

U.S. court rules cigaret company liable in cancer death of smoker

see page 25

AMA seminars page 4,6
Pension taxes page 9
LBJ, union set
security goals . . . page 17
Rebuild plant page 20

Entire contents copyright 1968 by Advertising Publications Inc.

business insurance

for buyers of employee, property and liability protection

35¢ a copy; \$8 a year

February 12, 1968

U.S. safety bill would grant 'czar' investigative and punitive powers

WASHINGTON—What may prove to be one of the hottest government-industry battles in ages has begun over the administration's proposed occupational health and safety bill.

The industry camp is charging that the President is attempting to make Secretary of Labor Willard Wirtz a virtual "safety czar," while a labor-government coalition is claiming that the "large number" of industrial deaths and injuries which occur each year has been overlooked by Washington far too long.

In essence, the rather involved administration proposal would give Secretary Wirtz the power to set and enforce—with great power—safety standards for all industries affecting interstate commerce. In the words of Sen. Ralph Yarborough (D., Tex.), who introduced the bill, "Through the broadest application of the commerce power . . . the draft bill seeks to reach, as far as possible, every working man and woman in the country and provide them safe and

healthful working conditions."

THE MOST objectionable part of the bill as far as industry is concerned is the enforcement section. Under the bill the Labor Department would have the right to enter and inspect any area where work is being performed. And, if the department feels that a certain condition may cause "imminent harm" to workers and cannot wait for court action, it can issue "instant cease and desist orders" which provide that employees be kept away from the hazardous area until safety has been restored. This order shall stand until hearings are held before the secretary of labor and the violation confirmed or disaffirmed. Any court proceeding taken in the meantime can consider only one issue: the existence of imminent harm to the safety and health of the workers.

According to the administration, most violations will be handled under the formal procedures of the administrative

procedure act. The labor secretary would hold a hearing and, if the hearing confirms a violation, he would issue a "cease and desist" order enforceable in Federal district courts. The employer has the right to appeal to the courts for review of the secretary's order.

Where the secretary believes that immediate action is necessary, but apparently not in the "imminent harm" category, he can seek an injunction in the U.S. district courts to enjoin or restrain the existence of the unsafe conditions. Such relief can include the "closing of the establishment or the place in question."

THE BILL ALSO gives the department the power to impose a \$1,000 penalty for finding a violation of the act. Penalties under existing laws are imposed only for failure to correct an unsafe practice.

In addition, there is an added sanction with regard to govern-

Continued on page 22



Testifying before a House select subcommittee on labor, W. Willard Wirtz, secretary of labor, said that the administration's safety proposal is an attack on the "large number" of industrial deaths and injuries, a situation he said has been overlooked by Washington far too long.

Life insurance firms loan money to oil rig operator on total losses

HOUSTON—The life insurance industry could be entering the property field through the back door if a loan agreement between two life companies and an offshore drilling rig operator is indicative of a future trend.

The agreement was brought to light when the Zapata Offshore Co. suffered an uninsured loss of about \$3,000,000 to its rig Chaparral in the Gulf of Mexico this month.

The loss would have been covered by a loan agreement of up to \$6,000,000 by the two life companies if the rig had been totally destroyed—one of the provisions of the agreement. The loan agreement will cost Zapata 7%, or \$420,000 annually, on the \$6,000,000 regardless of whether any money is borrowed.

A SPOKESMAN FOR Zapata said if the rig had been totally destroyed the company could have borrowed enough money from the life insurers to replace it with a new rig, which he said is one of the main advantages of the loan agreement. He indicated the company planned to use the \$4,300,000 premium savings less the interest charge to defray future expenses for losses or for

new construction.

Zapata, which is a drilling contractor for oil companies, generated an annual premium of \$4,300,000 with Lloyds, based on the 9.75% standard rate, according to an insurance source. He pointed out that Zapata's move to self-insure caught marine insurance companies by surprise because of the severity and frequency of losses in that industry.

The source indicated that under the old Lloyds policy Zapata could have collected for any damages exceeding \$65,000—which was the deductible figure for the Chaparral rig.

THE INDUSTRY report stated that the loss occurred during a heavy sea that separated the rig from a tugboat, causing it to flounder helplessly. The Zapata spokesman said the company might seek damages from Underwieser Reederei, a German firm which had the towing contract.

High rates and limited capacity have been key factors forcing rig operators and oil companies to look toward self insurance or insurance pools to reduce costs.

Recently 110 U.S. insurers moved toward increasing capac-

ity by forming the American Marine Drilling & Exploration Insurance Assn. to write offshore rigs, a market previously dominated by Lloyds.

Rates that the syndicate will charge are in some cases expected to be as much as 4% to 5% higher than the standard 9.75% of value rate charged by Lloyds.

THE INSURANCE companies in the syndicate have upped the target date for writing coverage from Feb. 1 to April 1, according to a spokesman for one of the participating insurers. The syndicate will write up to 50%—without reinsurance—on any one risk initially and buyers will have to find the other half of the coverage elsewhere.

London's reluctance to reduce offshore rig rates has been caused in part by losses totaling \$106,000,000 from 1960 to 1966.

Some oil companies which lease rigs from the rig companies pay the brunt of insurance costs through rent charges which vary between \$10,000 and \$20,000 a day—one of the reasons why companies are eager to keep rigs operating and moving even under adverse weather conditions to recoup rental charges. ■

Ocean rates to Korea increased

NEW YORK—The American War Risk Reinsurance Exchange has withdrawn ocean cargo rates to Korea, in the wake of the Pueblo seizure.

Rates, which were 5¢ per \$100 of value, are now being quoted on a day-to-day basis, a spokesman for the Exchange told *Business Insurance*.

Lloyds of London, after the U.S.S. Pueblo was seized by North Korea, upped its rates for ocean cargo to Korea from 5¢ per \$100 to 12.5¢ per \$100.

Court to rule if oil firm is liable for outlet

TRENTON—The New Jersey supreme court has agreed to rule on whether an oil company is partially liable for an accident at one of its leased service stations.

The court said it was going to

Continued on page 22

Cahill suggests federal agency for auto cover

HARTFORD, Conn.—U. S. Rep. William T. Cahill (R., N.J.) has suggested the formation of a federal auto insurance agency to compensate an auto accident victim for out-of-pocket expenses up to \$2,500.

Meanwhile, President Johnson, in a special message to Congress, reiterated his pledge to launch a major study of automobile insurance to be undertaken by the Department of Transportation.

In New York, two state legislators introduced a bill to revise auto insurance policies along the lines of the Keeton-O'Connell plan, in which an auto victim would be compensated by his own insurer without first having to prove which driver was at fault.

"The submission of a claim to the federal agency would be completely elective under the plan," Rep. Cahill told a Connecticut Bar Assn. seminar, "and the claimant would lose no presently held recovery rights."

"Rather, the agency would be established in addition to the present court remedy and would

Continued on page 22

City attorney admits responsibility in Hyde Street cable car crash

By KEN MacDONALD

SAN FRANCISCO—A grand jury indictment here this week charging Arthur Coats, 42, with involuntary manslaughter may intensify the pressure of insurance claims rising from the city's worst cable car accident of the century.

Mr. Coats was the gripman operating the cable car at the time of the accident which killed two and injured 41 others. The Hyde Street car cable lost its grip on a rain-slick street and raced, uncontrolled, down the hill toward Aquatic Park.

Jammed with passengers, the runaway cable car crashed into two automobiles at the bottom of the hill, triggering a fiery explosion and enveloping the cable car with flames as it raced on for another two blocks before coming to a stop.



About to take its trip down to Aquatic Park in San Francisco on a grade of 21%, the Hyde Street cable car "grip man" and conductor team up to "brake" its descent. The city has added safety glass, windshield wipers and other safety devices in a three-year renovation campaign.

lieve that liability to the persons who suffered injury and property damage can be escaped as the product of any cumulative investigation.

"Hence, I recommend the immediate adoption of commission policy for the compromise and settlement of claims of all persons injured in person or property, so long as any claimant's demand is supportable in fact and reasonable in amount."

Mr. O'Connor contended the city is liable, no matter whether an investigation, still underway,

reveals that the cause of the Dec. 3 accident was faulty equipment, mistakes by the cable car crew or a combination of the two factors.

COMMISSION VP Thomas F. Stack, declared "the city attorney's recommendation is premature. I'd like to know what facts there are and what the relevant law is before I announce my liability."

Self-insurance for the city, it was pointed out by James Finn, Continued on page 8

Prof applauds new Oregon law banning wrongful death limits

PORTLAND, Ore.—The state of Oregon has been "congratulated" for "removing the lid from the damages which might be awarded in wrongful deaths."

Lawyers gathered here from Oregon and Washington were urged by Prof. Thomas Lambert of the American Trial Lawyers' Assn. to "press for adequate compensation" for their clients.

Mr. Lambert, editor-in-chief of the American Trial Lawyers' Assn. Journal, said "Much of the theory in wrongful death compensation is newly developed. Pressing claims for adequate compensation in wrongful deaths is hard, demanding and

lonely work."

Oregon, until last September, had a limit of \$25,000 which might be awarded for wrongful death. It was noted that in Oregon, courts might award more for serious bodily injury than for a death.

"And these computations were arrived at in the darkness of 19th century England, where child labor was a blot on the land and the great factories were situated near golf courses where children at work might hear men at play."

"A computation of work value," Mr. Lambert added, "was simple in those days."



Explaining how his company has expanded its overseas operations is Anthony D. Chilvers, executive consultant, in the new developments department, John Hancock Mutual Life Insurance Co., Boston. He spoke at the American Management Assn. seminar in New York. See articles on the AMA meeting on pages 4 and 6.

Phoenix Mutual readies pension geared to cost of living index

HARTFORD — Phoenix Mutual Life Co. is in the final stages of designing a pension contract geared to the cost of living index. Details are not yet ready for release, but "our direction is clear," said a company source.

The idea of pensions geared to a cost of living index is more prevalent in European countries, where pensions are provided by the government, rather than the private sector. In France, for example, pensions are automatically adjusted annually to changes in the national average wage.

"FROM A social standpoint it's a good idea," commented a pension consultant, "but from a cost viewpoint it will probably be expensive." He pointed out that a pension geared to the cost of living index would not just include

future retirees, but would eventually include previously retired personnel as well.

HOWEVER, the idea is "catching on" among the unions, he continued, "only because base plans have built up to the point where fancy frills like this can be considered."

Walter Reuther tried to tie pensions to a cost of living index at the UAW contract talks in July. The proposal was not adopted at that time but has not been forgotten, as the Phoenix Mutual plan indicates.

Can insurer back out of binder? N.J. supreme court will decide

TRENTON, N.J.—The New Jersey supreme court is considering whether Travelers Insurance Co. has the right to refuse to pay a \$5,000 fire claim covered under a brokerage binder.

Chief Justice Joseph Weintraub, during oral arguments, said that the right of an insurance company to refuse to honor such claims had "all the potentiality of fraud."

The high court noted that the policy is dated and premiums are collected from the time the broker issues the policy—not from the time the insurance company approves it.

The case before the supreme court involved an appeal by Curran & Sykes, Atlantic City broker. The firm contends that it bound Travelers to a policy insuring a photographer's concession in an Atlantic City restaurant, which was destroyed by fire in the fall of 1963.

rant, which was destroyed by fire in the fall of 1963.

A day after the fire, Travelers informed the broker that the binder was cancelled and declined to pay the claim. A lower court ruled that the carrier was not liable, leaving the broker to pay.

Justice Weintraub said that was misleading the public for insurers to pre-date policies, giving the policyholder the impression he is covered, and then withdrawing. But Leonard Horn, attorney for Travelers, argued that the company never gave the broker explicit authorization to bind the photographer.

"You're saying that you will take the benefits of antedated policies except when there were losses. You don't think that is immoral?" asked Justice Weintraub.

LBJ to propose tax deferrals for urban catastrophe insurance

WASHINGTON—Tax deferral measures to allow insurance companies to accumulate catastrophic loss pools will soon be proposed by President Johnson as part of his program to "meet the insurance crisis of our cities."

Besides helping to make insurance available to currently uninsurable riot-prone and high-crime-rate areas, the proposal may help to ease the growing insurance capacity problems some large corporations are encountering, insurance executives point out. And, they add, it may help to lower rates by allowing large losses to be written off against the pool.

The states would authorize the amounts of the tax-deferred reserves within limits set by the Federal government. The reserves could be used for any catastrophic claim, not just for riot induced damage.

Only insurance companies which participate in the entire riot insurance program proposed by the President's National Advisory Panel on Insurance in Riot-Affected Areas would get the tax deferrals.

The long-awaited panel report released last month outlines a multi-pronged attack on the problem. In addition to catastrophe pools, the program calls for: creation of a government agency to provide reinsurance against extraordinary losses from civil disorders; adoption by the insurance industry of plans to give all property owners fair access to insurance in all states; state insurance pools to insure properties that individual companies won't insure; and, steps to recruit and train slum residents to be insurance agents and to work in other parts of the insurance business.

Master rails benefit package selected best of previous plans

CHICAGO—The new master health and welfare plan agreed to by the nation's railroads and their unions in general "equalized the benefits of the various unions on the basis of the most favorable benefit available to any particular union," a Railway Labor Conference spokesman has told *Business Insurance*.

The master plan, covering 30 unions with 615,000 members, will go into effect March 1 with total annual premiums of \$220,000,000. The railroads pick up the entire cost of the plan.

In general union members will get increased life insurance, a 50% increase in doctors' call payment benefits, increased retirement coverage and wider dependents' coverage.

The program will be in effect for two years and bargaining for additional benefits will continue under provisions of the Railway Labor Act. This law provides for an exchange of letters of request between labor and management followed by a series of conferences until provisions are agreed upon.

Health and welfare provisions are bargained for separately from wage demands.

The benefits program includes employee life insurance, accidental death and dismemberment payments and hospital, surgical and medical care for dependents and employees.

Life insurance will be provided retired employees, and em-

Continued on page 21

Corporate liability: the good old days

When the Casey Jones had his historic wreck on the way to Canton, Miss., in the Cannonball Express No. 1 in 1863, he was the only one killed. However, his fireman, Sim T. Webb, an express messenger, two postal clerks and a lady passenger were bruised and shaken.

The Illinois Central railroad settled with the five victims of Mr. Casey's devotion to getting the train in on time for \$31. Mr. Webb accepted \$5 in payment for any claim against the railroad, Mr. Webb accepted \$23 and the other three took \$1 each.

Mr. Casey's wife received \$3,000 from two policies with the Locomotive Engineers Mutual Life and Accident Insurance Assn., a benefit for belonging to the Brotherhood of Locomotive Engineers.



The bite of Chinatown's sacred and benevolent dragon, "Gum Loon," was not insured by the city as it snorted and cavorted on the shoulders of 160 Chinese, alternating in teams, during the "Year of the Monkey" parade in San Francisco Feb. 10.

Chinatown's New Year parade insured for any 'monkey shines'

SAN FRANCISCO—The "Year of the Monkey" is here and this city was insured for any potential "monkey shines" during the traditional Chinese new year parade, Feb. 10.

Chester King of the Richard N. Goldman Co., broker, indicated the city will be well protected against possible claims for accident or damage that might result from the parade.

The Chinese New Year revelry began Feb. 3 with the passing of the "Year of the Lamb." The first few days of the new Chinese year 4666 are filled with holiday observances at home.

THE PUBLIC celebrations erupted with firecrackers (though illegal), street fairs and a "Miss Chinatown" contest.

"This year's parade," explained James H. Loo, president of the Chinese Chamber of Commerce and general chairman, "was different because it was an all-Oriental spectacle."

"The parade, which in recent years had grown to a three and a half hour pyrotechnic extravaganza, was streamlined to one hour of Chinese pageantry, limited to Chinese units and floats with a distinctly Chinese theme."

Mr. Loo, parade director, Charles P. Teevin, and police department coordinator, Herbert P. Lee, all agreed that "to date, the city has been very fortunate in having no major insurance claim accidents resulting from the parade or the celebration."

THE CITY does insure itself against potential claims rising from this as well as other special events in which the city itself participates or sponsors to a degree.

Greatest potential danger, of course, was the illegal use of firecrackers and the possibilities of burn injuries or fire.

The firecrackers flood into Chinatown during the New Year festivities.

Most recalled reservists assured job security, continued fringes

CHICAGO—Most of the 14,700 reservists called to active duty last month by President Johnson will take with them assurances of job security when they become civilians again plus continuation of a spectrum of employee benefits.

For most companies in a *Business Insurance* survey of employee benefits managers, the reservists that have been called up will be given leaves of absence that will not jeopardize seniority or eligibility for pension and profit-sharing plans.

Robert E. Royes, secretary of the employee benefits committee of American Telephone & Telegraph, New York, the country's largest employer, explained that reservists called back to active duty as well as other AT&T employees in the military are in effect given a leave of absence by AT&T, which means that they regain their full pension credits when they return.

MR. ROYES told *Business Insurance* that the company doesn't have any contributory pensions, and that there may be "kinks" in such plans for returning reservists.

AT&T in general avoids duplicating its own benefits with government programs (it integrates its pension plan with Social Security, for instance), and the company suspends its group life insurance and medical coverage while an employee-reservist is on active duty (the military has its own program in these areas). However, a man's wife and children continue to be entitled to death benefits of one year's salary.

Also, AT&T pays the difference between company pay and military pay for a temporary period of time. An unmarried man who has worked for the company less than a year gets difference in pay for two weeks; if he's been employed by AT&T over a year he gets difference in pay three months.

MARRIED MEN get an even better break. The company makes up the difference in salary of married employees with less than a year's service for three-and-a-half months; if the em-

ployee has been with AT&T for over a year, he gets difference in pay for six months.

Mr. Royes pointed out that some companies give employees called into the reserves a lump sum payment of so many weeks salary.

International Business Machines, Armonk, N.Y., normally gives all personnel on military duty (whether reservists or employees serving a regular two-year hitch) one fourth of salary a month for 14 months (not to exceed \$1,000 a year). This works out to \$83.33 a month. In addition, IBM gives employees turned military men group life coverage for the first 120 days of their duty and continues to cover an employee's family for medical benefits while the government does not (although the government has first liability).

IN ADDITION, if a reservist or other employee serving in the military returns to IBM by Oct. 1, he qualifies for the normal vacation time for that year. He also gets two weeks' induction pay when he goes in.

When an IBM employee on reserve or National Guard status is activated to quell a riot or to help

out in the face of a disaster, he qualifies for temporary military leave benefits of difference in pay for 30 days.

At Standard Oil of New Jersey, reservists called to extended active duty who have no dependents get a lump sum payment of a month's wages (if they've worked at Standard less than a year) or two month's salary (if more than a year).

Employees with a wife and children under 18 get one of the following, whichever is less: (1) they've been employed longer than a year 50% of their normal compensation (2) the difference in pay between Standard and the military; and (3) the amount the employee contributed to the support of his dependents at the time he went into the service. This pay schedule continues until the employee is released from active duty or until his dependency situation changes.

STANDARD continues covering the reservist under non-contributory group life benefits (actually survivor's benefits), but not under the contributory group life plan. The survivor

Continued on page 23

McCormick Place authority eyes wrap-up in rebuilding

CHICAGO—The \$72,000,000 rebuilding project for the new McCormick Place here will be covered under a wrap-up plan for workmen's compensation, liability, and builder's risk, the Metropolitan Fair and Exposition Authority (MFEA) has decided.

The MFEA received proposals from four brokers on a wrap-up plan. Although Edward J. Lee, McCormick Place general manager, would not reveal the names of the brokers to *Business Insurance*, he did say, however, that they had been involved with McCormick Place insurance programs for 12 years.

Mr. Lee said the authority would study the four proposals and make a summary proposal as a basis for the desired wrap-up coverages. This would then be

discussed with the individual brokers, he said.

In the construction of the old McCormick Place, which was razed by a fire on Jan. 16, 1967, individual contracting units were allowed to purchase their own insurance or designate a credit allowance if MFEA purchased the insurance. There was no wrap-up coverage as such.

Mr. Lee pointed out that he hopes the wrap-up will speed up claims handling streamline administration and insure adequacy of coverage for contracting units.

Mr. Lee said that the wrap-up would not necessarily be with one carrier nor mean lower premium cost.

The wrap-up will not be put out for competitive bids, it is understood.

National ASIM conference to sleuth 'mysterious' business interruption

CHICAGO—A critical analysis of the "mysterious cover" business interruption policy is expected to be a highlight of the National Insurance Management conference here Feb. 21-23 in the Pick Congress Hotel.

E. B. Paris, insurance manager of the Boeing Co., Seattle, and Donald Mason, vp of Toplis & Harding Co., San Francisco, will lead the "mysterious cover" session at 9 a.m. Feb. 21. One risk manager told *Business Insurance* that there is great interest in this coverage, although it is not particularly liked or understood.

He said that there is not enough flexibility in the coverages, and he hopes that the conference may come up with some recommendations to clarify business interruption and extra expense coverages.

ALSO AT THE conference, hosted by the Chicago chapter of the American Society of Insur-

ance Management, split sessions prepared and presented by individual ASIM chapters will tackle eight subjects from 2 to 5 p.m., Feb. 21.

The chapters and the topics include risk management in Canada by the Canadian chapters; employee benefits by the Dallas-Ft. Worth chapter; foreign insurance by the Delaware Valley chapter; casualty insurance by the Minnesota chapter; safety and property conservation by the New York chapter; program development and property insurance by the St. Louis chapter; mergers and acquisitions by the Southern California chapter; and innovations and administration in Midwest risk management by the Wisconsin chapter.

