thus permitting the Jets organization, which remains a corporate entity, to field a club and fulfill its playing obligations. The Jets also maintain a 24-hour risk policy with Lloyd's which covers player accidents incurred in any means of transportation.

Protection on the field is also of major importance to the football champions and, Mr. Free said, rigid standards in obtaining the best possible equipment for players has enabled the club to minimize injury rates and secure private underwriting for workmen's compensation. INA writes the cover, Mr. Free told *Business Insurance*, and at a lower cost than it would be from the state insurance fund.

All the coverages, the business manager said, are written through the brokerage firm of Paige, Obriion & Russell.

WORKMEN'S compensation for pro football is rated as a three to one risk despite the fact that teeth and face guards and improved helmets have decreased the claims incidences.

The coverage, however, is only one form of a player's "income insurance," Mr. Free explained. Once a player has signed a contract, the club is liable for that entire year's salary even in the event of a disabling injury early in the season. A classic example of this is the situation of the Jets' first draft choice in 1968, Lee Weber. Mr. Weber sustained a serious injury on the first play of the season and was paid in full for the year.

The Jets' pension and major medical coverage for players, coaches and staff are covered under an AFL policy and partially paid for from revenues derived from the league's championship and Super Bowl games. ■

Washington insurers drop schools

BELLINGHAM, Wash.—Insurance underwriters which sought business of covering for schools and public buildings in northwest Washington school districts now consider them a bad risk.

Companies have reassessed their positions and in some cases have refused to renew package policies or reduced their discounts, in effect raising rates.

Vandalism and exposure to riot and civil commotion have removed schools from the choice risk category, to the extent that one company which had written packages for Lynden and Meridian districts in Whatcom County, refused to renew its packages in Washington and Oregon.

ANACORTES School District got a \$15,713 bid recently on insurance for which it paid \$8,726 a year earlier, it was reported.

Karl V. Herrmann, state insurance commissioner, in checking the situation, reported that General Insurance Co. in Seattle, which writes about 30% of the coverage in the state under its SAFECO name, is experiencing a 120% loss ratio.

He pointed out that should the market for public building and liability coverage become too limited, he would insist that the Fair Access to Insurance Requirements (FAIR) plan be extended to areas of the state where the market dries up.

The FAIR plan is in effect in certain Seattle districts, as well as in Tacoma and Pasco. ■

Scant school policy market

BELLINGHAM, Wash.—School board officials throughout the state of Washington report increasing difficulty in getting insurance companies to write policies on school buildings.

In a number of instances, companies have refused to renew package policies or have reduced their discounts, thus raising the premium rates.

Vandalism and exposure to riot and civil commotion are given as reasons for the reluctance of underwriters to go after what once was considered a good market.

THE superintendent of the Anacortes School District reported a bid of \$15,713 this month on insurance for which the district paid \$8,726 only a year ago.

Insurance Commissioner Karl Herrmann, in Olympia, said General Insurance Co. writes about 30% of the coverage in the state under its Safeco name.

Mr. Herrmann added that the company "is experiencing a 120% loss ratio, or \$1.2 million in losses for each \$1 million in premiums.

"There still is a market for public building and liability coverage," Mr. Herrmann said, "but the problem is getting worse and we may have to insist that the FAIR Plan be extended to those areas where the market is drying up." ■

Cantlen, 66, dies

Henry Richard Cantlen, a vp of Frank B. Hall & Co., New York, died at his home in Bronxville, Oct. 28 after an extended illness. He was 66. Mr. Cantlen served as a vp of Bayly, Martin & Fay in San Francisco for 25 years before joining the Hall firm in 1964.

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Separate auto litigation division again proposed

SACRAMENTO, Cal.—A plan to remove automobile litigation of all kinds, including auto insurance problems, from the existing court system in favor of a separate division for this purpose, has been suggested here by Sacramento Democratic assembly member Leroy Greene.

"More than 50% of all legal actions facing our courts today," Mr. Greene declared, "are concerned in some manner with the automobile. This includes time of the judges, attorneys, fees and other costs involved."

"I shall propose that the next session of the legislature require a complete renovation of the court structure and a complete streamlining of the process of handling auto accident claims."

THE SYSTEM he hopes to have enacted would establish payments for specific claims based on fault or responsibility but all claims would be processed through a separate court division. In addition, trained staffs would deal only with automobile litigation and financial protection to others would be a condition of receiving a driver's license from the state.

The separate division would also determine basic insurance rates for all drivers and administer legal penalties against unlicensed drivers, with the state settling all claims and then tak-

Illinois eyes insurers linked to gangsters

CHICAGO—Illinois Insurance Director James Baylor is conducting an investigation of one insurance company and three insurance agencies cited by the Chicago Crime Commission for having ties with the crime syndicate.

Mr. Baylor's Chicago office indicated that it will review information compiled by the crime commission on the Coronet Insurance Co., Anco Inc., Dover Insurance Agency Ltd., Normandy Insurance Agency and Coronet Insurance Co.

A department spokesman said that in addition to the crime commission material, the department will check its records to assure that the four insurance firms have complied with department regulations.

"We will investigate fully," the spokesman told *Business Insurance*, "and we've been watching these agencies and the company closely for some time."

He said that Coronet Insurance Co. chiefly writes personal auto policies but that its book of business may include some small motor fleets. Some officials of the company were formerly connected with Progressive General Insurance Co., one of many insolvent auto insurance companies in this state.

Ask state to pay Blues

The Connecticut State Employees Assn., Hartford, has passed a resolution calling upon the state administration to pick up the full cost of Blue Cross and Blue Shield insurance and add dental care. The state now pays half of the family cost on insurance. The employees, in convention, also passed a resolution asking for retirement with full benefits after 25 years of service.

ing action to punish the guilty and retrieve expenses.

"Automobile insurance rates," Mr. Greene said, "are rising beyond the financial means of many people and are filling our roads and highways with uninsured drivers."

"Once this renovation of the system is complete," he added, "the insurance industry would be forced to seriously consider rate reductions. There would be no arbitrary settlements," he said, "but a basic approach establishing standards for all automobile accident claims."

Similar plans have been proposed before in California and in other states.

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New organ transplant coverage to augment major medical policies

CHICAGO—Organ transplant insurance, intensive care coverage and other specialty employe and welfare benefits are among the new coverage twists CNA Insurance plans to market in the near future, Frank A. Wallenberg, assistant vp, group division, revealed here.

At the moment, the organ transplant insurance is still in the development stage. But plans are that the coverage will respond up to \$50,000 after basic hospital and major medical insurance and have an 80-20 co-insurance factor with full payment after \$20,000, according to Roger Lindsay, manager of CNA's home office group research division.

Plans also include coverage for the donor, Mr. Lindsay said. The most costly part of the coverage to the carrier—by about 90%—will be kidney transplants and associated dialysis—the flushing of the kidney that must be repeated periodically and that may cost as much as \$30,000 a year—the research man stated.

BEYOND THESE specialty areas of employe benefits, all other new coverage developments will be predicated on the question of the necessity and desire of the buyer, Mr. Lindsay said. "The question will always be whether or not the loss needs to be insured and is there a market for the

coverage," the research man observed.

"Eventually," Mr. Wallenberg predicted, "we will come close to meeting Walter Reuther's demand for cradle-to-grave health care. We will sell whatever there is a market for and give people whatever they are willing to pay for."

Nearly all-encompassing health care insurance will have its advantages for the corporation, the CNA executives contended. "Trite as it may sound," Mr. Lindsay said, "a healthy, happy employe is a better, more productive one."

Likewise, competitor in the labor market—especially for highly skilled employes—will demand that group benefits become more

equal from company to company, the executives agreed. To accomplish this, Mr. Wallenberg said, "we have to be aware of the constant pressure of insurance programs to expand the spectrum of coverage in an attempt to 'keep up with the Joneses,' which will mean the pooling of smaller groups together in terms of risk assumption."

TURNING TO other well-discussed specialty employe benefits, the CNA executives believe that dental care insurance and prescription drug coverage will become almost as popular as major medical insurance.

Both men held that although lower limits of dental care and drug coverage are actually more functions of budgeting, they remain within the scope of the health insurance underwriters because "the upper limits can be catastrophic to an individual's budget and of course we have the

mechanism already set up to handle the costs."

At present, CNA sells both prescription drug and dental care coverage normally with an 80-20 co-insurance factor. Mr. Lindsay predicted that the co-insurance should remain because it is the major cost control underwriters have.

"However, as with all co-insurance benefits, first-dollar coverage is possible, but there seems to be some reluctance on the part of the buyer to pay the necessary additional premium that would result if the co-insurance were eliminated," Mr. Lindsay said.

ZEROING IN on their problems with buyers of group insurance, both men agreed that two points should be better understood by premium payers:

- There is a great need for underwriting controls—co-insurance, deductibles, etc.—unless employers are willing to bargain for benefits instead of rates," Mr. Lindsay observed. Too often, he added, employers will stand and fight on the salary issue while giving in too easily on the costly elimination of such cost controls.

- "When selling employers on a renewal, too few understand enough about inflation," Mr. Wallenberg said. While the cost of living in general has gone up about 6% each year recently, the cost of medical treatment—including hospital cost—has recently risen about 15% a year, he said.

Asks change in Death on High Seas Act

WASHINGTON—Sen. Warren Magnuson (D., Wash.) has introduced a bill, at the request of the American Trial Lawyers Assn., which would amend the Death on the High Seas Act to extend to the family of crewmen who are killed on state navigable waters the same rights as those possessed by families of men killed on the high seas.

Sen. Magnuson said the maritime law provides a remedy of full damages to members of a ship's crew and to many maritime workers for injuries caused by negligence or unseaworthiness. Maritime doctrines such as the rule of comparative negligence also apply and this is true whether the injury occurs on the high seas or in state navigable waters, he pointed out.

However, he said, if death results from an injury occurring in state navigable waters the situation is quite different.

FIRST, there is no recovery at all for the death of a crewman caused by unseaworthiness alone. Second, the families of other maritime workers must contend with the restrictions and uncertainties of state wrongful death statutes in determining whether there is recovery for unseaworthiness, whether the rule of comparative negligence applies and the time limit for bringing the action.

In short, Sen. Magnuson said, many of the rights that an injured party has where an injury is sustained on state navigable waters are denied to the family of the man who suffers death rather than injury.

The bill would also extend to persons dying on fixed structures on navigable waters and the high seas. In addition, the bill would more closely confirm such matters as the right to trial by jury and the period of limitations to those now provided for injuries by the so-called Jones Act.

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Injured Hawaiian bus rider may sue English chassis manufacturer

WASHINGTON—The U.S. ninth circuit court has ruled that a passenger injured in a bus accident in Hawaii can sue an English company that fitted the bus body on its chassis. The frames, which were made by another British firm, were specially designed and constructed and were ordered by a Hawaiian middleman corporation. (*Duple Motor Bodies, Ltd. vs Hollingsworth*, 9/19/69.)

In his decision for the majority, Justice Merrill noted that the order for the coaches originated in Hawaii by Maui Island Tours, placed with Haleakala Motors. They then transmitted the order to Vauxhall in England. Vauxhall manufactured the chassis and sent them on to Duple Motor Bodies, also English. Duple designed and manufactured the coach bodies, placed them on the chassis, painted them and shipped the completed bodies back to Vauxhall, who shipped to Haleakala, who in turn sold to Maui.

The bodies were designed and manufactured by Duple with the knowledge that they were to be used in Hawaii and were made with special modifications to adapt them for use there. Prior to purchase, a representative of Maui Island Tours went to London and visited Duple's factory and, with representatives of Duple and Vauxhall, discussed paint specifications.

FOLLOWING the sale, Duple responded to an order for spare parts from Maui Island Tours and at that time solicited further business from that concern.

"In our judgment," said Judge Merrill, "the presence of the corporation's coach bodies in Hawaii, brought about by its sale to Vauxhall with knowledge that the product was destined for Hawaii, was sufficient contact with Hawaii to meet the requirements of due process."

"If it is clearly foreseeable as a result of trade with a foreign state that injury from a defective product (if it occurs) would oc-

cur in that state, the hardship of defending the product in that state, in our judgment, must be assumed as an attribute of foreign trade."

In a short but sharp dissent, Justice Ely said the extension of Hawaii's long arm statute "so that it stretches halfway around the world to grab the alien appellant brings to mind a caricature of Blind Justice with arms of rubber!"

"The simple requirement that a non-resident defendant must have invoked the benefit and protection of the laws of the forum state is, of itself, a sufficient ground for reversing the challenged order. The corporation's

contract was with another English corporation, admittedly suable in Hawaii, and the contract was wholly executed and performed in England. The corporation would have had no occasion to resort to either Hawaii law or the Hawaii courts for enforcement of its rights. . . .

"I also deem it significant that Duple did not engage in any distributional scheme by which it could have placed its products in Hawaii without the efforts of its co-defendants in this case."

Principally for these reasons, Ely offered the opinion that judgment should have gone to appellant Duple instead of plaintiff Hollingsworth. ■

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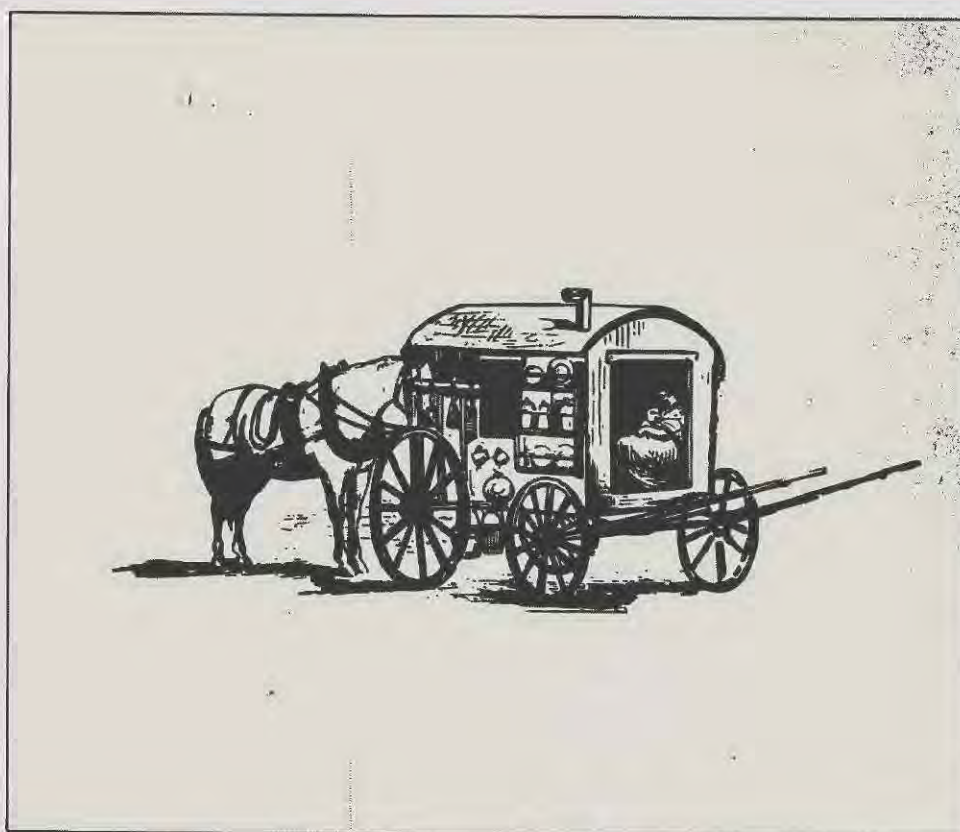
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Montreal reporters ask riot coverage

MONTREAL, Que.—Camera and soundmen for the Canadian Broadcasting Corp. have asked the corporation to purchase additional insurance to protect reporters covering riots in Montreal.

The CBC's film crews did not provide film coverage of a recent demonstration in Montreal's financial district, which caused \$50,000 in damages.

A spokesman for the Crown corporation said that under normal insurance company standards, Quebec would be considered a disturbed area whenever the Riot Act is read. Consequently, personal insurance—medical and life—would be considered void, leaving the reporters uninsured.

Denis Vincent, president of the General Union of Cinema and the Television Workers CNTU, said in an interview that the corporation has \$25,000 insurance to cover reporters reporting from the three recognized war zones in the world—Vietnam, Biafra, and Gaza Desert—but that no such coverage exists for staffers covering the domestic scene. ■

Vandals, insurers put public buildings under fire

By SUSAN TRAUSCH

NEW YORK—Public Enemy Number One is the public, as far as insurance companies are concerned.

In the old days of fire, famine and flood, the insurance company provided a nest egg in people's usually quiet lives. But today the natives are uptight and violent. They have created a jungle of riots, demonstrations, vandalism, arson and robbery and have made public buildings their main targets.

Like confused country gentlemen suddenly thrown into the bush, insurance companies have either hesitated to insure public property, or have made rates almost impossible to pay.

SCHOOLS, the center of the youth movement, give insurance companies their biggest ulcers.

"Don't ask me if we hesitate to insure schools or if we've raised our premium rates," one insurance underwriter said. "You're asking me if I've stopped beating my wife. Something has to be done to solve the school problem, but I don't know what."

The New Brunswick (N.J.) Board of Education didn't know what the answer was either when Continental Casualty Co. of Chicago gave them 30 days' notice and said they would not renew the school system's \$15 million policy because of a poor record.

EDWARD V. LIPMAN, New Brunswick board president, said

50 insurance companies were contacted and only one agreed to negotiate with the board. While board and company negotiated, New Brunswick's 11 public schools were without coverage and had to be closed for a day in October. The New Jersey Insurance Underwriters Assn. offered to provide temporary coverage, but the board could not afford the rates. The school system improvised protection with their own network of security men and alarms.

New Brunswick schools are now covered by Allstate, which has written the entire liability policy and a portion of the fire and vandalism coverage.

New York University, for its part had no trouble getting in-

surance, but the institution was slapped with a 168% increase in premium rates and the expense is a drain on the school. Costs jumped from last year's \$62,000 to \$166,000. The \$1,000 deductible rose to \$100,000.

"THESE ARE dollars that could have gone into higher teachers' salaries, scholarships and campus improvement," a New York University official said.

He added the university used to have one company insuring it for fire, vandalism and malicious mischief, but now the coverage is split between six companies.

"I can see why insurance companies raise rates with all the publicity given to campus demonstrations," he said, "but I think

they've gone a little bit too far."

An official at riot-torn Columbia University agreed.

"COMPANIES DON'T just raise premium rates," he said. "They raise the deductible too. We're cut both ways."

A spokesman for Aetna Insurance Co., the firm that insures Columbia University, said that schools used to be desirable to insurance companies, but now they are catastrophes. He said that although his company had raised rates sharply, Aetna has no thought of dropping Columbia, a policy holder for 15 years.

"Things have been so bad at Columbia, they couldn't get worse. We feel the peak has been reached," he said.

C. B. Lilly Inc., an East Orange, N.J. firm that offers corporate insurance management and advisory services, surveyed 1,261 colleges and universities to determine riot and demonstration losses suffered in the past year. According to the 382 schools responding to the survey, losses totaled \$807,000.

LILLY, president of the company, said that despite high losses, insurance rates were still unreasonable.

He feels that insurance companies are forgetting about the "spread of risk" concept and are creating a premium level for each individual insured.

"In the face of such practices, we can come to no conclusion other than the fact that the insurance industry is not performing its service as it should," Mr. Lilly said.

He said many schools would have to set up their own insurance programs.

New York, Atlanta, Chicago, New Orleans and New Haven have set up self-insurance programs for public schools. In New York payment for fire, damage and thefts comes from the operating fund.

MILWAUKEE SCHOOLS had been paying for damages out of their own fire insurance fund. A year ago the board tried to get coverage from commercial insurance companies.

"They wouldn't even talk to us," said Thomas Linton, Milwaukee Board of Education business manager.

The school system finally got coverage from the State Fire Fund, which is required by law to insure state-owned property.

In Philadelphia, vandals caused \$1.5 million of damage to school property during the first six months of this year. The president of the Philadelphia school board said cost of coverage for that kind of damage would be prohibitive.

IN ATLANTA, insurance rates soared to \$200,000 from last year's \$60,000. San Francisco rates went to \$103,000 from \$70,000.

"What do you expect us to do?" asked a New York insurance company vp. "We write more than our share of school insurance. We don't refuse to insure anybody. And look what happens. Just a few weeks ago some 13-year old brat sets fire to a midwest school and gives us an \$8,000 loss."

