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Aviation market getting crowded
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business insurance®

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

What began as another Friday night fish fry in the Chatterbox Cafe, Eagle Grove, Ia., ended Feb. 2 with an explosion which killed 12 customers and leveled three businesses. Despite reports by some of the 4,500 townspeople that the smell of gas fumes preceded the explosion, officials of Iowa Public Services, the investor-owned utility which serves the area, say investigations have uncovered "no problem with the system." IPS is self-insured against catastrophies "to a point," but refused to disclose its limits and umbrella carrier. Sources say The Travelers Corp. writes the upper limits through Fank B. Hall & Co. —W de World photo

CTA can't pay giant claim

By LESLIE MURRAY

CHICAGO—The Chicago Transit Authority, in the throes of its worst financial crisis, has no funds at present to pay a $250,000 settlement to the parents of five-year-old Richard Michael Rickey, who suffered irreversible brain damage last year while pinned in a CTA station escalator.

Other parties in the settlement, the largest ever awarded to a minor in Illinois, are Otis Elevator Co., which agreed to a $150,000 payment, and United States Elevator Co., which will pay $350,000.

The CTA, a public authority created by the state legislature and vested with bonding powers, is required by statute to maintain a damage reserve fund. However, according to Francis J. Mullen, superintendent of claims and investigations for the CTA, the damage reserve fund has been funneled, along with all other CTA funds, into a single working cash pool.

"WE'RE JUST about making payroll," he told *Business Insurance*. "We realize that the money has to be paid, and that it is a debt, but we just don't have the funds to make payment at the present time."

James J. Reidy, the Chicago attorney who represented the Rickeys in the case, asserted that "they (the CTA) will have to obtain the money or they'll be in contempt of court. Should they not produce what we agreed upon, I'd have to file for an appropriate action."

He commented that remarks made before the court by the CTA, and "from what they've told me" indicated that the transit authority had promised to produce its share of the settlement. And, since the maintenance of a damage reserve fund is legally required of the CTA by state statute, failure to pay the Rickey claim in the time agreed upon "would amount to malfeasance of office," the plaintiff's attorney stated. "They tell me they're going to pay it. If they don't, I'll have to file for contempt and/or mandamus action."

Continued on page 2

$4 million award, largest in history, insured by Lloyd's

SAN FRANCISCO—Lloyd's of London is the insurer for the bulk of the largest personal injury liability award in U.S. history—$4,025,000—given to a 13-year-old boy who was paralyzed from the neck down as a result of a school yard injury in July 1970.

The award, handed down by a jury here last week, involves a complex set of defendants and their insurers. However, Lloyd's, as insurer of the primary defendant in the case—Mount Zion Hospital—will be hit hardest: $3.9 million.

The judgment was rendered by a superior court jury in favor of Kelley Niles, son of a San Francisco radio announcer, who was hurt in a fistfight during a supervised summer recreation program sponsored by the city of San Rafael and the San Rafael school district. Both the city and school district will pay $25,000 of the total judgment. Their insurer, sources close to the case told *Business Insurance*, is Continental Casualty.

According to evidence presented during the trial, Kelley was hit on the head by another boy during an argument over whose turn it was to bat. His father took him to Mount Zion Hospital here several hours later. However, a physician who examined the boy, Dr. David Haskin, sent him home. His condition worsened later and it was determined on a second trip to the hospital that he was bleeding inside the brain. The boy was operated on eventually but irreparable brain damage had occurred.

In arguing the case before the court, attorney Bruce Walkup pinned most of the blame on the hospital and the doctor for not properly treating the case during the initial visit. If the boy had been operated on on the first visit, attorney Walkup argued, "it would have been routine surgery for a fractured skull."

Mount Zion, spokesmen reported, is insured for liability under a $10 million excess policy written by Lloyd's. A $100,000 primary policy is written by Truck Insurance Exchange, Los Angeles, a member of Farmers Insurance Group.

THE DOCTOR involved, David Haskin, is insured under a $100,000 primary policy written by American Mutual Liability Insurance Co., Wakefield, Ma. As an employe of the hospital, Dr. Haskin was judged by the court to be acting on behalf of the primary defendant, thus most of the coverage comes in under the Lloyd's policy.