Another key session from 3 to 5 p.m. Feb. 22, will tackle the fee or commission method of paying brokers and consultants. E. P. Lalley, insurance manager of the National Dairy Products Corp.

and Richard A. Archer, president of Allen T. Archer Co., Los Angeles, will lead discussions. Dr. Wayne Snider, a professor of insurance from Temple University, will also speak during this session.

IT IS WELL KNOWN that several insurance managers, especially with large premium responsibilities, have expressed interest in doing away with the commission payment system. William Mortimer, insurance manager for Hunt Foods and Industries, Inc., Fullerton, Cal., and Orville Teamey, insurance manager for Inland Steel Co., Chicago, for example, have expressed their views on the commission system in recent issues of *Business Insurance*.

Other sessions during the conference include a risk management problem and idea exchange

Continued on page 24



USSR insurance, page 13

A Russian housewife signs an insurance policy for a representative of the state-owned insurance agency. Although not very popular in the USSR because of social security benefits, several lines of personal life and accident insurance are available. For a story on USSR insurance, see page 13.

Calls for federal action on air passenger accident insurance

NEW YORK—An aircraft executive has called for the federal government to act in the area of passenger liability by requiring accident-type insurance for all air line passengers in lieu of claims and litigation.

S. W. Shepard, vp of Rohr Corp., Chula Vista, Cal., at an American Management Assn. seminar explained that such a plan would be patterned after workmen's compensation insurance with higher amounts paid for a married man with dependents than for a person without dependents.

The plan, he said, would benefit the insurance industry since the premium for the insurance could be set to produce an un-

derwriting profit and the traveling public would benefit because a fast, fair settlement would be substituted for endless expensive litigation.

"I am advised that bills to accomplish the legislation I have mentioned are to be introduced in Congress," he said.

HE EXPLAINED that upon providing the insurance, the air line, the airframe manufacturer, his subcontractors and suppliers, the Federal Aviation Administration and all of their respective employees would be relieved from liability.

Mr. Shepard suggested that the cost for such coverage be included in the price of the ticket.

He noted that American Express recently offered \$100,000 accident insurance per seat for \$3 each trip.

But he expected that the adjusted air line fare would reflect the savings to the air lines and the manufacturers for reduced liability insurance requirements, so the "ultimate pricing of the ticket to the public should be substantially the same."

To emphasize the growing problem of liability he asked his audience to consider two 500-passenger air liners involved in a mid-air collision approaching the Los Angeles airport. There could be more than 1,000 persons in the two aircraft, not counting those

who may be involved on the ground.

"Now imagine this taking place on New Year's Day over the Rose Bowl. My imagination just isn't big enough to add up the potential," he said.

SHOULD SUCH A catastrophe happen now, he contended that all of the available insurance could be consumed. There also could be a liability deficit that could bankrupt the air lines involved, the manufacturer and all his subcontractors.

Mr. Shepard further warned that such an incident could cause underwriters left in this field to cancel their outstanding policies, leaving the remaining air lines and manufacturers as "sitting ducks" for the next accident.

He said that the British and French Concorde project has worked out an arrangement where the prime contractor's insurance covers the subcontractors in an umbrella concept.

tors in an umbrella concept.

This type of method, he said, is dependent upon complete cooperation between the prime contractor and his underwriters and is practical only as long as the prime contractor carries adequate limits.

According to Mr. Shepard, the Concorde plan just recently became available to subcontractors, but "the price is about 15 times the Aircraft Builders Counsel industry rate for comparable products and the insurance is good only until Dec. 31, 1969," he said.

MR. SHEPARD SAID that the Concorde plan is "most unsatisfactory" to U.S. subcontractors, since it has a single aggregate combined limit of \$24,000,000 for all insureds including the airframe companies.

"In my opinion this is not enough insurance for the exposure," he said. "And, further, the single limit creates a problem in pricing excess insurance because you could never know in advance the basic amount of insurance that would be attributable to each contractor."

Air lines eye own captive for jumbo jet

NEW YORK—With the coming of jumbo jets and supersonic aircraft, the international air lines are considering establishing an air line-owned insurance company to handle hull coverage and public liability, M. L. Milligan, vp and general counsel of Trans World Airways, told an American Management Assn. seminar.

The air lines are talking about such an arrangement because of the "size of insurance," he said.

During 1968 the total value of conventional jets will be \$12 billion, and by 1973 the cost will be \$16 billion—in addition to \$9 billion worth of jumbo jets and supersonic aircrafts.

CONSIDERING the number of miles traveled and the number of passengers carried, the insurance exposure is terrific, he added. "We can estimate aggregate hull losses will be in excess of \$2 billion in 1968-75."

The insurance industry may consider it has the capacity to meet the claims and that insurance is available, but he acknowledged that the high price for such coverage was one reason for seeking another insurance market.

If 15% could be saved through such an arrangement "it would be worth it to set up a captive," he contended.

He said an industry-owned insurance company, which would handle worldwide coverages, would be incorporated in some "stable country."

Mr. Milligan also mentioned that under the most recent Warsaw agreement, a liability limit of \$75,000 has been agreed upon by international air lines flying into the U.S., but "our government is still trying to increase this limit."

Moore joins Tracy

James Moore, for 14 years district manager of Central Mutual Insurance Co., has joined Tracy Insurance Agency, Salt Lake City, as consultant for commercial insurance.

Why should your clients pay for another company's accidents?

A good question. Especially if they qualify for Pacific Employers participating workmen's compensation.

By participating with PEG, your clients' compensation cost could be cut significantly, because with PEG they pay premiums based just on their own safety performance, not on the overall experience of a group that lumps good risks and bad alike.* The fewer accidents they have, the lower their net costs can be.

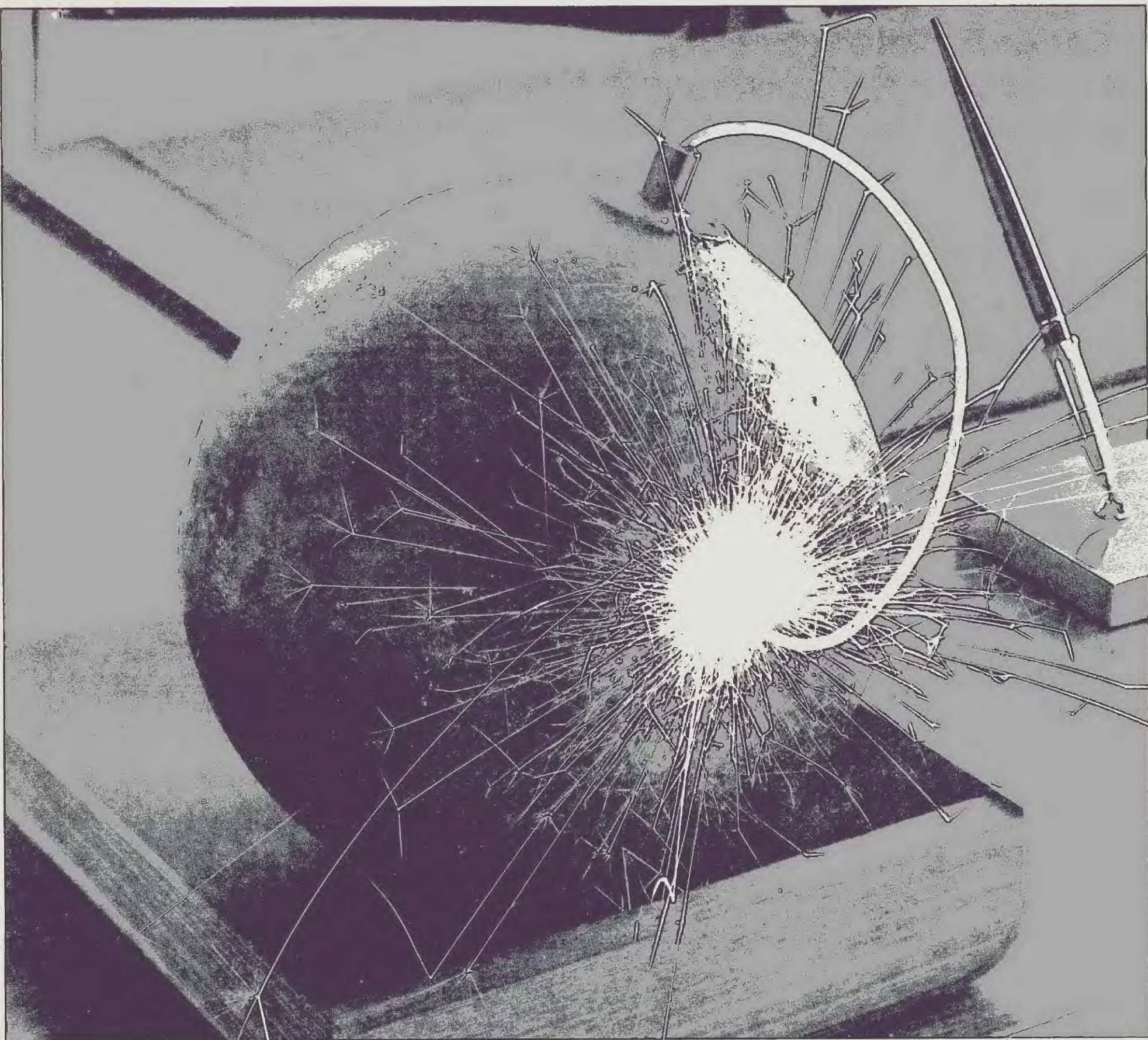
In addition, PEG's safety engineers will help your clients reduce their accident rate, and cut down the "hid-

den costs" behind accidents—the costs they can't insure, like lost production and damaged machines. And PEG's rehabilitation program gives their injured workers the benefit of the most modern and most efficient plan in the industry today.

With PEG helping reduce their accidents, you're in a position to offer your clients a net insurance cost that's impressively low. Because with PEG they'll participate in any earnings based on their individual risk experience. And though no insurer ever guarantees a dividend, it'll put them in a buying frame of mind to know they're dealing with a company that's paid dividends every year regularly for 44 years. Call your PEG fieldman now. He can give you all the details.

*In a few states we're required to use the group rate.

PEG Pacific Employers Group
of Insurance Companies
A Subsidiary of Insurance Company of North America
4050 Wilshire Boulevard, Los Angeles



Call Area Code 617-245-6000

Running a big business gets more and more complicated; just about every problem arrives complete with short fuse.

Particularly in the area of risk. But here, at least, is an area full of hope.

Because we have come up with a new concept. Called All Risk Management, it can turn what you've always considered a cost into an actual source for profit. You — with a full-line team of professionals — free up assets for more profitable use.

Sound unbelievable, coming from an insurance company? Normal reaction. But remember, it comes from the people whose success comes from innovation. People who started the first American liability insurance company.

You could call our home office direct — or our local office listed in the Yellow Pages. Get the details without also getting a pitch.

One bomb defused would let you concentrate on the others, right?

American Mutual 
INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

Insurance for business, car & home; Workmen's Compensation, Liability, Fire, Property, Crime, and Group Insurance.



Murdock

O'Connor

Hornigold

A relaxing moment during an American Management Assn. seminar on international employee benefits and pension management is Burton Murdock, manager of benefit planning, Pfizer International Inc., New York; and Walter F. O'Connor and Richard M. Hornigold, both of Peat, Marwick, Mitchell and Co., New York.

Foreign insurance plans trail U.S., buyers told at AMA conference

NEW YORK—Buyers attending the American Management Assn. conference on international property and casualty insurance here last week were presented a somewhat glum picture of foreign practices, with predictions of few immediate changes to meet the sophisticated needs of U.S. corporations.

Speakers from Europe and the Middle East were among those who indicated to insurance managers that they should have a broad knowledge of what is happening in foreign markets before setting up an international program.

In addition, insurance managers from U.S. corporations told the audience of international buyers, insurers and brokers

who attended the three-day conference how they arranged their foreign coverages with warnings that unsophisticated international markets often cause serious gaps in coverage and loss prevention.

SPEAKING ON BEHALF of the Common Market countries which comprise Holland, France, West Germany, Italy, Belgium and Luxembourg, Hans Millaard, a partner in Langeveld de Vos de Waal, said the restrictions on industries insuring in any of the six countries will continue to require the exhaustion of Common Market capacity before seeking outside sources.

Referring to catastrophe insurance and the recent Shell loss in Rotterdam, which he estimated to have reached \$70,000,000, Mr. Millaard said insurance companies should attempt to form one market around the world to generate enough capacity to meet such catastrophic needs.

Clifford A. Roche, vp of American International Underwriters, said that a working draft of Common Market general regulations, involving insurance, "suggests that far from liberalizing intercountry insurance regulations, it will actually, in some significant aspects, be more restrictive than at present."

He cited regulations providing for the number of insurance contracts which could be written within a country, the maximum annual premiums which could be received and the restrictions in issuing contracts for periods longer than a year.

ONE OIL BUYER in the audience noted that little has been done in Europe toward providing effective loss prevention programs. He noted that it is often impossible to take advantage of U.S. standards on construction projects because local rules regarding the use of outside devices like sprinkler systems are opposed by local markets.

F. Brian Harvey, assistant vp and secretary of Phelps Dodge International Corp., New York, urged buyers seeking insurance coverage in underdeveloped areas, such as Africa or Latin America, to find out from other corporations what they are do-

ing.

Phelps Dodge, which has operations in countries throughout the world, was faced with the problems of dealing with insurance companies in some markets whose total assets just about matched the value of the operation the company was insuring. Mr. Harvey advised buyers to educate themselves about each market and to negotiate at the local level to find adequate coverage at a fair price.

IN MEXICO, for instance, Phelps Dodge was able to lower its fire rate considerably, according to Mr. Harvey, by negotiating with insurers in that country. He said the rate was reduced from about 33% to 19% and the company is still seeking further reductions.

The Phelps Dodge insurance executive pointed out that local foreign brokers, who are universally accepted by most U.S. companies, should be a strategic part of any loss prevention program by using them to make inspections of corporate properties. Phelps Dodge international loss prevention program is bolstered by "unannounced" inspections by the parent company's engineers.

The loss prevention problem abroad was cited by Charles H. Martin, president of Risk Engineering Services, New York, who said "small loss thinking" has caused the greatest number of catastrophes in foreign countries.

HE URGED U.S. companies to invest more dollars in loss prevention techniques such as design and engineering, which would, he said, probably cost a nominal amount compared to the total outlay of money for equipment and other foreign investments. Mr. Martin pointed out that U.S. personnel of large companies based abroad are often uneducated about products hazards caused by some companies' lack of interest in assigning responsibilities for a loss prevention program.

According to the risk engineer, U.S. corporations should keep posted on what other companies are doing regarding loss prevention programs and procedures.

Continued on page 26

are
your
recruiters
building
language
barriers?

This is the Chinese word for salary. We're using it to dramatize a conviction of ours—that the corporation recruiter who allows "salary" to monopolize his conversation figures to be about as winning, in the long run, as Mao Tse-tung.

Sure, salary is a good recruiting-type word. But it's also something the Government chews up in ever-increasing chunks.

To get and keep key people today, a corporation must be able to present benefit programs . . . competitively. That's where we come in. Recruiting is our jump-off point . . . the vital element built into the whole wide range of our benefit programming. This means we probably do more shaping and tailoring than any other carrier around. And this helps explain why our Group Life in force was up 30% in 1967.

We'd like to tell you more. About our SEE (Successful Employee Education) Kit, for instance . . . a basic part of our programming because it drives home, to employees, precisely what it is they're being given. But we can't do it here. Fill out the coupon. Better yet, call one of our people, and he'll bring a SEE Kit with him. He'll talk turkey to you about it. No language barrier there.

新金

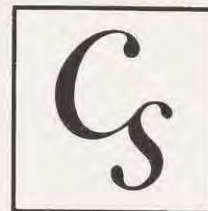
Please send me a sample SEE Kit, plus "The Flying Cloud" . . . a handsome 19 x 24 color print, very suitable for framing.

Name _____ Title _____

Company _____

Address _____

PROVIDENT
MUTUAL LIFE
INSURANCE COMPANY OF PHILADELPHIA
P.O. Box 7378, Philadelphia, Pa. 19101



Management Consultants

COMMONWEALTH SERVICES INC.

NEW YORK, N. Y.

300 PARK AVE.

(212) 688-1800

JACKSON, MICHIGAN

WASHINGTON, D.C.

Insurance and Pensions:

insurance audits,

management of corporate insurance programs,

evaluation and planning coverage for specific application,

analysis of pension and employee benefits programs.

Commonwealth diversification helps management solve complex problems.

Its strength is reinforced by its ability to draw upon the resources of its various companies.

Shuffle personnel in four Midwest firms

CHICAGO—Personnel changes in the insurance departments of several large midwest corporations were reported here recently.

Russell A. Drake Jr., assistant insurance manager for Sears, Roebuck & Co., has resigned to become director of corporate insurance for Allied Supermarkets Inc., Detroit, effective Feb. 5.

Sears has added a new man to its insurance department, Thomas Dalton, as casualty supervisor.

GEORGE E. DeWOLF has resigned as insurance manager for Jewel Cos. Inc. to become assistant general counsel for the National Assn. of Independent Insurers effective March 1.

Donald A. Straub, a claims attorney in the Jewel law division, will take on the added responsibility of insurance management. Paul Venzke, now insurance analyst, will become assistant insurance manager.

Mr. Drake was president of the Chicago chapter of the American Society of Insurance Management in 1967 and chairman of the national ASIM advance planning committee. He had been with Sears eight years after graduating from Indiana University law school.

AT ALLIED his primary responsibility will be property and liability coverages. Allied operates more than 300 stores with annual sales of more than \$530,000,000.

Mr. DeWolf had been with Jewel for 19 years as general attorney and insurance buyer. At NAII he will be assistant to Arthur Mertz, vp and general counsel, on liability and property matters.

Mr. Straub joined Jewel in June, 1966 from the legal staff of MacDonald Corp. He has a de-

gree in fire protection and safety engineering from the Illinois Institute of Technology in addition to a law degree from DePaul University.

MR. VENSKE joined Jewel as a claims adjuster in 1964. He is a graduate of the University of Illinois in finance and economics.

Jewel, with annual sales of more than \$1 billion operates more than 360 food stores and 110 drug stores, and 26 other specialty stores throughout the U.S.

It was also learned that H. P. Knapp has resigned as insurance and loss prevention manager at Montgomery Ward & Co. Ward has not announced a successor to Mr. Knapp, but it is understood



Employee benefits specialists heard Marcel Derron, actuary, Swiss Life and Pension Co., Zurich, report on pension taxation in Europe. He spoke at an American Management Assn. seminar in New York.

that Ed Kryszak, assistant manager, has temporarily assumed insurance department responsibilities.

Mr. Knapp has joined Continental Motors in Muskegon, Mich. as assistant director for insurance and pension.

Hughes vetoes bill giving N.J. strikers unemployment benefits

TRENTON—New Jersey Governor Richard J. Hughes has vetoed a controversial bill that would have allowed strikers to get unemployment benefits.

Passage of the measure last year, which provided strikers unemployment benefits after the sixth week of a strike plus a one-week waiting period, was part of the unemployment compensation bill passed by the Democratic-controlled legislature as part of party policy. It was instrumental in a resounding Republican election victory which gave control of both houses to the GOP in last fall's election.

As part of the unemployment compensation law, it was designed to take effect Jan. 1. Since a striker would have to be on

strike seven weeks to qualify, the veto means that no striker ever qualified for a payment.

Following what they consider a public mandate, Republicans in the legislature have set March as the target time for introducing new unemployment compensation legislation. Sen. Wayne Dumont, committee chairman, said that revising unemployment compensation was a complex matter, requiring much study. But he said the panel would try to come up with a bill during March.

Lapham elected

Roger D. Lapham Jr. has been elected to the board of directors of Frank B. Hall & Co.

Steelworkers, can companies hike pensions

PITTSBURGH—The principal employee benefits change hammered out between the United Steelworkers of America and American Can Co. and Continental Can Co. last week was an increase in pension benefits from \$5.50 a month for each year of service to \$6.50, effective Feb. 1, 1969.

Workers also will be able to retire at full pension after 30 years' service regardless of age, effective Feb. 1, 1970.

Pensions of present retirees will also be increased by \$10 a month, effective in 1969. These companies will increase Medicare contributions for this major category effective Feb. 1, 1968.

All surgical and hospital charges will be converted to a "reasonable and customary" basis effective Feb. 1, 1970, and mental care and psychiatric treatment will now be included.

A survivor of a current employee or of a retiree who dies before the spouse is eligible for Social Security will receive a pension of \$100 a month until age 62.

Other major steel firms begin negotiations with the USW this spring. The pension benefit in the steel industry is \$5 for each year of service—or \$1.50 less than the canning industry has just won.



Antonio Marconi Likes His Native Italy

He wants to live there when he retires. He deserves it. He has been a valuable employee for the foreign subsidiary of his American employer.

Now he is paid in local currency but, when he retires, he wants his pension in lira—with the best possible tax break.

Alexander International can help Antonio. It can help him retire in that Italian village. It can help his American employer, too—help them keep Antonio a contented, valuable employee until he retires. This unique combination of services, dealing regularly with the employee benefits of foreign nationals and third-country expatriates working in the foreign subsidiaries of American companies, solves the complex problems of these employee benefits and all types of insurance throughout the free world—and even behind that curtain.