A New Jersey insurance executive explained that companies were not allowed to go above bureau rates. He felt that many companies hesitated to insure the New Brunswick schools because the state's rates were not high enough.



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Continued on page 37

Company writing bonds on ex-cons lowers rates

WASHINGTON—An Indiana bonding company participating in a U.S. Department of Labor program designed to help ex-convicts get coverage when they are hired from behind bars is so happy with the former prisoners' new records it has lowered rates since the program began in 1966.

United Bonding Insurance Co. of Indianapolis is writing the bonds through the McLaughlin Co., general insurance brokers here in Washington.

Reached in Indianapolis by *Business Insurance*, Francis Wright Sr., president of the bonding company, said he was "very pleased" with the records of those prisoners his company has bonded. And with good reason: Of the more than 1,700 ex-convicts United Bonding has written covers for since the program began only some 40 have defaulted on their bonds.

JOHN CLARK, a vp with the Washington insurance brokerage and naturally closer to the situation, explained that the rate established by the bonding company when the program was first begun was \$42 per \$1,000 of bond per year. It has since been lowered to \$1.75 per month for the first \$500 of bond and 70¢ per \$500 unit per month for amounts over the original \$500. In other words, a \$1,000 bond now costs about \$29 a year.

In the language of Labor Department officialdom, the program is still considered "experimental." However, it has recently been expanded to include all prisoners in the department's 23 in-training programs throughout the country, according to Secretary of Labor George P. Shultz.

"The department is testing the idea to see if it will help reduce the return rate of released pris-

oners who fail on the outside because of their inability to get a job," a spokesman said, explaining that since 1966 bonding assistance has been available to prisoners on a limited basis but that it is now being expanded to include about 2,500 inmates currently in the labor Department-supported training programs.

FUNDED UNDER the Manpower Development and Training Act of 1965 (MDTA), the program applies to prisoners who have been trained in a particular skill that may be useful to them when they return to the outside world.

"These fellows are well equipped to perform good work," another Labor Department source

said, "but employers are naturally reluctant to take them on without a bond if they are to handle a company's funds or other property. And bonding companies have been equally reluctant to cover them," he said.

The bonds, according to the source, are paid for initially by the U.S. government, which has allocated funds under MDTA.

"After the first year the department asks the company in which the ex-convict is employed if their own bonding company will assume the risk." If all agree then the employer picks up the tab, much as he would for any other employe. If not, the government continues to pay for the bond for as long as the need exists.

THE TYPICAL bond coverage for an ex-convict, according to Mr. Clark who at one time worked out such an average, runs about \$3,750. However, one may run anywhere from the minimum of \$500 to a maximum of \$10,000.

At each of the 23 institutions that have job training programs where bonding assistance is available—they range from Arizona State Prison to the South Central Correctional Institute in Columbia, S.C.—a professional bonding certification agent is in residence. His job, according to the labor department, is to review cases to determine if a bond is necessary, if the ex-prisoner is eligible, if the job is suitable and if the employer is eligible.

He also cancels the bond when it is no longer required, based on his follow-up duties.

Eligibility of both the ex-convict and the employer, the source explained, is based on several factors. "Obviously," he said, "the inmate's prison record and attitude are factors." In addition the prospective employer is looked at carefully. "If the job available to an ex-con had some especially tempting and perhaps larcenous side benefits to it, it is not one likely to be considered eligible by the department or the bonding company," he said.

In other words, you're not likely to find an ex-prisoner driving a Brink's truck. However, the source added, you might find one driving a milk or bakery truck. ■

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These separate systems help them come up with a plan as individual as your fingerprint. And that's for your own protection.

\$13 million mystery is fully insured

NEW YORK—There is enough mysterious air surrounding the disappearance of \$13,194,000 worth of insured U.S. Treasury bills from the Morgan Guaranty Trust Co. here recently to create a giant Halloween party in Central Park on a July evening.

As expected, Morgan Guaranty is exceptionally tight-lipped about the insurance details beyond admitting that the loss is fully covered by insurance.

Other banking sources are equally close-mouthed, saying that they just don't know.

"There's a lot of confusing information going around," one told *Business Insurance*. "I heard one story the other day that the bills had been found. Then I heard another that Morgan was negotiating for their return."

The Wall Street bank said that a regular auditing procedure disclosed the absence of the securities, which range in denomination from \$1,000 to \$1 million. They are negotiable. However, serial numbers are being circulated to banks and securities dealers in the U. S. and abroad, as well as to police departments and FBI offices. ■

CG names Walton

Joseph H. Walton has been named director of product marketing, group sales department, Connecticut General Life Insurance Co., Hartford. He joined the firm in 1953.

Aetna

OUR CONCERN IS PEOPLE

LIFE & CASUALTY

Interpret product safety as profit, bonus

Letters

CHICAGO—A product safety program will succeed only if it is interpreted in terms of profits and bonuses for management personnel and wages and jobs for the work force, Gerald L. Maatman, vp and manager of the Kemper Insurance Group's loss control engineering, told the Chicago chapter of the American Society of Insurance Management.



Gerald L. Maatman

"This is the language that these two groups understand and it is the thing that 'turns them on,'" Mr. Maatman said.

As an economic approach to motivating greater product safety, the loss control engineer's concept calls for the need to measure the cost of poor products—"not only those that represent product liability losses paid to customers but also the host of other expenses involved in routine product re-

placement and repairs for dissatisfied customers and even permanent loss of business, although this latter category is admittedly difficult to quantify."

AS FAR AS management personnel are concerned, such an approach "also dictates the need to establish a suitable internal cost control system so that each division and/or department knows what its contributions are to the company's product safety losses"—thus rewarding or penalizing each department or division for its success or failure.

"All communication and dealing with the work force regarding the progress of the product reliability program should be clearly expressed in terms of the jobs and salary dollars lost or gained," Mr. Maatman declared. The loss control engineer also said that thought should be given to the establishment of a product reliability bonus program for the entire work force—"somewhat along the lines of the good service pro-

gram which TWA recently established for its employees."

Turning to the installation of the program itself, Mr. Maatman suggested that "it makes a lot of sense to include within any such program a corporate product reliability committee, chaired preferably by the company's top financial officer and including top management representatives from the areas of research, production, sales, industrial relations, legal, field services, purchasing, plant engineering and risk management."

This committee, he said, should develop the basic corporate program and insure that the various line and staff responsibilities and procedures necessary to implement it are carefully spelled out and put to work.

Continued from page 34

Continued from page 16

The article was very timely and was somewhat familiar to us, as we two weeks previous issued our monthly Aero-Trip Letter, entitled "What Price High Limits."

Our monthly bulletin service attempts to take an item or two each month and bring to the attention of the general aviation public matters which we feel are of interest. We thought it might be interesting to send you a copy of our Oct. 31, 1969 letter, due to the timing of our letter and your publication.

At this time we would also like to commend you on a very fine publication. Your issues are read with much interest by our entire organization.

Carl H. Triplett

President, Carl H. Triplett Co. Inc., Oakland, Cal.

Editor's Note: Following is the bulletin to which Mr. Triplett refers.

A standard liability limit has somehow been established in aviation insurance circles, and over 85% of all general aviation policies written are issued for the so-called standard limits. These limits are bodily injury \$100,000 each person; \$300,000 each occurrence; and property damage \$100,000 each occurrence.

It is not uncommon today for a large corporation or wealthy professional person to carry \$1, \$2, or \$5 million liability limits on their personal or business exposures and then have the so-called standard limits of \$100,000 and \$300,000 bodily injury, and \$100,000 property damage on their aircraft exposures.

Increased limits are relatively inexpensive and with the exposure potential involved, even taxing at a modern airport may involve you in a liability occurrence far in excess of the standard limits.

It is recommended that you review limits of liability on your present aircraft insurance policy.

Torrey Canyon

To the Editor: Please be kind enough as to inform me in what issues of *Business Insurance* I can find information on the settlement made over and about the Torrey Canyon Incident.

I have been your subscriber for several years.

Tomas L. Lorant

Phillips & Associates, S.C.

Mexico 6, D.F.

Editor's Note: *Business Insurance* carried an article stating that insurers have agreed to pay France and Britain \$7.2 million for oil pollution damage caused by the *Torrey Canyon*.

Info request

To the Editor: Early in the year someone listed an article or a brochure concerning starting your own insurance company in your Info for Buyers column. I would appreciate it if you could obtain same for me.

Edward I. Schliefer

Equity Planning Institute Inc., Philadelphia, Pa.

Editor's Note: In 1968 the risk management department of EBS Management Consultants Inc. offered an item entitled "Have You Ever Thought of Your Own Insurance Company?" in the column. You may contact them at 100 Church St., New York, N. Y. 10007.

The Dec. 22 issue of *Business Insurance* will be the annual Info for Buyers issue, in which items listed throughout the year will be given one final review for the benefit of readers who may have missed them previously. New items will also be included.

"I Have Done The Best I Could"

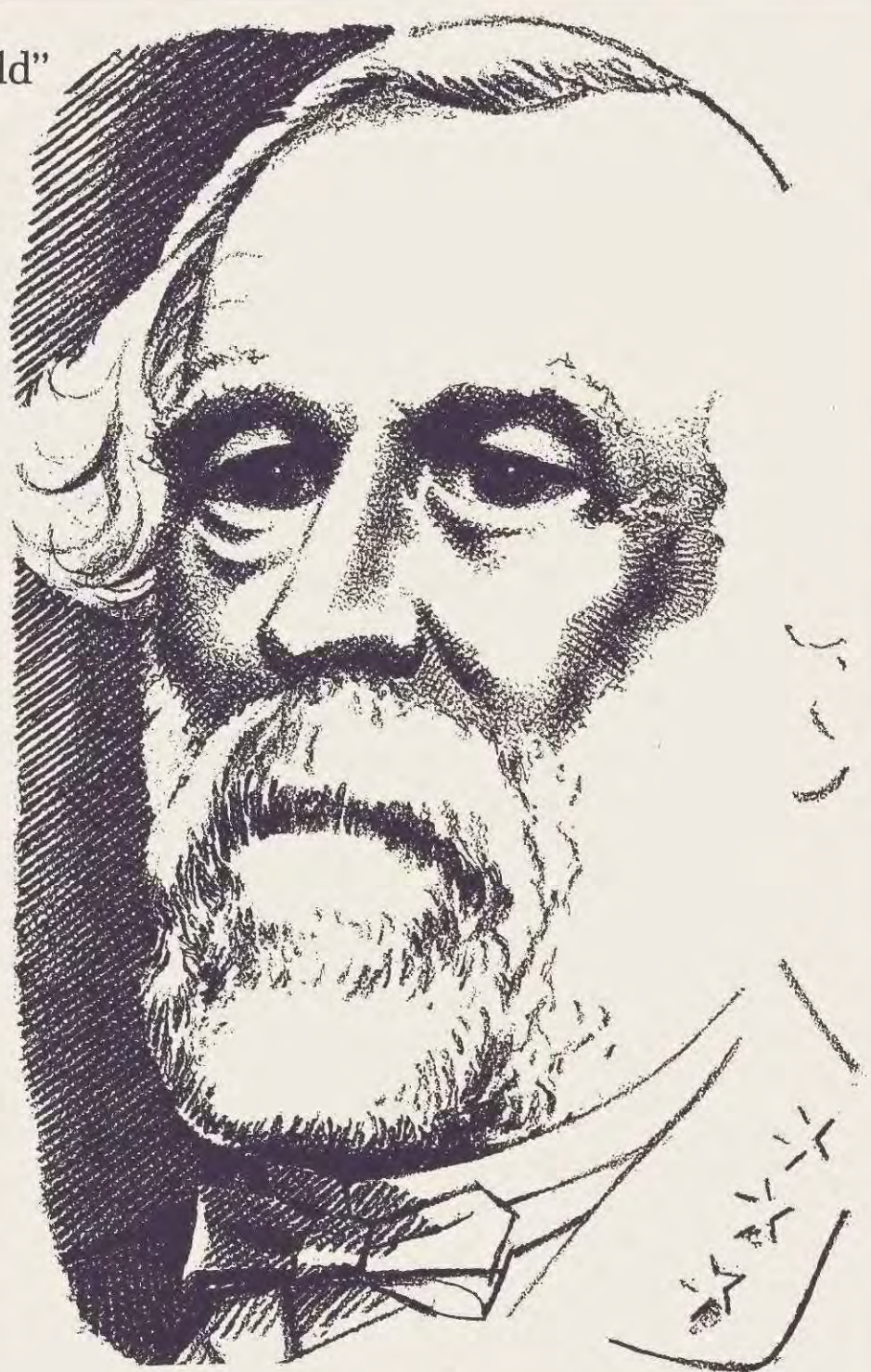
Robert E. Lee

With these words, spoken at Appomattox Court House, Virginia, on April 9, 1865, General Robert E. Lee announced to his soldiers that the bloodiest and most terrible conflict in American history was over.

Although against secession from the beginning, Lee led his men with valor for four lonely years against the overwhelming numbers and resources of the North. However, it was not for his military achievements alone that Lee became one of the most honored figures in American history, but even more for his outstanding personal character and devotion to principle.

Americans have ever been a dynamic and daring people, and we at Leo B. Menner & Company firmly hold that only through pioneering, experimentation and hospitality to new ideas will America and the insurance industry overcome the problems which beset us today and continue the heritage of leadership which is the wellspring of America.

This drawing of Robert E. Lee by a famous Chicago artist is available without advertising copy and suitable for framing. It bears an important inspirational message. Write or call Leo B. Menner & Company for your copy.



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Homeowners debate with Aetna, Union Carbide on explosion claims

TEXAS CITY, Tex.—There's a three-way debate developing here among Union Carbide Corp., Aetna Life & Casualty and residents of nearby La Marque.

It all started Oct. 23 when dozens of homes were damaged by an explosion at the Union Carbide plant.

Across a highway from the plant, residents of a La Marque, Tex., subdivision are complaining

Tries again to set up auto insurer

VANCOUVER, B. C.—The British Columbia Automobile Assn. has called a special meeting in another attempt to form its own auto insurance company.

The members attending the meeting will be asked again to vote approval of the new company to take over the business of the organization's American underwriter after Jan. 1. The members had voted on the question Sept. 15 (*Business Insurance*, Oct. 13) but a supreme court injunction Oct. 6 barred association directors from proceeding with the formation of the proposed company.

The injunction was obtained by association member Brian Rudkin, who claimed the two resolutions passed at the meeting were invalid because of voting irregularities. Judge E. E. Hinkson's injunction prevented the directors from investing association funds in the new firm.

IN A SPECIAL report, mailed to the 176,000 members late in October, G. Conway Parrott, association president, once more urged approval of the two resolutions at the special meeting.

He said in the letter that Mr. Rudkin had been a member since June 27, 1969, and operates a competitive auto insurance company.

The present underwriter, Employers Mutual Casualty Co. of Des Moines, Ia., wants to end its contract on Jan. 1, it was reported.

A private act, passed by the B.C. legislature in 1964, permits the association to set up its own company with approval by a two-thirds majority of members attending a special meeting.

As agent for the U. S. firm, the BCAA is the second largest auto insurance underwriter in the province, with 44,229 policyholders at the end of 1968.

their homes are unsafe and petitions were circulated for Carbide to buy their homes. They also complained of the slowness of settling damage claims.

THE EXPLOSION caused an estimated \$5 million damage to the plant. However, the total loss is expected to be much higher, according to a source at Union Carbide's corporate headquarters in New York.

"We have a combined property and business interruption policy with a \$3.5 million deductible," the source told *Business Insurance*. "We're thinking in terms of being out of operation for four months," he said, admitting that it could be longer and that up to

600 product derivatives will be involved in the interruption factor.

The source also disclosed that the policy was split in three ways, with 50% being covered by Factory Mutual companies, 30% by other American companies and about 20% by the British market.

Carbide is trying to be a "good neighbor," but assistant plant manager W. E. Burndrett said the firm has no plans to buy any section of La Marque and does not intend to go into the real estate business. "When we rebuild the unit it will be safer than before and we hope to operate another 30 years or longer without an incident," Mr. Burn-

drett said.

R. E. CORKBEAN, personnel and industrial relations manager, said there is no estimate of damage to property outside the plant. He said the highest single claim losses were between \$6,000 and \$7,000. This figure was a week after the blast when 450 claims had been received, with Aetna making 200 appraisals, 140 adjustments and settling 35 claims for which checks were issued.

Mr. Corkbean admitted Aetna was moving slowly, citing that many of Carbide's insurer's appraisers and adjusters had been tied up in Mississippi and Louisiana, still working on claims damage from Hurricane Camille.

An hour after the blast Mr. Corkbean said Aetna had personnel on the scene. The first week seven appraisers and eight adjusters were working and 15 more were added the following week-end.

One resident's home was so damaged that it couldn't be lived in. Since he didn't have the money to rent another, he farmed his children out to relatives. "Nobody from the company would talk to me about it," said Nick Navarez, who was reunited with his family a week after the explosion.

A neighbor said he was offered money to tide him over if he needed it. The offer came a week after the blast from an Aetna senior claims representative.

Union Carbide's Mr. Burndrett estimated it will be at least 90 days before the Olefins unit will be back in operation and as much as nine months for a Butadiene unit. Both were damaged by the blast for which investigations into the cause are continuing. Although there are areas of suspicion there remains nothing definite enough to pinpoint the exact cause.

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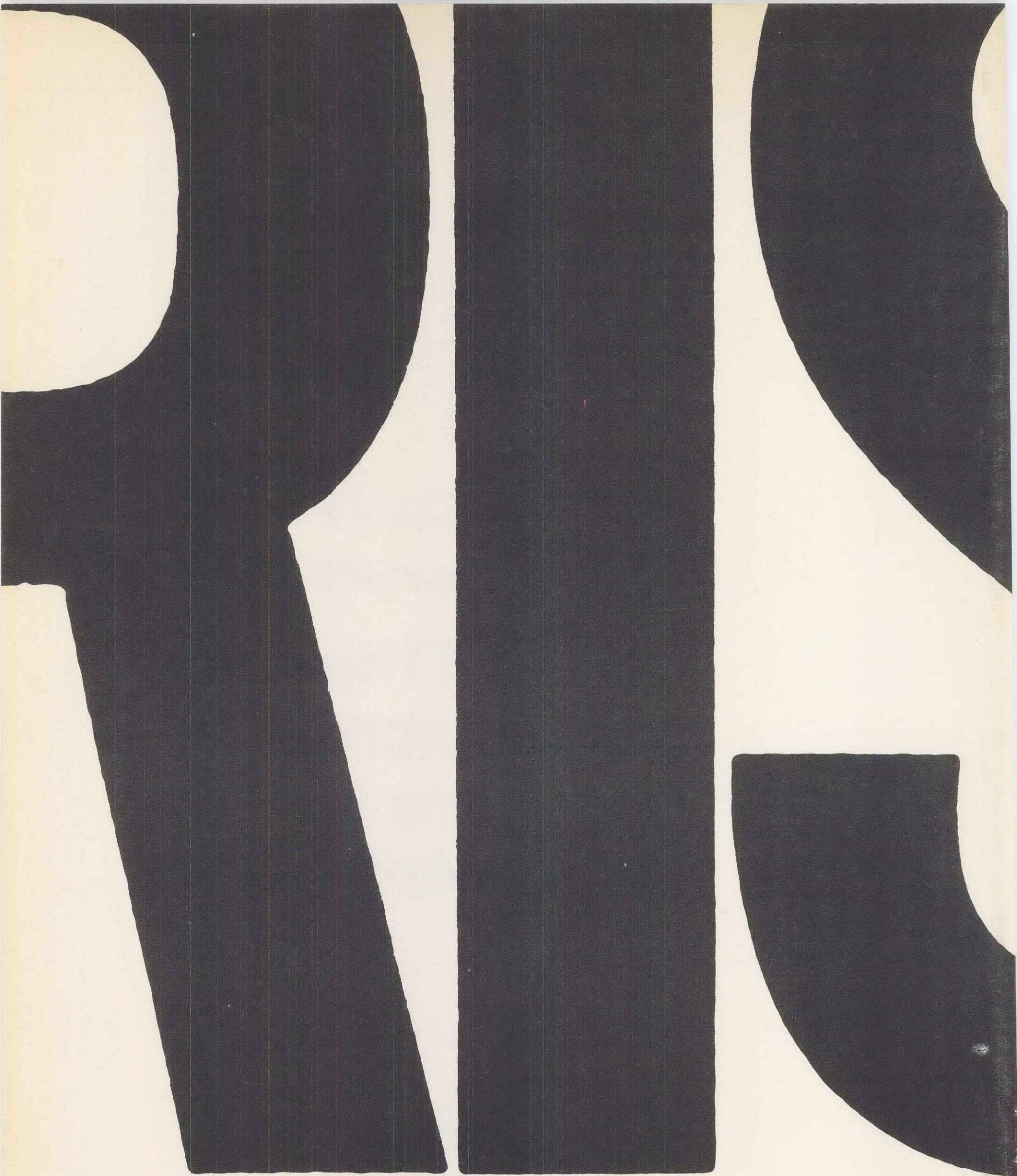
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Citrus workers get life, health coverage

LOS ANGELES—Arizona-California citrus workers have had their lot improved considerably, the Department of Labor has reported.