Attorney Walkup told *Business Insurance* he does not expect the verdict to be appealed. "I have a 13-year-old boy here," he said. "At least two other verdicts in the $3 million range have been upheld by higher courts in other parts of the country and they were for injuries suffered by men in their 30s." ■

How do I love thee? Let me count the risks . . .

corporate profile

KANSAS CITY, MO.—"I was asked to handle insurance temporarily seven years ago and now it takes up 150% of my time"—a fitting comment, indeed, coming from the risk manager of a company that purports to be "the very best."

Jane Hartnett, risk manager and assistant secretary for Hallmark Cards Inc., oversees insurance (brokered principally through R. B. Jones Inc. and Mann-Kline Inc.) for the company's four manufacturing locations—Kansas City, Mo., Leavenworth, Topeka and Lawrence, Ks. —and distribution centers in Enfield, Ct. and Liberty, Mo. Add to that Hallmark's new, multi-million dollar Crown Center development, Hallmark Farm and the company's executive payroll, plus the fact that Mrs. Hartnett purchases benefits coverages for all of Hallmark's 10,000 employes.

Perhaps it's only right that the people who bring us Valentine's greetings and birthday wishes receive one relatively unusual benefit—each Hallmark employe takes the day off, with pay, on his or her birthday. Other less exotic benefits, administered by the personnel department, include a group medical plan, for which an employe is eligible after 90 days on the job, written by Businessmen's Assurance Co. of Kansas City.

Mrs. Hartnett also explained that the plan pays for 80% of outpatient expenses and the first $500 of in-hospital expenses with 80% paid once that $500 figure has been reached. The medical program carries a $25 deductible per occurrence for in-hospital care, $100 for out-hospital.

Life benefits, fully paid by Hallmark, are equal to two times annual salary and, again, written through Businessmen's Assurance Co. Supplemental life is available if desired. All employes are covered for $50,000 on a business travel policy, effective their first day at work, and have the option to purchase voluntary 24-hour travel accident coverage for themselves and their spouses.

Likewise, each Hallmark employe receives long-term disability cover, paid for by the company and written through Businessmen's Assurance, Mrs. Hartnett noted. The disability policy requires a six-month waiting period before going into force, and then insures 70% of an employe's salary. During that six-month hiatus, she said, health insurance and sick pay would cover any serious disability. "We're not going to leave any employe with a family hanging without income."

Continued on page 51

washington watch

Labor looks to Peter Brennan for aid in building OSHA enforcement

By JOHN REVETT
Washington editor

WASHINGTON—With the injunction it obtained against extending state control intact, labor is now looking for help from new appointees to get the federal government deeper into administration of the Occupational Safety & Health Act.

The AFL-CIO and United Steel Workers won the second round of the OSHA court battle decisively. An appeals judge denied two Occupational Safety & Health Administration requests—one for reversal and another for a stay of a lower court's ruling that OSHA could not extend state authority beyond a Dec. 28 deadline in the law. George Guenther, former OSHA head, had sought to extend the deadline to permit states to inspect and enforce while labor department approval of their OSHA plans was pending.

The denial means the federal government has primary responsibility for administering and enforcing the OSHA act at least until mid-March, when a lower court decision is due on whether the injunction should be made permanent. It is during this period that big labor hopes to see the federal government's role in OSHA built up—more federal inspectors (at present there are 550 for the entire U.S.); closer inspections, and more of them, over more sectors of industry; greater attentiveness to complaints and closer inspection of state plans with an eye for rejection where details of plans submitted indicate OSHA standards might not be fully and permanently adhered to.

Union leaders are pinning much of their hope for increased federal activity on Peter Brennan. The labor secretary-designate, whose appointment by President Nixon is expected to be approved by the Senate, came up through the union ranks to become president of New York's powerful Building & Construction Trades Council, AFL-CIO.

ORGANIZED labor sources say that while Mr. Brennan is not particularly noted for job safety activities on a national level, he served on a number of workmen's compensation commissions and often dealt with local job safety problems and conditions.

"OSHA may not be one of his principle concerns," said one union spokesman, "but we anticipate that his labor background will show in this area and there should be more action than we got from his predecessor," former labor secretary James Hodgson, who came from the management side.

Some union leaders are going so far as to speculate on the possibility of Mr. Brennan not only ending the dispute over temporary state jurisdiction by wiping out Mr. Guenther's extension order but calling for stiffer conditions for state OSHA operations within the OSHA act.

While this is no sure bet, it's thought that there will be at least a Brennan "input" regarding selection of a successor to Mr. Guenther. Mr. Brennan is considered "a rather aggressive guy" in union circles and he could press for his own man to head OSHA. The uncertainty stems from White House intentions—unknown at present either at the labor department or AFL-CIO headquarters, and not yet being discussed by administration sources.