ALEXANDER & ALEXANDER

Incorporated

Consulting Actuaries Employee Benefit Consultants

Insurance Brokers Average Adjusters



ATLANTA • BALTIMORE • BOSTON • CHICAGO • CLARKSBURG • LOS ANGELES • MIAMI • NEWARK
NEW ORLEANS • NEW YORK • PARIS • PHILADELPHIA • PITTSBURGH • SAN FRANCISCO
ST. LOUIS • TULSA • ASSOCIATED BROKERS THROUGHOUT THE FREE WORLD
ALEXANDER & ALEXANDER SERVICES LTD. • EDMONTON • MONTREAL • TORONTO • VANCOUVER

Cable car . . .

Continued from page 2

assistant general manager of public utilities commission, is for \$1,037,500 for any single accident.

"This amount," Mr. Finn said, "is appropriated annually from the city's general fund. We also transfer certain amounts each year to a reserve fund in the commission."

This reserve fund, depending on its size at the time of any specific accident, could be wiped out or used to protect the city against claims in excess of its self-insurance."

BEYOND this, the commission has excess liability policies, placed by Excess Underwriters Inc., Chicago. The commission's broker is Clifton & Co., San Francisco.

The commission's three major departments, the water department, the water system and the municipal railway, has excess liability insurance through the Lloyd's underwriters totalling \$24,000,000 for any occurrence, all perils combined.

The municipal railway and its revenue vehicles, which includes the cable cars, the limit of excess liability coverage is \$25,000,000.

THESE CLAUSES also cover repayment of the costs of investigation as well as defense.

James K. Carr, general manager of public utilities, said his department is increasing safety measures on the cable cars, which are a "national landmark."

In March, 1965, the municipal railway completely renovated the complicated winding gear, much of it dating from 1889,

which controls the 10½ miles of wrapped steel cable. The 1¼ inch in diameter cable normally travels at a steady 9½ mph.

The 39 cable car fleet carries approximately 25,000 passengers a day. An estimated 50% to 60% are tourists.

"It is ironic," Mr. Carr said, "that in the past three years more measures to make the cable car safer have been introduced than for many years in the past."

"Now, however, a very thorough engineering review is being made to see where, if possible, further safety measures can be taken."

In those three years, safety glass and windshield wipers were put on the cable cars for the first time. In addition, a better braking system was added to nearly all the cars, but not on the Hyde Street line.

Mr. Coats and Louis A. Ables, the conductor, have been fired. ■

info for buyers

To make it easy for *Business Insurance* readers to get additional information offered in editorial items below and advertising in this issue, Reader's Service cards are bound in at page 9. These cards should be used only for items that are offered *without charge*. Items shown below with a price have the complete address of the supplier and your requests for such items should be sent direct to the supplier with payment, indicating that you saw the notice in *Business Insurance*.

Readers of *Business Insurance* 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 N. Rush St., Chicago 60611.

• **"Employee Benefit Awareness"** is designed to help employees better understand the nature, effectiveness and value of their group life and health insurance benefits. Published by Northwestern Life Insurance Co., a copy of the booklet may be obtained by writing No. 137 on the Reader Service Card.

• **"The Problems of Total Remuneration,"** the result of two years of intensive research in Europe, is designed to assist international management in solving some of its informational needs on overseas pay and benefits and aid in coordinating North American and European business methods. This 16-page booklet, prepared by Towers, Perrin, Foster & Crosby, may be obtained free by writing No. 141 on the Reader Service Card.

• The main features of Prudential's group term and paid-up life insurance plan are described in a 16-page brochure. Copies are available free of charge. Write No. 138 on the Reader Service Card.

• **"The Liberty Mutual Fleet Evaluation Seminar"** outlines the data most vital to the reduction of fleet accidents. Released by Liberty Mutual Insurance Co., this 12-page booklet is available by writing No. 139 on the Reader Service Card.

• **"Digest of Boiler and Machinery Insurance"** sets forth the general scope of coverage afforded by the boiler and machinery policy. Published by Royal Globe Insurance, a free copy may be obtained by writing No. 140 on the Reader Service Card.

• **"Detex Property Protection Manual"** is a pocket-sized guide for both employers of protection personnel and the guards themselves. It includes information on dangers to watch for, how to set up a guard's tour and first aid, among other things. Prepared by the Detex Corp., single copies are available free by writing in No. 136 on the Reader Service Card.

• A set of simple and usable principles on business communication in relation to employee benefit and safety programs, etc. is offered in **"Business Communication/An Art or a Tool for**

Management?" Published by Marsh & McLennan Inc., the booklet is available free. Write No. 134 on the Reader Service Card.

• **"International Insurance and Employee Benefit and Pension Management"** offers seven separate articles highlighting various phases of international insurance. Published by American Management Assn., copies are \$4.50 to nonmembers and \$3 to members. Write: American Management Assn., 135 W. 50th St., New York 10020.

• **"Reciprocity-Portability"** contains highlights of regional seminars held by the National Foundation of Health, Welfare & Pension Plans Inc. on reciprocity and portability between pension funds, including case studies, forms, provisions, legal and legislative considerations. Copies are available to members at \$2.75 each; \$3.75 to nonmembers. Write: National Foundation of Health, Welfare & Pension Plans, P. O. Box 898, Elm Grove, Wis. 53122.

• **"Corporate International Insurance Programs"** discusses possible ways for management to handle insurance and employee benefits in other countries. Single copies of the booklet, released by Johnson & Higgins, are available free by writing No. 126 on the Reader Service Card.

• A comprehensive study of the air carrier's liability for loss or damage to cargo is contained in **"Analysis of Air Cargo Liability."** The booklet, published by the Atlantic Cos., analyzes the present posture of air law and freight practices as they are concerned with air carrier liability to cargo interests. Write No. 132 on the Reader Service Card for a free copy.

• **"Electronic Computer Systems"** gives an indication of the major areas of consideration and a basis for an intelligent evaluation of fire protection requirements for electronic computer systems. This 30-page booklet is sold for 60¢ by National Fire Protection Assn., 60 Battery-march St., Boston 02110.

• Data concerning the nature, functions and advantages of construction bonds is contained in **"Construction."** This business safeguard brochure has been released by the Surety Assn. of America. For a free copy, write No. 135 on the Reader Service Card.

• **"Loss Prevention in Print"** catalogs various publications and visual aids on topics ranging from developing a property conservation program to safeguarding hazardous processes. The catalog is published by Factory Mutual System; single copies are available free by writing No. 133 on the Reader Service Card.

• **"Safety as It Applies to Supervisors"** is a 16-page booklet designed to assist supervisors in the prevention of industrial accidents. Compiled by the loss prevention department of Marsh & McLennan Inc., a copy of this booklet is available by writing No. 130 on the Reader Service Card.

Who else?...



Who has complete facilities for handling anything related to aviation, resources to take care of any requirements, the largest company-owned-and-operated service fleet, nine coast-to-coast exclusive aviation offices with local loss-settlement authority, and forty years of progressive underwriting experience? A number of companies can offer some of these advantages. Very few can offer most. But who offers the complete fully integrated service? Your broker or agent knows it's

Nobody but...



ASSOCIATED AVIATION

UNDERWRITERS

90 John Street, New York, N.Y. 10038

Allow workers to defer income tax free for pensions: Greenough

PHILADELPHIA — A new form of tax treatment for pension plans was suggested here by William C. Greenough, chairman, Teachers Insurance and Annuity Assn. and College Retirement Equities Fund.

Mr. Greenough, who called the tax plan "earned retirement income tax deferral," proposed that an employed person should be allowed to defer up to 20% of his earned income and the taxes on this income. Such contributions would be vested in an employee's retirement account. Employer contributions would be treated in the same way in order to qualify for tax deductions.

A plan similar in certain respects to this proposal has been in effect in nonprofit and certain government institutions since 1958, Mr. Greenough pointed out. In that year Congress approved a method of deferral of taxes for employees in these categories. Many similarities are incorporated in this section.

Speaking at the University of Pennsylvania, Mr. Greenough said that an employer's obligations toward each employee should be discharged on a yearly basis. The level of benefits produced by a year's service should not depend on whether an individual leaves a company or stays with it until retirement, he contended.

PRIVATE PENSION plans up to now have been "one-company rather than people orientated," Mr. Greenough said, "and this more than anything else prevents really strong developments towards mobility of pensions among employers."

In the last 25 years, the number of people covered by private pension plans has increased from 4,000,000 to 26,000,000, Mr. Greenough said, and supporting assets have risen to \$94 billion. By 1980 these figures should increase to 41,000,000 covered persons and assets of \$193 billion, Mr. Greenough predicted.

Adequate public regulation of these plans is "absolutely necessary," the speaker said, and time should not be wasted discussing whether there should be federal regulation of pension plans—because it's already here.

THE REAL POINT to decide, he continued, is regulation by what agency of the Federal government, according to what guidelines and towards what objectives.

The most powerful instrument of federal supervision is the Internal Revenue Service (IRS), Mr. Greenough said. The IRS in

qualifying a pension plan pays great attention to whether there is "discriminatory" treatment in favor of the higher paid employees within a company.

However, the IRS has no responsibility, nor does any other regulatory agency, to see that a company's workers are treated fairly compared with employees in similar categories in other companies.

FOR EXAMPLE, Mr. Greenough continued, a corporation can conceivably qualify a pension plan for favorable tax treatment even though the plan allows little or no vesting of bene-

fits prior to retirement, as long as all participants seem to be treated (or mistreated) equally.

The speaker reviewed specific bills introduced in Congress which deal with some of the major problems relating to private pension plans. He pointed out that the Federal government accepts a "huge responsibility" in the benefits field by its welfare and poverty programs. These programs would contract substantially if the difficulties they were designed to combat are resolved by private and public action, Mr. Greenough stated.

He said that a major shift in emphasis is needed in approach-

ing pension plans. Workers should enjoy a retirement income directly related to their production—and the productivity of the economy.

Mr. Greenough's tax deferral plan would encourage earlier vesting, he said, because corporations would only be able to exclude contributions to a pension plan from taxable income if they were vested in a specific individual's retirement account.

THE PROPOSAL WOULD also remove the current anomaly whereby employee pension contributions are taxed but employer contributions are not. "The differential tax treatment has, I believe, led to a slower growth of pensions, to lesser vesting, lesser funding, and lesser benefit levels, than would have been the case if employer and employee contributions had been given equal tax deferral treatment," Mr. Green-

ough asserted.

Since neither the individual nor the employer would receive any tax deferred credit until funds were actually paid into individual's account, the proposal would lead to increased interest in adequate funding. It would also prevent any indirect employer recapture of contributions.

THIS "STRONG YET flexible" inducement to funding would help to avoid "Studebaker" situations, where persons involuntarily separated from a company in their waning years find themselves inadequately protected.

Mr. Greenough also stressed that the formation of capital is a "crucial" function of private pension plans. The deferred taxation method with its emphasis upon full vesting and full funding would assure the continuation and increase of capital production, he said.

Do you like to pay one big insurance premium?

of course not
of course not
of course not
of course not
of course not
of course not

Switch to an Afco budget plan.
It lets you put premium payments on the installment plan. Like any other bill.

It's good business practice to pay insurance premiums the easy way. In installments, the way you pay your taxes. Afco lets you break up a big lump sum into six, eight or ten small payments a year.

An Afco budget plan offers you

an extra line of credit without disturbing existing lines of bank credit.

And when business insurance payments are paid in convenient installments just like any other bill, there's no strain, no drain, on your working capital.

You can also afford as much coverage as your business needs. Without feeling the pinch once a year at premium-paying-time.

See your local independent insurance agent or broker. Ask him to explain Afco's simple, low cost financing. You'll love it.

Cal. to curtail w.c. exclusions

SACRAMENTO, Cal.—April 1 has been set as the effective date of complete revision of all limiting and restricting endorsements to compensation policies in California.

California Inspection Rating Bureau general manager, Richard G. O'Brien, said, "There will be marked curtailment of the number of instances in which coverage under compensation law can be excluded."

Many endorsements, Mr. O'Brien explained, have been "completely eliminated".

AFCO

NEW YORK: 108 JOHN STREET, NEW YORK 10038

ATLANTA BALTIMORE BOSTON
CHICAGO KANSAS CITY LOS ANGELES
MIAMI SAN FRANCISCO SEATTLE

opinions

Study basic protection

Current proposals to reform the auto liability insurance system have two key objectives: 1) to close the coverage gap to assure recovery to all motor-vehicle accident victims, and 2) to reduce the tremendous costs and delays inherent in our present system of litigating to determine who was at fault.

Managers of corporate insurance and employee benefits programs have a high obligation to carefully study "basic protection" proposals now under consideration in one form or another in 11 states. Most proposals are designed to assure auto victims of compensation up to a specified limit from their insurance companies without resorting to litigation.

There are good reasons for risk managers to give serious study to basic protection proposals. As responsible members of corporate management teams, risk managers should be concerned about an employee's physical and psychological well-being which might be promoted by the sure and easy recovery offered by basic protection. Second, employee benefits managers have an obligation to study closely the effect of offsetting part of the recoveries under basic protection plans against any other applicable coverage, such as workmen's compensation, hospitalization and medical coverage or a wage continuation plan. Finally, risk managers should check the promised financial savings involved in basic protection which would impose relatively greater premium costs on individual policyholders rather than fleet operators whose vehicles have greater exposure to accidents.

This year, in Washington and in state capitals, may determine the direction auto liability insurance will take. Risk managers have much at stake. It is time for them to do some serious homework on the merits of various auto insurance reform plans.

Harvard law professor, Robert Keeton, co-author of one such "basic protection" proposal, told *Business Insurance* that corporate insurance buyers might save as much as 15% to 20% of their fleet liability premiums if his plan were adopted. He noted, too, that risk managers would be spared the time and trouble of litigation to gain recoveries.

As indicated in the graph elsewhere on this page, a growing number of Americans are killed or suffer disabling injuries in auto crashes. The figure has increased 58% since the beginning of World War II. A major part of this national tragedy is that many accident victims are not compensated or compensated inadequately because of uninsured motorists, insurance company insolvencies or the inadequacy of their own automobile and other insurance coverages.

Kansas City insurance buyers have the right idea

The consumer is being wooed on all sides these days. President Johnson, in his state of the union message, gave wide recognition to the interests of the consumer, and he touched on several areas of interest to the consumer of insurance—both the individual buyer or the buyer representing his company's protection needs.

business insurance

for buyers of employee, property and liability protection

RANCE CRAIN, Editor RICHARD C. BJORKLUND, Managing Editor
Senior Editors: New York—WILLIAM A. GUEST, Chicago—LOUIS HAUGH.
Associates: New York—GEORGE YOUNG, ROBIN MENZ, Chicago—BONNIE PROVENZANO, San Francisco—KENNETH R. MACDONALD. Correspondents in all principal cities.
BURTON ROVENS, art director.

Contributing Editors: DONALD BERRY, insurance manager, Borden Co., New York. THOMAS J. LASKOWSKI, safety and claims supervisor, Transit Insurance Administrators, San Francisco. CHARLES LEVINSON, insurance manager, Port of New York Authority. ELLIOT BEIER, manager of pension and profit sharing services, Maxwell Ohlman & Co., New York. J. E. BENOIT, head of insurance division Expo '67, Montreal. CARL J. VOGT, supervisor of workmen's compensation, General Tire & Rubber Co., Akron. H. CHARLES KWASHA, partner, Kwasha Lipton Co., Englewood Cliffs, N.J. HOWARD L. PECK, partner, Hewitt Associates, Libertyville, Ill. BION H. FRANCIS, insurance manager, Crucible Steel, Pittsburgh. J. P. OLSEN, insurance manager, Ingersoll-Rand Co., New York. NED MILLER, partner, Romm, Miller & Lazarus, New York.

MYRON A. HARTENFELD, publishing director
ALFRED MALECKI, advertising director
DALE BOENISCH, administrative assistant and production manager
District managers: New York—CHARLES A. HORVATH.
Chicago—LAMAR R. LEAHY, WILLIAM SUDBROOK.
Assistants: MRS. JOAN ECHEVERRIA, BERNICE STELTER, ANN SPADONE

Published by Advertising Publications, Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion, Marketing Insights.
G. D. CRAIN, Jr., chairman S. R. BERNSTEIN, president
M. A. HARTENFELD, vice-president and business manager. G. D. LEWIS, vice-president, sales. J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, D. J. CLEARY, Jr., vice-presidents.
G. R. CRAIN, secretary and treasurer, J. H. TERRY, assistant secretary and assistant treasurer.

Cable address: ADAGEAPI

Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New York 10017 (YU 6-5050); National Press Bldg., Washington, D.C. 20004 (RE 7-7659); 1018 Fisher Bldg., Detroit 48202 (TR 2-7211); 6404 Wilshire Blvd., Los Angeles 90048 (Olive 1-3710); San Francisco (GR 4-8532).

35 cents a copy, \$8 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra. WILLIAM STRONG, circulation director. Four weeks' notice required for change of address. Address all subscription correspondence to ELOISE D'OVIDIO, circulation services manager.

Business Publications Audit of Circulations membership applied for.

AUTO ACCIDENT VICTIMS

1966	INJURIES 1,900,000	DEATHS 53,000	TOTAL VICTIMS 1,953,000
TOTAL VICTIMS			
1961	INJURIES 1,400,000	DEATHS 38,137	TOTAL VICTIMS 1,438,000
TOTAL VICTIMS			
1950	INJURIES 1,200,000	DEATHS 34,763	TOTAL VICTIMS 1,234,763
TOTAL VICTIMS			
1940	INJURIES 1,200,000	DEATHS 34,501	TOTAL VICTIMS 1,234,501
TOTAL VICTIMS			

Since 1940 the number of persons killed or disabled annually in auto accidents has increased 58% from 1,234,501 to 1,953,000. This means that one in every 100 Americans suffers a disabling injury or is killed on the highways each year. Methods of compensating victims of auto accidents is the subject of a great national debate that vitally affects the interests of risk managers and their companies. See editorial titled "Study basic protection" on this page.

Source: National Safety Council

The President, taking note of persistent signals drifting down from Capitol Hill, called for studies of the automobile insurance industry and of the growing cost of hospital care—both of which encompass areas of major concern to the corporate insurance manager.

The next step, it seems to us, is for legislators to become aware of the corporate buyers' viewpoints on these two and other relevant subjects. That, however, is not going to happen automatically; it will take an organized program of formulating the buyers' view and of presenting it in a logical and forceful manner to the men who shape the laws.

The job will not be accomplished by sitting back and allowing the insurance carriers to carry the ball to the legislatures. They've got their own ideas about what's needed, and those ideas don't necessarily coincide with what buyers feel is the right formula.

In that regard, we think the Kansas City Society of Insurance Management, a chapter of the American Society of Insurance Management, has come up with a logical way of getting across the consumer's viewpoint. The chapter, recognizing that "the consumer's interest and viewpoint has been inadequately conveyed to our state legislatures," has voted to send subscriptions to the National Insurance Buyer, ASIM's very informative publication, and to *Business Insurance* to the key legislators for insurance in Kansas and Missouri. This is in addition to the chapter's policy of taking direct stands on specific insurance legislation in the two states.

R. W. Bland, insurance manager of Panhandle Eastern Pipe Line Co. and a director of ASIM, in a letter advising us of the Kansas City chapter's decision, said it's the hope of the chapter that "this act on our part will establish a precedent for action by other chapters of ASIM."

We think it's high time that legislators start taking note of the needs of insurance buyers—the very group they're supposed to be protecting—and we're, of course, extremely gratified that the Kansas City group thinks highly enough of our publication to send it out, along with its own magazine, as representative of the consumer viewpoint.

The insurance manager gets some recognition

The professional insurance manager received a terrific boost from Wheeling Steel Corp., although it must be said that this wasn't the company's major purpose.

As reported in this publication, Wheeling has filed a lawsuit against its insurance broker, claiming that the broker overcharged the steel company and at the same time stifled competition on the account.

In sort of roundabout praise, Wheeling's lawyers lamented that none of this would have happened had Wheeling employed a professional insurance manager to oversee its activities in this area.

We think this is sound advice for any company. Aside from the obvious disadvantage of relying entirely on an outsider to watch over a company's insurance requirements, such a setup just isn't workable in today's multiproduct, multisubsidiary business climate.

The insurance manager of today is—or should be—party to just about every business decision being made, from the claims made for a new product to the blueprint of a factory.

It takes a full-time insurance expert to head off trouble before it starts. Management isn't getting its money's worth on insurance premiums unless it has such a man looking out for potential losses—preferably on a full-time basis.

letters

Raps health insurance

To the Editor: As an insurance agent, I believe that so-called hospitalization insurance is really a surety bond to guarantee collection of exorbitant fees by physicians, surgeons and hospitals.

As a natural hygienist, I believe that the normal state of the human body is one of health, if one understands and follows nature's laws. These include: diet—fresh fruits, vegetables and nuts, preferably unfired; exercise and fresh air; and adequate rest and sleep. A sick body tends to heal itself, if not hindered by poisonous drugs used as "medicines" nor by surgery, except to repair injuries.

Why should the insurance business support a profession which leaves many of its insured customers dead from medical poisoning, or from human vivisection, and survivors may be maimed for life or chronically ill?

George M. Zimmerman,
Detroit, Michigan

Reprint permission

To the Editor:

We would like your permission to reproduce by photocopy your article on the proposed American Marine Drilling and Exploration Association. *Business Insurance* will be credited as the source and the article would be reproduced directly from page 2 of the issue of Jan. 1, 1968.

Distribution will be limited and will accompany a general letter we are preparing for members of the offshore industry. Some may not have seen the article, and this factual reporting we feel should be of interest to them.

We thank you for your cooperation.