Thanks to the efforts of the Agricultural Producers Labor Committee, whose membership includes 11,000 owner-growers employing some 16,000 seasonal workers, pickers, have gleaned some major benefits.

Among them, according to the Department of Labor, are a group life insurance policy that pays \$3,000 and a group medical plan carrying a maximum benefit of \$20,000. Premiums are paid in full by the employers.



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Fireman's Fund American/Excess Risk Insurance



Connecticut Mutual sets improved group insurance coverage plans

HARTFORD—Connecticut Mutual Life Insurance Co. has revamped its employe benefits plan offerings for 1970 in an apparent attempt to keep abreast of current improvements in the field.

New changes include a convertible, non terminating life policy, a flexible premium retirement annuity, the adoption of the fixed policy fee approach and an increase in the company's reserve interest assumption in group life policies of 1%.

"Originally our group life policy terminated at retirement," Leon R. Case, actuary for Connecticut Mutual Life, told Business Insurance. "Now we've changed the policy so that the

owner can continue his coverage for the whole of his life. It is now convertible upon retirement with a non-terminating clause written in."

Under the company's old group policies the insurer assumed an interest rate of 2.5%, he explained. "This has been increased," Mr. Case said, "to 3.5% enabling the policy owner to pay a smaller premium to get a fixed amount of coverage."

ACCORDING TO Mr. Case, the present annuity agreements being written by Connecticut Mutual under a group plan make it possible for the employe to increase the value of his retire-

ment annuity by paying twice the required premium. At the same time, however, the insurance company maintained its option to drop an annuity policy if no payments were made during a given year by the insured. This, Mr. Case explained, has been changed in the product being offered for 1970.

Under the new flexible premium retirement annuity there is no fixed annual premium. Instead, Mr. Case explained, "payments can be made at any time and in any amount from a minimum of \$10 up to a total in any one year of twice the annual premium originally specified in the annuity application." Mr.

Case asserted that the new offering will allow the annuity holder much greater flexibility in developing his retirement annuity.

"IN ADDITION, we have adopted a modified policy fee approach," Mr. Case said. What this means to the employe group policyholder is a continual reduction in premium expense charges as the amount of insurance increases, he said. In effect, this will put more of the premium dollar to work for the insured.

Mr. Case also revealed that his company had liberalized its life income options by incorporating a "more appropriate mortality element" coupled with the previously mentioned higher interest assumption into the rating structure. "This move decreases the minimum insurance coverage necessary to obtain a fixed income," he explained. ■

Star does stunts; Lloyd's cancels

HOLLYWOOD—Screen star James Garner revealed on the Johnny Carson tv show—which originates from California periodically—that Lloyd's of London cancelled cast insurance on the movie "Gran Prix" when underwriters learned that Mr. Garner was driving his own racers.

Somewhat of a professional race driver by hobby, Mr. Garner said, "What Lloyd's of London didn't realize is that Old Jimmy-boy loves life more than they love money in their pocketbooks."

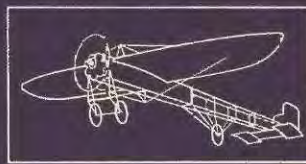
Mr. Garner also said the coverage limit on "Gran Prix" was \$8 million and cancellation came one month before the completion of the movie. ■

THE ENGLISH CHANNEL JULY 25 1909



Louis Blériot, designer of the first monoplane, demonstrated the airplane's potential as a practical transportation vehicle by flying the Channel in 37 minutes.

Commercial airliners soon became a reality and the aviation industry entered a new era of growth. Because insurance services were needed to support this progress, USAIG was formed to provide them. It is the first and most respected name in aviation insurance.



United States Aircraft Insurance Group

USAIG

Court blocks B.C. auto unit on insurance

VANCOUVER, B.C.—Proposed entry of the British Columbia Automobile Assn. into the auto insurance business has been at least temporarily blocked by a court injunction, granted on application of a member.

Brian Rudkin, who asked for the restraining order through his lawyer, contends that members who attended the association's meeting in September which authorized the insurance decision, had not been fully informed on the issues involved. He claimed that there had been procedural irregularities and lack of information.

The association's legal counsel reminded the court that an act of the provincial legislature in 1964 had given the association power to form its own insurance firm. All that was required was membership approval. This approval, it was argued, had been given by the September meeting, even though the attendance was relatively small in view of the association's large membership.

Judge E. Hinkson of the British Columbia supreme court ruled that Mr. Rudkin had raised a fair question and was entitled to the restraining order "and that until the issues can be tried, the status quo should be maintained." ■

Rail safety probe ordered for Britain

LONDON—Railway officials ordered to probe two recent freight train derailments found that the cause lay in the buckling of continuous welded rail. But government safety chief William Reed agreed that this type of rail must be the track of the future, and any unexpected problems of stability would have to be overcome.

One derailment occurred because the track had not been 'de-stressed' after examiners had ordered this to be done, and the other because re-alignment work had been carried out while temperatures were above 85°F.

Britain now has 4,000 miles of continuous welded track, with 500 miles being added yearly, and these were the only two accidents resulting from buckling in 12 months. ■

Long, cold winter for retired railroad employes?

WASHINGTON—It'll be a tight Christmas this year for 60,000 retired railroad employes who won't get December pension checks until the end of the month and may take a cut starting in January.

The employes are the subjects of a long-sizzling supplemental pension controversy which exploded with new intensity the week of Nov. 17 when a Senate subcommittee voted to cut these supplement payments in half.

The railroad retirement subcommittee's decision, which must still be approved by the labor and public welfare committee before it becomes law, was reached to solve a treasury depletion problem. The railroad retirement board's supplemental fund, set up in 1966 for 25-year employes as an addition to regular retirement payments, is almost dry.

FUND MONEY was to come from a tax of 2¢ per hour on working employes. Because of layoffs, wage cuts and an unexpectedly high rate of retirement in the last three years, the money just isn't there for continued supplements.

The subcommittee voted to hold December checks, usually delivered on the first, until the end of the month when there would be enough money to make one last full payment. After December, checks would be cut by 50% under the subcommittee's decision.

Supplemental payments to retired railroad employes range from \$45 per month for 25 years of service to \$70 for 30 years.

"Twenty or thirty dollars less doesn't sound like a lot," said a spokesman of the AFL-CIO Brotherhood of Railway and Airline Clerks (BRAC), told *Business Insurance*. "But to a retired person who's counting every dollar, the cut may wipe out his grocery budget."

C. L. DENNIS, BRAC president, called the subcommittee's decision, "barbaric."

"It's intolerable," Mr. Dennis said, "and can be regarded as nothing less than a national scandal and disgrace."

The bill which came to the subcommittee had originally called for continuation of full supplemental payments. Railroad carriers were to pick up the tab in exchange for mandatory employe retirement at age 65 in 1976 and a freeze on boosts in the supplement until 1975.

THIS BILL passed by a vote of 372 to 17 in the House commerce committee, but when it got into the Senate it ran into a block thrown by opposing railway union members. They have been fighting the proposal since it was negotiated last year because they feel it concedes too much to management.

"This is the day of reckoning," said W. J. O'Brien, vp of the Sheet Metal Workers Union. "The railroads thought they could take advantage of a desperate situation. They thought we wouldn't have the guts to stand up to the heat, but we're going to buck this thing."

Mr. O'Brien is acting chairman of the Railway Labor Executives Assn. (RLEA). The association had been the representative group for all railway unions until Mr. Dennis severed relations with it last month.

FOLLOWING the BRAC rebellion were the United Transportation Union, the Brotherhood of Maintenance of Way Employes, The Transport Workers

Union and the Hotel & Restaurant Employees Union. According to Mr. Dennis, this represents over 80% of all railway workers and should be recognized as the voice of the majority.

"The remaining 14 unions in the labor executives association represent about 20% of all railway employes, but have more employes on an over-all basis in other industries," Mr. O'Brien said. "And if management pulls this off in the railroads, what's to

prevent this from spilling over into other industries?"

Mr. O'Brien wants the issue out of the Senate and back on the bargaining table.

"**THE GOVERNMENT** should just get its nose out of this," he said. "We can use our muscle with management and make the pot a little sweeter for employes. Sure, it'll be a hardship for a while, but once the issue is settled on the bargaining table re-

tirees will get their money."

The RLEA presented this view to the Senate subcommittee and the committee agreed.

"The parties involved should settle this themselves," a subcommittee spokesman said. "We took the mandatory retirement and freeze measures out of the bill and voted to pay as much money as was available until the issue could get back to the bargaining table. We thought that regular payments, even though

cut in half, would be better than paying the full amount every two or three months."

ACCORDING TO management and Mr. Dennis' faction, the bargaining table will be chaos, as it has been in the past. They feel the Senate is "dropping a hot potato."

"These two union groups can't sit down together," a BRAC official said. "It's impossible. That's

Continued on page 34



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Conglomerates: One big, happy benefit family?

CHICAGO—With the development of merger-oriented companies into today's conglomerates, the employe benefits man at the parent company is probably finding himself with an odd assortment of little children.

A question, naturally enough, arises: Should all the little children be integrated into one big happy benefits family?

It is desirable, but there is no hard and fast rule, an insurance consultant told benefits people meeting here. However, he clarified his remarks somewhat, saying that he was speaking only of salaried employes in the country's ever increasing conglomerate population. For hourly employes there is a hard and fast rule, he said.

"THE ANSWER IS simple" for hourly employes, H. Charles Kwasha, senior partner of the Kwasha Lipton Co., Englewood Cliffs, N.J., told an American Management Assn. audience "In order to be in a fair bargaining stance with the many different unions, in the different businesses, industries and areas in which the given conglomerate is operating it would be impossible for the conglomerate to espouse one program for all of its hourly paid employes.

"In the natural course of negotiating with different unions, different benefit patterns will result for employes represented by different unions in different industries and areas in the country. No uniform plan is possible for this group, in our opinion," the con-

sultant said.

"Although a uniform benefits program for salaried employes of a conglomerate is possible, it is not always practical," Mr. Kwasha said, referring to different business entities of a conglomerate that are so loosely knit that they continue to operate exactly as before with no shifting of existing management and with existing management calling the shots as they did before.

"There is a serious question here, the consultant said, "whether a uniform program for salaried employes and higher is necessary, or desirable, or whether local management would take kindly to it."

NOTING, HOWEVER, it has been his experience that in very

few instances does a conglomerate continue to be a loosely knit arrangement with its different units for long, Mr. Kwasha said that a uniform benefits program may become very desirable.

For example, he said, since the concepts of proper management, administration and often merchandising are not that different from one manufacturing industry to another, the conglomerate may wish to shift management from one place to another to take advantage of its best talents in the places they are most required.

"A uniform benefits program is almost essential if this is to be accomplished with a minimum of stress and strain," Mr. Kwasha asserted. "Also," he added, "the conglomerate wants to feel that no one unit is faring better for its

salaried employes, as related to their pay, than is true for another unit. They want no second class citizens," he said.

IN CONSIDERING a uniform benefits program, Mr. Kwasha said he was taking the more far-ranging conglomerate or the merger-oriented company that places no limit on the type of industry in which it might seek mergers. "If we can develop a uniform plan for this type of company, the thinking for a more restricted operation will fall into place," he said.

Judging from the amount of time he budgeted on the various phases of a uniform benefit program, Mr. Kwasha considers the pension and profit sharing areas to be the most important—and indeed the most complex.

"Some units in a conglomerate will face the problems we are all familiar with in devising a pension plan which for the lower paid salaried employe will be competitive with the negotiated union plan for the hourly paid," the insurance consultant said.

NOTING THAT HE believes the trend today is to solve this problem by way of a pension formula which is a percentage of salary (usually the five year average pay during a period preceding retirement) times credited years of service, Mr. Kwasha said: "If the proper percentage is chosen this type of plan will keep abreast of union negotiated benefits at least for the older employes coming up for retirement in the more immediate future whose salaries tend to be above the lower levels.

"As higher pension levels are negotiated for hourly employes as a result of pay levels going up," he continued, "the salaried employe pension plan geared as it is to a percentage of pay will provide compensating increases. However, this is not to say that this percentage will not require amendment from time to time should unions negotiate benefits in a different ball park—as has been the case in the last five years when benefits were more than doubled," he said.

"In our opinion," the consultant went on, "the pension benefit percentage applicable to the part of final average salary on which Social Security benefits are computed must, for the far-ranging conglomerate, be on the order of .85% to 1% to be competitive with the \$5 to \$6 per month per year of service that is being provided today for hourly employes in most mass production industries. Furthermore," he added, "this pension percentage should require no employe contributions, since union negotiated plans for hourly employes are invariably noncontributory."

TURNING TO another matter, that of the percentage applicable to the upper part of pay, Mr. Kwasha said he feels that the conglomerate should be influenced by current day trends in industry of providing, without contributions, pensions of approximately 45% to 50% of final average pay for the 35-year man—or about 1 1/3% per year of credited service. "Certainly some of the units in a far-ranging conglomerate will already have plans providing benefits in this order and it would be wise to win the confidence of acquired management at other units by upping their pension benefits to the more liberal levels of current

Continued on page 44

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Sen. Javits plans national health care proposal

WASHINGTON—Sen. Jacob K. Javits (D., N.Y.) will introduce legislation calling for a national health care system this month, his Washington office has told *Business Insurance*.

The Javits measure, which has been expected for some time, will join an ever growing list of national health legislation that has been or is about to be introduced before both branches of congress.

In planning to introduce his bill next month, Sen. Javits is perhaps attempting to get the jump on the much-heralded proposal the committee for national health insurance plans to introduce shortly after the first of the year. The committee, of which United Auto Workers President Walter P. Reuther is chairman, has already begun a major push for support.

THE JAVITS bill has been in the planning stage for months. Sources in his office here are reluctant to make full details public until the measure is formally introduced. However, bits and pieces of what the bill may contain have been dribbling out in speeches the senator has been making since last spring.

The health bill, according to the senator's aides, will call for the establishment of a national system of prepaid comprehensive health care for all Americans that would be compulsory.

In recent months the senator has indicated his measure will have seven basic objectives. They are:

- A system of prepaid health care designed to eventually replace existing Federal health assistance, including Medicare and Medicaid, which he feels are inadequate as they now stand.

- A system that gets its financial support from employer-employee contributions and, for indigent and dependent persons, from Federal, state and local government contributions. Sen. Javits has made it clear that he supports a program calling for direct financial contributions by beneficiaries so they have a "stake" in fiscal health.

- A program with a "wide diversity of systems of prepaid comprehensive care, with free consumer choice between competing plans, although ultimate participation in a plan would be compulsory."

- A system that would be required to provide full health care—preventive, diagnostic, ambulatory and rehabilitative care, as well as physicians' and acute hospital treatment.

- A plan that would have "to submit itself to realistic and meaningful cost controls and to the requirements of state health facilities planning agencies."

- A system that would have the Federal government financing the necessary capital development and construction costs of participating institutions. This, the senator believes, "will permit them to reach out to the prepaid population they serve with neighborhood family-care clinics, expanded outpatient departments, and other forms of ambulatory care."

- A system that would be structured in such a way as to insure the availability of adequate medical care to everyone "no matter where they live."

ago, Sen. Javits again went into another matter of intense interest to benefits people—that of pension reform. However, this time the Republican Senator made it abundantly clear that he and the Administration substantially differ on the extent of reform.

"My feeling is that the Administration will take a stand on

pension reform, but only in the area of setting fiduciary standards," Sen. Javits told the fall conference of the American Management Assn.

The Senator, who has introduced a bill on the subject (S2167), indicated that he preferred much stronger reforms, but emphasized that he has no

desire to eliminate private pension plans or impede their further growth.

"I DO NOT believe that my bill, if enacted would have any such effect; indeed, what I seek to accomplish, basically, is to preserve confidence in the private system by insuring that the

pension promise does not prove illusory, as it does so often today."

In other words, he told the meeting, the bill he has introduced established "minimum standards of equity and decency for private pension plans. I believe that to accomplish this

Continued on page 39

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EARLY last month, in Chi-

Railroad . . .

Continued from page 31

why we have government mediation."

He said Mr. C'Brien's camp was being too bull-headed. "They're blind. They want everything and will give nothing. I don't like mandatory retirement or the freeze on additional supplements, but I know bargaining is give and take."

A railroad management representative feels that the subcommittee is riding over the will of the majority.

"WE THOUGHT it was all settled," he said. "The subcommittee's decision is very unfair. They are listening to certain interest groups. We understand that retired people need the money and we want to give it to them, but we want something in return."

Each side thinks the other is cutting its throat, and while the insults fly and paper changes hands and the legal machinery rumbles in Washington, the men in Grand Central and other terminals do their jobs and wait.

"I don't know how it'll come out," said a janitor who was questioned by a *Business Insurance* reporter in New York's Grand Central as he pushed a

mop down a long hallway. "But there'll be a lot more fightin' before it's done."

A PORTER stood in the wind blowing through the 42nd Street entrance and commented: "It hasn't reached our level yet, but it's comin'. It's comin'."

A baggage clerk whistled through his teeth, "I know a lot of retired people, and they're going to have a long, cold winter."

Wysong Starr Tech vp

Starr Technical Risks Agency Inc., New York, has announced the appointment of Robert G. Wysong as general manager, vp.

Maatman . . .

Continued from page 26

THE COMMITTEE approach, Mr. Maatman felt, would better integrate the concept of product safety into the entire corporation.

To explain how it might work, the loss control engineer told the ASIM members how the hypothetical company Ajax Industries would go about creating and marketing a safer electric hedge trimmer.

After the research and development section of Ajax Industries has surveyed the similar products made by other manufacturers, it should come up with some basic design ideas and make the appropriate patent search—and then set about designing a better, more reliable "and hopefully cheaper" electric hedge trimmer. The actual design phase should include a check to see whether or not there are any product safety standards for such hedge trimmers and the attempt "to design as fail-safe a product as possible, taking into account its use by human beings both for its intended purpose and other foreseeable purposes."

As another aspect of the Ajax research and development of the hedge trimmer, "it is extremely important to maintain detailed records of the entire design process, including the various tests and analyses made on prototypes," Mr. Maatman said.

WHEN THE design is turned over to the manufacturing section, the purchasing department should sit down with the production and design engineers to develop the necessary specifications for component suppliers, the loss control engineer told the ASIM members. These specs should include "suitable quality control performance requirements" and steps should be taken to set up quality control tests and procedures "to at least spot-check shipments of these components," Mr. Maatman said.

As for the manufacturing process of Ajax, the critical points in this phase and the final assembly should be established. And again, "suitable quality control tests and checks should then be designed at the various points in the manufacturing and assembly operation," Mr. Maatman said.

Finally, with the finished product in hand, a testing program

should insure that the hedge trimmer shipped from the plants are in proper operating condition and contain no defects.

"It goes without saying that complete and detailed records should be compiled and maintained on all quality control inspection and testing activities both with reference to outside supplied components and all in-house work," Mr. Maatman said.

BEYOND THAT, the loss control engineer told his audience, the sales department should sit down with the design and production engineers, the shipping department and the legal staff to develop a package for the trimmer that will prevent damage during shipping and spell out the customer instructions.

"It is extremely important that these instructions be written in a clear and concise manner and that the appropriate warnings be included in bold type explaining any dangers that might result from improper use, poor maintenance, etc. With this type appliance, it's also obvious that the consumer should be warned to keep it away from possible use by children," Mr. Maatman said.

At this point, he cautioned, "it's vitally important that the legal department and design engineers from the research and development section review all proposed sales literature and material to insure that no exaggerated or legally dangerous claims are being made."

The final area of concern for the product safety committee is the keeping of records, Mr. Maatman said. This includes the use of warranty cards, which the customer is instructed to complete and return to the company within 30 days. Also, the loss control engineer suggested, retail dealers should be requested to send back on suitable form any reports of customer dissatisfaction, and customers, through advertising and the appliance warranty program, should be encouraged to write directly to Ajax if they encounter any problems in the use or maintenance of the hedge trimmer.