In dealing wth past appointments of undersecretaries, bureau heads and others in positions of power, the White House has had a strong voice in who gets the job and there's no indication that OSHA will be an exception under Mr. Brennan.

WHILE LABOR leaders watch and wait, the OSHA staff is hustling in the interim to carry out Mr. Guenther's directives and those of remaining top OSHA officials. They've called for a speedier processing of state plans so the government, with its small inspection force, can reduce its direct responsibility for job safety.

So far, a few low-industry states have received approval to go ahead and operate under their OSHA plans, but one of the big industrial state plans, New Jersey's, is close to final approval. Seeing the states with the biggest job safety problems lining up close to the finish line is giving union leaders another reason to be edgy: The potential for weak plans to slip through in a mass approval program. It's also giving them one more reason to hope they'll get what they want from Peter Brennan. ■

Washington benefit plan hike asked

OLYMPIA, WA.—A recommendation of the Washington state personnel board to the legislature would more than double the state's contribution to employe's health and medical premiums.

If the board's recommendation is approved by the 1973 legislature, it would cost an additional $17.3 million per biennium, based on premium rates estimated by the state's personnel department.

The three-member board approved the recommendation at the start of two days of hearings on the department's biennial proposal for the state salary plan. The plan will be the basis of salary increases to be considered by the legislative body in this year and calls for boosts averaging about 15%.

The plan does not cover teachers and employes in higher education, but will affect about 30,500 state employes under the board's jurisdiction.

Under the recommendation approved, the health-insurance contribution would rise from the present $15 a month maximum to $33.50, or the full amount of premium, whichever is less. ■

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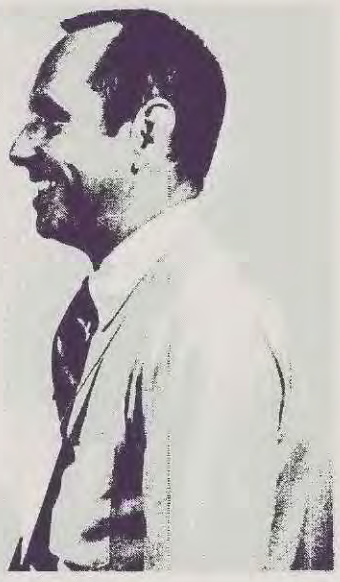

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Job enrichment plans rid industry of androids

By TOM WALSH

CHICAGO—The workers of the world are beginning to unite, it seems, around the idea that work should not be dull, repetitive and impersonal.

Employers worldwide are discovering that financial and fringe compensations for duties performed are not enough to keep employes smiling, competent and productive. Many have turned to a variety of experiments designed to improve the mental health of their workers, while others scoff at the idea of job enrichment as a "greatly overworked misconception."

The job enrichment demands of U.S. workers were publicized by members of the United Auto Workers union through a series of recent "mini-strikes" at small General Motors' plants as a protest against the tedium of assembly-line production. The GM management generally greeted the workers' demands with noncommittment, and Richard C. Gerstenberg, GM chairman, told the Tax Foundation in New York City recently that the workers' plight is exaggerated and that all would be well if the workers would only listen to the old adage that "busy people are happy people."

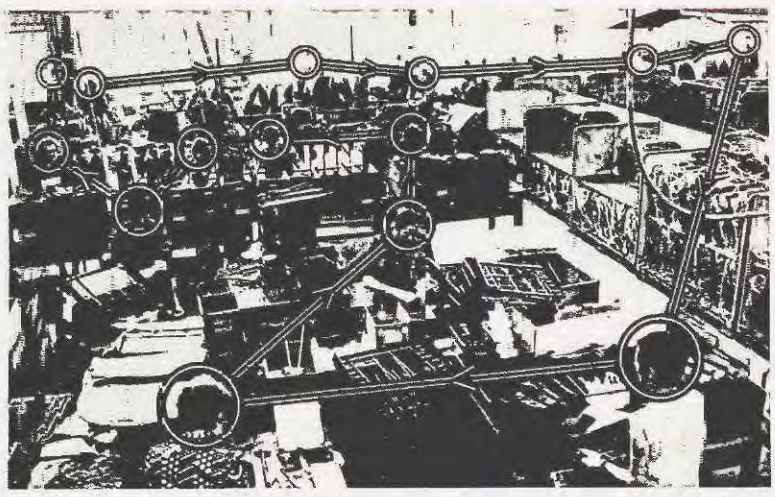
The UAW and the major car makers will soon do battle over contracts, but it is unlikely, observers say, that job enrichment will be a primary issue in this year's contract talks. Both sides realize that worker boredom and discontent are very real problems, but it appears more likely that the two sides will settle for job escape through extended vacation and worry about amending assembly line procedures later.