L. S. Miller, President
Risk Management Inc.,
Los Angeles

Editor's note: Mr. Miller has permission to reprint the article.

'Presents problems'

To the Editor: I have been meaning to drop you a note for some time complimenting you on printing a publication that so adequately presents the problems faced by corporate insurance managers in this country today; and, in addition, provides an opportunity for these same managers to discuss problems openly with other members of the industry.

Justin A. Crockwell,
Manager,
Insurance Department,
Pacific Gas and Electric Co.,
San Francisco, Cal.

'I read, clip, file'

To the Editor: The magazine *Business Insurance* fills a need that many of us have had for a long time. I have bought technical books on insurance that provide the basic fundamentals of insurance, its purchasing and handling. None of them, however, can provide the up-to-date information that I have been able to secure from this magazine.

I glance over every article in it, read thoroughly the articles that are of interest to me and then clip many of them for filing for future reference.

Please keep up the good work.

R. L. Pettigrew,
Vice President,
American Bread Co.,
Nashville, Tenn.

Continued on page 11

letters

Continued from page 10

Fills a need

To the Editor: We would like to take this opportunity to thank you for sending us copies of your biweekly news publication *Business Insurance*.

We feel this publication does indeed have merit and certainly is timely as regard to our present insurance requirements. It is always helpful to know what like industries or like size companies are contemplating, or their experience in certain coverages.

We further think that *Business Insurance* is taking the place of a much needed periodical to fill the needs and requirements of all business risk management.

R. E. Koopman, Manager
Corporate Insurance
Department
Interco, Inc.
St. Louis, Mo.

'Bi well read'

To the Editor: I would like to order 100 reprints of the article, "Wilwood Considers Insurance Best Package in Shoe Industry" by Del Van Orden.

I am the individual that handled that particular case and already an individual in St. Louis, Missouri has asked about it. Your magazine must be well read.

I would like to thank you in advance for the reprints.

Hugh W. Pinnock, CLU
General Agent
Salt Lake City

Editor's note: Mr. Pinnock has the cost of 100 reprints of the article on Wildwood. Other Business Insurance readers are invited to write us about their reprint requirements.

Suggests surveys

To the Editor: I find the information presented in your magazine, *Business Insurance*, very interesting and informative, particularly the areas regarding pension and group insurance programs sponsored by other industries.

May I suggest continual surveys throughout the industrial community on the part of your magazine in order that updated comparisons of benefit programs be available to industry.

John E. Reising,
Supervisor,
Benefits Administration,
Sundstrand Corp.,
Rockford, Ill.

'Each issue better'

To the Editor: Each issue gets better! Keep up the vital work of improving communication in the insurance profession. *Business Insurance* is a much needed help for the insurance consumer.

Gerald M. Surfus,
Risk Manager,
University of Wisconsin,
Madison, Wis.

Congratulations

To the Editor: Thank you for sending me this publication. You are to be congratulated on its excellence!

The folks in our insurance department are also enthusiastic about your publication.

R. B. Hulsen,
President,
Moorman Mfg. Co.,
Quincy, Ill.

'Many thanks'

To the Editor: Your new publication *Business Insurance* in my opinion fills a badly needed gap in the insurance publication field through the presentation of the buyers viewpoint. I would think it very valuable to state legislators and those in the U. S. Congress who seek to open freer markets through the expansion of federalism into the insurance field.

From my own position, your publication is most helpful in describing marketing sources, types of coverage and departmental organization of other insurance departments.

Many thanks!

M. D. Furman
Corporate Risk Manager
Automatic Sprinkler Corp.
of America,
Cleveland, O.



While your plant or office is closed tonight...

You have a greater margin of assurance that you will open tomorrow without loss of property or profit if ADT round-the-clock fire and burglar detection services are watching your premises.

Without obligation, ADT will survey protection requirements for new or existing business and industrial establishments. ADT protection specialists will install and take full responsibility for inspection and maintenance of all ADT systems.

- Automatic supervisory and waterflow alarm services.
- Automatic fire and smoke detection services.
- Ultrasonic, sound-sensitive and other automatic burglar and holdup alarm services.

Ask the man from ADT about protection against fire and theft. See the "Yellow Pages," or write:

ADT® 155 Sixth Ave., New York, N.Y. 10013
AN INTERNATIONAL ORGANIZATION



What happens to your employee benefits programs?

Once the stockholder families have given their consent . . . the corporate wedding preparations can get pretty complex. Why not seek the help of a group of specialists who can offer practical assistance in the employee benefits areas as well as skilled help with the many other insurance problems.

More than 16,000 clients of every size and type use the abilities and the experience of Frank B. Hall & Co., Inc. to help solve their insurance problems. May we also be of service to you?

ASK FOR TOPICS & TRENDS . . . Frank B. Hall's monthly fact letter written expressly for the employee benefits field. There's no charge of course.

The Frank B. Hall Companies

67 WALL STREET, NEW YORK, N. Y. 10005 • (212) 944-3300

Offices in: San Francisco, Los Angeles, Honolulu, London, Oslo
Insurance Brokers • Average Adjusters • Estate Analysts
Employee Benefits Consultants • Actuaries



WHY NOT BE NO. 1

Join the Hagedorn group for exclusive service, creative marketing and a sophisticated approach to business insurance that will assure your being Number one for all your insurance requirements.



Est. 1869

HAGEDORN & COMPANY

ONE LIBERTY STREET
NEW YORK, N. Y. 10005
TELEPHONE (212) 269-1100

Write Production Department for our Brochure

Reveals Hearst's Examiner has insurance against mailer strike

SAN FRANCISCO—Charles Gould, publisher of the Hearst-owned Examiner here, today confirmed to *Business Insurance* that the newspaper has strike insurance.

Both the Examiner and the Chronicle have been closed down by a four-week-old strike by the 150 member Mailers' Union, which wraps and bundles newspapers for distribution.

"Of course the Examiner has strike insurance," Mr. Gould said. "I very much doubt if there's a single newspaper in the country that does not carry strike insurance."

"However, no newspaper has ever made money out of its strike insurance, let alone recov-

ering all of the losses which inevitably result from a strike."

MUTUAL OF Bermuda carries the Examiner's strike insurance. The amount of coverage, as well as the premium, were not disclosed.

"It's a sad truth," Mr. Gould declared, "that in a newspaper strike, regardless of insurance, no one ever wins. Everyone suffers. The strikers lose wages. Local merchants lose sales. The entire community suffers. But no one suffers as much as the owners."

"If we had ten times as much strike insurance as we now have, we still would much prefer to have our people back at work on

their jobs and our newspaper serving the public as it should."

INSURANCE experts in San Francisco told *Business Insurance* that "newspaper strike insurance is no different, really, than any other kind of liability protection."

"As Mr. Gould points out," these experts said, "strike insurance does not return a profit to the newspaper insured. And it pays losses only up to a point and after a waiting period."

"In large measure," they continued, "the strike insurance for management is not much different than the strike benefits paid by the unions involved to their members who are out on strike."

San Francisco's new mayor, Joseph L. Alioto, has begun pressing his offer to mediate the newspaper strike.

"Both publishers and employees," the mayor said, "should recognize the public interest involved and get down to serious bargaining. This strike has had a damaging effect on business."

Lahr's death caused insured delay in movie

LOS ANGELES—The death of Bert Lahr came at a point in the filming of "The Night They Raided Minskys" in which the film could be completed without excessive delay and economic loss, according to United Artists Corp.

However, whatever extra costs developed as a result of delay and reworking the end of the movie, United Artists expects will be recovered under its cast insurance policy with Fireman's Fund American Insurance Cos.

A spokesman for the studio said that all pictures are declared under this policy, which covers such things as "delay or shut down of a picture."

HE SAID that generally the policy carries a \$10,000 deductible but expects that the extra costs connected with Mr. Lahr's last picture will go above \$10,000.

Mr. Lahr died Dec. 4, and the picture was completed Dec. 22.

According to United Artists, his death came at a point where his part in the movie was substantially completed. The extra cost in completing the movie was not available from United Artists.

Losses estimated by British insurers

The British Assn. has announced estimated figures for the involvement of the British market in various major disasters during 1967.

While the association can offer no precise figure for an oil fire in Louisiana last August, it is thought to be substantial. The cost of the total loss of the Torrey Canyon was about 2,400,000 pounds for the British market. The 9,000,000 pound L'Innovation fire in Bussels last May cost British insurers 1,500,000 pounds and the McCormick Place fire in Chicago probably cost British insurers about 400,000 pounds. Hurricane "Beulah" cost British insurers about 700,000 pounds and the riots in the U. S. last summer about 900,000 pounds.



GI insurance for the unarmed forces.

Most insurance companies make it a policy to turn down personal accident insurance on civilians who work in war-risk areas.

AIU specializes in policies for them.

Not that other companies are heartless. The real problem is that they're experience-less. And office-less. A staggering problem when your policy-holders are scattered all over creation and likely to get tied-up at the plant or construction site by a wielded machete or an unwieldy monsoon.

The real reason AIU people aren't fazed is because we've been in world-wide high-risk insurance for almost half a century. And we not only know where the dangers lie—we've got them surrounded. We have offices in more than

200 cities, in more than 80 countries.

Anytime you're ready, any one of our 12 U.S. offices can write the coverage your employee's specialty, assignment and destination call for—even if your "employee" is a crew of Vietnamese hired in the Mekong Delta or a dozen prize-winning salesmen week-ending in Paris.

Which means of course that we try to keep our finger on more risks than you can imagine. That's why you'll even find an AIU man at 11 Duong Nguyen Cong Tru, helping to keep our unimaginable risk file up to date.

For the latest information on our high-risk policies call Saigon 21-203.

Or contact the AIU office nearest you.



AMERICAN INTERNATIONAL UNDERWRITERS
102 MAIDEN LANE, NEW YORK 10005 (212) 344-9200

business insurance/perspective

State insurance in the USSR

by Sergei Andreyev
correspondent
Novosti Press Agency

In the Soviet Union all life and property insurance is handled by a single organization, the State Central Insurance department known as Gosstrakh, which operates on a self-supporting basis and in keeping with the Soviet laws on insurance.

Although the forms of insurance vary and indemnity is guaranteed in all cases, it should be admitted that insurance is not very popular in the USSR. This is due, in the first place, to the efficacy of the Soviet system of social security which includes obligatory old-age and disability pensions and the payment of the greater part of the earnings of factory and office workers in case of temporary disability due to illness, accident or other causes.

ANALOGOUSLY, the local organs of power always render financial aid to the population at large, to collective farms, fishing cartels and other cooperative organizations, the property of which has been damaged as a result of a natural calamity.

Special means are allocated for these purposes under the state budget. In short, it is practically impossible to imagine any circumstances under which a citizen would have to rely on the aid of the insurance company alone.

As for industrial enterprises, in so far as they belong to the state, losses incurred by them through a natural calamity or accident are refunded under the budget. Naturally, the state reserves exceed the funds of Gosstrakh.

Nevertheless, tens of thousands of collective farms and millions of Soviet citizens take out the state insurance. The total sum of indemnities paid out by Gosstrakh is approximately 300,000,000 rubles (one ruble worth about \$1.10) a year, and state insurance means additional material security in cases of accident or natural calamities.

INSURANCE OF PROPERTY in the USSR is divided into two categories—obligatory and voluntary, the obligatory being in the lead for the number of insureds, insurance sums, amount of insurance premiums and indemnity paid. Collective farms and citizens owning private houses and farm animals are obliged to insure their property. More than 40,000 collective farms and some 40,000,000 citizens (chiefly rural dwellers) have insured their property under this category.

The collective farms are obliged to insure buildings, equipment and tools, some crops and fruit harvests, cattle and means of transportation. Private owners insure houses and farm animals.

The obligations of Gosstrakh to insureds are defined clearly and in great detail. Buildings, equipment, output, raw materials, means of transport are insured against fire, lightning, explosion, flood, earthquake, landslide, avalanche, hail-storm and hurricane. Agricultural crops

are insured against all natural calamities and cattle against accidents and murrain [a plague like Texas fever].

THE INSURANCE rates under obligatory insurance differ according to local conditions and the average level of insurance indemnity paid in any given district.

For instance, when insuring collective farm buildings in Lithuania, the rate is 60 kopeks per 100 rubles of the value of the property, and in the Uzbek SSR it is 20 kopeks. The insurance rate for cattle is 2.5 rubles in Georgia, 1.5 rubles in Moldavia. While the rate for grain crops varies from 2.5 to 9 rubles.

Building, equipment and means of transport are insured at their full value. Produce, raw and other materials at 80% and cattle and crops at 40% of their average value.

The system of obligatory insurance is convenient for the insureds, because any property subject to obligatory insurance is regarded as insured even if not a single premium has been paid or if the premiums are overdue. Neither of these facts relieves Gosstrakh from the liability to pay indemnity. The only exceptions to this rule are cases when the property is destroyed or damaged through the owner's fault.

OBJECTIVES subject to obligatory insurance are registered once a year by the organs of Gosstrakh, while any property acquired in the period between registrations is automatically considered to be insured. Gosstrakh grants the insureds the right to pay premiums in installments over lengthy periods of time, while the district Soviets may partly or fully exempt from these payments citizens who find themselves in material straits for various reasons.

The recent session of the USSR Supreme Soviet adopted certain amendments to the law on obligatory insurance which acquires still greater importance at present. The list of property subject to insurance has been extended and the indemnity sums raised. This system guarantees the security of every collective farm and collective farmer's husbandry in cases of any natural calamities.

As distinguished from obligatory insurance, voluntary insurance policies may be taken out by the insureds, at their wish, by contract between them and the insurance agency. Property may be insured both by citizens and by organizations temporarily in charge of the property of citizens (commission shops, for example, shops selling second-hand goods on commission or tailoring establishments and laundries.)

ALL ARTICLES, with the exception of money, documents and valuables, may be insured for a sum not exceeding their real value for a period of one year. Should the owner wish to renew the

policy at the end of this period, the property is valued anew. Its value is determined by agreement between the owner and a representative of Gosstrakh.

Household property is insured against the same natural calamities and accidents as buildings under obligatory insurance. The rates of insurance depend upon the locality and nature of the building in which the property is kept. (The rates are higher in rural localities than in cities, and rates for wooden buildings are higher than brick houses).

Motorcars, motorcycles and motorboats are insured against the same eventualities as household goods and, additionally, against accidents. Means of transport can be insured for any sum but not exceeding their retail price with deduction for wear and tear. When insuring a motorcar for 1,000 rubles the rate is 20 rubles; for motorcycles and motorboats the rates are much lower.

THE INSURANCE organizations pay indemnity in all cases of accident, with the exception of those in which the driver was in a state of intoxication or deliberately and crudely violated the traffic rules, thus leading to a fatality.

When insuring property, two systems of indemnifying losses exist. In one, the ratio of the indemnity to the loss incurred is the same as that of the insurance sum to the value of the property. In the other, the indemnity is equivalent to the loss if it does not exceed the sum of the insurance. Naturally, when property is insured to its full value or when property not fully insured is completely destroyed the indemnity will be the same in both systems.

PERSONAL INSURANCE is voluntary with the exception of passengers of all types of transport, who are insured to the sum of 300 rubles when purchasing a ticket, to the cost of which 30 kopeks are added for insurance (city and suburban transport is naturally not included here).

In the USSR, four basic forms of personal insurance exist. The fullest is mixed life insurance, for which Gosstrakh pays indemnity for any degree of disability on expiration of the term of insurance, or to the heirs of the insured in case of his death. Mixed insurance policies can be taken out by persons between the ages of 16 and 60 years for periods of five, ten, 15 and 20 years. On expiration of the policy, the insured receives the full sum, irrespective of whether he has already received indemnity or not.

Life insurance contracts can be written for any sum which is paid out in case of complete disability due to an accident, or to the heirs in case of natural death of the insured.

Life and disability insurance indemnity is paid in case of death of the insured from any cause and in case of permanent disability due to an accident. The amount

of the premium depends upon the period of the contract and the age of the insured, and the average amounts to two rubles per 100 rubles of the insurance sum, annually. In all types of insurance, the whole sum is paid out even if the insured has paid only one premium.

INSURANCE OPERATIONS beyond the boundaries of the Soviet Union and also those connected with foreign trade are handled by the foreign insurance department of the USSR, known as Ingosstrakh. This organization has its representatives in foreign countries.

A member of insurance societies, it purchases and sells shares of foreign insurance companies.

Ingosstrakh insures export, import and transit goods; ships; and operations connected with the transportation of goods. Ingosstrakh insures the property of foreign citizens and foreign firms, and also handles personal insurance operations concerning Soviet and foreign citizens in foreign countries. In addition Ingosstrakh may transfer its obligations to foreign companies and, in turn, accept their risks.

The liabilities of this organization, like those of Gosstrakh, are guaranteed by the state.

ALL THE STATE INSURANCE organs in the country are controlled by the USSR Ministry of Finance and Ministries of Finance of the Union Republics. The laws and instructions on insurance are the same all over the country. Insurance is written directly by city and district inspection departments of Gosstrakh. These departments handle all insurance operations, control the content of insured property and pay indemnity.

Besides the regular personnel, these departments have many agents who do not receive a fixed wage but work on a commission basis, receiving a percentage on premiums collected.

The funds of the state insurance organs consist of assets assigned to them from the state budget on their organization, current receipts in the form of premiums and a reserve fund. Indemnity is paid from current receipts and when these do not suffice from the reserve fund formed from the profits of the insurance organizations.

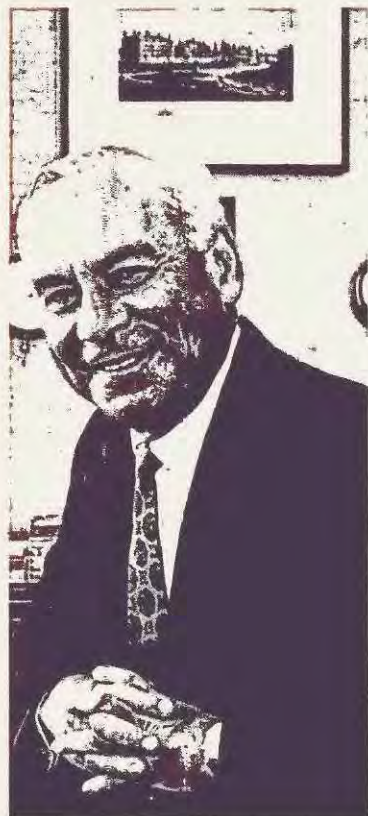
The centralized structure of Soviet insurance organizations makes it possible to maneuver swiftly with the funds. As a great part of the insurance indemnity is paid out under obligatory insurance to the collective farms and the climatic conditions differ all over the country, the insurance organizations of one republic may always assist the Gosstrakh of another.

A part of the state insurance fund is used for various preventive measures and liquidating the results of natural calamities. For these purposes, Gosstrakh spends tens of millions of rubles annually. ■

perspective

Social Security increases follow wage levels

By H. Charles Kwasha
partner, Kwasha Lipton Co.
Englewood Cliffs, N.J.



H. Charles Kwasha

When Social Security was first enacted in 1935, the maximum amount of annual earnings taxable and creditable toward benefits was \$3,000. Over the years, the maximum contribution and benefit base was upped by Congress—to \$3,600 in 1951, to \$4,200 in 1955, to \$4,800 in 1959, to \$6,600 in 1966 and now to \$7,800 effective for 1968 and later years.

Although it may seem at first blush that the increase over the years has been substantial, actually the increase has merely restored the original base in terms of current general wage levels. In 1935, the \$3,000 base would have covered the full earnings of 98 percent of all workers. However, in 1935 wages were at a depression low; many people were out of work, and Social Security was looked at as one means to put funds in the hands of at least a part of the unemployed. When the base was raised to \$3,600 in 1950, the \$3,600 base would have covered all the earnings of 81 percent of all workers and this percentage is probably the normal objective.

THE JUMP TO the \$4,800 base in 1965 did not restore all the ground lost over the years in between—wage levels had risen sharply and the \$4,800 base would cover full earnings of only about 66 percent of all workers. The Social Security Administration estimates that the \$7,800 contribution and benefit base will result in 84% of all workers having all their earnings counted toward benefits. Thus,

the new \$7,800 base restores the 1950 situation in the proportion of total earnings covered by Social Security. All but the most highly paid workers will have all their earnings counted toward Social Security benefits.

OVER THE YEARS, then, the increase in the Social Security contribution and benefit base has more or less followed the increase in the general earnings level. For example, the average straight time hourly earnings of production workers in manufacturing rose 133% from 1947 to 1967, while the increase in the wage base from \$3,000 to \$7,800 amounts to a 160% jump.

Although the wage base has been raised to keep pace with rising earnings, benefits are computed on the average of covered wages since 1950, weighting down the employee's benefit base by lower income earned in earlier years. (Actually, since the five years of lowest or no earnings can be dropped in computing average covered pay, for most employees average covered wages for benefit purposes will be computed on pay starting with 1956.)

However, in the recent past, the formula for determining benefits has been upped by a percentage which corresponds roughly to the percentage increase in wages. Benefits were boosted 7% in 1958, another 7% in 1965, and now 13% in 1968—a 27% increase—while from 1958 to 1968 wages rose about 34.6%. In a

sense, this is equivalent to stepping up the lower pay levels of past years (since 1958) to current pay levels. And judging from recent past history, we can anticipate continual pressure to keep raising the benefit formula.

THE NET EFFECT: A Social Security system with benefits geared to covered pay during the last few years before retirement—instead of benefits based on career average pay. (To the extent benefits are based on pre-'58 earnings, employees retiring in the near future will not get the full effect of a benefit related to a final earnings level.)