All complaints, whether in a friendly form or a legal form, should be investigated immediately. This means, Mr. Maatman said, that some type of established procedure be followed to do the investigation. "Also," he said, "quickly notify your insurance carrier of the occurrence."



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Chicago, London teams pool aviation resources

LONDON—Two internationally known teams of experts in aviation loss handling and underwriting are pooling their resources to extend their world-wide facilities. Peter J. McBreen and Associates, Chicago, is linking up in London with International Air Services, run by two British insurance men, to give full attention for operations on both aviation and other losses.

This move was announced in London by Alan Hunter, formerly principal surveyor of British Aviation Insurance Co., and Harold Caplan, who headed its legal department.

Final details were completed recently between Mr. McBreen, his brother Geoffrey McBreen, and the new Hunter-Caplan company.

In a joint statement to *Business Insurance*, Mr. Hunter and Mr. Caplan said:

"OUR TWO international teams are already geared to today's demands by the world's airlines and their governments for prompt passenger settlements with a min-

imum of litigation.

"This problem is currently receiving urgent attention by members of IATA and the ICAO.

"If U.S. proposals to adopt \$100,000 as an absolute worldwide limit for liability without fault, in an effort to check unnecessary litigation, are accepted by other nations, nearly all future claims against airlines would merely involve determination of damages without any dispute as to liability.

"Although both teams have specialized in aerospace and air transport, and will continue to do so, their expertise is also applicable to other fields of insurance and risk management."

C&F names Buneaes

Crum & Forster Insurance Cos., New York, has named Bard E. Buneaes president, chief operating officer and a director of its recently acquired Constitution Insurance Corp. Mr. Buneaes was previously a vp of Christiania Insurance Corp. of New York and Switzerland General Inc.

Grocers learn to cope with the cart nappers

CHICAGO—Loss engineers at major supermarket chains have finally got around fantastic self-assumed losses stemming from the steady flow of shopping cart stealers. In fact, they've got totally around the cart nappers.

Some chains call them cart corrals, others call them cart control bars. That's essentially what they are: A protrusion of metal bars or piping rising over five feet high and spaced around the entrance of a store with enough room for people to pass but short enough to prevent the escape of the popularly purloined shopping cart.

The installations cost next to nothing, but almost always reduce cart losses by at least 98%. Store managers attribute an occasional disappearance to genuine error. Before installation of this cheap but purportedly effective means of theft elimination the average loss was 100 carts per store per year. At anywhere from \$25 to \$40 per cart, an individual store sustains losses from \$2,500 to \$4,000 annually.

A TYPICAL chain such as the National Tea Co. operates 240 stores in and around the Chicago area, and suffers a yearly cart loss of \$225,000. Of course, nobody writes insurance coverage for this kind of loss; it couldn't be written for money, so the supermarket chains weep alone.

According to security officials, these losses are constants and have no sociological or geographic boundaries. Said one Chicago-area security man: "Our rate of 100 shopping cart thefts per store each year holds for the outlets in rich suburbs as well as the 'inner city' ones. These mothers apparently feel their \$50 to \$60 per week purchase justifies the confiscation of a \$35 cart.

"We're sure these mothers are not thieves and wouldn't be caught dead shoplifting a 10 cent package of candy. Nonetheless, they feel entitled to a free laundry cart, or whatever is usually the product of these reconverted carts. Of course, our problems get impossible when organized stealing seeps in and the guys who make a buck or two at the junk yard start pestering us."

The only exceptions to the 100 shopping carts per store per year are outlets located in suburbs where a car is necessary to shop. Since major losses are prompted by walking the cart to a home, the store accessible only by auto almost precludes the loss incidence; the failing is that only a minority of chain stores are so located.

IN FACT, a small number of in-town stores are even capable of cart corral installations. Prerequisites are an adjacent parking lot and a building structure that will lend to the minor modification. The work is simple and usually performed by regular employees who plant the inexpensive pipes or poles in a cement mound. But since most stores have non-adjacent parking lots, if at all, cart napping structures are regrettably uncommon, although growing in number regularly.

According to planners (no one can pinpoint the originators, although the idea is believed to have begun in a southern state), patrons leave their shopping carts laden with food and retrieve their autos from the lot. Shoppers park beside the corral and an attendant helps place the

groceries in the car. True, this makes for a little congestion at the entrance, but an efficient attendant is usually enough to overcome this.

One temporary problem of the cart controllers is a potential liability arising from possible impeded exit in the case of a fire or similar tragedy. However, individual managers can reckon with local fire officials to make side and rear entrances and exits available should they be required, and thereby avoid trouble.

The seemingly fool-proof cart controllers play the role of the big grocer's cure-all. They've got every angle figured except one: with 5' high parallel bars 20" apart regulating access. ■

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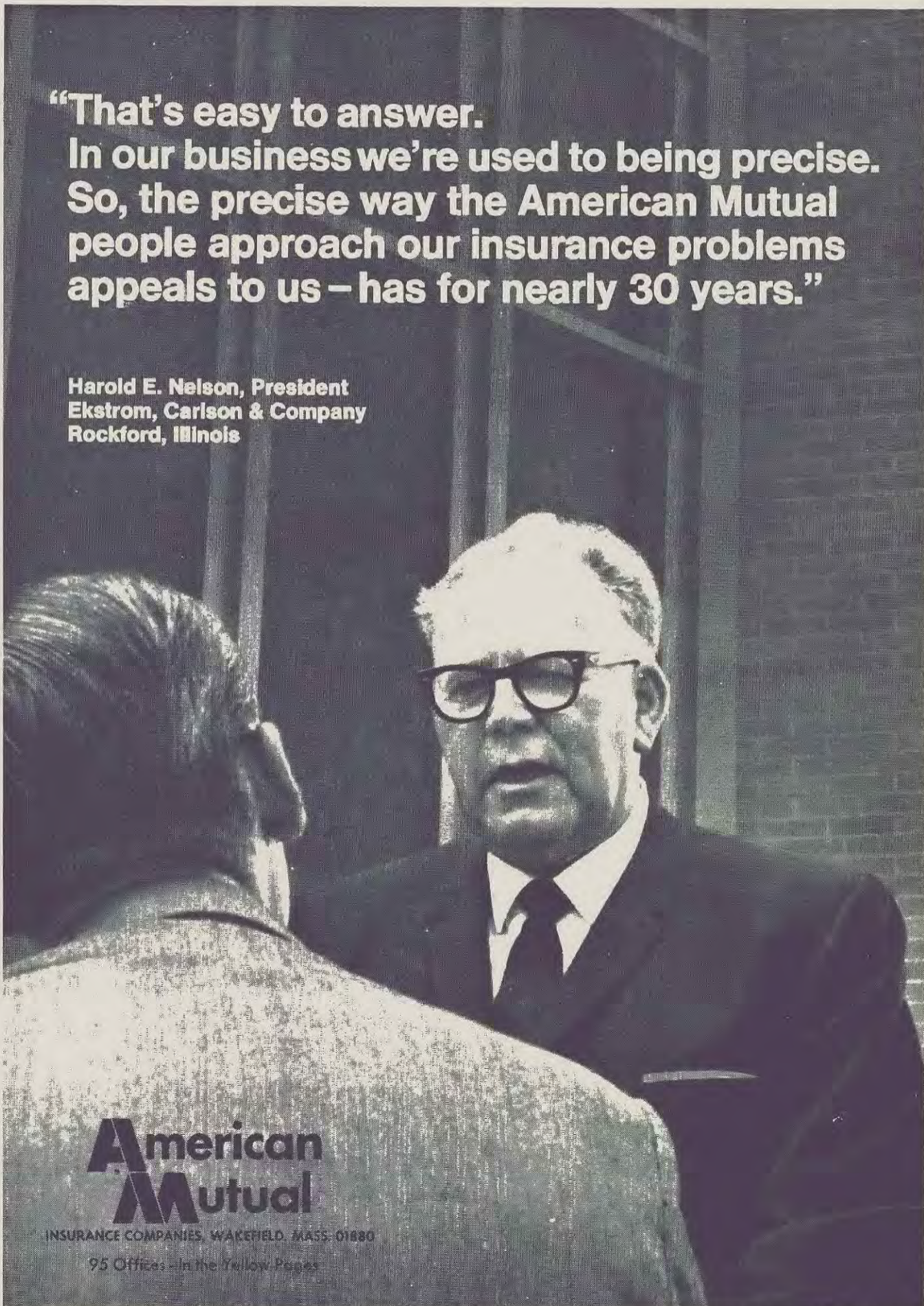
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Managing your money

If pay takes abrupt upward turn, save tax money by income averaging

NEW YORK—If your earnings have taken an unusual jump, pushing you into a higher tax bracket, you may be eligible for tax relief. You should investigate the special rule that allows you to average out your current high earnings with the previous year's.

To find out whether you're a candidate for this tax deal, apply this test: Average your income for the four years preceding your current high earnings. Multiply that average by 1½; then compare the result with this year's income. If your current earnings are more than \$3,000 higher, income averaging may save you money.

Example: Let's say, your current taxable income is \$20,000—it jumped \$14,000 over the average for the past four years. Multiply the previous \$6,000 average by 1½ and you get \$9,000. That's still \$11,000 less than your current income, a difference which is way above the \$3,000 minimum.

APPLYING the standard way of figuring your tax, you would owe \$6,525 on taxable income of \$20,000. But using the income-averaging method, you'd cut your tax to \$5,450—a tax saving of \$1,075.

Keep in mind that current law

offers this tax break only when your income is at least one third bigger than usual. The proposed tax reform bill would permit you to take advantage of income averaging, providing your income in a given year exceeds by more than 20% the average of the four previous years. So even if you can't come within the present rule, wait and see if passage of the new tax law will help you.

* * *

HOW TO MEET the credit squeeze: Borrowing has become much more expensive these days.

What's more, some individuals and businesses are encountering problems in obtaining loans—even at the higher rate.

If you're looking for cash to meet current bills or whatever, you might consider borrowing on your life insurance at an average interest rate of 5% compared to today's rates anywhere from 9% to 18%. Also don't overlook your company pension or profit-sharing plan. Perhaps you can obtain a loan from that trust at reasonable rates.

* * *

EXECUTIVE CHECKUPS are quite the thing these days. What's more, your annual physical should not be treated lightly. A five year study, conducted by the University of Chicago, revealed 246 health abnormalities among the 269 business men examined during the period.

YOUR HOME PHONE can be deducted as a business expense under certain circumstances even though you don't actually maintain an office at home in connection with your job.

For instance, suppose your doctor orders you to rest at home for a while. Does it mean that your office projects must wait until you return to work? Not at all. If you phone in your instructions and ideas to your co-workers, you can write off the portion of your phone bill that represents the business calls.

What if you have to make long distance business calls at night? These, too, are deductible.

Should you make it a practice of using your home phone for business use on a regular basis, the thing to do is to install a separate phone for that purpose. In that way, you'll avoid any fight with the tax collector on "home versus business" use, and you'll also pinpoint the deductions.

* * *

WATCH THOSE entertainment deductions—they continue to get sharp treatment. In a recent case, a business man recorded his over \$25 entertainment outlays on a desk calendar. There was nothing fraudulent about the practice, but because he didn't keep receipted bills, as a taxpayer he couldn't deduct a dime's worth of such expenses.

By refusing to entertain an ap-

peal, the U.S. Supreme Court, in effect, upheld the Treasury's requirement for receipts or paid bills for any claimed entertainment expense above \$25.

* * *

TAX CREDIT for tuition—that's the substance of a new bill sponsored by some 36 U.S. Senators. It's similar to a proposal which lost out in Congress last year but it might just have a fighting chance this time.

Here's how it would work: Say your income is no more than \$15,000. You'll get full credit against tax on the first \$200 of tuition costs, books and other outlays, you'll get a 25% credit for the next \$300 and a 5% credit for the next \$1,000. If your income is over \$15,000, your tax credit would be reduced 1% of the income above \$15,000. In other words, if your income is, say, \$50,000, don't count on any tax credit for educational allowance.

* * *

UNORDERED MERCHANDISE does not have to be returned—nor do you have to pay for it. So says the Federal Trade Commission. If you receive merchandise in the mail that you have neither purchased or requested, you can just sit tight. If you want to be a good guy and send it back—or pay for it, go ahead. It's up to you. But remember, you don't have to do a thing about it.

* * *

DON'T FORGET to sign your tax return. Even though you send in your income tax refund on time, you can still be hit with a penalty if you fail to sign it. Reason: Internal Revenue says it's the same as not filing at all. I.R.S. imposed a heavy penalty on one careless taxpayer and the Tax Court agreed saying that inadvertent failure to sign, is not a good enough excuse. (Vaira, 52TC No. 106).

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Buildings . . .

Continued from page 24

"PEOPLE ALWAYS think insurance companies are rich," said a Philadelphia insurance company public relations director. "We're not. We're taking a beating. But we're not just wildly raising rates. We try to work with the schools. We look into their security precautions and tell them what improvement is needed."

He said that the main problem is the bizarre, unpredictable catastrophe usually caused by a neurotic student.

"You never know what will happen in a school," he said. "Say a kid flunks his history test. So he runs into the auditorium and sets fire to the place. You can see what kind of changes have taken place in society by how many schools go up in flames each year."

JOSEPH P. POMPOLLIO assistant business manager of the New York Public Library, feels that many young people have a lack of respect for the education system today. He said that the main library on 42nd and Fifth Ave. has had no serious incidents of vandalism but that plate glass coverage on branch libraries had doubled in the last three years.

"The windows are usually broken on the weekends," Mr. Pompollio said. "It's just pure vandalism. Kids today are destroyers."

The revolutionists and fanatics also hit religious institutions and have boosted insurance rates for those institutions, too.

"THERE ARE A lot of nuts running around loose today," said a New York underwriter. "A lot of people think God is dead and so they attack the church. Fires are the biggest problem. Some fanatic recently set fire to a New York parsonage and then jumped out the window."

He said that churches all around the country had suffered losses and that the insurance market is tightening in this area, although not with the intensity that is evident in the school market.

"The cost of theft insurance is so prohibitive that we would rather just pay for the losses than try to pay the insurance rates," said Kendall Monroe, chairman of the Washington Square Methodist Church. He said the church was covered with fire and casualty policies.

"IN FAIRNESS to insurance companies, many churches hold controversial meetings and leave themselves open for violence," said an Insurance Information Institute spokesman.

A New York insurance company vp said that his company gave discounts to churches ten years ago, but no more.

"The church is one of the primary social institutions and it's being attacked. We are continuing to write churches, but we are not happy with the situation," he said.

He said they dropped a New England church that had opened its doors to a following of conscientious objectors.

AN OFFICIAL at the Church Insurance Co., which insures Episcopal churches for about 20% less than the market rate, said that they accept all risks.

"We let a church go only if the premium is not paid and bills have piled up for an intolerably long time," he said.

He said that churches in the midwest had the best records and that most violence occurred on



The Parkdale United church in Toronto had its \$200,000 fire insurance cancelled by seven underwriters. Insurers claimed that church maintenance was not up to snuff.

the west and east coasts.

"Churches are part of the general problem of insuring public buildings," said an official in the New Jersey State Insurance Department. "Public buildings get hit every day."

BECAUSE OF this frequent destruction, a New York insurance broker didn't even want to comment on the problem.

"If I tell you about the trouble we've had, somebody will read it and get ideas and there will be more trouble," he said. "That's how the public is."

A Philadelphia insurance official said that a prosperous, careless society played havoc with insurance companies.

He said that people should not point their fingers at insurance companies.

"We can only respond to the world as we find it," he said. ■

Canadian church finds insurance hard to keep

By TOM ARNETT

TORONTO—"If my church burned down," said the Reverend Rupert Evans, "I'd stand across the street singing 'Praise God from Whom All Blessings Flow,' with my hand out for the insurance money."

He made that statement on March 31; a few months later eight insurance companies cancelled nearly \$200,000 worth of his church's fire insurance contracts. The church, Parkdale United, would cost over \$800,000 to replace if it were to be destroyed by fire. Its present insurance will cover only the salvage

value of the building.

The controversial statement was made during a panel discussion on the problems of the church in the inner-city. The Reverend Evans, using his church as an illustration, pointed out that the building was designed to seat 1,400 people, but only 200 attended on an average Sunday. He claimed that the upkeep of such large buildings by small congregations made them servants of the institution rather than servants of God.

SMITH, McKENZIE, Hall & Hunter was the general agent
Continued on page 38

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Church . . .

Continued from page 37

handling the church's insurance. In order to attain the most favorable rates for their client the agency placed a large portion of the business through McKay Insurance Agency. Within a short time of the Reverend Evans' statement, the following companies which had written their business through the McKay Agency, all cancelled their contracts with Parkdale United Church: Canadian General Insurance Group; National Employer's Mutual General Insurance Ltd.; Economic Mutual Insurance Co.; United Provinces Insurance Co.; Fire Insurance Company of Canada; Stanstead & Sherbrooke Insurance Co.; and Waterloo Mutual Insurance Co.

Those officers from the above companies who would make a

statement claimed that they had cancelled the policies on the advice of the agency, which had reported that the church maintenance was not satisfactory.

In addition to the above companies, The Federal Insurance Co. of New Jersey asked Smith, McKenzie, Hall & Hunter for the return of their \$25,000 policy and sent a registered letter to the church informing them of the cancellation of contract.

A SPOKESMAN FOR the McKay Agency assured *Business Insurance* that several inspectors had been sent to the church and had found the maintenance lacking. The church had previously been inspected by the Toronto Fire Department, and later by insurance inspectors before the issuance of new policies. In both cases the building and its upkeep seem to have received a clean bill

of health. While the church staff is unwilling to say that the inspections were not made prior to policy cancellations, no one can remember them having taken place.

A senior member of Smith, McKenzie, Hall & Hunter made the following statement:

"We did not initiate the cancellation of the policies on Parkdale United Church. We regret these cancellations and have expressed our opposition to them. We have done our best to place with other companies as much insurance as the church wishes to carry at this time."

J. B. Trotter, member of the Provincial Parliament, brought the matter up in the Legislature on October 2. He condemned the "high-handed policies of insurance companies" and called for controls to prevent policy cancellation at the whim of the company. ■

Whig Hall fire presents property value problem

PRINCETON, N. J.—Princeton officials are having trouble determining the amount of damage done in the fire that gutted historic Whig Hall on Nov. 9.

Foster Jacobs, director of physical plant, said that university fire insurance will definitely cover the loss, but the problem is finding out what the loss was.

The university's blanket coverage fire insurance policy, which was placed by Johnson & Higgins, is split between 14 companies. A J&H spokesman said that representatives of the General Adjustment Bureau were meeting with builders to determine damage costs.

"That building was so old that there are very few architectural drawings of it left," Mr. Jacobs said. "There was a lot of ornamentation, fancy woodwork and paneling that is no longer put in buildings today. Without drawings it's hard to tell how much or what it was worth. About all we have to go on is what's left of the building." ■

THE OUTER WALLS are all that's left of the 1893 structure. The fire, which began in the first-floor lounge of the two-story building, roared through the wood interior and also destroyed the roof. Although the cause of the fire has not been officially determined, Mr. Jacobs said it was believed to be a carelessly-dropped cigaret. They do not suspect arson.

The Princeton fire chief said the fire began at 5:40 Sunday morning and was under control in two hours. It smouldered until 4:30 in the afternoon. He said that once damage is determined, the fire will probably go down as Princeton's worst.

Twenty paintings hung in Whig Hall. Six were totally ruined and four or five will be restored. Mr. Jacobs said an art appraiser will determine their value.

Whig Hall had been the headquarters for the university's debating club, the American Whig-Closophic Society. ■

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British Shipline appeals oil discharge penalty

SOUTHAMPTON, England—Cruise liner captain John Fox, who was in charge of the Royal Mail Lines' vessel *Andes* when it was seen to discharge oil off the French coast, has been fined \$250 at a British court here for the pollution offence. The shipowners have been fined \$1,250 and told to pay \$1,250 costs for their part in the affair.

But both parties are appealing against the verdict on the ground that the British government prosecutor failed to satisfy the court that the oil discharge contained more than 100 parts of oil in 1 million parts of mixture.

This is the maritime limit currently involved in oil pollution conventions, though many gov-

ernments are reviewing the figure.

French government authorities laid the complaint against the British shipping line after one of its helicopter pilots saw a ten-mile oil slick trailing behind the *Andes* in the English Channel while it was bound for a vacation.