ALTHOUGH GM and other large mass-production manufacturers may postpone job enrichment efforts, a study by the Department of Health, Education and Welfare indicates that the resultant costs of worker discontent can not be ignored indefinitely.

Citing reduced productivity, doubling of man-days lost per year to strikes, absenteeism, high turnover rates, poor work quality and sabotage, the study says "Dull, repetitive, seemingly meaningless tasks, offering little challenge or autonomy, are causing discontent among workers at all occupational levels. This is not so much because work itself has greatly changed; indeed, one of the main problems is that work has not changed fast enough to keep up with the rapid and widespread changes in worker attitudes, aspirations and values."

Other, more drastic, national problems, the study concludes, can be traced to worker attitudes toward their jobs.

"A great part of the staggering national bill in the areas of crime and delinquency, mental and physical health, manpower and welfare are generated in our naitonal policies and attitudes toward work. Most important, there are the high costs of lost opportunities to encourage citizen participation: The discontent of women, minorities, blue-collar workers, youth and older adults would be considerably less were these Americans to have had an active voice in the decisions in the workplace that most directly affect their lives."



Workers in the upholstery shop at Volvo's car assembly plant in Gothenburg change their jobs every day, in the order shown by the arrows.

The federal study also pointed out that "many of these symptoms have increased despite general improvements in the physical conditions and monetary rewards for work" but noted that productivity and worker attitudes tended to get better when workers had some say in decisions and a share of the profits earned by their efforts.

Many experiments, both in the United States and elsewhere, are underway in an attempt to rehumanize the worker. The most drastic has been under study since the early 1960s and in practice since 1971 at AB Volvo, Sweden's largest corporation and manufacturer of cars, trucks, buses and aircraft and marine engines.

THE VOLUNTARY program now involves almost 1,000 of Volvo's 7,000 assembly line workers at the billion-dollar firm's automobile assembly plant in Torslanda, outside Gothenburg, and relies on job rotation, enlargement and teamwork.

Designed to prevent the tedium resultant from putting the same nut on the same bolt over and over and over and over and over again, the rotation system moves each worker to a new job on the assembly line at least once a day. Volvo officials say the moves provide physical and psychological uplifts instill a greater sense of teamwork and broaden worker knowledge of various assembly line techniques.

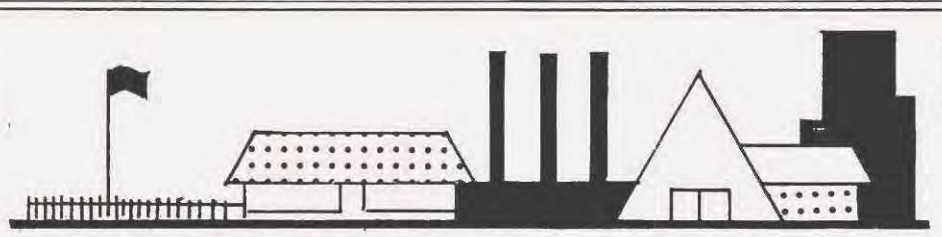
THE ENLARGEMENT technique is used in the car body assembly area and allows small groups of workers to follow a unit along on the line and carry out all phases of the necessary work before the car moves along to another assembly line. Both the rotation and enlargement systems rely on a team leader system which breaks workers into groups of three to nine workers. Each group is given a specific series of jobs and a time limit to perform them within, but how the work is divided and how fast it will be done are determined by the team members. The members of each group elect a team leader, who acts as a foreman and represents the team in periodic meetings with management personnel. Every group member is given the opportunity to act as a team leader, and Volvo is convinced that the team method brightens worker spirits by giving them a say in decisions and encouraging small, tightly-knit work groups.

Similar but smaller-scaled experiments are being conducted at four other Volvo plants, as is a program aimed at improving job environments. Millions of dollars have already been spent improving existing assembly line plants and a new multi-million dollar engine plant now under construction in Skovde, Sweden, will have specially designed relaxation areas for workers, massive glass walls in assembly areas which overlook landscaped floral and shrubbery gardens and ultra-modern lighting, air-conditioning and noise controls systems, Volvo officials said.