In terms of what's been happening, what can we expect in the future? Probably a contribution and wage base covering the full earnings of about 85% of the work force, with a retirement benefit geared to final pay, of about 28% of such final pay at the then current Social Security earnings limit.

H. Charles Kwasha, a partner in the Kwasha Lipton Co., consulting actuaries, received an A.B. degree in 1928 from Brown University where he was a Phi Beta Kappa and served on the faculty for a year after graduation. Before founding the Kwasha Lipton Co. in 1944, Mr. Kwasha was associated with Travelers Insurance Co. and served as chief actuary for a consulting-brokerage firm. He is an associate of the Society of Actuaries.

Punitive damages are becoming more punitive—to the insured

By J. P. Olsen
insurance manager
Ingersoll-Rand Co.



J. P. Olsen

corporate and individual. Some of their efforts have drawn a few chuckles, but no one knowledgeable in the field has anything but respect—grudgingly tendered perhaps—for these gentlemen.

I recall when the lumbar sacral sprain was in vogue and their success in obtaining substantial monetary returns for this injury. These claims were usually provable only from subjective medical findings (i.e. patient's complaints vis-a-vis objective evidence of injury). There followed the whiplash injury to the neck. In addition to moving the injury further up the spinal column, it permitted allegation and proof of injury following the slightest of impacts. Their present invasion into areas historically left to the exclusive remedy of workmen's compensation, such as products liability claims involving injury to factory workers is becoming ever more frequent and expensive to machine tool manufacturers and others.

Generally, cost-conscious insureds and the more astute casualty insurers have joined ranks to meet these challenges. Although success has varied, at least the effort did include a common interest of insured and insurer.

RECENTLY, I have observed an increase in plaintiffs' efforts in actions which threaten to split the insurer-in-

sured common interest and perhaps leave it a shambles. The subject is *punitive damages*. Some would like to say *uninsurable* punitive damages—but then that gets ahead of the story.

The subject is not new, nor is it simple. It could fill a book—one I am certain that would confuse most of its readers. If you will accept the inaccuracies that must accompany any oversimplification, then I think a reasonably clear explanation of the problem is possible.

FOR PRACTICAL PURPOSES, when a party sues he alleges he has been damaged. In automobile claims these damages would include such items as medical expenses, loss of income, pain and suffering, etc., which collectively are called compensatory damages. In theory at least, the payment of these damages is intended to benefit the injured so as to return him to his former position.

Punitive damages, although payable to the injured plaintiff are not for the benefit of the injured but as the name implies, intended to punish the defendant for what the Restatement of Torts calls his "outrageous conduct." Some jurisdictions define punitive damages differently but they generally require the act causing the damage to border on criminal responsibility.

AS WE ALL KNOW, compensatory damages are insurable and covered by any standard automobile contract. But historically, insurers have been attempting to deny coverage for any punitive damage award. They reasoned that if their policy responded then the defendant whom the court intended to punish would effectively avoid any expense and therefore not be punished. Despite the logic of the insurers' positions—and with some noticeable exceptions—until 1962 the courts had disagreed with the insurers, using arguments that they, the insurers, were attempting to escape liability on their policy or the policy was ambiguous on the point—or that holding there was no coverage would interfere with the rights of parties to contract. Until this time, with respect to the corporate automobile owner, insurers had accepted the law that the corporate owner had violated no public policy and therefore could insure against punitive damages.

In 1962, the insurers' long efforts finally began to bring results with the first of a series of landmark decisions. The first was *Northwestern National Casualty v. McNulty* 307 F 2d 432.

In that case, Walter S. Smith had purchased, in Virginia, a family combination automobile policy from the Northwestern National Casualty Co. with a \$50,000 limit per person. The accident occurred in Florida where, as the court said, "Mr. Smith, a drunken driver traveling at 80 miles per hour or faster, weaving from side to side on the road, tried to pass an automobile operated by Edward McNulty. He made the attempt where it was impossible to pass or he completely lost control of his car." Mr. Smith's car struck Mr. McNulty's in the rear. He was subsequently arrested 12 miles

Continued on following page

Down through the years, the plaintiffs' bar has shown a great skill—and some think agility—in adapting to changing circumstances and in advancing new and controversial concepts in their continuing onslaught against casualty insurers—and in turn the insuring public—both

Continued from preceding page from the scene of the accident. Mr. McNulty suffered severe injuries including permanent damage to the brain. The insurance company notified Mr. Smith that the suit was in excess of his policy limits but did not put him on notice that the punitive damages claimed by the plaintiff would not be covered by their policy.

The jury returned a verdict of \$57,500; \$37,500 was awarded as compensatory damages and \$20,000 as punitive damages. Under Florida law, punitive damages were defined as "willful, reckless or wantonly negligent damage." The court in finding for the insurer held that Mr. Smith and not the insurer was liable to the plaintiff for the \$20,000 punitive damage award.

AFTER REFERRING to the few jurisdictions which recognize punitive damages as compensatory, such as, Connecticut, Michigan and New Hampshire, the court stated, "No one should be permitted to take advantage of his own wrongdoing. The public policy against coverage is not so much to prevent encouragement of wrongdoing by obstructing the hopes of profit; it is, rather, to make effective discouragement of wrongdoing by the imposition of punishment." The court also said that since public policy was involved, the insurer had not waived his rights nor were they stopped by failing to place the insured on notice that they would not pay a punitive damage award.

In a concurring opinion, one judge, while agreeing with the decision but

seeking to avoid abuses by insurers denying coverage in the future, pointed out that unless there were serious faults on the part of the insured bordering on criminal responsibility no useful purpose would be served in permitting the insurer to negate his coverage since he doubted whether punitive damages would effectively deter motorists and certainly, if insurers were no longer liable they would have no continuing interest in preventing these types of accidents which result in punitive damages.

In a recent case decided in Missouri, *Crulb v. Gleb*, 382 S.W. 2nd 17, the court followed McNulty stating "to allow a motorist to insure himself against judgments imposed against him for punitive damages which were assessed against him for his wanton, reckless or willful acts, would be contrary to public policy. If a person were able to insure himself against punishment he gains a freedom inconsistent with the established sanctions against such misconduct." Florida has reaffirmed McNulty and Kansas has also followed.

Despite the warnings of the concurring justice, in the McNulty case, insurers throughout the country in the opinion of many are attempting to extend the case beyond the court's intention.

Again, at the risk of oversimplification, the first question is whether the insurers are not expanding the McNulty case and attempting to take a simple negligence action and deny coverage simply because of a possible punitive damage count in the complaint. With the corporate auto-

mobile owner, the problem becomes even more serious.

IN THE McNULTY case, the court clearly and without equivocation exonerated employers in cases where punitive damages were awarded against employees. The court stated, "It might well be said that it would be against public policy to permit a person to protect himself in advance against consequences of intentional wrongdoing injuries to others. A different situation is present where the sole liability of the insured arises out of the relation of master and servant . . . in this situation where there was no direct or indirect volition upon the part of the master in the commission of the act, no public policy is violated by protecting him from the unauthorized act of his servant." Thus, as the court expressly stated, public policy is not violated by insurance responding in such a situation any more than if a newspaper took out insurance for libel.

It seems reasonable to conclude that some inexperienced hands have entered the field. First, no responsible member of the plaintiffs' bar want a judgment-proof defendant; this is a very good probability in many jurisdictions if the insurer successfully negates coverage on a punitive damage award.

Next, insurers should carefully examine their recent successes. Each was against individuals arising from automobile accidents and each was for actions clearly outrageous. Neither simple nor even gross negligence was the

grounds for awarding the punitive damages. Public policy was not the real turning point of the decisions but rather "outrageous conduct" which involved a public policy of prohibiting coverage to punish the defendant. Nowhere in any of these decisions was it intended to negate liability to corporate owners or others not operating the vehicles but who were nevertheless vicariously liable for the accident. Any "cute" attempts by corporate automobile insurers should be met squarely at the time by retention of counsel and commencing of an immediate action for declaratory judgment, receiving from the court an affirmative ruling that if the corporation is held liable to a third party for punitive damages that the insurer will have to respond. Any general statements by an insurer when they make their reservation of rights relative to punitive damages such as if the court refuses as a matter of public policy should be rejected out of hand. ■

John P. Olsen received a B.S. degree from the University of Virginia in 1945 and an LL.B. degree cum laude from the New York Law School in 1954. He was admitted the same year to the New York bar. Mr. Olsen has worked for Liberty Mutual Insurance Co., the Port of New York Authority and Mobil Oil Co. At Mobil he served as vp and director of its Forum Insurance Co. and Safety Casualty Co. subsidiaries. He has been manager of the insurance department of Ingersoll-Rand since 1965.

What are you doing for me now?

By Bion H. Francis
insurance manager
Crucible Steel, Pittsburgh



Bion H. Francis

Corporate management is sometimes shaken by the cost of employee benefit plans. Frequently this cost is hidden, but if you take steps to determine the total cost of employee benefits, this total may be a shock. One possible reaction of management is that, in return for heavy spending on employee benefits, the company is not getting a satisfactory return in the form of employee gratitude or improved employee relationships.

There may be a very good reason why you are not getting a satisfactory return in improved employee relationships. Let us look at one of your most costly benefits—your pension plan. Pension plans sometimes do not provide anything for the employee unless he remains with his

employer until retirement age. More often, the plan provides for vesting—but only if the employee remains in the company's service for an extended period, frequently 20 years. Suppose, for example, that your company pays the full cost of a pension plan, and that all employees are "members" of the plan. The plan provides for vesting after 20 years. Take an employee who has worked for the company for five years. What does it mean to him that he is a "member" of the pension plan?

IF HE LEAVES the company now, the pension plan will provide nothing for him. If he works hard for a year, and then leaves, the pension plan will provide nothing for his additional year of effort. If he works hard for ten years and then leaves, the pension plan will still provide nothing for him to reward his years of service.

Under these conditions, what value does the pension plan have for this employee? How can the plan operate as an inducement to encourage his efforts?

You may object that the pension plan is intended only to enable the company to retire employees who have reached retirement age and can no longer work efficiently. If so, the plan is intended for the benefit of the company, and not for employees. Under these circumstances, the company should not expect any gratitude from employees in return for the cost of the plan.

IS THIS ACTUALLY the way in which the company thinks about its pension plan? If you talk to the average director or top officer of a corporation, you will find that he does believe that his pension plan has a value for employees and should promote improved employee relationships and greater employee effort. Yet there are large groups of employees who may consider that the pension plan has no value for them. Consider the following groups:

1. Industries on the move. There are whole industries permeated by continued movement of employees. In the construction and defense industries, there are many employees whose employment depends on the answer to the question, "Who got the contract?" If it was another company, they may have to move. For employees in this situation, how does a pension plan serve as an inducement to better efforts?

2. Young Executives. This is an age of young executives on the move. While they are on the way up, if they stay in one position for as long as five years, they may feel trapped. I have listened to them discuss this matter of timing and agree that two or three years is the longest period they should stay in one job. Obviously, a retirement plan which provides for vesting in 20 years has, literally, no value to such employees.

3. Other employees with no vesting. The belief that a pension plan has no value may not be limited to young executives on the way up. For this is also an age of mergers, acquisitions, and stock tender offers. Even a large corporation whose size protects it from financial takeover may sell entire operating divisions if they do not fit its pattern of expansion or of desired return on investment. Any employee who will not have a vested interest in his pension plan for some years, and who is concerned about the stability of his company—or its management—may well consider that his pension plan has no value to him.

4. Women. Many of the female employees of any company think of their future security in terms of a husband. Compared with this enticing prospect, the possibility that, under the company's pension plan, they will have vested benefits if they work for 20 years has little—or no—appeal.

If a pension plan is to be considered a reward for employees, it can usually be considered only as a reward for long service. If the plan provides that there will be no vesting for, say, 20 years, it obviously is not a reward for short service and should not be regarded as promoting greatly improved employee relationships with employees whose length of service is much less than the period required for vesting.

To use a pension plan to encourage stability and loyalty, the period of vesting should be short rather than long. Then, as soon as an employee satisfies the requirement for vesting, he can say to himself each year after that "if I work for another year, my pension will increase by x dollars. This is something which has a definite value now. The pension which accrues each year has a definite value which is part of what the employee will earn by remaining in the employment of his company."

A good, experienced, intelligent, loyal work force is a major asset for any corporation. Benefit plans are of value primarily as they help in building such a work force. This is a time when employees perhaps feel less tied to their jobs than at any time in recent history. With the increasing intelligence and sophistication of employees, it is impossible to sell a benefit plan to them if the plan has no value now—or for years to come.

Are your pension plans "with it"? If an employee asks, "What does this plan do for me now, what is the answer?" ■

Bion Francis graduated from Massachusetts Institute of Technology with a degree in mathematics. He has served as insurance manager for Wellington Sears Co., West Point Pepperell, Olin Corp. and Crucible Steel. Currently, he is president of the Insurance Buyers' Assn. in Pittsburgh and was a director for seven years of the insurance division of the American Institute for Economic Research.



london line

Containers not 'the millenium,' says London underwriters' head

LONDON—A hard-hitting attack on the present attitude towards containers was made by Cyril R. Taylor, chairman of the Institute of London Underwriters, at the group's annual general meeting.

Mr. Taylor also came out strongly against the idea of a "package" insurance policy covering container business.

"Every effort," said Mr. Taylor, "has been made to convince ship owners, shippers and exporters that here we have the millenium." Speaking, however, as an insurance man, he said he thought a vast program of education for "stowers" of containers would be required, adding that it would take years of experience before packing reached the highest standards and afforded justification for the enormous capital outgo involved.

"ONE OF THE economies which has been suggested," continued Mr. Taylor, "is in packing; that, in my opinion, is quite unrealistic. If the goods are to arrive in sound condition, it is essential that the normal packing or equivalent for export must be utilized."

In recent months, there have been plenty of suggestions for the modification and simplification of insurance by means of "package" policies where containers are concerned. Rather naturally, Mr. Taylor came out strongly against this idea. He felt it was most undesirable, since such action would produce a monopoly for the more powerful groups of operators or ship-owners. This could impose conditions on shippers and merchants, "and deprive them of their close relationship which they now enjoy with their own underwriters."

Looking at the insurance aspects of containers themselves, Mr. Taylor said that during the past year Lloyd's Register had been engaged in a survey of containers in accordance with their own requirements for the construction and certification of containers—which cover insulated as well as dry freight containers. They laid down design criteria and test procedures, as well as providing for quality control and inspection during manufacture.

"IT IS MY opinion," continued Mr. Taylor, "that it is absolutely necessary that containers should be surveyed by an approved classification society or the equivalent at regular intervals. My reason for this is that, although suggestions have been made that the life of a container could extend for some 10 years, I nevertheless feel that the life

must depend on careful and regular inspection by an independent body."

The suggestion was made that the insurance of container ships should be subject to a deductible for particular average claims of not less than £50, and subject to the exclusion of the normal wear and tear of an operation. This is a commonly held view among underwriters.

High premiums were sug-

gested for the hulls of container ships. Mr. Taylor made the point that these vessels, of necessity operating on a fairly strict schedule, would be subject to greater stresses of navigation and would be at sea for almost twice the period of any cargo liner. In view of this, Mr. Taylor's opinion is that the premium required for container ships should be at least twice that of a comparable modern bulk carrier.

In fact, the outlook for hull premiums as a whole is that, before long, underwriters will be imposing even harsher terms. Despite the fact that there have been substantial increases in premium in recent years, Mr. Taylor pointed out that underwriters continue to be plagued by the problem of the cost of repairs, and there is a continuing increase in these costs in many areas—although repairs in the U.S. are considered to be reasonably stable at the moment.

DISCUSSING the cargo account, Mr. Taylor pointed out that the British insurance market is now asking for statistical records before quoting for newly offered business. He thought, however, that underwriters should insist on being shown premiums net of all commissions, and with separate figures for the "free of particular average" and war risk contents of an account.

And he made the suggestion that underwriters should be prepared to run the war and other catastrophe risks as a separate account—and that they should be allowed to build up a long-term reserve for such catastrophes.

ALL IN ALL, therefore, even heavier premiums may well be required, since underwriting has by no means fully recovered from the disastrous years of 1964 and 1965. By way of explanation for the sharp increases already imposed, Mr. Taylor said that during the past five or six years, due to the high degree of competition throughout world insurance markets, many of those insured have been receiving a concealed subsidy from underwriters.

Now, with greater co-operation among world insurance markets, it looks as though realistic prices will continue to be charged in the future.



We also insure Grace Jones' camera



From its very inception the St. Lawrence Seaway project staggered the imagination. Stacks and stacks of blueprints gave way to mountains of bulldozers, dredges, instruments and machines.

And everywhere, there were men... thousands of men building dozens of new piers and terminals, 11 bridges, 7 locks, 5 new major power and control dams. They even moved 6 towns.

Everyone and everything along the entire Seaway project needed protection from injury, loss and damage.

The authorities wanted more than just insurance protection. To be sure, they needed financial protection for the mammoth risks. But, they also wanted the services of a company with knowledge and skills to prevent loss and damage.

Is it any wonder, then, that MOA was

Shipley, 63, dies

R. C. Shipley, manager of the Northeastern Compensation Rating Bureau, Portland, Me., died Jan. 18. He was 63. Mr. Shipley joined the National Bureau of Casualty Underwriters in 1929, and became manager of its northeastern branch in 1934. He became manager of the Northeastern Compensation Rating Bureau, an administrative office of the National Council on Compensation Insurance, Jan. 1.



washington watch

Unemployment insurance, pensions studied by President, AFL-CIO

WASHINGTON — There is every indication that the second session of the 90th Congress will provide plenty of action on the employe benefit scene.

Now that the session is a month old and both labor and the administration have placed some of their cards on the table, it is possible to speculate upon which issues the battles are likely to take place.

Two of the major resolutions

in the employe benefit area adopted by the AFL-CIO at its seventh constitutional convention in Florida in December—to push for a stronger unemployment insurance law and a pension plan disclosure act—were chosen by President Johnson as two of the four election-year labor offerings in his 1969 budget.

A THIRD AFL-CIO resolution calling for establishment of min-

imum requirements for vesting and funding of pension plans is on the administration drawing board and will probably be sent to Congress soon.

With the exception of the President's budget proposal to give the Secretary of Labor new powers over plant safety standards, his promise to once again push for a stronger unemployment insurance law could well set the scene for one of the hot-

test labor-management battles on Capitol Hill this year. The President did not spell out details but presumably it will be similar to his 1966 election-year unemployment insurance bill which passed both houses substantially amended and died in conference.

Industry observers are quick to point out that the new bill would have to start in U.S. Rep. Wilbur Mills's (D., Ark.) ways and means committee, and he may be reluctant to hold hearings on an issue which died in conference just two years ago. They point out also that President Johnson is trying hard to curry Rep. Mills' favor for his surtax proposal and will hardly apply pressure for the unemployment insurance bill if Mr. Mills shows the slightest reluctance.

President Johnson said his bill would be designed to update the unemployment insur-

ance program by extending coverage, raising benefit levels for unemployed workers, increasing the length of benefits under certain circumstances (presumably during a recession), correcting abuses and providing for services which would increase the worker's employability.

The AFL-CIO resolution on this issue calls first for a "comprehensive reorganization and fundamental improvement of the unemployment insurance system under a single federal program.

Realizing this is a long-term goal, the union has pledged its support to a bill introduced by Sen. Eugene McCarthy (D., Minn.) last August. Sen. McCarthy had been a staunch supporter of previous administration bills in this area and introduced his proposal last year only when it became apparent that no administration bill was forthcoming.

Sen. McCarthy's bill would increase the tax base for unemployment insurance annually from the current \$3,000 base, first to \$5,600, then to \$6,600 and in the third year to the level of the Social Security tax base. In addition, the payroll tax on employers would be hiked by 0.2% from the current 0.4%.

THE BILL would extend coverage to domestic workers in private homes employing two or more workers, agricultural pro-

Continued on page 18



chosen to underwrite a major portion of this vast project? MOA has the largest staff of marine engineers and surveyors in the business. Behind them, are comprehensive records and research facilities. These enable MOA underwriters to calculate the possibilities and probabilities that might occur in such a gigantic undertaking.

Even today, MOA is still very much in the St. Lawrence Seaway picture.

Besides providing marine protection for piers, locks, terminals, bridges and dams, MOA insures a big portion of the cargo and vessels travelling the Seaway.

Not everybody (Grace Jones, for example) needs that kind of insurance coverage. MOA has exactly the right kind of protection for her, too, because while we are big enough to underwrite the St. Lawrence Seaway, we

are also geared to handle any size risk.

Why not find out more of the MOA story? For more information, contact Marine Office of America, 123 William Street, New York, N.Y. 10038.

Our member companies are: The Continental Insurance Companies; The Glens Falls Group; The Hanover Insurance Group; Phoenix of London Group. Aviation insurance is available through Associated Aviation Underwriters.