It was the first prosecution against a major British shipping line for oil pollution in foreign waters. There has been surprise in some quarters at the small fine involved, though it was apparently not regarded by the English court as an extremely serious offence in the circumstances.

British civil airline pilots have been reminded that they are entitled to report oil spillages. ■

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Hartford National Bank develops IRS-approved plan for early retiree

HARTFORD—A tax coup, hopefully geared to aid and abet future trust beneficiaries and to give the firm a competitive edge in retirement trust approach for small businesses, doctors, dentists and other professionals, has been disclosed by the Hartford National Bank & Trust Co.

In the manner of several other institutions across the U.S., Hartford National and a number of other banking firms within metropolitan Hartford some months ago submitted master corporate retirement trust plans to Internal Revenue Service for approval under newly-established guidelines.

Admittedly, IRS seeks to elude obvious tax dodges on the part of corporate trust plans for either employer or beneficiary. IRS Procedure 68-45 allows professionals and small business to enjoy tax advantages of larger

firms in planning for retirement income through incorporation.

IT WAS THE aim of Hartford National and like-functioning institutions to get into the business of administering various pension plans covered by IRS rulings.

Business Insurance learned that Hartford National's interpretation on Ruling 69-4, which applies to "a variable accumulation pension fund," was the source of considerable concern on the part of IRS before the nod was given.

Hartford National's particular approach is to permit a beneficiary to retire early without deductions of thousands of dollars his employer has contributed in

his behalf.

(Under other plans covered by an IRS ruling, an early retiree can lose a sizable quantity of funds contributed by the employer.)

THE DEDUCTIONS are part of tabulations tied to both Social Security and tax benefits.

Hartford National's corporate retirement plan was given IRS approval sometime later than others submitted, *Business Insurance* was told.

But Hartford National emphasized that it has the only plan enabling early retirees to escape major deductions under the "variable accumulation pension fund."

Eugene Mulligan, Hartford Na-

tional vp for employe benefit programs, was successful in pointing out interpretation of the IRS ruling in his firm's favor.

A ONE-TIME IRS administrator, Mr. Mulligan remarked that he was convinced that his interpretation is more than an accidental loophole. The benefits to early retirees are logical, when other Social Security and tax provisions are pondered at length.

There are four basic approaches to retirement in the IRS-approved Hartford National Master Corporate Retirement Plan:

• **Profit sharing**—the employer makes annual contributions to the pension fund, according to the size of his profits. If his profits are low, or if he loses money, he makes no contribution that year.

Retirement benefits to employes will vary according to total accumulation of fund at time

of retirements.

• **Money purchase**—the employer makes a fixed contribution to the pension fund on behalf of each employe, regardless of his profits or losses in any given year.

This assures that employes can count on having a specified sum at retirement, which may be taken as a lump sum or committed to annuity with monthly benefit payments.

• **Pension with fixed accumulation fund**—the employer's contributions are invested by the pension administrator, but employes receive only specified benefits, regardless of the size or yield on investments.

• **Pension with variable accumulation**—the employer's contributions are invested by the pension administrator and the employe is assured of a minimum benefit, plus any additional income accruing from favorable investments. ■

Health bill ...

Continued from page 33

objective, a comprehensive bill is necessary, one that goes considerably further than strengthening fiduciary standards."

The Javits bill would establish minimum standards of funding and vesting. Funding would be required over 30 years "to insure that assets are available to pay earned benefits." Vesting under the bill would commence with 10% after six years and end with full vesting after 15 years "to insure that workers who have worked under a plan for a reasonable period of time are not forced to forfeit all or part of their benefits through premature termination of their employment.

"IT IS IN the area of vesting particularly," Sen. Javits declared, "that many present plans can stand improvement, for even though early vesting has become much more common in recent years, the 'forfeiture ratio' on which many plans operate today is still unconscionably high."

While his bill does not require portability, Sen. Javits does believe that it would pave the way for the development of same through the establishment of a central portability fund.

"I believe that once early vesting standards are established, many concerns will avail themselves of this central fund because of the great convenience it will offer to employers as well as employes," he went on. "In time the central fund should grow in importance until ultimately it becomes a focal point for the entire private pension plan system. "As this happens," the Senator added, "another advantage will occur: Thousands of employers who are simply too small to establish pension plans for their work force will be able to do so utilizing the central portability fund."

CONCLUDING his remarks on an emotional note, Sen. Javits told employe benefits people attending the Chicago conference:

"You will be responsible for jeopardizing the private pension system if you look down the wrong end of the telescope." The wrong end of the telescope, he said, is looking at pension plans with a mind to preserving the fund. "The right way to look at it is from the standpoint of a guy who's put all the money into it over the years. If you do that," he said, "you will be blessed by millions of Americans." ■

A great new idea in insurance: Automatic protection against erosion of values by inflation!



Described in interview with Leslie P. Schultz, C.L.U., President, Bankers Security Life Insurance Society.

Q. Your new term policy is called Vanguard One. How does it work?

A. Its basics are simple. And that's one reason it's so outstanding. The face value of the policy increases as the Consumer-Price Index rises. But here's the big advantage to you as the policyholder: the premium remains level in spite of any increase in the benefit.

Q. Is there a limit to the face value increase?

A. Yes, but it's quite high. Your insurance coverage can increase by as much as 25% in a four-year period. *No limit on total increases.*

Q. Are the premiums ever readjusted?

A. This is a four-year renewable and convertible term policy, so we review the Consumer-Price Index every fourth year. But during the four years preceding, you do not pay an extra premium for the extra inflation-protecting coverage you get. After each four-year period, you may continue the policy at the increased level and start the premium for that level . . . or you may go back to the original face amount and pay only the appropriate renewal premium.

Q. What other features does Vanguard One have?

A. It's convertible to permanent insurance up to age 65 . . . and without evidence of insurability. It has a guaranteed retirement "pour in" option. That means you may set up a lifetime annuity at rates guaranteed when you first purchased your Vanguard One policy.

Q. Vanguard One is not only new, but I gather that it's a very timely idea.

A. It certainly is! We now have a policy that helps solve a problem faced by every insurance owner . . . the erosion of insurance values by inflation. On top of that, Vanguard One is so flexible that it will help meet many of your future needs. It's maximum protection at minimum cost.

To get complete details, and all of the other unusual facts about this new concept in life insurance, contact your insurance broker. Tell him to call Bankers Security for the just-released Vanguard One information kit. Bankers Security Life Insurance Society, Executive Office: 1701 Pennsylvania Avenue, N.W., Washington, D.C. 20006. Home Office: New York City.

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Fine print—myth or fraud?

by William H. Rodda,
President, Marine Insurance Handbook
Inc., Chicago, Illinois



William H. Rodda

one-hundredths of an inch in height." Similar laws plus the general practices of insurance companies have all but eliminated the actual use of fine print in insurance policies.

The fine print allegation has come to mean ambiguities of language or the "burying," as some courts have said, of restrictive provisions among many pages of type. The supreme court of New Jersey believed that "fairness to the ordinary layman who is the average insured dictates that exclusions be so prominently placed and so clearly phrased that he who runs can read."

THE DRAFTING OF insurance policies poses two problems. One is that of understandable language. The other is the placing of exclusions and other restrictive provisions in such a way that the insured's attention is called to them.

Insurance companies have been held to a higher degree of care in respect to understandable language and format than has been required of other businesses. Railroads and other transportation companies, for example, are permitted to use bills of lading that are at least as ambiguous as insurance policies, and their terms

company's printer had inadvertently left out that provision of a statutory policy. The court said the mere fact that this was a policy whose provisions were set by law did not make it binding on the insured. This is in direct contrast to the practice in the transportation field, in which shippers are charged with knowing the contents of filed tariffs even if they have never seen them.

The courts have uniformly held that insurance companies must use clear and understandable language in their policies. The principle has been well stated in a decision of the U. S. circuit court of appeals, seventh circuit, which said, "The language of the policy is to be construed in accordance with the principle that the test is not what the insurer intended its words to mean, but what a reasonable person in the position of the insured would have understood them to mean." Insurance companies have generally come to accept the obligation to phrase their policies in words that the layman can understand, if he will but take the trouble to read the policy.

IT IS NOT EASY to draft a policy in words that mean the same to everybody.

'There is one area of insurance in which antiquated and obscure language is permitted. That is ocean marine . . .'

are printed in such small type that it is literally impossible to read them without a magnifying glass. In addition, shippers of goods are held to the provisions of tariffs that are on file with regulatory bodies, even though such tariffs are never printed in the bills of lading.

A New York court ruled that an insurance company could not take advantage of a provision requiring the filing of suit within a one year period because the

Any ambiguity is uniformly resolved in the favor of the insured, and some courts have strained to find an ambiguity so that the insured may collect for his loss. This is based upon the principle, again quoting from a decision of the supreme court of New Jersey, that the insurer "had the legal right to exclude particular types of liability, [but] its responsibility was to do so unequivocally."

The courts must share the blame for the

length of insurance policies. A simple example will show the problem facing the insurance company in establishing policy language.

Many policies cover loss from explosion. The dictionary definition of an explosion is a violent expansion or bursting accompanied by noise. But courts have held that such events as the outward collapse of a grain storage bin, or the breaking of a water pipe from water hammer, and sonic boom, are explosions. These are events that were not contemplated by the insurers as explosions, and they are not covered by the rates that are charged for the policies. The next editions of the insurance policies must have additional provisions that clarify the intent of the underwriters. Thus the policies become longer each time the courts add a coverage which is not intended to be covered at the rates which are charged for the policy.

Insurance companies have become adjusted to the idea that they must express their coverage intentions in clear and unequivocal terms. This has brought about the lengthening of policy wording when new and explanatory terms and exclusions were added to counteract the effect of adverse court decisions, but the situation is accepted as one of the problems of selling insurance.

THERE IS ONE AREA of insurance in which antiquated and obscure language is permitted. That is ocean marine insurance. Maritime courts have followed decisions of long standing in their interpretations of disputed coverage. There are two apparent reasons for this difference in the attitude of maritime courts as compared to courts which act upon other insurance cases within the United States. The first reason is that insurers and insureds alike generally understand the ocean marine terminology, at least one understands it as well as the other. The traditional 'man on the street' for whom American courts have shown great solicitude is not often involved with ocean marine insurance. The other reason probably is that ocean marine insurance is international in character. Decisions of American courts which are contrary to long established maritime decisions perhaps would react adversely to American business.

Recently a new attitude has appeared
Continued on following page

Are AMA and ASIM on collision course?

by Charles F. Levinson,
insurance manager,
Port of New York Authority

Up until seven years ago the only nationwide organization active in the training of the buyer of insurance was the Insurance Division of the American Management Assn. (AMA). At that time, the American Society of Insurance Management began its annual three-day meetings which have become increasingly competitive and duplicative of the efforts of the AMA at its spring and fall conference meetings.

Almost all of the more than 1,750 firms that have membership in the ASIM also belong to the AMA and are active in both organizations. Both organizations draw heavily for program speakers from the same active insurance buyers of the 1,750 firms mentioned. As an active member of

both I believe that I can constructively comment on the situation."

So far, the two annual conferences of the AMA in May and November of each year have not conflicted with the annual conference of ASIM held in February. 1970, however, holds a different story. The ASIM annual national conference has been advanced to the end of April forcing many of those who belong to both organizations to make a choice between attending one or the other. Personally, I believe that the attraction of the 1970 April ASIM in Miami Beach will outdraw New York's AMA a week or so later.

WHILE THIS may seem more like a teapot in a teapot for most buyers of insurance, there is a problem that needs solution. First, I would suggest that future scheduling be arranged to avoid conflicts in date or something almost as bad:

scheduling too close to each other. Second, I would pre-plan the programming of the respective meetings so that the two organizations don't duplicate each other. I believe that the AMA should re-examine its insurance conference programming. While ASIM comprises almost all highly experienced insurance buyers, the bulk of the AMA Insurance Division members are in the main, part-time or relatively inexperienced buyers. These people need the "how to" or "what's new" type of program. Some time is needed to devote at least one session to a split-up of the attendees by industry with the heavy professional buyers giving the advice or answers for their particular industry. The retail chain store man wants to know what other retail chains are doing rather than hear about the problems of off-shore oil drilling. Basic problems such as communication, supervision, training held,

and all the other management problems that AMA has so much experience in should be included in the program slanted to the field of insurance management.

The area of specific problems such as impending governmental controls with a view to taking a stand and perhaps exerting influence by lobbying is the specific area of ASIM. Much help could be given the industry by the continuation of the AMA seminars and other programs for open discussion of the various sides and solutions to problems. These have always been excellent for bringing together the knowledgeable people in our business.

There is plenty of room for both organizations but the first step seems to be the immediate formal establishment of liaison between ASIM and AMA to forestall any problem of scheduling or other conflict in programming.

Charles F. Levinson, insurance manager, the Port of New York Authority, holds a B.A. degree from Columbia University and a CPCU designation. He was formerly associated with a number of Midwest stock insurance companies as insurance underwriter and field man. Mr. Levinson served as insurance manager of Magnavox Co. from 1954-57, subsequently becoming insurance consultant to Insurance Audit & Inspection Co.

Continued from preceding page in court decisions. The meaning of the policy is now being tested by some courts "according to the insured's reasonable expectation of coverage." A decision of the supreme court of New Jersey was based not upon what the policy said in clear language but upon the court's belief that the company's intent to exclude workmen's compensation claims had not been suitably called to the insured's attention.

Following this decision some insurance companies added to the face of their policies a red ink sticker which said that workmen's compensation coverage was not provided by the policy. Some company people believe that such action posed another danger. The policy necessarily contains several exclusionary and restrictive terms. The contention is that a sticker calling attention to one exclusion would automatically make all other exclusions ineffective. Some courts may pick out another exclusion or restriction and say that it, too, should have been the subject of a red ink sticker on the front of the policy. The practical problem of the insurance company is that the front of the policy just is not big enough to hold red ink stickers applying to all of the policy conditions.

NOT ALL COURTS have been as unreasonable in saying that the expectations of the insured must be met regardless of policy conditions. A U. S. district court of appeals was faced with a claim under an accident policy which had been purchased at a counter in an airport. Following an

accident the beneficiary asked the court to reform the policy to provide coverage because several policies were available at the airport counter and the clerk had not taken the trouble to explain all of them.

The court recognized the difficulties of imposing on the insurer the obligation to explain every variation of every policy that was available. The court's reasoning is interesting. The decision inquired, "How many policies need to be explained? In the meantime, what is happening to time—that precious irreplaceable which accounts for the traveler's pressure at the airport facing either a dispensing machine or an attractive sales person who may well try harder but without benefit of a legal education?" The court further concluded, "We think that imposing a duty to offer such explanations under circumstances of this kind—requiring as it does an effort by lay persons to interpret the legal meaning of the proposed contract as well as others available—would be fraught with great danger to the stability of contracts."

What is the process of developing and writing an insurance policy? Is this done in some remote ivory tower which is far removed from the needs of the policyholder? Most insurance policies are written by committees of insurance company representatives who work within the framework of a rating bureau or advisory organization. A particular form may be discussed for many days before it is finally accepted. There may or may not be lawyers on such a committee, but always there is consultation with legal counsel.

The final product in almost every case is a compromise between the ideas of underwriters, salesmen and lawyers. Most such forms and policies are reasonably understandable. Occasionally one is obscure in its meaning, perhaps because of the lengthy discussions and the inability to agree upon the exact meaning of the words. Sometimes the wording is a compromise between dictionary definitions and the legal wording that is preferred by lawyers.

AN IMPORTANT LESSON for the policyholder lies here. The vital parts of the policy for the insured to read are the coverage clauses, the exclusions and the restrictions. Most of the other provisions of insurance policies tend to follow wording that has been used for many years and has acquired a meaning that is clear and will stand up in court. Such provisions as cancellation clauses, appraisal and notice of loss clauses, and about eighteen other phrases and clauses tend to remain standard. It is the coverage and exclusion clauses that are amended in order to meet modern hazards, new court decisions, and current business conditions. These should be read and understood by the knowledgeable insured.

Misunderstandings of language are likely to be resolved by a court according to the dictionary definition. An important tool for the insurance buyer and policyholder is a good dictionary.

It is also true that a large proportion of disputes between insurance companies and insureds regarding coverage result

from the neglect of the insured to read his policy. A clear-cut exclusion that could not have been overlooked by the policyholder if he did read his policy will generally be upheld by the courts. Upsets of policy language may occur when the wording is obscure, or when a restriction is placed in some inaccessible spot in the policy. The insurance policy is a contract of adhesion. It is prepared by one party to the contract, and the other party accepts it without opportunity to influence most of its terms. It is not mutually negotiated between the two parties to the extent that is true with many other types of contracts.

However, in the absence of fraud, concealment, ambiguity in language, or the burying of restrictions in the contract, the courts generally will uphold the intent of the parties. The basic reason whenever a court does overturn insurance policy wording is that one party to the contract was deceived by ambiguous wording or concealment of the policy terms into believing that he had something that actually was not intended by the other party. ■

William H. Rodda, a CPCU and a member of Phi Beta Kappa, graduated with honors from Rutgers University. He is the president of Marine Insurance Handbook, Inc., which publishes the standard inland marine insurance rate book for agents. He is a consultant to companies in the multiple line insurance field. He is the author of several of the principal textbooks on insurance subjects.

Difference in conditions: How to use it

by Gerald W. Wilson,
analyst of corporate insurance,
New York



Gerald W. Wilson

way, you appear to have sizable values. You "nicked and dimed" your coverage and used your DIC as an "errors and omissions" cover for your contracts, purchasing and traffic departments instead of seeing to it that proper insurance was arranged or responsibility for loss or damage to property determined in advance.

Most likely you could get DIC, to cover your plants and facilities and at least end up with what DIC was originally intended to be—namely, bringing standard fire and extended coverage to a form of "all risks."

My advice is in the future don't overuse your catastrophe coverages to cover recurring or operational oddball losses. Broad coverages in some instances can be over utilized or used as a substitute for required specific insurances, which jeopardizes DIC availability for catastrophe or the crucial loss.

DEAR GERRY: I find that in some instances when I deal with underwriters they have an entirely different idea of the hazards than held by my people. What can I do to bring their viewpoints closer together?

ANSWER: The communications gap exists and it is a two-way gap. First there is nothing to be gained by going direct and eliminating the middleman (the broker or agent) or trying to blame the middleman for this state of affairs.

What must be done—and it takes time—is to attempt to meld the points of view. Your company's objectives and goals have undoubtedly colored your viewpoints, tending in most cases to minimize the hazards and possible losses. The insurance underwriter tends to be uninformed as to the real situation and must rely on past experience. In both interests the situation must be brought up-to-date. Conferences and honest meetings with insurance company underwriters are desirable. You note

I say "underwriters" and not "field people"—they have their communication gaps too. Honest meetings mean no minimizing and no hard sell jobs—just facts and explanations on physical aspects and company practices. Try a "snow job" and you'll be out in the cold.

Secondly, face the facts of your situation squarely but don't anticipate what underwriters will want or accept, you might be pleasantly surprised.

DEAR GERRY: I keep hearing about the advantages and savings involved in wrap-ups for construction projects. What are some of these disadvantages?

ANSWER: When they can be written and when participants are willing and they are written in conjunction with projects involving tight safety and security, there are few disadvantages. Written on a poorly coordinated project and when the participants don't care—watch out. The main disadvantage is that the bad experience is not charged to the contractors responsible and they are off to the next project unscathed—i.e. unpenalized or unrewarded. Some of the safety job they should be doing for themselves is done for them. The contractor usually has immunity as workmen's compensation is usually the sole remedy against him by his employees. His incentive therefore is to defend himself or point the finger of blame against other contractors on the job when he becomes involved in a third-party claim. Wrap-up can mean more third-party bodily injury and property damage liability claims and, since workmen's compensation is charged against the wrap-up, there is some tendency of the part of contractors to consent to a ride by their employees as well as to not feel jeopardized by liability claims all covered by someone else's insurance. Wrap-up plans should be used only when owner or prime contractor has control apparatus.

DEAR GERRY: Your answers show a negative attitude.

ANSWER: I suppose so—since I am concerned with handling what can go wrong and generally am not sought out when all goes well. Seeking out the differences and constantly dealing with human and other errors can result in expressing oneself negatively. I do attempt to find positive solutions to problems and feel that the motives of others, though oriented to their own view of their self-interest, are basically good. I must abbreviate the possible approaches to solutions because of the space considerations and so perhaps some of the customary sugar coating is omitted.