Although Volvo's enrichment program may be one of the largest, it is not among the oldest. A handful of American manufacturers have been utilizing employe talents and suggestions for years, many developing their own versions of a plan developed by Joseph Scanlon, a steelworker who in 1929 to avert the bankruptcy of a steel plant suggested a plan which incorporated participative management and profit sharing. He later went on to become a vp of a steelworkers' union and a staff member at M.I.T.

Donnelly Mirrors Inc. of Holland, Mich., the makers of 70% of U.S. automobile mirrors, adopted its own version of the "Scanlon Plan" in 1952 after one of the firm's truck drivers told John F.

Continued on page 20



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Group rates to continue during strike

HARTFORD—Bus drivers of the striking Connecticut Co. will continue to get group rates on medical and life coverage through March—provided they pick up the tab themselves—under a compromise worked out with state insurance commissioner Paul B. Altermatt.

The insurance department, which has no direct authority to intervene between Blue Cross, Connecticut Medical Services (CMS) and Aetna Life & Casualty, was called in by the 650-member Amalgamated Transit Union (ATU) of Connecticut, on strike since Nov. 25, 1972.

Previously, the Connecticut Co. paid all medical premiums with Blue Cross and CMS and provided a $1,000 minimum life insurance policy, written by Aetna. During the strike, however, Blue Cross and CMS have agreed to bill individual employes on a monthly basis.

At the same time, Aetna said it would not bill individuals but would provide one month's life insurance coverage to the union for some $5,000 to $7,000. A union spokesman said the ATU could not pay that amount.

In addition, Aetna agreed to permit drivers to pick up their premiums at a group rate (about $2.82 per $1,000 in coverage), even if the number of drivers dropped below Aetna's prescribed minimum of 75% of the insured employes. ■

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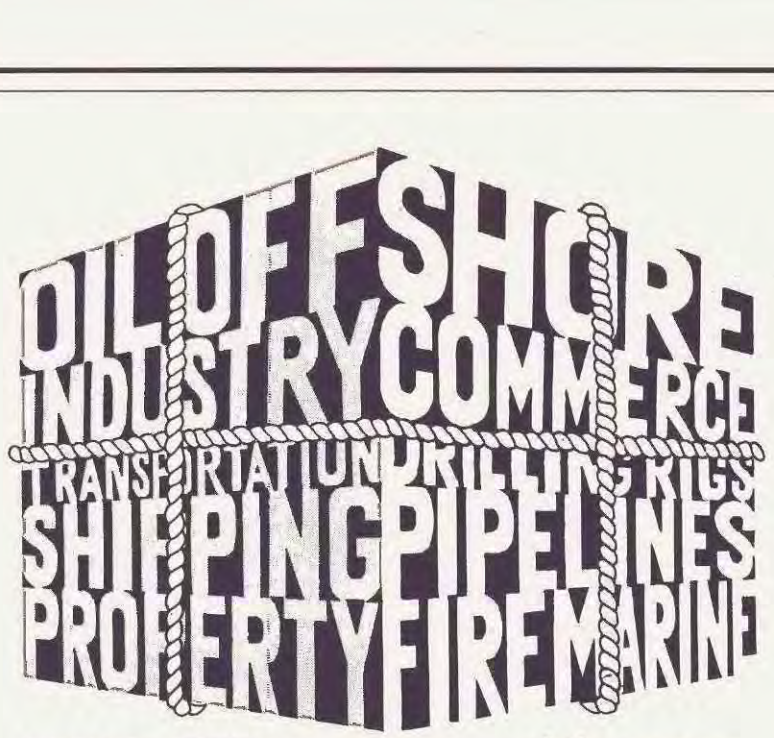

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• **Product Liability and the Consumer Safety Act,** a leaflet prepared by the Travelers Insurance Companies, provides the essentials of Public Law 92-573, the consumer product safety act. The leaflet outlines in brief form, the effective date, purposes, findings, products covered, exclusions and provisions of this newly enacted law. For a free copy write The Travelers Insurance Co., Commercial Lines PMA, 12 CR, One Tower Square, Hartford, Ct. 06115.

• **Insurance Words and Their Meanings,** a glossary of property and casualty insurance terms, has been revised to include definitions of new terms, coverages, plans and organizations which have been effected since the 1970 edition. The glossary is available at $2 per copy, less in quantity, by writing Rough Notes Co. Inc., 120 N. Meridian St., Indianapolis, Ind. 46204.