Marine Office of America **moa**



**WOHLREICH
&
ANDERSON
Ltd.**

Underwriting Managers
B. J. DAENZER, President

55 JOHN STREET - NEW YORK, N.Y. 10038
Phone: 349-3020
HOWDEN SWANN GROUP

BANKS and OTHER FINANCIAL INSTITUTIONS

CAN SAVE EXPENSES

stop checking and keeping fire & EC policies

CAN PROTECT INVESTMENTS

include ALL RISK coverage • Flood
Dam Burst • Collapse • Earthquake
Subsidence • Wave Wash

**W and A works exclusively
through agents & brokers**

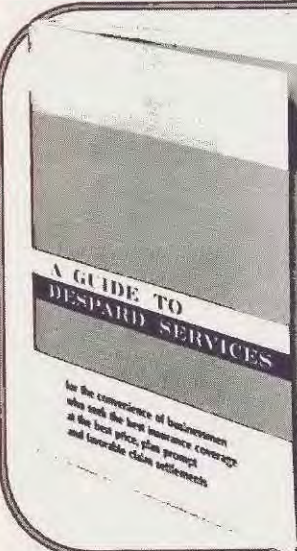
but this coupon will bring you full information

Mail to W and A—55 John Street—New York, N.Y. 10038. BI-8-2

Your firm or broker _____

Address _____

City _____ State _____



There are 16 pages in this informative Guide to Despard Services

but they all boil down to a concise description of the insurance services and facilities that can help you achieve two things:

1. Keep out of trouble
2. Be well protected if trouble comes

Glad to send you a copy; no obligation on your part.



DES-PARD & CO INC
161 William Street, New York, N. Y. 10038
Telephone (212) 964-9100



washington watch

Continued from page 17

cessing workers, employees of large farms, small firms, non profit organizations, state and local governments and other small groups of workers excluded from the present law.

WITHIN THREE years, the weekly benefit in each state would be set at 50% of a worker's average weekly wage up to a maximum of 66 2/3 %.

It would ease disqualification standards, set wage qualifying requirements of no more than 20 weeks of employment and a benefit duration of at least 26 weeks for all eligible workers. In addition, it would establish a federal program to provide benefits

to long-term unemployed who have had a firm attachment to the labor force.

THE PUSH by the AFL-CIO and the administration for an amendment to the Welfare and Pension Plans Disclosure Act to further protect employees' interests against mishandling of pension funds is not likely to meet with full-scale industry resistance. Business has reluctantly agreed that some sort of law may be necessary to prevent gross mishandling of funds under certain circumstances. Debate will center on the extent to which the proposed law should regulate, not whether there should be a law.

But, the fight over the estab-

lishment of federal vesting and funding requirements for pension plans promises to be long and heated. The administration sent up two trial balloons in 1967 indicating the direction in which its legislation drafting committee is moving. Stanley Surrey, assistant secretary of the Treasury, outlined in relatively broad terms the form the up-coming legislation may take. And, recently, William T. Gibb, deputy tax legislative counsel for the Treasury, described in considerable depth the current thinking on pension plan funding and reinsurance. The administration has indicated that an in-depth announcement of its views on vesting will soon be made.

Mr. Gibb said the basic goal of the recommendations on funding and reinsurance is to "insure, to the extent practicable, full protection of vested benefits . . . against loss through plan termination." The major source of this protection under the proposal would be a combination of employer funding and termination insurance protection, he said.

THE AFL-CIO policy resolutions on the vesting-funding issue strongly backed federal legislation establishing minimum requirements for single-employer plans. But, it said, multi-employer plans should be exempt from the requirements because they contain built-in safeguards for the pension rights of workers covered by them.

Another union resolution pledges an all out push for additional Social Security increases. This issue may not come for discussion on Capital Hill this session, but the views of the AFL-CIO on it are worth reviewing.

The union stated that "the goal of an adequate retirement income for most working people would best be met by substantial improvements in Social Security that would truly meet the requirement needs of American workers. Private pension plans can significantly supplement, but they are not a substitute for, an adequate Social Security system."

IT RESOLVED to push for Social Security hikes to meet "the AFL-CIO goal of a 50% increase in benefits. In addition, it proposes that the wage base be raised to at least \$15,000 and that the cost of future Social Security improvements be paid for in part from general revenue contributions.

It resolved to continue its push for a Social Security provision which would establish a flexible zone of retirement between age 60 and 65 by permitting benefits at age 60 at much less than a full actuarial reduction and by making older disabled workers, not totally disabled but below the normal retirement age and no longer able to engage in their usual occupation, eligible for disability benefits.

THE UNION said it would seek to have disability benefits begin after one month and continue for as long as total disability lasts. And that it would push to have the deductibles removed for the medicare program and to have it broadened to include more services and the disabled.

A look at the AFL-CIO resolutions indicates that increased health benefits will continue to be a major factor in labor-management negotiations.

A primary union aim is to push for group practice prepayment programs wherever possible; and, of course, to bring all medical expenses under the umbrella of coverage.

Take your business insurance and lump it!



Lump it into one convenient Kemper Comprehensive Policy. Eliminates gaps and overlaps and saves you up to 25%.

Separate insurance policies for separate business risks can waste valuable time and money. We can tailor a single Kemper Comprehensive Policy to give you all the coverage you need, to trim away what you don't need. We have more than a half-century's experience protecting businesses from losses by fire, boiler and machinery through crime and all the other basic commercial risks. Our loss control engineers can also work with you to help eliminate accident-causing hazards. When losses do occur, you can count on fast, fair, country-wide claims service. To lump your business insurance into one convenient Kemper Comprehensive Policy, write: Walter White, Vice President, Kemper Insurance, 4750 Sheridan Road, Chicago, Illinois 60640.

Kemper Comprehensive . . . business insurance the modern way.

American Motorists Insurance Company • Lumbermens Mutual Casualty Company • American Manufacturers Mutual Insurance Company



Kemper Insurance
You can count on Kemper Care under the Kemper Flag

GE has updated pension plan 3 times since 1960

NEW YORK—General Electric Co., without prodding from unions, has updated its pension plan three separate times since 1960 for employees who have retired, according to E. S. Willis, manager of employee benefits.

Other employee benefits at GE, including the hospitalization plan, were discussed in the preceding issue of *Business Insurance*. In that issue, details were given of the company's national prescription drug plan, which was pioneered in 1948.

Pension rights are vested at General Electric after ten years' credited service.

Second of two parts

Employees contribute nothing on the first \$6,600 of annual compensation but contribute 3% on annual pay above this amount.

The pension benefit provided at retirement is 1% of the first \$6,600 of pay in each calendar year, plus 2.1% of any compensation above that amount.

FOR EXAMPLE, Mr. Willis said, if an employee were paid \$6,600 a year for the next 30 years, his pension would be \$1,980 a year or \$165 a month. Social Security benefits would be supplemental.

To ensure a guaranteed minimum pension for long-term employees retiring after 15 or more years of full time service, a minimum benefit has been established of \$4.50 a month for each year of credited service.

In the event of total disability the same formula is applied. Also, a supplemental payment of \$75 a month is made until the disabled employee becomes eligible for Social Security.

A five year certain option is also provided for the beneficiary of an employee who dies before retirement either after age 60 or with at least 15 years of credited service. The beneficiary will receive for five years the pension which would have been available had the employee retired on a disability pension at the date of death.

IF DEATH OCCURS within five years after retirement, the beneficiary will receive the pension for the balance of the five year period.

Employees who leave General Electric before retirement or before pension rights become vested have all their contributions returned, plus interest.

Unfortunately, Mr. Willis said, some employees do take out all their contributions and "lose the advantage of using company dollars."

Mr. Willis feels that it's "most important" to understand that vesting and portability amount to the same thing. There is nothing "mystical" about portability, he said. "The employee is the real portable element, and he leaves his vested rights with the company."

This procedure greatly increases his chances of getting better benefit checks when he retires, Mr. Willis said, and is "true

portability." For example, he continued, "a bricklayer doesn't have true portability because he has to stay in the same business and in one locality."

GENERAL ELECTRIC has "voluntarily" updated its pension plan for people who have already retired, Mr. Willis explained.

Pensions are pegged to a career average basis, he said, so that when earlier earnings are at a lower rate of pay it may be that the final pension is based on more low income years than high. To compensate for this inequity, GE in 1960 raised pensions for personnel who had retired prior to 1946 by 30%.

In 1963 pre-1951 retirees received an increase of 15%, which

gave the pre-1946 personnel a total increase of 45%. In 1966 all pensions for employees who retired in 1956 and before were raised by roughly 30%. These increases in pension credits were also given to employees who have not yet retired.

THE PENSION PLAN is implemented by the General Electric Pension Trust which is irrevocable. No amount may ever revert to the company. The plan is administered by a pension board consisting of a chairman and five other members appointed annually by the board of directors.

A long term disability income plan is also available for salaried employees after one year of service who have annual earnings

of at least \$7,000 and participate in the company insurance and pension plans.

Benefits begin after a one year waiting period and are designed to provide, in combination with Social Security disability benefits, about 50% of normal salary.

THE MAXIMUM monthly benefit payable is \$2,500 and the current contribution rate is 70¢ a month for each \$100 of monthly coverage.

General Electric has a savings and security program which allows eligible employees to contribute up to 7% of their earnings toward the plan. The company then pays an amount equal to 50% of this figure.

An interesting feature of the

plan is that a participant may "elect" to apply 1% of his payroll deduction savings towards the purchase of life insurance, underwritten by Aetna, Mr. Duncan said.

To protect a participant's investment if General Electric closes a plant permanently, the employee is refunded all the money accrued to him. The same goes for a totally disabled employee.

Communicating employee benefits is conducted at regional levels, a practice which Mr. Willis has found "very successful." The payment of claims is expedited by using seven local locations. "Decentralization is an advantage," Mr. Willis said, "because all the claims don't pile up in one batch."

This Lockheed test pilot is insured by Pacific Mutual Life.

So are 45,000 other men and women of Lockheed.

Lockheed is a company that's always going places. Probing into space. Exploring thousands of feet beneath the seas. Developing new surface transportation systems. Airlifting men and material around the world. Lockheed is a leader in land, sea, air and space.

Lockheed has provided additional group life insurance protection through Pacific Mutual Life for its long-service employees since 1957.

Pacific Mutual Life writes group life,

short and long term disability, medical, and retirement policies for companies, associations and unions.

We use electronic data processing equipment to speed claim service and cut the cost of insurance. The same equipment makes possible our quarterly management information report to policy holders, identifying medical claim trends.

Our group specialists are "on-call" to service any PML group program. A

flexible underwriting practice lets us tailor policies for each individual group customer.

The advantages of service, cost, and coverage enjoyed by Lockheed and other PML customers are worth looking into. Whether you employ ten or ten-thousand, your insurance broker or a PML group insurance representative will give you all the facts.

Pacific Mutual Life
The West's largest mutual life insurance company



Fireman's Fund promotes two

Thomas F. Cox has been appointed group claims manager and Curtis B. Roberts has been named manager of fidelity, surety and burglary operations of Fireman's Fund American Insurance Co., San Francisco.

Insurance check, merchants and employees help rebuild sash plant

By LOUIS HAUGH
HAWKINS, Wis.—When fire destroys a factory employing more than 200 persons in a town with a population of 500, getting back into production quickly is a community project.

Using an insurance company's lump sum loss payment for salaries and building supplies helped to speed up the rebuilding, according to Warren Holzem, vp of Northern Sash & Door Co., located in the small, northern Wisconsin community.

A check for more than \$1,000,000 for fire and business interruption coverage helped keep salaried employees on the payroll

and rebuild the company's plant destroyed by fire Oct. 13. Northern had annual sales of \$3,750,000 and a \$1,000,000 payroll at the time of the loss.

THE 130,000,000 sq. ft. of buildings carried a 90% co-insurance, actual cash value policy. In the two-hour blaze, 110,000 sq. ft. of the complex was leveled.

The company has begun production again on a small scale, Mr. Holzem told *Business Insurance*. A total of 70,000 sq. ft. has been rebuilt, and another 30,000 sq. ft. will be ready by early spring, he said. "Full production will start soon thereafter."

The community has also done its part to speed the rebuilding campaign. The 180 members of the Northern Sash local of the United Brotherhood of Carpenters and Joiners of America voted to donate 100 hours per man to work on reconstruction. Nearby firms donated building materials and supplies.

NORTHERN'S union employees have been paid unemployment compensation, and many were hired by the construction firm that is rebuilding the plant, Mr. Holzem said.

He told *Business Insurance* of several insurance "lessons" the



Friday, Oct. 13, 1967 was a black day for the entire community of Hawkins, Wis. as a fire destroyed the Northern Sash & Door Co., which employed 200 in a town of 500. The community stiffened its back, however, and with the help of a \$1,000,000 insurance company payment, Northern has begun limited production in a new plant.

company learned from the fire. "First of all, we now appreciate the value of annual appraisals to set current insurance values," he said.

"We had just completed a new appraisal because of some additions and improvements. The company didn't have the final results from the appraisal company at the time of the fire. We'd allowed our annual appraisals to lapse for several years.

"The yearly check for this service would now seem to be well worth it."

IN THE NEW construction, Northern will install a sprinkler system and use cement floors and concrete blocks. In addition, there will be 12-inch cement-block firewalls and special fire doors, Mr. Holzem pointed out.

The destroyed plant was of wooden construction, with wood floors and had no sprinkler system. Mr. Holzem pointed out that there was insufficient water pressure for sprinklers but that this has now been corrected.

"We are also considering

changing to replacement cost coverage," he said, but the plant building is presently covered under a temporary policy until the final insurance decisions are made.

BECAUSE OF the new construction, materials and sprinklers, Mr. Holzem feels that Northern may be eligible for a lower insurance rate. It is estimated that the company's general building insurance premiums are between \$15,000 and \$20,000.

The Oct. 13 fire is believed to have started in the wood hog and shaving area where waste materials are processed for salvage. "In the new plant this operation will be physically separated from the main building," Mr. Holzem said.

Northern's fire insurance carrier is Lumbermen's Underwriting Alliance, Kansas City, an affiliate of the Lynn Insurance Group. The company specializes in liability coverages and safety engineering for the lumber industry.



(Courtesy of Walker Art Center, Minneapolis)

Recognition comes.

Once it was easy to understand the artist's point of view. Recognition comes with insight. Just as many companies see the need for an employee benefit program that puts them one step ahead of competition.

PET, short for Preferred Economy Term life insurance, fills that need *without the usual employer contribution or participation requirements.*

With PET you can make from \$5,000 up to \$100,000 of additional life insurance coverage available on an employee pay-all basis. Premium rates are unusually low and the policy can be owned by other than the insured for tax purposes. PET is participating and dividends will be credited as earned.

You set up and administer payroll deduction. NWNL handles the other details. Recognize an application to your existing benefit program? All it takes is insight and a collect call to 612-372-5305. Or write.



**NORTHWESTERN NATIONAL
LIFE INSURANCE COMPANY**
BOX 20 • MINNEAPOLIS, MINNESOTA 55440

Cal. AFL-CIO legislative goals include pay, fringe benefit bond

SAN FRANCISCO—The California AFL-CIO has announced its 1968 state legislative "goals," including a proposal to require employers to prove that they have sufficient cash on hand or post a bond to cover all wage and fringe benefit payments that would be due for one full pay period.

The union also proposed a number of amendments to the State Unemployment Disability Compensation law.

They include allowing disability benefits if a worker is ill or injured during a trade dispute; granting pregnancy benefits to women; re-establishing an automatic escalator for maximum weekly benefits to equal two thirds of the average wage in covered work.

THE AFL-CIO asked improvements in the present workmen's compensation benefits to require mandatory rehabilitation of industrially injured workers, including the payment of living expenses and "all reasonable and necessary vocational training."

The group also asked for extension of coverage to domestic workers; increased burial benefits; increased maximum temporary disability benefits; increased benefits for surviving widow and dependents and a reduction of the present waiting

period for temporary disability benefits to three days.

The group will seek to extend the present state unemployment insurance program to provide coverage for farm workers, public employees, domestics and others not now covered; increased maximum weekly benefits to \$80 from the present \$65 and addition of an escalator clause to increase benefits as the average weekly wage in covered employment increased; eliminating of existing disqualification provisions and extension of benefits from 26 to 39 weeks.

Loss managers set March date

CHICAGO—Seven concurrent workshops will highlight the 32nd annual Mutual Loss Managers conference at the Sheraton-Chicago Hotel, March 18-21.

The workshops will cover valuation of mercantile buildings, business interruption, homeowners forms, mercantile stocks, salvage problems, special multi peril policies and taking statements during interviews and investigations.

Other topics include cancellation and prevention of loss from moisture and factors affecting engineering.

Little report defends investment exclusion, no lower rate levels

NEW YORK—The American Insurance Assn. has flatly refuted critics of property and liability insurance who have proposed that investment income be included in determining insurance rates on the basis of a study of the profitability of such lines by Arthur D. Little Inc., of Cambridge, Mass.

The Little report contends that net profit of property and liability lines is significantly below that of other financial and manufacturing operations; there is no evidence of monopoly in these lines; and that any revision of the pricing mechanism which would reduce industry profits can not be justified.

In sum, the report seems to indicate that premiums will continue to rise (at least not go down), and the insurance companies will use the Little report to justify to legislative and other critics any attempts to include investment income in rate making.

IN ADDITION, the report said that lower rates and lower premiums would place the companies in an even more noncompetitive position for capital attraction and reinvestment.

T. Lawrence Jones, president of the AIA, a trade organization of 170 stock property and liability carriers writing more than half the property and liability cover in the U.S., hailed the Little

report as an "objective answer" to critics who have proposed investment income be included in rate making.

"Any change which would imperil the entire financial structure of this major segment of the insurance business would imperil the protection against financial loss by policyholders."

The Little report compared total return to total investable funds in determining the rates of return for various industries. The study took into account all income received on all funds employed in the enterprise.

THE REPORT states that the average rate of return for 43 property and liability stock companies was 4.4% for the 1955-1965 period, and if 1966 were included, the rate would drop to 3.84%. This compares with 9.2% for banks, 3.4% for investment institutions, and 13.3% for sales finance companies.

ABC-TV Olympic mobile units provided special liability cover

NEW YORK—Cameramen following skiers around the slopes of Grenoble, France, or getting a close up of the torch runner at the 1968 winter olympics haven't posed many problems for American Broadcasting Co.'s insurance department, according to a source for the company.

He said that the insurance which is already in force pretty well protects the men and equipment covering the two-week winter event.

About the only additional coverage which ABC obtained was on equipment, due to French commerce laws. In traveling in Europe, "you must have liability coverage with a recognized carrier for motor vehicles," the ABC source said.

For this reason, the insurance division bought coverage for its mobile units and this coverage is in force from time of disembarking until return.

Other than this, ABC's liability limits are "broad enough" and workmen's compensation covers employees while in another country.

Dallas fire losses up

Fire losses in Dallas increased 10% in 1967 to \$3,891,866, and the insured loss climbed 13% to \$3,332,415. Fire Cite Chief C.N. Penn said he didn't know how the increase would affect insurance premiums in Dallas, since the state fire insurance agency uses an October-to-October rating period.

Rail plan . . .

Continued from page 2

ployes belonging to hospital associations will have an increased portion of their membership dues paid.

MEMBERS OF the nonoperating unions, which represent about two-thirds of those covered under the new plan, will become eligible for accidental death and dismemberment coverage, and maximum hospital care hiked from 120 to 180 days. The operating unions will become eligible for doctors' calls both in office and in home.

Terms of the new contract include increased life insurance for active service employees from \$4,000 to \$6,000 and retired employees now will get \$2,000 of life insurance. Accidental death and dismemberment coverage is set at \$4,000 for the principal amount, with a schedule of lesser payments for other disabling accidents.

The plan will pay for a semi-private room for up to 180 days in full and the first \$1,000 for hospital extras and 80% of the hospital extras above that.

Emergency outpatient coverage is for the first \$1,000 plus 80% of anything more. Ambulance fees will be set at \$25. A surgical schedule will pay up to \$420 maximum. Examples of the surgical schedule include \$154 for an appendectomy, \$56 for a tonsillectomy and \$105 for a normal delivery.

X-RAY THERAPY is scheduled up to a \$30 maximum per cause per year, and diagnostic x-rays and lab fees are scheduled up to a \$100 maximum per year. In hospital doctors calls are set at \$6 per day of confinement, up to the 180-day ceiling.

Major medical has a \$10,000 maximum, with a deductible of \$100 per calendar year and a 80-20 co-payment basis. The major medical has an automatic \$1,000 restoration per year or 100% reinstatement with evidence of insurability furnished by the employee at his expense.

For employees only, doctors' house calls are set at \$7.50 and office calls are set at \$6.

The plan also expands the definition of hospital to include, in general, new Medicare and American Medical Assn. definitions. Additional dependents coverage has been expanded from 15-day to 18-year limits to include students through age 24 and certain disabled children.

Out-patient coverage for accidental injuries will be expanded from within 24 hours to 72 hours after the injury is sustained.



We save you money because we keep no pets

As an insurance broker, Johnson & Higgins has no pet insurance companies or business policies for sale.

On behalf of our clients, we buy from nearly 1,000 insurance markets to find the best coverage—at the most reasonable cost. Our specialists know exactly what to look for—and where. They may turn to domestic underwriters, or rely on far-reaching international contacts. Sometimes they may use one insurer . . . sometimes many.

J&H sets the standard in world-wide insurance brokerage service.

Johnson & Higgins

ESTABLISHED 1845

Insurance Brokers—Average Adjusters—Employee Benefit Plan Consultants and Actuaries • 63 Wall St., New York, N.Y. 10005 • Buffalo • Boston • Philadelphia • Wilmington • Pittsburgh • Atlanta • New Orleans • Detroit • Chicago • Minneapolis • Los Angeles • San Francisco • Portland • Seattle • Honolulu • Quebec • Montreal • Toronto • Winnipeg • Vancouver • Santiago • Buenos Aires • Rio de Janeiro • São Paulo • Curitiba • Belo Horizonte • Campinas • Caracas • Maracaibo • Puerto La Cruz • Bogota • Cali • Milan • London

Safety bill . . .