Then too, perhaps some people get angry enough to prove me wrong which I am sure they would not do if I were not explicit. I am paid to find out and correct what is wrong but I derive my satisfaction from those things which I am able to improve for the better and those things I have helped create which perform satisfactorily. I do not believe if I stopped at the point where things appeared satisfactory I'd explore far enough to find out what could go wrong.

A negative attitude at times in this business is a necessity. The acceptance of any single answer as being the only one is foolhardy. If at times I criticize you will note that a method of correcting the critical situation is given or implied. ■

Gerald Wayne Wilson is an analyst of corporate insurance in New York. He received his A.B. degree in economics from Williams College in 1950, a certificate in fire underwriting from the College of Insurance in 1958 and a diploma in risk management from the Insurance Institute of America in 1967. Mr. Wilson has operated his own consultant firm and served at several insurance companies, Cities Service and North American Rockwell.



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Arkansas innkeeper not required to tell guest proper use of bathmat

WASHINGTON—A resort proprietor's failure to provide instructions for use of a bathmat provided for safety of customers does not render him liable to an invitee who slipped in tub and injured herself, after turning on the shower before placing the mat in the tub, ruled the U.S. district court of western Arkansas. *Early vs. John A. Cooper Co.*, 10/15/69.

The invitee, a woman, contended that the bathmat was so dangerous when used in an ordinary manner that the proprietor had a duty to warn her of its dangerous condition, which he could have done by providing her with an instruction sheet which should have been enclosed by the manufacturer in the original package.

The woman also claimed that

she possessed absolutely no prior experience with bathmats. Said District Judge Miller, in part: "It would in fact be virtually impossible for one even half the age of invitee to have entirely avoided the use of public accommodations. However, even if she had never visited a hotel or motel, the contention that a woman of her experience had reached a mature age without coming in contact with a bathmat would be astounding if not incredible."

IN ADDITION, he noted that each of the 199 housing units provided to guests of the resort proprietor was equipped with an identical bathmat. Of the many thousands of people who have used these accommodations and, presumably, the bathmats provided therein, he noted that

plaintiff Early was the only one to experience difficulty.

The court is "compelled," he said, to hold that persons of ordinary intelligence and common experience are familiar with the ordinary manner in which bathmats are used and that the bathmat supplied to invitee by the proprietor was not dangerous when used in an ordinary manner. Proprietor was, therefore, under no duty to warn or instruct as to its proper use.

"Even assuming, *arguendo*," he concluded, "that invitee had no prior knowledge of bathmats, the proprietor of a public place is not an insurer of his guests, and is not required to anticipate the rare or occasional plaintiff who is entirely unfamiliar with simple household chattels."

Benefit . . .

Continued from page 32

day trends," he said.

"Thus," he added, "our conglomerate plan would provide a non-contributory benefit of .85% to 1% on final average pay up to the limit for computing Social Security benefits plus about 1 1/3% on excess final average pay, all multiplied by the employee's years of service."

Noting that merger oriented companies often find it necessary to bring trained executives in from outside at older ages to strengthen management in newly acquired units, Mr. Kwasha explained that it is of course desirable to provide an adequate pension for these employees who will have comparatively few years of service at retirement.

"**WE RECOMMEND** adding a provision so that in no event would the pension benefit (when added to 75% of the primary Social Security benefit) be less than, say, 35% of final average pay starting at normal retirement date. For any one having less than 15 years of service," he noted, "this benefit would be reduced proportionately."

Although a unit of a conglomerate may have a profit-sharing plan and no pension plan, Mr. Kwasha said conglomerates tend to discontinue such plans—"perhaps because profitability after acquisition will change as a result of reshuffling of operations between units and other moves." Instead of the profit-sharing plan the pension plan is substituted. "In that case," he noted, "the pension benefit equivalent of the profit-sharing account at discontinuance is deducted from the pension benefit computed as if no profit-sharing plan had been in effect."

An attractive motivator for top management, the insurance consultant noted, is a profit-sharing plan for higher paid employees on the part of their salary over, say, \$15,000 (or twice the Social Security earnings limit in effect at the time). Contributions, based on profits, can be as much as 12% of such excess pay, he added, explaining that to avoid duplication the pension benefit would be reduced by the amount

generated by the pension formula on such excess pay for those years that a profit-sharing contribution is made.

THESE, Mr. Kwasha emphasized, are the benefits "we think require the more immediate attention." In other areas, he said the conglomerate would tend toward a liberal type of vesting, early retirement reductions of about one-half the actuarial equivalent adjustment and provision for a widow's benefit of one half the accrued pension on death of the employee after age 55 before retirement.

Suggesting that it would be well for the conglomerate to develop a uniform program in line with current day trends for its other employee benefits, Mr. Kwasha touched on these briefly:

- Group life insurance: 200% of salary reducing after retirement in steps down to 30% of salary—one-half contributory at the going rate of 60¢ per month per \$1,000 up to retirement;

- Accidental death and dismemberment insurance: 300% of salary with no employee contributions;

- Travel accident insurance: "Cancel it, since the accidental death and dismemberment coverage will take its place;"

- Long term disability insurance: About 50% of final average salary payable until age 65, and continue to accrue service under the pension plan to normal retirement date so that full pension can start then;

- Short term disability: Plan should be uniform but it is not necessary for it to be as good as a particular units' existing policy;

- Hospitalization, surgical and medical insurance: Full service hospital benefits with semi-private coverage, as well as full service for surgical procedures, with reimbursement on a usual and customary basis;

- Major medical insurance: \$100 deductible, with 80% reimbursement on the excess and a \$10,000 top per disability;

- Vacations: Two weeks from one to five years' service, three weeks from five to 15, one additional day each over 15 years to a maximum of five weeks.



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Fleets . . .

Insurer concerned by N.Y. stock thefts

Continued from page 12

American auto buyers would purchase cars with strict repairability in mind because when they're buying cars they are hypnotized by chrome, glamor and all that."

Another witness heard by the committee said that employers could play an important role in holding down the cost of auto insurance.

ROBERT E. VANDERBEEK president of League Life and League General Insurance Cos. which are headquartered in Southfield Mich., told the panel that he believes the future of low cost auto coverage rests with the acceptance of group auto insurance.

Noting that several approaches to mass-merchandised auto insurance have and continue to be made, Mr. Vanderbeek said he prefers plans in which the employer makes a contribution to an employes' auto insurance.

"It would seem to me that auto insurance as a fringe benefit lessens or eliminates many of the problems that have concerned insurance companies, government and the public," Mr. Vanderbeek testified, listing some of them as the difficulty for many people to obtain insurance at a reasonable rate, the problem of rejections and cancellations and high expenses and inefficiency.

"**THE KEY FACTOR** in any fringe benefit auto insurance plan is an employer contribution," the insurance company president said. "With the employer paying a substantial portion or all of the cost, you can achieve many of the same advantages you achieve on other group coverages."

As advantages, Mr. Vanderbeek listed: group rating (one "average" rate for all eligible employes); group underwriting and guaranteed coverage; drastic reduction in sales, administration and claim handling expense; more effective safety and claim reduction programs; maximum participation within a group; adequate coverage for all employes; and improved employe morale.

"Most fringe benefits such as life insurance and pensions are more valuable to older employes," he added. "Group auto is the first benefit that is particularly attractive to young employes."

MR. VANDERBEEK noted, however, that there are still legal restrictions to the mass merchandised approach. In 20 states it is prohibited by law and in 17 others it is prohibited by insurance department regulation. And in only one state—Michigan—is group rated auto insurance permitted. The president said it is catching on rapidly in that state and that within six months his firm, which works through Michigan company credit unions, will have 500 groups covered.

"I do not think it is unrealistic to predict that in 15 years perhaps half of the auto insurance in the United States will be handled on a mass- or group-merchandised basis, with a substantial portion of this as a fringe benefit which results from collective bargaining.

"Our auto insurance system provides for the transferring of money from one person to another person. It seems to me that we are using a pretty expensive shovel. Group and mass merchandised auto can reduce expenses," Mr. Vanderbeek told the committee. ■

By ALLEN M. WIDEM

HARTFORD—Insurance companies providing the bulk of securities-loss coverage on New York's Wall Street are openly concerned about the loss factor.

At this point, conservative estimates run as high as \$20 million on thefts at New York Stock Exchange member houses.

In 1968, the figure hit \$13 million.

Overall losses are expected to reach \$30 million—markedly up from \$23 million a year ago.

When some \$13.1 million in U. S. Treasury bills disappeared from New York's Morgan Guaranty Trust Co. late in October, the insurance industry in Hartford and New York had new cause for alarm, preliminary indications pointing to theft.

THE HARTFORD Insurance Group's major casualty affiliate, Hartford Accident & Indemnity Co. (one of four companies providing majority of securities-loss coverage), had a terse "no comment" when queried on whether the Morgan Guaranty episode had affected company business.

John F. Beardsley, a Hartford Group vp in charge of bond operations, estimated that his firm covers some 20% of New York Stock Exchange member companies against securities-loss, and, quite bluntly, he and colleagues responsible for coverage are wondering aloud just whether such coverage should be continued.

He emphasized, however, that the Hartford Group is not about to abruptly halt securities-loss

policy writing.

The Hartford Group, he asserted, has not cancelled any policies because of securities. Statistically, the Hartford group's net loss on securities loss coverage is undisclosed.

BUT HE WAS willing to admit that the problem of continuance of coverage has come up simply because of the escalating volume of trading securities. They are in bearer form, and hence, immediately negotiable.

Stockbrokers, Mr. Beardsley said, have millions of dollars in their possession.

More than a year ago—in August, 1968—the Hartford Group hiked premiums in light of increased losses, resulting in an average 20% boost in premium cost.

The Hartford Group, Mr. Beardsley commented, is operating on a policy of working with its policyholders to install internal protection security measures and firm controls, all geared to minimize exposure to theft.

A stockbroker must hold a bond to function. And without a bond, he cannot continue normal business procedure under the hard-and-fast regulations of the New York Stock Exchange. (each member firm must carry fidelity insurance according to size, capitalization and business-mix.)

Mr. Beardsley said he was thoroughly in accord with the contention of one member-firm executive who had remarked that it would be a "terrible" idea for member companies to come up with their own organization. ■

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Plans for airline captive company temporarily halted by CAB order

WASHINGTON—The Civil Aeronautics Board has issued an order temporarily deferring action on the captive insurance company proposed by the major world airlines and invited interested parties to file statements supporting or opposing the agreement.

Air Transport Insurance and Air Transport Guaranty, S. A., the proposed primary and excess insurance companies, must win CAB approval if U. S. airlines are to participate in the agreement. The Lausanne-based company must also be cleared by the Swiss Insurance Board, from which a decision has been ex-

pected since last summer.

The CAB, in its order, noted that no opposition to the agreement or requests for a hearing had been received. It said that the agreement raised "novel issues" that could be of considerable significance to both "air carriers and foreign air carriers not yet party to the agreement—the aviation underwriting community" and their respective investors.

THE BOARD asked for comments focusing on the ability of the existing aviation insurance market to assume the increased exposure brought on by the higher individual settlement, increased passenger capacity and greatly increased hull value of the new, large jets and supersonic aircraft.

Comment was also invited on the economic impact of the proposed company on the existing aviation insurance community, the fact that the captive company's share of the risk was set at 40%, whether the agreement is in the public interest, and any other relevant issues.

Eurton S. Kolko, chief of the CAB agreement commission, said the deferred action and request for comment were made in an effort to consult all interested parties and develop a full record before taking action on what it considers a very major agreement. He called the move "a normal, board reaction to a complex and far-reaching situation."

Mr. Kolko noted that no comments either in support or in op-

position had been filed by any parties, and that the aviation underwriters in particular had not gone on record with their position.

HE STRESSED that the action was routine in major agreements and did not at this point indicate a position by the CAB on the proposal.

In New York, Air Transport Insurance Director General Clarence C. Pell reacted by issuing a statement commending the CAB for "initiating action on this important insurance program." Mr. Pell added that the decision to establish a captive was taken after several years of careful study by domestic and foreign airlines and "internationally-known economic and insurance consultants."

"The companies are expected to be ready to commence operation in January, 1971," Mr. Pell stated. He again held that the 747s and subsequent superjets are bound to impose a burden on the "customary aviation insurance sources."

TI names Hines to risk manager post

DALLAS—Hugo Hines has been named corporate risk manager at Texas Instruments Inc. here.

Mr. Hines, who has been with TI since 1956, was formerly section head in the government products division's contracts department.

He succeeds Eugene Aldridge, who left the company last summer to set up his own consultant firm.

N.Y. rating . . .

Continued from page 1
requirement to file with the state was the only new feature.

Mr. Grauff said that he hoped that the New York department would waive this requirement for top layers of jumbo risks and inland marine business.

Another leading underwriter in the Midwest, however, was more concerned. He said that the new law opened a Pandora's box of problems in the antitrust area and that probably court decisions would be required before anything definite could be said.

At the moment, he said, his company is looking into the implications of the law regarding rating bureaus. But he did say that there is a "definite possibility of having different rates for different layers of the big risks."

INITIALLY, he added, the "intent of the law was just the opposite of limiting the market." But at the last moment, labor forces injected language into the law about the prohibition of insurers setting rates in concert.

He concluded that the legislation is a "brand new area of insurance law."

Set-rate . . .

Continued from page 1
might have dropped to \$6,000 or \$7,000, he said.

"The approach definitely has possibilities in the group area," Mr. Sternhell told *Business Insurance*. "Theoretically there's no reason why it couldn't be done once it has been approved on the Federal and state level." However, he noted that New York Life's pitch will at first be directed to the individual life insurance buyer.

Freight company makes \$820,000 settlement

BOSTON—An Ohio freight company, its excess insurer and reinsurers have made an out-of-court settlement of \$820,000 to a 22-year-old Brookline, Mass., man who was severely and permanently injured in an accident in March 1958.

The settlement, believed to be one of the largest single awards paid, went to John Buckman. He was a hitchhiker in an auto driven by a Hartford, Conn., man when it was struck on the Connecticut Turnpike by a tractor trailer owned by Wilson Freight Co. of Cincinnati, Ohio.

The Hartford man was killed in the collision. Mr. Buckman suffered loss of his right hand and most of the left, and third-degree burns of the face, head and arms, which caused complete loss of hair, and ear and other facial injuries.

A SPOKESMAN at Wilson Freight told *Business Insurance* that the trucking firm is self-insured on a primary layer. The excess at the time of the accident

was written by Transport Indemnity Co. of Los Angeles. However, the \$1 million policy was heavily reinsured with Munich Reinsurance Co.

"Munich Reinsurance was the hardest hit," an insurance source familiar with the case said, adding that he believed the amount was in excess of \$500,000. A spokesman for Munich confirmed this, but noted that the reinsurers are also reinsured. It is believed that ultimately the loss will be borne to a large extent by the London market.

Another insurance source told *Business Insurance* that he understands the insurance companies involved consider a \$820,000 settlement "a bargain" since the extent of Mr. Buckman's injuries was so severe and permanent that a jury could conceivably have made a much larger award.

The car in which the youth was riding was struck from the rear and hurdled 300 feet. He was trapped in the vehicle as the gas tank exploded.

Montreal disorders costly

MONTREAL—Canada's biggest city has paid a hefty price for demonstrations and disorders in 1969.

LaPresse said a spokesman for Jean-Paul Gilbert, Montreal police director, estimated that the cost of extra police activity and loss in property damage totalled about \$11.6 million.

Police surveillance alone cost about \$7.6 million or \$6.33 for every person in the city.

THERE were 97 demonstrations in Montreal involving a total of 100,000 persons. About half of them drew less than 100 persons each.

Most costly in property damage by far was the Feb. 11 siege of Sir George William University by students protesting the makeup of a university board investi-

gating charges of racism against an assistant professor.

Police were called in and the occupying students ran wild through the university's computer center. Several computers were wrecked, and fires were set in two floors of the university's main downtown building.

WHEN THE smoke had cleared, property damage was estimated at more than \$3 million.

The violence which broke out during the Oct. strike by Montreal police and firemen resulted in \$800,000 damages.

Near the end of the 17-hour strike demonstrators attacked the east-end offices of the Murray Hill Limousine Service Ltd., set several buses afire and then swarmed through the city's downtown area on a window-smashing and looting spree.

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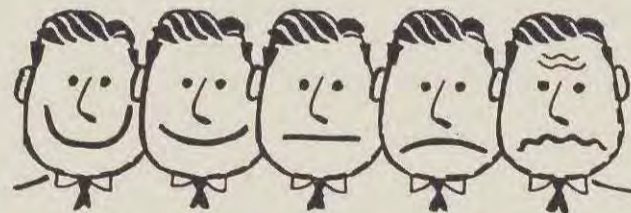


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Japan's aviation pool might ease capacity pinch with reinsurance

TOKYO—Japan may be able to ease, if slightly, the international capacity problem in aviation insurance, which has been underscored by the creation of jumbo jets.

The Japan aviation insurance pool is now determining the attitude it will take in the event that reinsurance offers are received from overseas.

Although Japan too has a domestic capacity problem in this field, the positive attitude of the pool itself may be a good sign.

Some Japanese companies are particularly interested in strengthening their international competitive power in the face of the liberalization of foreign investment in the Japanese insurance industry.

IF SUCH offers are accepted, it will probably be by the pool acting as one rather than on a company-by-company basis.

However, at present Japan relies on overseas sources for more than 70% of her aviation reinsurance. But there is also increasing interest, in improving Japan's ability to provide her

Wash Watch...

Continued from page 4
tor might pursue in order to help stave off federal controls would be to establish a screening panel composed of a joint state bar and Md association committee, according to the report.

All doctors and hospitals would have to agree in advance to make available all medical records to claimant and panel and all members of the bar would have to agree to submit cases to the panel for consideration.

THE PANEL would review the charges and judge whether a grievance is valid and compensable. If the injury was found to be compensable, representatives of the plaintiff and the defendant could then begin to work out a settlement. If either party were not satisfied, it would then be all right to pursue action in the courts.

One insurance firm told the committee that such a device would cut premiums in half by eliminating pretrial investigatory costs and lawyer fees.

The "lion's share" of the total cost to the insurance companies of malpractice suits and claims goes to the legal community, the Ribicoff report holds.

SEN. RIBICOFF says Congress, and the executive branch, should "begin to consider how to relieve competent and qualified physicians and other health personnel from the pressure of malpractice suits."

But, he continues, "most importantly, we must assure the American patient that he will be protected against the physician who has a demonstrated and proven history of negligence and incompetence."

The Ribicoff subcommittee, which has been reviewing the federal government's role in health and health care problems for two years, is an investigatory body, not a legislative one. But, the report will be sent to such committees as Senate Finance, House Ways & Means, Senate Labor and Senate Antitrust where, there is little doubt, someone will seize on the well-documented spadework and begin making headlines, with legislative pushes.

own aviation insurance.

The pool expects to reach a decision by the end of the year on how to handle jumbo-jet risks. A pool subcommittee has already decided that a top-and-pro-rata approach will be used.

Japan Air Lines will accept delivery of its first jumbo jet next February. After a training period, JAL will put the Boeing 747 into service on the Tokyo-Honolulu-Los Angeles run, sometime between April and July.

BECAUSE OF the big new planes and the general expansion of the industry, the pool may move to increase aviation insurance limits, by about two times, as of next April.

Advent of larger planes will make it impossible for Japanese airlines to skip coverage for compensation to beneficiaries in event of a disaster, as has sometimes been the case in the past.

Orders for new planes will result in considerable increases in the carrying capacity of the airlines.

JAL plans to acquire eight 747s in the next two years. The Japanese flag carrier now has 27 standard and stretched DC8s, 16 Boeing 727s, and six Convair 880s in addition to YS-11s, the first Japanese-made-and-designed passenger plane.

IN 1970, JAL will add eight stretched DC8s to its fleet. All

Nippon Airways (ANA) is switching to larger planes, from Boeing 727-100s to 200s.

One 200 has already been received; four more will be put into service in 1970, in addition to three more 737s. ANA now has, in all, seven 727-100s, one 727-200, two 7373s, 26 YS-11s and 25 Friendship planes.

Japan's second domestic airline, Japan Domestic Airline (JDA) and JAL as well are studying the acquisition of DC10s and Lockheed 1010s for airbus use.

JAL has also necessarily become more deeply interested in its theft coverage. Earlier, jewelry flown to New York as JAL cargo was stolen from an American Airlines warehouse at Kennedy International Airport. A clause in the JAL-American contract prevented JAL's insurance company from seeking indemnification from American. The thief, an American Airlines employe, was caught, but the jewelry was

not recovered, and the claim was paid. Since then, JAL scrapped the American Airlines warehousing contract, in June, and has established at JFK.

Manitoba dentists back prepaid plan

WINNIPEG—The Manitoba Dental Assn. has backed setting up a commercial prepaid dental care insurance program.

The group said at a news conference here that it will work with insurers to offer dental coverage to groups of 25 or more company employes.

The dental association is asking insurance firms to submit bids on the prepaid program. It stressed that the group will not become involved in the underwriting end of the plan but will act in an advisory capacity to ensure programs meet association standards.



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Wall Streeters dragging feet, say underwriters; more coverage asked

NEW YORK—Insurance companies have dropped out of the security and bond coverage line like ducks in an arcade shooting gallery.

What's more, underwriters say that meetings with policyholders to discuss security problems and come up with solutions turn into frustrating tangles of committee red tape boiling down to nothing but a lot of talk.

Banks here and in Chicago, meanwhile, have been scrambling for higher limits on their security and bond covers following the disclosure of a mysterious disappearance of \$13.1 million in U. S. Treasury bills from the Morgan Guaranty Trust Co. Requests for twice the coverage

have been met with demands for doubled rates, as many banks learned that they wouldn't have the limits necessary to cover the loss suffered by Morgan Guaranty. That bank said it was fully insured when announcing the disappearance of the \$13.1 million in securities. (See story on page 25.)

"LAST YEAR the insurance industry had a loss ratio of 106 on securities and bonds," Eugene P. Dougherty said at the Security Control Conference held here last month. Mr. Dougherty, secretary of Continental Insurance Co., said, "That means for every \$1 we earned we had to pay out \$1.06, plus underwriting expen-

ses. I don't have the loss figures for this year, but I'm sure they'll be even higher."

Besides Continental, only four other companies—Hartford, Insurance Co. of North America, Federal Insurance Co. and Fireman's Fund—are left in this market and they are beginning to wobble as they are pelted with brokerage house and bank theft losses. Rumors have been circulating that the reinsurance market in London for security and bond coverage may dry up entirely.

Insurance companies, in addition to raising rates, Mr. Dougherty explained, are discussing with brokerage houses the problems and communications gap between them.

Mr. Dougherty said that insurance men and brokers in joint committee meetings came up with the central data bank idea. The bank would file all records of lost or stolen securities and provide an instant check for a broker buying stock from an unknown seller.

THE DATA BANK, which is only in the discussion stage, would cost about \$120,000. Insurance companies would foot about \$50,000 of the bill.

Insurance men and brokers also talked about putting certificates on computer tape to cut down on the paper work and dangerous public exposure of securities.

"The trouble is, it's all talk," one underwriter told *Business Insurance*. "We just can't seem to work the kinks out of these ideas. The main problem is that brokerage houses all have different procedures and they want to keep them instead of adapting to one system."

He said there should be standard ways of handling securities and of hiring personnel, and that brokerage houses should be in constant contact with each other.

"BUT A BIG company has its

Thief picks uninsured emerald ring

DALLAS, Tex.—A thief had his choice of \$1 million worth of jewelry and antiques at the Texas state fair last month and he lifted the one item that wasn't insured.

He took a 126-carat, \$250,000 emerald ring, which was part of the Tom C. Patten collection being displayed in the Women's Building of the fair.

Mr. Patten, an East Texas oil millionaire, said the building security was inadequate.

"I THINK they should have had an officer right by the case at all times," he said.

Police said that one or more guards were always inside the building. They think the thief may have spent the night of October 20 in the building and then sneaked out with the ring in the morning.

G. L. Tolbert, detective, said a screw was missing from the display case and that the thief probably pried open the sliding door. He said the ring was the most accessible item in the case.

Mr. Patton bought the stone last year after it was found in the wreck of a Spanish galleon off the South American coast. The gem was mined in the 1700's. Mr. Patten had planned to sell the ring in a jewelry auction. ■

Premium may tarnish Golden Gate's ferry

SAN FRANCISCO—This city's world-famed Golden Gate Bridge recently went into the ferry business but high insurance costs could put a quick end to the operation.

After taking on operation of the formerly strike-halted ferry from San Francisco to Tiburon the ferry was doing a "reasonably good business," according to bridge manager Dale W. Luehring.

Marsh & McLennan Inc., insurance broker for the Bridge District, was the sole bidder on the coverage—offering three months of coverage for the boat, crews and passengers at a cost of \$13,262.50. The premium for each following month was \$4,150.

"THE PREMIUM cost absolutely stunned us," Mr. Luehring declared. "Such a premium would add considerably to the loss the Bridge District would have to make up from bridge tolls for the ferry service.

We were," he explained "on some days at least, nearing the breakeven point on operational costs of the ferry and we had hoped that the insurance premiums would be low enough to keep us out of the red."

The Bridge District board of directors refused to accept the bid and referred it back to the insurance committee "for further study."

own problems and can't be bothered with the procedures of a smaller company and vice versa," he said.

He also said he had been serving on a joint committee of stock brokers and insurance men for the last nine months, but that they couldn't seem to get anything off the ground. "What has been happening is that my company is dropping the big financial companies and sticking with the smaller ones that haven't been losing so much," he said.

Another underwriter said his company was also meeting with stock brokers, but that there was no action.

"We agreed to financing the central data bank, but haven't heard anything about it for months," he said.

HE FELT THAT brokerage houses were choking in their own paper work.

"The Wall Street boys have

been too busy making money to have time to talk to us," he said. "But now they're seeing the dangers. The pendulum is swinging the other way, but any progress to improve things is going to take years."

He said his company sends out questionnaires to policyholders as a safety checklist.

"We try," he said. "They say we're one of the last companies left writing broker insurance, but I don't know how long it'll last."

Another insurance underwriter didn't even want to discuss the problem. Questions were met with grunts, coughs and silence.

"Talk to the brokers," he said in a low, tense voice. "It's their fault."

A broker attending the security control conference agreed.

"We have a long way to go," he said. "I was glad to be able to hear the insurance side of this. I can understand their problems a lot better now." ■



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Racial discrimination insurance not just black-and-white matter

NEW YORK—Racial discrimination is a blunt matter of black and white, but figuring out how liability policies cover it is a speculative area of shades of grays.

In a recent New York case, Oladipupe Fale, a black worker, charged that he had been threatened and physically assaulted by his employer. He was awarded \$1,226 in damages by a city agency.

A spokesman for Zee Inc., a small Brooklyn wholesale cabinet firm that employed Mr. Fale, said company insurance did not cover the cost.

FRANKLIN WHITE, a lawyer with the City Commission on Human Rights who represented Mr. Fale in a 20-hour hearing, said the company's actions were in direct violation of the 1965 amendment to the New York

City Human Rights Law. This amendment prohibits discriminatory practices in businesses. He said it was the first New York case in which damages were awarded.

"The kind of case involving large awards doesn't come up often in New York," Mr. White said. "In the South, however, where many companies follow the Southern tradition, there is a greater likelihood of class suits being brought against a firm rather than single, isolated cases. Awards of over \$10,000 have been made against Southern corporations under Title VII, the Federal counterpart of the New York law."

North or South, insurance coverage for discrimination charges depends on policy wording and court ruling.

INSURANCE liability underwriters told *Business Insurance* that most policies do not specifically mention racial and religious discrimination. In fact, New York, Texas and Louisiana insurance bureaus prohibit any reference to it in policies.

"Coverage for discrimination could be found in a broad interpretation of a general liability policy," one underwriter said. "Large insurance companies usually write a personal injury clause into the general liability

coverage. This covers mental anguish, grief and defamation of character."

He said a policy from a small insurance company might cover discrimination under the assault and battery section of general liability.

WHETHER OR NOT a policy provided coverage would depend on court ruling. "I think a good many courts would rule that discrimination could be covered by a personal injury policy, but it's hard to say," he said.

Coverage would definitely not be given if the insured company was found to be at fault. All general liability and personal injury policies state that if action is "willfully perpetrated" by the insured, coverage is cancelled.

"THIS IS a very touchy area," another liability man said. "How can you determine what is will-

ful discrimination and what is accidental? How can you really depend on court witnesses? Very often what actually happened and what a witness remembers or testifies to in court are two different things."

An insurance manager of a New York firm that has several Southern branches feels that companies generally avoid the issue.

"I think insurance companies aren't going to bring it up until there is a strong public demand for this coverage and they are forced into dealing with discrimination," he said.

A liability underwriter thinks that because of the unpopularity of the subject, firms taking out insurance hesitate to ask about discrimination coverage because they don't want to suggest that they will have the problem.

"So it just remains indefinite," he said.

Pan Am jumbo cover almost ready

LONDON—Pan American Airways is completing its insurance plans for jumbo jets by taking out close to \$24 million hull cover for the first delivery from Boeing, according to reports in the London aviation market.

These say that completion of this initial deal is imminent, with all the cover to be placed through regular insurers. Lloyd's expects to get about \$1 million of primary cover, and British companies another \$3 million, with the rest going through American insurers. But reinsurance will bring substantial sums into the London market, it is rumored.

The airline is expected to seek another \$100 million worth of cover for passenger liability and third-party risks, mainly through the London market, before the 747 goes into passenger service.

REPORTS ARE also current, though without any definite confirmation, that Pan Am is thinking of placing an order for some of its domestic U.S. business direct in the London market, instead of putting it all initially through the American market.

Usually the London market gets only reinsurance or excess risk cover in this field, but the suggestion is that for the first time Pan Am might place about 20% or so of primary risk cover for its domestic business in Britain.

Other U.S. domestic airlines groups could follow suit if the venture proved worthwhile, it is said.

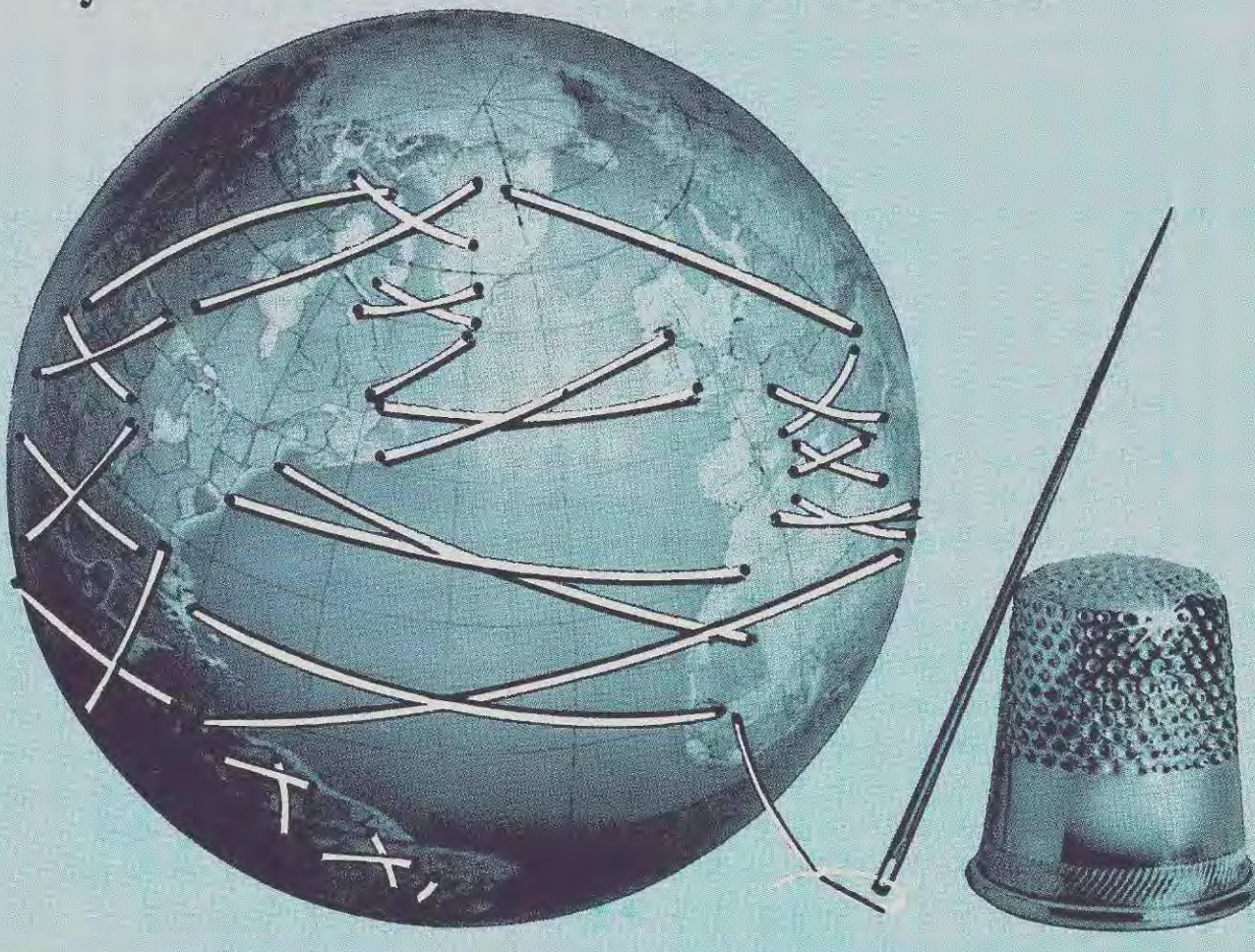
Sets rates for credit life

BISMARCK, N. D.—Insurance Commissioner J. O. Wigen has adopted a set fee of 75¢ per \$100 of insured indebtedness on credit life and health insurance sold in the state.

The rate structure is similar to that in South Dakota, Montana and Minnesota, he said.

He said one factor in his decision was that his department did not have the personnel necessary to spend on credit life insurance policing—especially if the scale approach such as used in New York, New Jersey and Vermont was adopted.

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Gets comp award from new Ontario law board

TORONTO, Ont.—Dr. Jack Lindzon, a dentist with a gross income of \$41,000 a year, will receive compensation for loss of income, medical and other expenses and for human suffering from Ontario's new Law Enforcement Compensation Board.

Judge C. E. Bennett, board chairman, described Dr. Lindzon's effort to stop two bank bandits after a robbery in April as an act of bravery.

"We are proud of you and you have rendered a real service to society," Judge Bennett told the 27-year-old Agincourt dentist. He still carries a bullet in the bone of his hip suffered when George Alexander Bradley, 21, shot him.

MR. BRADLEY is serving 19 years in the penitentiary for the robbery and the wounding. A companion was committed to a mental hospital.

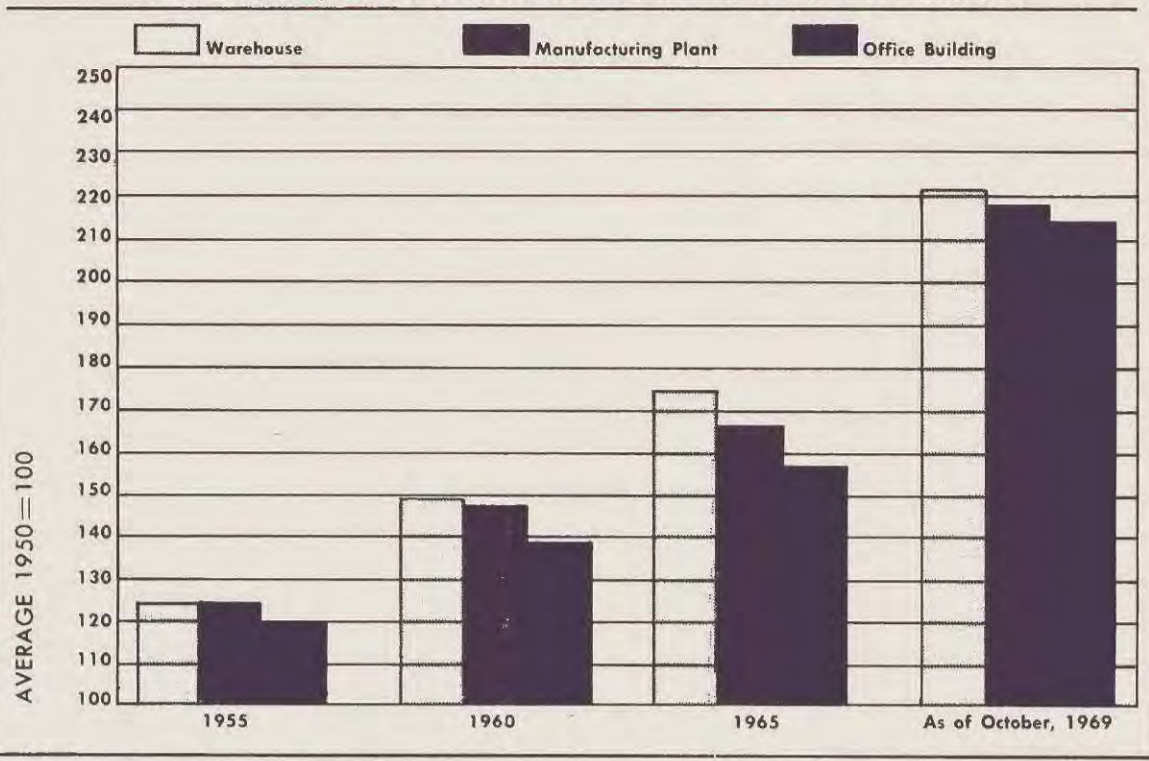
Edward J. S. Martin, counsel for the dentist, said that Dr.

Lindzon was unable to work for three weeks, then worked only half time for an additional five weeks. Based on an annual income of \$41,000, he claimed \$4,700 compensation for loss of income.

The board reserved decision on the amount Dr. Lindzon will get, pending examination of his records, and the amount of premium he paid for an insurance policy which paid him \$1,173 for interruption of income. The policy is a standard one offered to dentists by the Ontario Dental Assn.

JUDGE BENNETT told the dentist his bravery was instrumental in changing legislation governing compensation for crime victims. Originally, only those who assisted police officers were compensated, but the law was changed to cover all persons trying to oppose criminals as a result of the publicity the dentist's act received.

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New group dental plan

OAKLAND, Cal.—A new group dental insurance plan for home builder members of the Associated Home Builders of the Greater East Bay here has now been more than 80% subscribed to under the organization's group health insurance plan.

"Claims, expected to be large during the first year of the dental plan," reports association executive vice president William Leonard, "are showing up some-

what slower in payment than those for sickness and accident."

Enrollment in the dental plan, according to Mr. Leonard, has, in effect, been closed with only new employees of member firms being permitted to enroll, within 30 to 60 days of their employment.

MR. LEONARD told members that health care costs "have skyrocketed in the past eight years from a \$16 semi private hospital board and room rate to a \$55 or more rate, a 250% increase.

"At the same time," he added, "taxes to pay for Medicaid and Medicare have gone into orbit.

"In spite of this, as a result of group insurance programs, the actual increase over the last eight years for our members has been 37%."

Scott fund . . .

Continued from page 6

ed that "it is in the private sector's immediate self-interest to find ways to use pension funds for the public good. If private enterprise cannot find creative ways to apply some of this vast source of capital to society's needs, the government is likely to step in.

"This has already happened in some foreign countries. In Mexico, for example, the government requires that a portion of pension assets be used to build low cost housing and that at least 30% of funds be invested in government bonds."

Corporations, Mr. Heiskell suggested, might do any of the following: Establish venture capital enterprises to supply capital to new ghetto industries; set up real estate investment trusts for low and middle income housing; make direct portfolio investments or private placements in companies involved in construction or educational activities in urban areas.

He said one "promising new device" is the Minority Enterprise Small Business Investment Co. (MESBIC), in which an investment of \$150,000 can funnel up to \$2.25 million into the business of a minority community.

"The investment capital and management advice supplied by a private company, combined with additional money from the Small Business Administration and a 90% SBA guarantee on bank loans, can help ghetto businesses succeed," said Mr. Heiskell, a founder of the Urban Coalition.

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Chrysler to discontinue safety light in wake of appeals court decision

DETROIT—Due to "adverse publicity" Chrysler Corp.'s Super Lite, an auxiliary safety device, will be discontinued in 1970, according to Chrysler's senior attorney, in the wake of a recent court of appeals decision which established states' regulatory authority over safety equipment.

The auxiliary light, offered by Chrysler, was designed to allow a turnpike driver to see far enough to be able to stop completely when necessary at speeds in excess of 50 miles per hour. Chrysler includes Super Lite as an option on its Dodge Monaco and Polara model automobiles.