Continued from page 1

ment contracts. If an employer violates the bill's provisions, the secretary could declare him ineligible to receive government contracts until he complies. Also, the secretary may recommend to the contracting agency that any offender's existing contract be cancelled or suspended.

The administration, of course, claims that the bill is eminently necessary. During a one-day hearing before the house select

subcommittee on labor—just nine days after President Johnson made the proposal—Secretary Wirtz pointed out that each year 14,500 workers are killed on the job, more than 2,200,000 suffer disabling injuries, \$1.5 billion in wages is lost, 250,000,000 man-days of productivity are wasted and the economy suffers a \$6.8 billion annual loss.

Secretary Wirtz told the subcommittee that when President Johnson made the safety proposal, it was the first time since 1910 that a President has raised seriously with the Congress the question of reducing the human

costs—in terms of preventable death, disease, injury—of doing business. He said that in 1910 President Taft asked Congress to put a stop to the "frightful diseases" resulting from the "injurious manufacture" of matches with phosphorus—when the matches "can be made from other materials, entirely innocuous." Taft's bill was enacted two years later.

SECRETARY WIRTZ said that there were "brief passing references to the point" in several messages transmitted by Presidents Truman and Eisenhower and that certain limited action has been taken. This action took the form of "special measures of varying effectiveness covering such particularly hazardous occupations as mining and longshoring" and the Walsh-Healey act of 1936. Secretary Wirtz said the Walsh-Healey act provides a "semblance of protection to those working on government contract."

In a later reference to the act, Secretary Wirtz pointed out that it applies only to workers performing government contracts and then only for the period of time they are actually working on these contracts. The result, he said, is that coverage varies from month to month and year to year, making enforcement difficult, if not impossible. The fact that the established standards under the Walsh-Healey act are not mandatory has seriously hampered effective enforcement, he said, and experience with this has indicated that mandatory

federal standards are necessary under the present bill.

As evidence that "the job can be done," Secretary Wirtz cited the 44% reduction of shipyard injuries and 38% reduction in longshoring injuries over the seven-year period since 1960 when the Labor Department enacted comprehensive safety and health regulations to the Longshoremen's and Harbor Workers' Compensation act.

Later in the hearing, however, Rep. Edward Gurney (R., Fla.) asked Secretary Wirtz if he thought he was qualified to head a national industry safety program because the government accident frequency rate is higher than private industry.

Secretary Wirtz answered that he did not think this fact was relevant.

If industry sees that the bill is gathering almost unbeatable momentum it will, of course, try to amend the proposal.

One area certain to be challenged by industry supporters is the 14,000-plus annual industry death rate cited by President Johnson and Secretary Wirtz. Of the 14,500 work-related fatalities in 1966, 3,200 (22%) were caused by motor vehicles and another 1,500 (10%) occurred on farms, industry officials point out. In addition, at least another 20% of the total can be accounted for by accidents not related to the object of this bill, they add. These include airplane crashes, fatalities in industries already under government safety laws (longshoremen) and those occurring in service-type jobs.

Oil firm . . .

Continued from page 1

take a look at the current advertising campaign of Tidewater Oil Co. to help determine if leased gasoline stations are independent contractors or employees of the oil company.

Justice John J. Francis said he is particularly interested in a Tidewater tv commercial for its Flying A gasoline which referred to "our station manager."

A LOWER COURT had dismissed an accident liability case against Tidewater and its subsidiary, Tidewater Leasing Co. The appeal seeks to restore them as defendants.

In explaining why advertising is a key issue in the case, Justice Hadyn Protor stated: "If I rent a grocery store to you, and an accident happens in it, I wouldn't be liable. But when a company rents a gas station, sells its own products there and advertises all over the state, then it's different."

Justice Frederick W. Hall brought up the question of whether the principle of the old landlord-tenant law should still stand in the face of social and economic changes that have produced big oil companies, leased stations and national advertising.

SIDNEY DINCIN, Tidewater's attorney, contended that the court was holding that "very rich companies like Tidewater should act as insurers" of the public.

Mr. Dincin argued that the gas station operator is an independent contractor who can run his business "any way he sees fit" and over whom the company has no control.

"No negligence on the part of Tidewater caused the injury," Mr. Dincin told the court. "The station operator was not our employee and not our agent. Can we be blamed if some jackass comes in and leaves his motor running and a passenger hits the shift?"

THE PLAINTIFF, Charles Wallace, had to have his right leg amputated after he was caught between two cars at a Flying A station in 1962.

John Tomasin, attorney for Mr. Wallace, charged that Tidewater by "artful lease language," was attempting to "insulate itself from liability to the public." He said the station operator and the oil company should be held jointly liable for any injury resulting from liability to the public.

Cahill . . .

Continued from page 1

be given concurrent jurisdiction with state and federal courts."

OUT-OF-POCKET expenses covered would include hospital, medical and drug costs and loss of earnings but would not include an allowance for pain and suffering or property damage to the auto, Rep. Cahill said.

An award for pain and suffering could be obtained through the courts if the accident victim felt the federal agency's allowance was not enough, the congressman stated.

However, if the victim accepted an award from the federal agency, he could not obtain proceeds from the courts at a later date.

A spokesman for Rep. Cahill said the congressman made his suggestions in order to promote a public discussion of the auto insurance problem through the House Judiciary committee, of which he is a member. The committee's staff recently issued a critical report on auto insurance and insurers' practices.

*Perceptive
Risk Management
programming*

**for companies
throughout Ohio**

We offer nearly half a century of commercial coverage experience. And we're near enough to keep a close eye on your changing coverage needs. For our brochure—**HOW YOUR BUSINESS RISK MANAGEMENT**—Clip this ad to your letterhead or insert #300 on Reader Service Card.

AD Atkinson-Dauksch Agencies, Inc.
Insurance and Surety Bonds
40 W. Gay • Columbus, Ohio 43215 • (614) 228-5811

FOR OVERSEAS EMPLOYEE BENEFIT PROGRAMS

—an unusual insurance facility

Through a single source in New York...backed by tested reinsurance arrangements with a network of overseas affiliates having more than 40 years of international life insurance experience...many employers and their brokers—and other insurance companies—are solving their overseas employee benefit problems.

THAT SOURCE IS A.I. LIFE

A.I. Life's "total account" concept for rating and underwriting applies regardless of currencies, countries, nationalities.

COMPLETE SERVICE IS RENDERED WHEREVER IT IS NEEDED.

Policyholder security is guaranteed by strong companies in every territory—**led by A.I. Life and its affiliates.**

Whatever your problem in Overseas Employee Benefit Programs

contact

American International Life Assurance Company of New York

102 MAIDEN LANE • NEW YORK, N. Y. 10005

TELEPHONE: 344-9200

An American International Company



Most recalled reservists assured job security, continued fringes

Continued from page 3

benefits pay one-half salary following the death of the employee for a period depending on years of service.

Standard employees called into the reserves can continue under the company's medical program for their dependents, but not for themselves. Also suspended is their participation in the oil company's thrift plan.

Ruben Berry, corporate personnel manager for Montgomery Ward & Co., said reservists called to active duty are given a leave of absence with no break in service and no loss of eligibility for employee benefits. The employee will also be rehired if he returns to Ward within 90 days after release.

ALL INSURED benefits are dropped for the period a Ward employee is on active duty, Mr. Berry said, and the company makes it a practice to pay any difference in pay for 60 days, if called back, and for two weeks active duty for training or summer camp.

Arthur Cubley, employee benefits director for Union Tank Car Co., said his company cancels hospitalization and accident coverage for recalled reservists, but the time counts as credited service and the employee is on a leave of absence.

A spokesman for Jos. Schlitz Brewing Co., Milwaukee, also regards recalled reservists as being on a leave of absence. They regain their seniority, medical and other benefits upon return to the company. The Schlitz pension plan begins at age 30, medical and other benefits begin on the first day of employment.

At Caterpillar Tractor Co., Peoria, Ill., recalled reservists continue to accrue service credit while on military leave. Life, disability and medical benefits are cancelled for reservists and dependents upon call up but are reinstated immediately upon returning to Caterpillar, said G. W. Porter, benefits manager.

United Air Lines employees are given a leave of absence, if recalled to active duty, a United spokesman said. Accident and sickness coverages are cancelled, but employees are eligible immediately upon return to the payroll. Profit-sharing and pension funds continue to build, while on active duty, but no contributions are possible, the spokesman said.

IN DETROIT, automobile manufacturers and other major companies allow their reservist-employees to build up seniority and pension and vacation credits while they're on active duty. But in other respects, company policies on military service vary widely.

Generally, insurance benefits lapse when the worker leaves his job, but one Detroit company extends life insurance for the first 90 days of active duty for salaried employees.

Federal-Mogul Corp., a diversified automotive supplier, also gives servicemen an advantage over other workers in its stock purchase plan, said Paul Richmond, vp for industrial relations.

"When a man leaves for the service, he has to stop making contributions, but he can resume payments at the same level any time within 51 months," said Mr. Richmond. Other salaried workers who quit the plan temporarily must rejoin as if they were newly hired.

WHILE THE employee's health insurance coverage lapses at the end of the month during which the reservist leaves, he may put his dependents under the Federal-Mogul group plan T at his own expense, Mr. Richmond said.

Detroit Bank & Trust Co., softens the loss of group life insurance for activated reservists. They're allowed to convert the group insurance to an individual policy without a physical examination. Moreover, the policy doesn't contain a war exclusion.

A dozen major companies questioned in Detroit and here say they don't pay employees after they are on active duty. A growing number of employers, though, supplement the pay of reservists and National Guardsmen who spend two weeks each year on active duty for training or summer camp.

Ford Motor Co., for example, makes up any difference between an employee's civilian pay and his military earnings. Federal-Mogul is typical of other corporations that may soon put this benefit into effect.

OTHER COMPANIES which make up differences in pay for the two weeks include Caterpil-

lar, Union Tank, Schlitz and Ward.

Generally, companies limit makeup pay to two weeks, or 10 working days. Ford's new contract with the United Auto Workers guarantees makeup pay for hourly workers.

During the riots in Detroit last July, some companies stretched their policies to provide extra pay for National Guardsmen who attended the annual summer camps and also spent several days in riot-control duty in the city.

One large Detroit employer, S. S. Kresge Co., sees that employees in military service don't lose touch with developments back on the job. Servicemen are included in the company's annual Christmas "remembrance," which ranges from \$5 to \$150 depending on the number of years of employment. And the company newspaper, published 10 times a year, is sent to workers in military service.

**L. J. GOLDSTEIN
& CO. INC.
INSURANCE
SPECIALISTS**

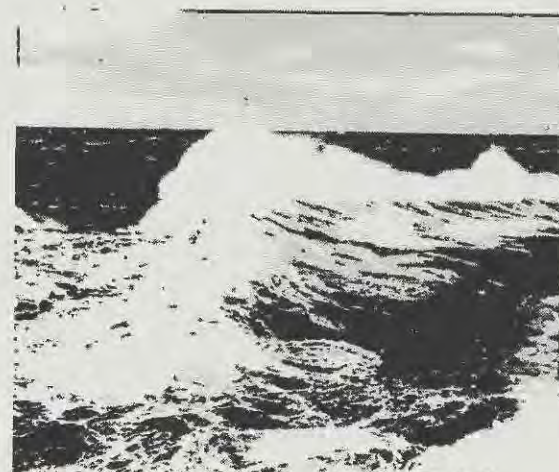
250 West 57 St.
New York, N.Y. 10019
(212) 765-5090

**BUSINESS
INSURANCE
COMPLETE
PROTECTION**

- SURVEYS
- ANALYSIS
- PROGRAMMING
- QUOTATIONS
- PENSION PLANNING

OFFICES THROUGHOUT
U.S. AND PUERTO RICO

OMISSIONS



C&F backs policies with performance in all the phases of Ocean Marine insurance... because really complete protection of your product distribution by vessel or plane calls for a lot more than just broad policy forms.

Whether you ship by air, on the high seas, or only on coastal or inland waterways... exposures must be accurately determined... underwriting must be economical as well as comprehensive... losses must be adjusted and settled promptly.

Leave out any of it and it's not **C&F** service.

C&F marine specialists work with local insurance producers to design coverages and services that protect properly... your cargoes, "warehouse to warehouse"... your hulls—towboats or tugboats, merchant ships or river barges... your repair facilities or fleeting services.

Ask your local independent **C&F** agent or a broker of your choice for the complete details on **C&F** Marine insurance. It's backed by 145 years of performance.

FOUNDED 1898 • INDEPENDENT CONSULTANTS
ON INSURANCE AND EMPLOYEE BENEFITS

**Corporate
Policyholders
Counsel, Inc.**

**WOULD
YOUR FIRM
BENEFIT FROM
OUR RISK
MANAGEMENT
ASSISTANCE?**

You may have a very capable insurance staff and a going insurance program. But perhaps not. Whatever the situation, you probably have a host of questions right now that involve your firm's insurance.

We can help you answer these questions. We're not an agency, not a brokerage. And, we do not sell insurance. What we are is a uniquely qualified group of insurance specialists who will focus our combined talents on your insurance and employee benefit problems.

We can define your true problems relative to insurance and employee benefits... and offer you alternate solutions which could actually reduce your risks.

In short, we simplify, innovate and improve. Let's talk over the benefits to you: Corporate Policyholders Counsel, Inc., 20 North Wacker Drive, Chicago 60606. Phone Area 312, 372-8225.



UNITED STATES FIRE INSURANCE COMPANY
THE NORTH RIVER INSURANCE COMPANY
WESTCHESTER FIRE INSURANCE COMPANY
INTERNATIONAL INSURANCE COMPANY
AMERICAN EAGLE LIFE INSURANCE COMPANY

Sound, Dependable Insurance



110 WILLIAM ST. • NEW YORK 10038

Thrash out problems with all segments of industry: Whitney

NEW YORK—A call for unity among all segments of the insurance industry was made here by A. Grant Whitney, president of the American Society of Insurance Management and vp and general manager of insurance for Belk Stores Inc., Charlotte, N.C.

Speaking before the New York ASIM chapter, Mr. Whitney reminded his audience that "unity is strength" and he quoted James Bentley, insurance commissioner of Georgia as saying that this period is perhaps the "last chance" for the insurance industry to solve its problems on a "voluntary" basis.

During his talk, Mr. Whitney emphasized that ASIM represents the consumer, and as such, should not be hesitant about making its viewpoint known to the insurance companies.

"WE MUST REALIZE our strength," he said. "Our members are responsible for \$8 billion of written premiums a year, and represent 15,000,000 people—all voters."

At one point, he told members to start working together at the local level. "Problems don't start at the national level," he said. "They originate much lower."

Mr. Whitney went on to discuss a meeting which was called

last fall in Charlotte at which top executives from all segments of the industry got together to exchange ideas.

THE MEETING was so successful, he said, that another exchange has been arranged for February 19. "We won't have a fixed agenda," Mr. Whitney told *Business Insurance*, "because you can stagnate on one point." The industry problems are "too mammoth" to stick to one subject, he observed.

Mr. Whitney also disclosed that "great progress" is being made on a study which ASIM began in November to work out a revision of the often criticized new comprehensive general li-

bility policy wording.

An 88-page brief has been prepared, he said, which is being studied by carriers, brokers and buyers. Critics of the CGL policy contend that it takes away coverage from the insured and does not recognize the needs of buyers.

Discussing trends in the insurance industry, Mr. Whitney said that he had noticed a "marked growing interest" in captive insurance companies.

"This is not just in the U.S.," he continued. "In fact, in the fall, when I was in Britain and Germany, the first question I was asked by the Germans was if I would advise them on how to set up a captive company."

ASIM . . .

Continued from page 3

from 10 a.m. to noon, Feb. 22, following the ASIM annual meeting, and a session on mass merchandising from 2 to 3 p.m.

During the sessions, delegates will be encouraged to submit questions in special boxes to be answered by a panel of insurance experts Friday morning, Feb. 23.

The panel members include J. F. Bolton Jr., Illinois director of insurance; Charles K. Cox, senior vp, Insurance Co. of North America; H. Clay Johnson, president of the Royal Globe Insurance Cos.; Ambrose B. Kelly, general counsel for the Associated Factory Mutuals; James S. Kemper Jr., president of Kemper Insurance Cos.; E. J. Kettel, insurance manager for the Sinclair Oil Corp.; G. J. Rabbett, insurance manager for Charles

Pfizer & Co.; and David H. Winton, vp and director for Johnson & Higgins.

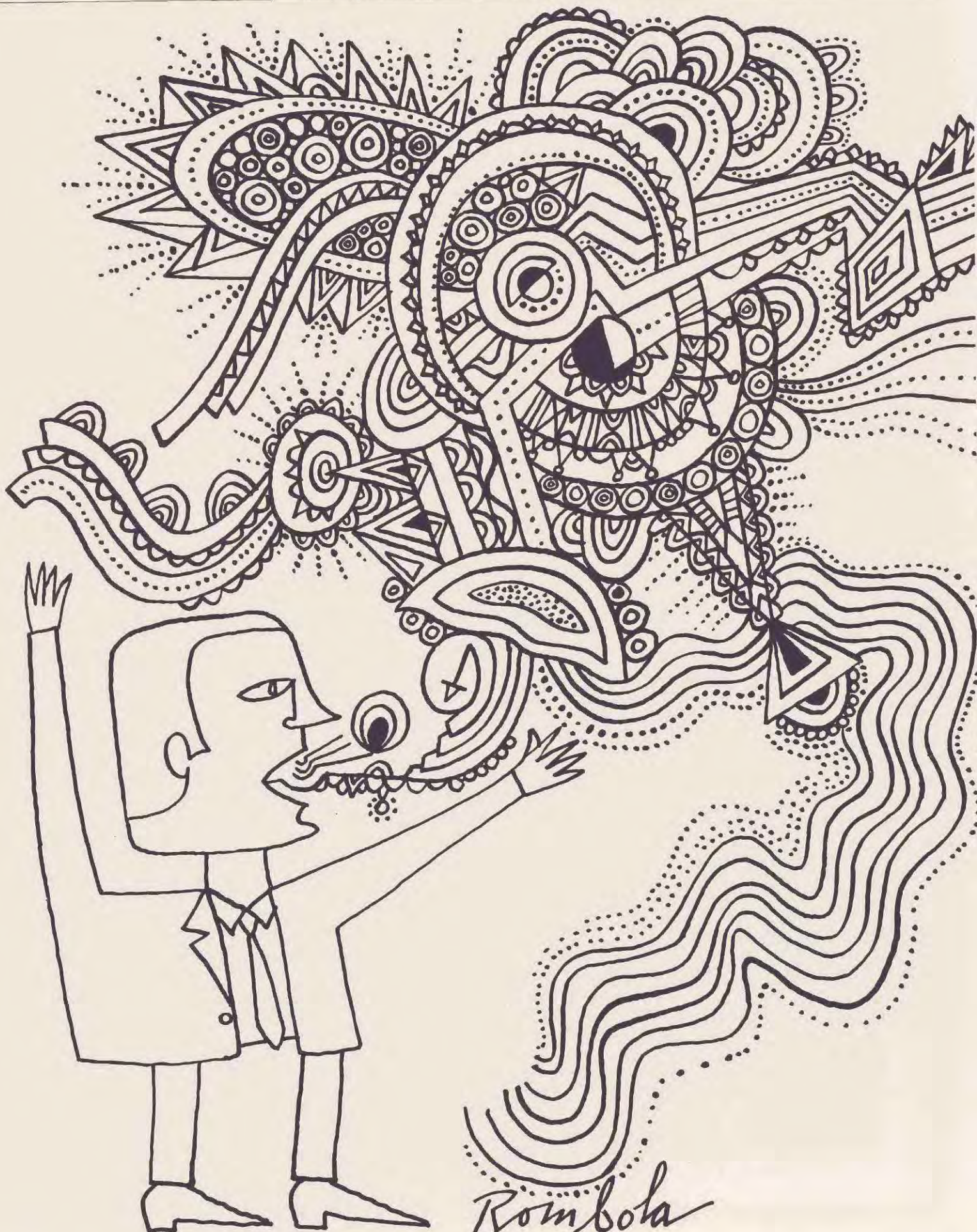
THE SOCIAL SIDE of the conference has not been forgotten. More than 60 hospitality suites have been announced, sponsored by various brokers and insurance companies.

Business Insurance will maintain a press room in the Pick Congress, and delegates are invited to visit.

The ladies' program includes a tour of the Merchandise Mart, sponsored by Marsh & McLennan; a luncheon and theater party, sponsored by Rollins Burdick Hunter Co.; sightseeing tour, sponsored by Alexander and Alexander; and a smorgasbord luncheon and special puppet show at the Kungsholm Restaurant, sponsored by the Kemper Insurance Group.

Trimble named ASIM chapter vp

Cecil A. E. Cooper from the insurance department of the Bank of America, San Francisco, has resigned as vp of the Northern California chapter of the American Society of Insurance Management. Al Trimble of FMC Corp. will succeed Mr. Cooper, and Herb Pederson of Wells Fargo Bank will complete Mr. Trimble's term on the board of directors.



INSURANCE

Over 100 sales, Management and Technical Positions available. All lines. Area—National—International. Agency and Company.

to \$29,000

ADMINISTRATIVE

FINANCIAL

TECHNICAL

This division of our organization is equally active with many opportunities, in all areas, for qualified, ambitious professionals.

ALL FEES PAID

We invite you to investigate in confidence by forwarding your resume or by calling us.