The decision was rendered by the second circuit court of appeals in New York, which ruled

that states have the right to ban auto equipment from their highways even though the equipment meets the minimum standards set by the National Traffic and Motor Vehicle Safety Act; in effect, this allows states to take action on such auto equipment without waiting on the federal government's ruling.

THE QUESTION arose from litigation brought by commissioners of motor vehicles in New York and Vermont who asked that federal district court injunctions restraining them from banning Chrysler's Super Lite in their states be lifted.

Chief Judge J. Edward Lum-

bard explained that laws now in existence enabled the marketing of a "hazardous option" for many months before federal testing. "What is perfectly safe on straight roads over the flat terrain of states such as Texas, Oklahoma and Kansas may be very hazardous on hilly, winding roads in Vermont and New York," he added.

"The majority opinion," said Victor C. Tomlinson, senior attorney for Chrysler Corp., "went farther than anyone could have expected." The issue was really a matter of who has the regulatory power, Mr. Tomlinson explained. "The ruling undermined Congress' original intention of prov-

iding minimum uniform standards for auto equipment, and thereby allowing the private sector to respond to safety needs further through innovation and engineering. The court missed this point in its opinion," he said.

ACCORDING TO the Chrysler attorney, the matter arose over the question of product samples which the corporation sends to states for evaluation and approval. The company spends close to \$200,000 a year on these samples, Mr. Tomlinson revealed. "We told the state motor vehicle commissioners that we were discontinuing our practice of providing samples because Chrysler is complying with federal standards.

"The consumer would, of course, be the beneficiary if we cut this expenditure. The commissioners apparently felt that our action constituted a threat to their regu-

latory authority and subsequently went to court," Mr. Tomlinson explained.

Mr. Tomlinson asserted that the only way in which the industry could overcome this step backward was through a federal legislative amendment. "Otherwise, we will be stuck with 51 separate jurisdictions all of which we will have to deal with individually."

Super Lite is included under Chrysler's standard product liability coverage. "We don't feel that this ruling," explained Daniel Gaitley, insurance manager at Chrysler, "or the banning of the light by states will have any effect on the frequency or severity of liability claims brought against Chrysler. Such cases involving equipment such as Super Lite are normally rare, anyway." Mr. Gaitley added that there have not been any such cases involving Super Lite to date. ■

Chicago isn't liable, says high court

WASHINGTON—The Supreme Court has closed the door on an appeal for compensation by a group of people injured during Chicago's mob violence of 1966.

The appeal, in the case of *Sheldon v. Chicago*, argued that Illinois violated the Constitution by repealing, after Mr. Sheldon had sued for damages, the 1887 law that would have required the city to compensate them for their damages.

In another case, *Serzysko v. Chase Manhattan Bank*, the Supreme Court denied an appeal of a district court decision which required Edward Serzysko, a representative of several member firms at the New York Stock Exchange, to repay the balance of several Chase Manhattan loans made to him.

MR. SERZYSKO based his appeal on Chase-Manhattan's alleged violation of Regulation U of the Federal Reserve Board, claiming the bank had lent him more than it should have. The regulation limits the amount of loans slated for buying or carrying securities.

The federal district court ruled that although Chase Manhattan had violated Regulation U in making some of the loans, Mr. Serzysko, in signing statements affirming that the loans would not be used for buying or carrying securities, invalidated his right to recover from the bank. An appeals court had previously concurred with this ruling. ■

Olin names Delaney, Le Vine

NEW YORK—John J. Delaney, Jr. and Richard Y. Le Vine have been named insurance manager and corporate manager of loss prevention, respectively, at Olin Corp.

Mr. Delaney, previously assistant manager for insurance with Olin, will assume responsibility for all of the company's insurance coverage other than employee benefits policies. Mr. Le Vine served as manager of fire protection and pollution control prior to this appointment.

Both Mr. Delaney and Mr. Le Vine will report to William Hollingsworth, Olin's director of insurance and loss prevention. ■

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C&NW . . .

Continued from page 19
the traditional approach.

For example, rather than requiring the recitation of rules by rote memory, employees are asked to interpret rules as they apply to various situations posed in the

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testing.

The revised tests involve problem situations in multiple choice questions, thus requiring employees to select the best solution to a specific problem. All answer sheets are machine graded. Objectivity was a major goal in the development of the testing. All cultural, educational and personal biases that might have existed in former methods were removed.

AS A FOLLOW-UP to the new testing program, more than 4,000 on-the-job "efficiency tests" or "rules checks" are conducted annually. These tests involve posing train crews with problem situations, thereby insuring that they understand how the rules should be applied in real-life situations.

Another audit procedure uses locomotive performance recording equipment. These monitoring instruments, used throughout the rail industry, record speed and other critical events during the operation of a locomotive. Similar equipment is used to record analogous operating data in air liners. The performance recording equipment is used by the C&NW to provide a constant audit of the safety efficiency of its train crews.

The method used by C&NW to combat the problem of human error in train and personal injury accidents is preventative. It wasn't always so. "Until two years ago, emphasis was placed on numbers of accidents," Mr. Patrick said. "Now, with complete, accurate data available on a daily basis, we are able to pinpoint potential problem areas in advance and establish appropriate priorities. Then we establish programs to deal with the major

problem areas without losing sight of the presently less immediate ones."

Accidents involving electrical and communications linemen was one area identified early as an important problem. A simple, basic training program for linemen was immediately begun. The result? No major accidents involving linemen have occurred in the past year-and-a-half.

ANOTHER MAJOR part of the personal injury prevention program is personal protective equipment.

Analysis indicated that about 16% of all personal injuries to C&NW employees were to feet and ankles. After reviewing the available standard industrial footwear, the C&NW decided to have a shoe designed to meet railroaders' requirements.

The road's work with a major shoe company resulted in a new and improved safety shoe. The shoes were extensively tested for seven months by representatives of all the railroad's crafts. After the testing proved successful, production began.

"Our only problem now is keeping the shelves stocked with the shoes," Mr. Patrick said.

IN ADDITION to the "Railroader" safety shoe, C&NW also provides many craft employees with hard hats, a program that is now two years old. Also, a more thorough eye protection program, including both prescription and regular glasses, is in effect. In a cooperative program with suppliers, the railroad offers employees prescription safety glasses at factory cost.

Also part of the manager of personal injury prevention programs' responsibility is a far-reaching program to reduce third-party liability losses.

Annual surveys are conducted on C&NW commuter stations. Since the initial survey in 1967, a number of steps have been taken resulting in greatly improved safety conditions.

The company is justifiably proud of its record of passenger injuries. Since 1964, C&NW commuters have traveled 2.8-billion-passenger miles. During the five-year period, reportable injuries to passengers occurred once in each 65 million passenger miles traveled (reportable to the U. S. Department of Transportation). The last passenger fatality due to suburban train operation occurred in 1927.

ANOTHER PHASE of the personal injury prevention program involved equipping all new cabooses with shock-absorbing cushioned underframes, high-back seats, safety belts and overhead rails—all incorporated to reduce potential injuries to crew members.

The C&NW personal injury prevention programs have resulted in a decrease in accident costs. Estimated losses for 1968 are 11% below the preceding year. Estimates for the first seven months of 1969 show 37% improvement over the same period of 1968.

Mr. Patrick attributed the success of the railroad's safety efforts to: better teamwork by all officials and employees and the accident and loss prevention department's ability to assist in the identification of problems and to suggest solutions and priorities.

Mr. Welsch said that C&NW is probably the only railroad that keeps accurate tabs on all losses below the deductible level of the railroad's insurance program and investigates the causes of such accidents. "While we place priority on elimination of high-cost accidents, we carefully watch the little ones," he said. "If you



The use of portable radar units to check the speed of trains is one of the many audits of the Chicago & Northwestern Railway Co.'s new safety program.

don't, you'll never know what causes the big ones."

RESPONSIBILITY for safety on the C&NW has been delegated directly to line officers and supervisors in the field. This concept, while not unique, has created a greater awareness of the importance of accident prevention at the level where accidents occur.

T. L. Waugh, manager of train accident prevention programs, pointed out that one of the reasons for separation of the safety department from the operating branch was to establish an unbiased department to perform as a quality control agent. "We are working for the same goal of maximizing profits," Mr. Waugh said. "The operating department is consistently combating train accidents but is also responsible for operating a complex transportation system. The train accident prevention programs function, on the other hand, is not under the constant operating pressures. Therefore, we can thoroughly analyze all accidents and develop long-range, remedial programs."

From an early study Mr. Waugh learned that about 18% of all train accidents accounted for 85% of the total dollar losses.

Further analysis of the entire 11,577 miles of C&NW track showed that, in effect, the railroad could best be examined as two different railroads from a safety engineering standpoint.

RAILROAD NO. 1, as it became known, consisted of 20% of the mileage and carried 80% of the traffic. It also represented the major train accident problem. Railroad No. 2, comprising 80% of the mileage, presented less hazards and was less traveled.

Consequently, because the C&NW divided into two railroads with different safety factors, priorities for improvements are based on what has become known as the Railroad No. 1/Railroad No. 2 concept.

One track safety program employed by the C&NW, as well as most other railroads, includes the use of induction and ultrasonic rail-test equipment. These devices detect hidden rail defects and, in effect, "inspect safety into the railroad." The C&NW was one of the first users of such inspection equipment, beginning its program about 1929.

Another aspect of the track safety program involves use of a special track measuring car that scientifically measures alignment, gauge, cross-level, wrap, and surface of tracks. The C&NW, Mr. Waugh said, sets its own standards for acceptability of such measures. The car accurately measures the conditions of the track under load and records them graphically on an analog tape. The information is used to determine track maintenance programs.

THE OTHER MAJOR area of
Continued on page 54

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This year, thieves will walk out of the nation's stores, offices, factories and warehouses with about 2 billion dollars worth of goods in their pockets, handbags and lunch buckets. So reports a highly respected national magazine. Regrettably, the pilfering is done by light-fingered company employees, as well as amateur and professional thieves. Whoever they are, they're hurting you plenty!

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Insurer offers a 'mini' D&O for small firms

INDIANAPOLIS—An insurer here has introduced what it calls a "mini" directors and officers policy for small commercial, financial and industrial risks. According to the insurer, the policy is "mini" only in price and deductible; the coverage is the same as that afforded under the company's regular program, which remains in effect for larger corporations.

American States Insurance Co., underwriter for the "mini" d&o cover, announced that the policy is designed for financial institutions with assets of \$40 million or less and for modest-sized nonfinancial corporations with assets of \$10 million or less. Minimum requirement is \$5 million in assets.

Features of the policy, according to Thomas F. Sheehan, an assistant vp, include a \$1 million and a \$5,000 deductible; the company's regular d&o plans offer the same coverage with a \$20,000 deductible.

MINIMUM COSTS of the "mini" plan is \$7,500 for 3 years of coverage at \$1 million, Mr. Sheehan said. This compares with a \$1,750 premium for the regular plan on the same time and limit basis.

The assistant vp also said, "The coverage currently under

Parent sues over waiver of liability

HOUSTON—A \$100 million lawsuit has been filed here over a school tour liability form.

Attorney William C. Shead said in a petition filed in district court against the Houston City Council of Parents & Teachers because the organization declined to allow his 10-year old daughter to make an educational bus tour to Huntsville, Tex. on Nov. 1, 1968, along with other students from her school because he declined to sign a blanket release form waiving any liability or responsibility on the part of the defendant.

"It is such a release that no conscientious parent who is concerned about the welfare of his or her child could in good conscious sign," the petition said.

MR. SHEAD SAID in the suit that he scratched out the objectionable portion and returned it along with the request fee of \$4.50, but it was not accepted.

The attorney claimed his daughter was thus "subjected to terrible disappointment, humiliation and embarrassment," was unable to do her homework and suffered mental anguish.

"By presenting this cruel hoax to this child, this organization has been guilty of interfering with the proper parental supervision of and over this minor child," the petition said.

Mr. Shead said in the suit he was asking for \$25 actual damages, but "due to such vicious interference with proper parental supervision," he was asking for an additional \$100 million in punitive damages.

THIS IS TO prevent effectively the defendant from again engaging in such activities.

"I believe the release is something the school system requires to release it from liability," said Mrs. Charles Rives, president of the Houston City Council of Parents and Teachers. ■

Hearing called for air trip writers

NEW YORK—The state insurance department here has summoned 12 air trip accident insurance policy writers to a hearing to inquire into the sufficiency of benefits paid under policies written at airline terminal counters.

Apparently the department has profitability in mind. In a notice of the hearing it noted that experience loss data for the years 1961 through 1968 shows that less than 26 cents of each premium dollar collected for air trip accident insurance was paid out in benefits.

"A loss payment ratio of less than 40 cents for each premium dollar is unreasonable for this kind of insurance," the notice stated. ■

Second plane in Allegheny crash has \$1 million cover

CHICAGO—The light plane flown by a student pilot that had a midair collision with an Allegheny Airline DC-9 southwest of Indianapolis is reportedly insured by Insurance Co. of North America, it was learned. INA refused to confirm the information because of litigation now pending on the crash.

The liability limit of the INA coverage is \$1 million, according to an aviation insurance broker. There were no survivors of the crash; 83 persons were killed.

Since the accident, Sen. Vance Hartke (D., Ind.) has estimated that the crash will cost almost \$10 million, including the \$5.5 million for the airliner. That amount of money, according to the senator, is more than it would cost if Congress approves his air-traffic con-

trol bill, which would require controllers to retire at age 50 or after 30 years service and offer a \$2,000-a-year bonus for work performed at high-density metropolitan-area airports.

THE SMALL plane involved in the Allegheny crash, a single-engine Piper Cherokee, was registered to the Brookside Air Service at McCordville, Ind. The pilot was identified as Robert W. Carey of Indianapolis, a plumber, who was a student pilot with 30 to 40 hours of flight time.

In the Nov. 10, 1969, issue, *Business Insurance* reported that as many as 99,000 small plane owners buy little more than car insurance liability protection—\$100,000-\$300,000—and few buy as much as \$1 million cover. ■

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Insurers' group blames inflation for injury cost jump

NEW YORK—The Insurance Information Institute blamed inflation for the continued steady rise in economic loss from work injuries in the face of a slight decline in the number of such accidents in 1968.

The institute also reported that deaths caused by aircraft accidents increased from \$1,614 in 1967 to 1,725 in 1968 and that embezzlements have climbed to almost \$5 million a day. In addition, all but one major business

insurance categories showed record increases in premium volume written.

"The total work force has increased steadily while the value of the dollar has declined," said the institute in its booklet entitled "Insurance Facts—1969." "Applying these factors in terms of a constant 1957-59 dollar, the cost of occupational accidents averaged about \$76.07 per worker in 1968 as compared to \$71.01 per worker in 1944."

The rate of injuries per 100,000 decreased by 63 injuries from the 1967 level of 2,961. Fatalities dropped .3 to 18.8 deaths per 100,000 workers.

REVERSING the decreasing trend of the previous two years the total number of deaths increased by 100 fatalities to 14,300 in 1968. This fatality increase was related to the ninth successive rise in volume of employed labor in 1968.

The total cost of work accidents was compiled from direct costs such as wages lost and medical expenses, as well as indirect loss resulting from damage to equipment and materials, production delays, time lost by other workers not involved in the accident and the administrative costs of insurance.

According to the Institute commercial and private aircraft acci-

dents in 1968 resulted in 211 more deaths than 1967's 1,614 aircraft fatalities. Private aircraft fatalities increased to 1,374 while deaths caused by commercial aircraft accidents reached 351.

Embezzlement loss estimates have climbed to almost \$5 million dollars a day resulting in a \$1.1 billion yearly loss, the booklet stated. These figures indicate a \$1 million increase in embezzlement losses per day over 1967, the institute estimated.

All but one major business insurance categories showed record increases in premium volume written. Leading all the categories was workmen's compensation, which rose to nearly \$2.9 billion, an 11.5% increase over its 1967 level.

Other major business insurance categories registered premium volume totals as follows:

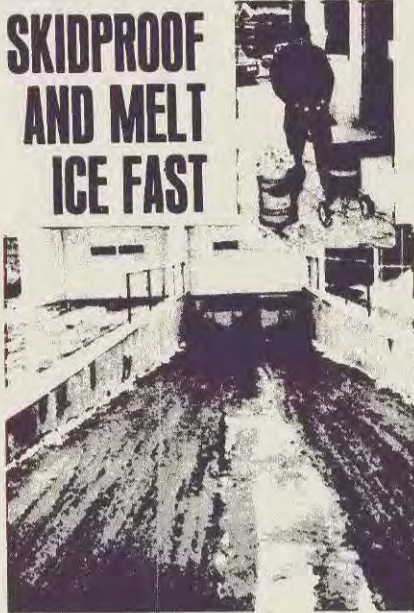
Ocean marine insurance, \$365 million; crop-hail insurance, \$126 million; fidelity bonds, \$140 million; surety bonds, \$345 million; and boiler & machinery insurance, \$103 million.

COMMERCIAL multiple peril insurance showed a 20.8% increase over 1967 to \$940 million in 1968.

Fewer businesses failed in 1968 than in any year since 1953. This represented a 22% decline in business failures since 1967.

The decrease caused a 25.6% drop in dollar liabilities resulting from business failures from 1967, reaching a nine year low of \$940 million. Liabilities averaged \$97,654 per failure.

Statistics show that 9,636 businesses failed in 1968, a rate of 39 failures for every 10,000 businesses.



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Manitoba may provide auto plan

WINNIPEG, Manitoba—Manitoba probably will introduce a public auto insurance plan next spring unless Canada's private insurance industry can suggest a better way to lower current premiums.

The private insurers are being given an opportunity to present alternatives to public insurance at a series of hearings that opened here.

Government Services Minister Howard Pauley, chairman of a government committee investigating all aspects of auto insurance, told the first hearing that Manitoba is far from satisfied with present private auto insurance plans.

He said the committee's terms of reference called for it to investigate whether a government auto insurance plan is feasible in Manitoba, but the government may refrain from entering the car insurance business if private companies can improve their plans to the point where they are better than a government program.

"It must be shown to us that some other form of insurance will do the job better than a government plan. If it is demonstrated to the committee and to the government that some other approach is workable, then that is the approach that will be utilized."

Pownall, 81, dies

Horton C. Pownall, 81, semi-retired partner of Pownall, Taylor & Hays Insurance Agency, Portland, Ore., died November 10. Born in Pomeroy, Ohio, he entered the insurance business in 1912 when he came to Portland and spent the next 57 years in the field. He served the firm in an advisory capacity since 1963, when he became semi-retired. In 1933, he set up the first insurance coverage for doctors and dentists for professional liability and disability.

C&NW ...

Continued from page 52
train accident prevention deals with reducing the mechanical or equipment failures in rolling equipment.

The C&NW continually reviews car inspection practices and car inspector requirements and in one instance inspectors were added at a critical location. These inspectors found numerous defects which, if not detected and corrected, could have resulted in serious derailments.

To further help reduce mechanical failures, the C&NW restricts "old" (built prior to a specified date) cars and certain "hazardous" loads from its fast trains.

THE MECHANICAL safety program, Mr. Waugh explained, also includes:

- **Hot-box detectors** which electronically measure the heat of each journal on all passing trains. There are 30 strategic locations on the C&NW where such measurements are automatically taken and relayed to the nearest readout point. If a hot-box is detected, the dispatcher monitoring the detector readout sets a wayside signal to stop or radios the train telling the crew exactly which journal on which car is reported defective. The cost of installing and maintaining hot-box detectors represents a substantial investment in safety by the railroad.

- **Loose-wheel detectors**, like hot-box detectors, relay informa-

tion about the exact wheels that are loose to a readout station which then informs the train crew about its problem wheel.

- **Hot-box simulators** are the most recent innovation of the C&NW and work as a check on the detector system and the train crews. Now in the testing stage, these devices will become part of the efficiency testing program. Placed on a car, a simulator appears to the hot-box detector as a hot-box, thus setting into motion the procedures for stopping a train. This procedure will ensure that detector equipment is operating properly and that the personnel follow the prescribed safety procedures.

Yet another part of the fight to eliminate train accidents on the C&NW is the use of radar, which checks the speed of a train, Mr. Waugh said. These portable devices can be used by operating officers over the entire railway system.

The progress of the C&NW's accident and loss prevention effort can be traced directly back to the thinking given this area by the railroad's top officials. The emphasis given this function shows to every employe the degree of concern for safety by top management. Translating this concern into effective detection and loss prevention programs has already proven successful in the area of personal injury cost reduction. Further reductions, over the long term, are expected as the program moves into high gear on all fronts.

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