A. W. FRIEDRICH & ASSOCIATES, INC.

Personnel Consultants

Temple Building—14 Franklin St.
Rochester, N.Y. 14604
Telephone: (716) 454-4330

U.S. court holds cigaret firm liable in cancer death of smoker

NEW ORLEANS—U.S. court of appeals for the fifth circuit has gone further than any previous court in declaring that a tobacco company is "absolutely liable" for diseases caused by smoking the firm's cigarettes.

The decision, if upheld—could open a flood of claims from smokers contending they contracted cancer and other diseases from smoking cigarettes, although one lawyer cautioned that the decision was based largely on Florida law, which might not be relevant in other states.

The main argument cigaret companies have been using in these cases—that there is no definite link between smoking and cancer—was not in question in the ruling, which involved

the American Tobacco Co., New York.

A JURY IN the first trial (the suit against American Tobacco was filed in December, 1957) found that the plaintiff, Edwin Green, had primary cancer of the lung, and that smoking Lucky Strike cigarettes was at least one of the proximate causes of his death.

The verdict went to American Tobacco because the jury further found that American could not have known, by "the reasonable application of human skill and foresight," that users of Lucky Strike cigarettes would be put in danger of contracting lung cancer.

Throughout the history of this

case—which has involved two jury trials and a rehearing before the state supreme court on a matter of law—the question of whether smoking causes cancer has never been an issue.

Instead, American Tobacco lawyers have argued that their client was not liable for Mr. Green's contracting cancer because Lucky Strike cigarettes were "reasonably wholesome and fit" and were not defective.

TWO MONTHS after the suit was filed, Mr. Green died, and the suit was taken over by his widow and the estate administrator.

But the U.S. court of appeals ruling, Judge Coleman, writing for the majority, held that American Tobacco Co. can be held

strictly liable for the lung cancer contracted by Mr. Green even though the Lucky Strikes were not defective.

Judge Coleman stated, "We are left in no substantial doubt that under Florida law the decedent was entitled to rely on the implied assurance that the Lucky Strike cigarettes were wholesome and fit for the purpose intended and that under the facts found by the jury his personal representative and widow are entitled to hold the manufacturer absolutely liable for the injuries already found by a prior jury to have been sustained by him."

In a "vehement" dissent, Judge Simpson wrote that "my research has not revealed any Florida decision finding a manufacturer liable in which there was not some defect or adulteration in the product. For the majority now to decide that proof of a defect or adulteration (or at least that the harmful effects of the product are felt by a substan-

tial segment of the public) is no longer necessary, as a matter of law, goes far beyond anything yet decided or even foreshadowed in the Florida decisions."

The majority ruling reversed a decision of the district court and remanded the case for a new trial. The ruling directed the district court "to enter judgment for the plaintiffs on the issue of liability and to submit the issue of damages to another jury."

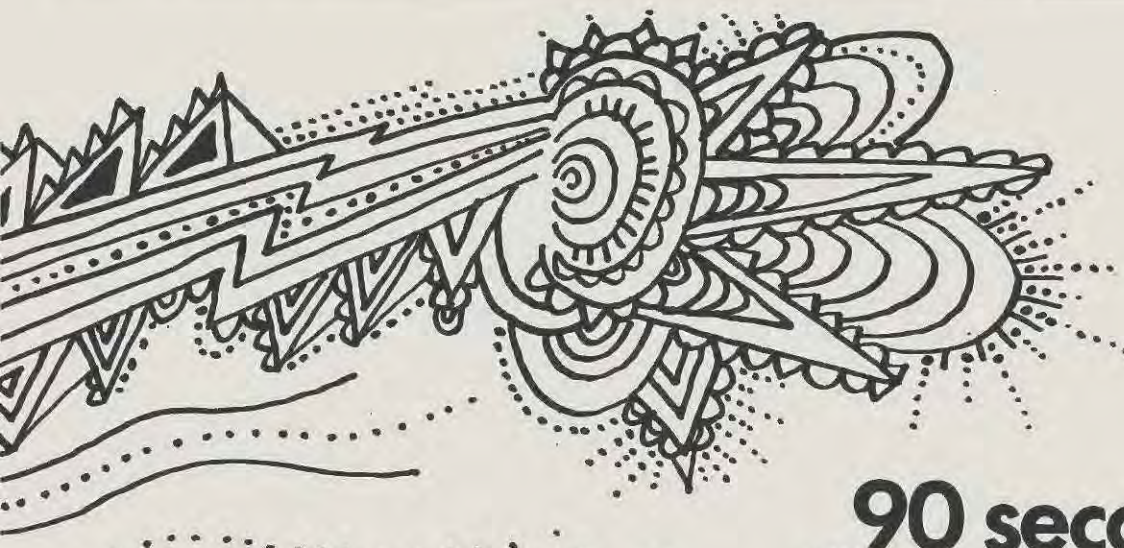
THUS, THE district court may well be the first court in the country to enter a liability judgment against a tobacco company, if American does not appeal the case.

The firm reportedly is considering whether to appeal to the U.S. Supreme Court or to the U.S. court of appeals for the fifth circuit.

Judge Simpson, in his dissent, argued that the majority opinion went far beyond what is usually thought to be the scope of such a warranty. He said the courts in this case had consistently recognized the doctrine of "reasonably wholesome or fit" as the scope of such a warranty.

"If there is such a thing as the 'law of the case' ever being permanently and impregnably established, the series of events (in this case) should establish for all time and for all purposes of this case that the scope and nature of the implied warranty here is one of 'reasonable wholesomeness and fitness for use by the public.'"

"By a stroke of the majority's pen this consistent treatment of the question by the parties and by all the courts involved is obliterated from the record. It is as though what the record clearly shows did happen never happened at all. On the record before us, I cannot concur."



90 seconds of plain talk on how CNA unscrambles the mish-mash of insurance cost analysis for you.

It used to be that insurance cost analysis was the biggest mystery of corporate existence. Grown men, all executives, figuratively paled and turned tail at the sight of numerical abstractions disguised as cost analysis data.

It used to be something else.

But not anymore.

Introducing Continental National American Group's IRIS. The Industrial Risk Information System.

What IRIS is, is all those numerical abstractions previously disguised as data in a new form.

Information. Exactly what it takes to manage your corporation's insurance costs as efficiently as you manage raw material costs, labor costs, sales costs, transportation costs, et cetera, et cetera.

IRIS tells you when and where your insurance costs are out of line, in lan-

guage you understand, in time to do something about it.

IRIS unscrambles the mish-mash of corporate insurance cost analysis. It puts numerical abstractions into understandable reality. It pinpoints insurance risks.

And, since CNA's IRIS can be integrated into your firm's present cost analysis system, it can show you the relationship between insurance costs and other business expenses. IRIS can give you a picture of how various business factors are affecting your insurance costs. And vice versa.

We said the corporate insurance scene was something else before IRIS.

It's something else after IRIS, too.

Something simple.

For detailed information about IRIS, call your insurance agent or write to CNA.



JOIN OUR FIGHT AGAINST BOREDOM!

Reserve a place at CNA's Chicago Night ASIM celebration, 6-9 pm, February 21st, in our headquarters. Do it now!

(You won't be bored. We'll have the Gaslight Club road show there.)

CNA CONTINENTAL NATIONAL AMERICAN GROUP
Dept. 18WX, Continental Center, 310 S. Michigan Ave., Chicago, Illinois 60604

Continental Casualty Co.; American Casualty Co. of Reading Pa.; National Fire Insurance Co. of Hartford; Transcontinental Insurance Co.; Transportation Insurance Co.; Valley Forge Insurance Co.; Valley Forge Life Insurance Co.

CNA CONTINENTAL NATIONAL AMERICAN GROUP
Continental Center, 310 South Michigan Avenue
Chicago, Illinois 60604

Foreign plans...
Continued from page 6

A controlled foreign insurance operation using U.S. brokers was explained by William L. Hollingsworth, director of insurance and loss prevention for Olin Mathieson Chemical Corp., New York.

Mr. Hollingsworth told his audience that at least 50 foreign brokers were replaced by U.S. brokers' correspondents when Olin embarked on a controlled insurance program in 1961. With insurance placement in the hands of a few, Mr. Hollingsworth said it has led to a "harmonious program" with "lower costs" for his company.

The Olin executive's insurance program caught several buyers by surprise. While many hinted that too much responsibility was in the hands of the Olin broker, Mr. Hollingsworth contended that the ultimate responsibility for the placement of insurance belonged to his insurance department.

IN ITALY, BUYERS were warned not to leave too much responsibility in the hands of local Italian administrators. "Buyers should visit their foreign operations and confer regularly with their foreign brokers about local problems," said Peter J. Fornacca, general manager for

Reliance Insurance Company, Rome.

Liability policies which exclude third party liability are a particular aspect of Italy's insurance coverage that has to be picked up as part of the fire policy, said Mr. Fornacca. He added that this is typical of the many reasons why U.S. buyers have to know specifics about each market before buying insurance.

As opposed to many other foreign markets where local brokers play key roles, Ignacio Hernando de Larramendi, general manager of Mutali dad de Seguros, Madrid, said brokers are not very important in Spain. He pointed out that U.S. brokers such as Johnson & Higgins and Marsh & McLennan have offices in Spain which are able to meet the needs of U.S. buyers.

"U.S. COMPANIES will find it difficult to find sophisticated local personnel to solve their problems," said Mr. de Larramendi. He added that Spanish brokers are becoming more professional but it will take time before they can meet U.S. standards.

R. Schwarz, manager, international division, Zurich Insurance Co., pointed out how basic insurance policies in Europe vary by country. For example, in Belgium he said fire liability is included in the fire contract. "By selecting to self-insure a small office location for fire coverage,"

he said, "you may take over unknowingly and unwillingly a much heavier liability risk."

Mr. Schwarz noted that some European automobile policies may exclude driving outside of the country of domicile and in some places buyers may find it difficult to obtain high liability limits in the local market's capacity.

HE URGED BUYERS to study the possibility of coordinating U.S. programs with those of insurers abroad by combining locally admitted policies with master policies designed specifically for each insured's operations.

In the Middle East, which comprises such countries as Egypt, Iran and Iraq, J. S. Chidiac, president of SNA Insurance Co., Beirut, said that "people in the Middle East are not yet fully insurance minded nor claims conscious."

Statistics presented by Mr. Chidiac showed that there are only three insurance companies in Iraq with total fire income of \$1,866,000, while in Turkey, which has 18 domestic companies and 17 foreign companies, the annual fire income is about \$768,000.

Walbridge manager

John R. Walbridge has been named manager of the new marine-aviation department of Insurance Co. of North America's New York service office.

classified advertising

RATES AND CLOSING TIME: \$2.00 per line, minimum charge \$8.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$15.00 per column inch, and card discounts on size and frequency.

We administer Association Group Insurance Trusts in the Association's own name. Established 1947. Inquiries invited. Employee Plan Administrators, Inc., 15 Wilson St., Hartsdale, N. Y. 10530. N. Y. Phone (212) MU 2-0084.

Business Insurance Classified Advertising is the U.S. market place for buyers of employe, property and liability protection. U.S. companies may use this section to make known their employment needs in the dynamic field of insurance management—and get results. Brokers and consultants may use this section as a professional calling card to reach the desks and minds of prospective clients.

special purpose INSURANCE

what's that?

It's insurance created by Cameron and Colby for risks without precedent.

It's also the simplest, most direct means of providing protection for out-of-the-ordinary risks.

And Special Purpose Insurance is our business. Has been for more than twenty-five productive years . . . through Agents and Brokers.

Keep this in mind won't you. You'll save time and trouble — we are service oriented and believe in giving direct answers.

Multiple Line
CAMERON and COLBY CO.
60 Batterymarch Street, Boston, Mass. 02110
Telephone 617/357-8400

LOOKING for a better job?

Seeking a capable assistant? Offering a special service? Then try a low-cost Business Insurance classified ad for quick results. Your message reaches over 36,000 of the nation's most important business insurance buyers and buying influences. Gets into the hands of the top financial, insurance-minded executives within the 9,500 largest United States corporations . . . into the largest brokers, insurance carriers, banks, investment houses, associations, government, unions, etc. Use Business Insurance classified ads for fast action.

Print or type your Business Insurance classified ad copy below. Copy in written form must be in our Chicago offices not later than noon, Monday, 7 days preceding publication date. Business Insurance is published every other Monday.

Classified Rates: \$2.00 per line, minimum charge \$8.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper and lower case 40 per line. Add 2 lines for box number. Replies forwarded promptly.

Display Classified takes card rate of \$16.00 per column inch, and regular ad rate card discounts on size and frequency apply.

I am enclosing \$ _____

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Classified Advertising Department, Room 212

business insurance

740 RUSH STREET, CHICAGO, ILLINOIS 60611

CLIP OUT AND MAIL IN TODAY!

Courts blameless for delays in settling auto claims: judge

By ALLEN M. WIDEM

HARTFORD—Associate Justice John P. Cotter of the Connecticut supreme court has contended that the courts cannot be blamed for any delays in settlement of automobile accident claims.

He asserted that handling of such cases is not the prime problem—it's more a matter of what happens in the insurance industry.

Justice Cotter, addressing a hearing on automobile liability insurance before the state legislative's judiciary committee, remarked that some 90% of auto cases are settled through pre-trial discussion in the courts.

"SINCE JULY 1, 1965," he said, "we have exposed cases to trial as quickly as possible. The pace has been so rapid that the attorneys have asked the courts to let up. This is a good omen."

State Insurance Commissioner William R. Cotter (not related), had a word of commendation for the judiciary committee's investigation of the costs of automobile insurance. He noted, too, that Congress is looking into the field as well and that President Johnson mentioned the matter in his recent state of the union address.

Congress, Insurance Commissioner Cotter continued, is primarily concerned with the solvency of insurance companies and various policy cancellation problems. "There is no solvency trouble in Connecticut," he hastened to add, "but we do have a cancellation problem."

AT THE SAME time, Connecticut's independent insurance agents have asked the state insurance department to name a "high-level" committee to recommend changes in automobile coverage policies to the January, 1969, state legislative session.

The Connecticut Assn. of Inde-

pendent Insurance Agents has endorsed a current state insurance department study and added the observation that a "combining of talent" would lead to stronger legislative-level acceptance.

THE ASSOCIATION suggested that the combined committee include representatives from the state legislature, the State Bar Assn., insurance companies and its own membership.

The state insurance department's own study of auto insurance rates and procedures, under way since last October, is expected to be submitted to the January, 1969, state legislative session.

Meanwhile, separate studies have been started by the groups listed in the association's proposal. Each is understandably concerned with ways of reducing the cost of automobile insurance. The state department wants to find change in the traditional method of settling claims through establishment of blame.

The negligence system commits some 30¢ of each premium dollar to legal costs, according to Commissioner Cotter. And since this involves court action, it also causes delays from the time of an accident until payment.

Appoints McGee Co.

General Accident Group, Philadelphia, has named Wm. H. McGee & Co. Inc., New York, manager of the ocean marine departments for General Accident Fire & Life Assurance Corp. Ltd., and Potomac Insurance Co.

Pennsy, N.Y. Central merge benefits, too

PHILADELPHIA — Employee benefits for the 96,000 employees of the newly merged Penn Central Railroad are being streamlined.

While the new program is being worked out, New York Central and Pennsylvania lines will be covered under their old plans.

Benefits at Pennsy—which the new program is expected to be modeled after—include hospital coverage with major medical, group life insurance and pension and thrift plans.

Life insurance for salaried personnel is two times annual salary.

Under the terms of the thrift plan, the company contributes 50¢ for each employee contribution of \$1. Each dollar is applied to purchase company stock, and the other 50¢ buys government savings bonds.

"In other words, you get company stock for half price and pay for the bonds in full," a Pennsy spokesman explained. Contributions and interest are held in escrow for five years or until retirement.

The Pennsy and the Transport Workers Union reached a new wage increase last month. The agreement called for an immediate 6% increase on hourly rates averaging \$3.14 an hour, with an additional 5% to be added to the rate on July 1. Vacation benefits were also liberalized at that time.

All other items, including pensions, will be reopened on Sept. 1, according to a union source.



CHUBB & SON INC. are resourceful "Commercial Multiple Peril" Underwriters

Competent agents or brokers with a broad knowledge of markets can testify to the imaginative thinking that has gone into the flexible Multiple Peril contracts offered, born of pioneering in this important area. These policies cover virtually every class of industry, including apartments, office buildings, offices and institutions. Exacting specifications are a challenge.



Chubb & Son Inc. UNDERWRITERS
90 John Street, New York, N.Y. 10038

Manager FEDERAL INSURANCE COMPANY • VIGILANT INSURANCE COMPANY
GREAT NORTHERN INSURANCE COMPANY • THE SEA INSURANCE CO., LTD.
THE LONDON ASSURANCE • ALLIANCE ASSURANCE CO., LTD. • SUN INSURANCE OFFICE, LTD.

Non-Marine Manager ATLAS ASSURANCE CO., LTD. • ALBANY INSURANCE COMPANY

Life, Personal Health, Group Insurance, Pension and Profit Sharing Plans through
THE COLONIAL LIFE INSURANCE COMPANY OF AMERICA
associated with Chubb & Son through FEDERAL INSURANCE COMPANY

Aviation Insurance through Associated Aviation Underwriters



ADVERTISERS' INDEX

ADT International	11
Persons Advtg., Inc.	
AFCO Credit Corp.	9
Doremus & Co.	
Alexander & Alexander	7
G & M Creative Svcs.	
American Internat'l Life Assur.	22
Clement & Bogue, Inc.	
American Internat'l Underwriters	12
Franznick-Meden, Inc.	
American Mutual Ins.	5
Harold Cabot & Co.	
Associated Aviation Underwriters	22
Bruce Angus Advtg.	
Atkinson-Dauksch Ins. Agencies	8
Hameroff & Assocs.	
Bankers Life & Casualty	28
Marshall John & Assocs.	
Cameron & Colby Co.	26
John D. Burgoyne Advtg.	
Chubb & Son, Inc.	27
Bruce Angus Advtg.	
Commonwealth Svcs., Inc.	6
Continental Nat'l American	
Grp.	24-25
Post-Keyes-Gardner	
Corporate Policyholders Counsel	23
Armstrong-Desmond Advtg.	
Crum & Forster	23
Clement & Bogue, Inc.	
Despard & Co., Inc.	18
The Schuyler Hopper Co.	
A. W. Friedrich & Assocs.	24
Lynwood Agency	
L. J. Goldstein & Co.	23
Diener & Dorskind, Inc.	
Hagedorn & Company	12
Frank B. Hall & Co.	11
H. H. Sanford, Inc.	
Johnson & Higgins	21
Doremus & Co.	
Kemper Insurance	18
Clinton E. Frank, Inc.	
Marine Office of America	16-17
Marsteller, Inc.	
Northwestern Nat'l Life Ins.	20
Batten, Barton, Durstine & Osborn	
Pacific Employers Grp.	4
N. W. Ayer & Son	
Pacific Mutual Life Ins.	19
Grey Advtg., Inc.	
Provident Mutual Life Ins.	6
Gray & Rogers, Inc.	
Wohlreich & Anderson, Ltd.	17
Clement & Bogue, Inc.	

LOS ANGELES

434 S. Vermont
213-389-1156

Al Smith

TULSA

1135-C East 38th St.
918-Riverside 7-8879

Jerry Wall

CLEVELAND

2490 Lee Blvd.
216-371-0266

Pat Kovolski

CANADA

149 Main Street East
Hamilton, Ontario
416-527-3877

Bob Fields

**CHICAGO**

(Home Office)

4444 W. Lawrence Ave.
312-777-7000

Bill Bollinger, Director

Jack Bunch

Tom Dunphy

Will Thierens

Paul Oliver

Dick Washick

Tom Watkins

Charles Pagani

Ed Placko

Don Packard

Don Erickson

NEW YORK CITY

125 Maiden Lane
212-HAnover 5-2455

Bob DesForges

John Newell

John Fredericks

DETROIT

2548 Buhl Building
313-961-3990

Frank Foucault

Meet the specialists who develop and service those 91%, 95%, 99% enrollment Bankers Payroll Deduction Plans

One of the nearby Bankers Employee Benefit Plan specialists can be in your office tomorrow to tell you about those Bankers Payroll Deduction Plans that get up to 91%, 95%, 99% sign-up. He's an expert at tailoring Bankers broad, flexible coverages, low group rates and pre-tested enrollment plans to fit your needs. When it comes to putting a plan together and making it work, you'll find he knows the score — and it's as high as 91%, 95%, 99%.

Bankers does it better

with custom-made plans for these flexible coverages . . .

Voluntary Payroll Deduction Plans

- Long Term Disability
- High Limit Accident
- Cancer and Dread Disease

Regular Group Plans

- Hospital — Medical — Surgical
- Major Medical
- Life
- Travel Accident

Dealer and Distributor Plans

Credit Card Plans

Over 100 out of America's 500 largest companies as listed in FORTUNE carry Bankers Employee Benefit Plans.

Ask Your Broker

or call or write us.

GROUP AND SPECIAL RISK DIVISION

BANKERS < **LIFE & CASUALTY CO.**
< **MULTIPLE LINE INSURANCE CO.**

4444 WEST LAWRENCE AVENUE, CHICAGO 60630, PHONE: 312-777-7000

BRANCH OFFICES IN MAJOR CITIES • AFFILIATED COMPANIES: Constitution Life, Chicago • Gotham Life, New York
Certified Life of California • International Life, Louisville • Marquette Life, Chicago
State Life of Colorado • Union Bankers, Dallas • Southeast Title, Lake Park, Florida
Protection Mutual, Philadelphia • Western Life Assurance Hamilton, Ontario.