• **What To Do About Fuel Shortage!,** a folder published by Improved Risk Mutuals, points out that curtailed fuel supplies can cause major problems such as disrupted production, frozen pipes and tanks, costly water damage and impaired fire protection. Suggestions are given for precautionary steps, including what to do during heating emergencies. For a free copy write to Advertising Dept., Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601.

• **An Implementation Guide to the Occupational Safety and Health Act** has been produced by Risk Treatment Services Co. Inc., 3200 Wilshire Blvd., Los Angeles Ca. 90010. The booklet which can serve as a working guide for meeting OSHA requirements, discusses safety policy, procedures, factors reducing fines, employer's duties and the employe's rights and duties, as well as record-keeping. For your free copy write the company.

• Equity Funding Corporation of America has prepared a three brochure package describing a new series of **Pension and Profit-Sharing Programs, Tax-Sheltered Investment Annuity Programs and Keogh (HRIO) Programs.** Each of these retirement plans incorporates the company's leverage concept, which enables businesses to purchase insurance or annuities and mutual funds in a coordinated program. For copies, contact Henry Gold, Equity Funding Corp. of America, 1900 Ave. of the Stars, Los Angeles, Ca. 90067.

• The Atlantic Cos. have made available to *Business Insurance* readers a comprehensive booklet on **Meeting Occupational Safety and Health Act Regulations,** featuring sections on industrial hygiene, machine operations, medical facilities, personal protection and plant design and maintenance. For your free copy write John Shonemen, Senior vp, The Atlantic Cos., 45 Wall St., New York, N.Y. 10005.

• Got a noise problem? I said . . . Got a noise problem? The Du Pont Co. is offering a booklet called **Du Pont Noise Management Services,** which describes the company's service designed to engineer away industrial noise. For a free copy, write J. Blake Partain, Du Pont Co., Wilmington, De. 19898

• **We Manufacture Light Premiums For . . . ,** a folder available from Commerce & Industry Insurance Co., is directed toward light manufacturers who have, over the years, installed various safety devices and are finding now that they do not meet current insurance company requirements. The material discusses improvements that are necessary and alternate improvements that might not be as expensive. For free copies write, James Burgess, Commerce & Industry Ins. Co., 125 Maiden Lane, New York, N.Y. 10038.

• Fireman's Fund American Life Insurance Co. explains its group insurance package for groups of two or more employes. Benefits available include group term life, basic plan major medical and income protection coverage. You can get a copy of **National Employers Group Insurance Trust** by writing Thomas W. Cook Jr., Fireman's Fund American Life Insurance Co., P.O. Box 1280, Nashville, Tn., 37202.

International Issue

The 1973 International Issue of *Business Insurance*, to be published March 12, will include a special Info for Buyers section. Companies are welcome to submit items for the special section, specifying the literature's title, name of the individual to whom requests should be addressed, company's address and any necessary price information. Please enclose a sample of the literature, addressing all items to Info for Buyers, Business Insurance, 740 Rush St., Chicago, Il. 60611. We will not include any items submitted after Feb. 26.

• **Dataquest,** a brochure from Hewitt Associates, describes the company's "hotline" information service for quick and accurate answers to employe benefit and compensation questions. For free copies write Al Schlachtmeyer, Hewitt, 102 Wilmot Rd., Deerfield, Il. 60015.

• **The Insurance Agents' Action Guide to Catastrophes** provides guidelines for agents in catastrophic situations and outlines procedures for speeding client service and getting claims paid quickly and fairly. The free booklet also lists disaster facilities and procedures available through the insurance industry. Write Management Services, General Adjustment Bureau, 123 William St., New York, N.Y. 10038

• **How to Buy Insurance for a Corporation,** a 13-part series authored by *Business Insurance* contributing editor Bion Francis,

is now available in booklet form. The booklet discusses the problems to be expected when buying insurance, and offers practical solutions for solving them. Single copies are $3.50 or $3.25 for orders of 11 or more. They may be obtained by sending a check or money order to Bookshelf, Crain Communication, 740 Rush St., Chicago, Il. 60611.

• **BABACO: The First Name in Motor Cargo Protection** is a booklet produced by Babaco Alarm Systems Inc. The brochure describes alarm systems designed to combat thefts and hijackings of trucks, tractors, and trailers. For your free copy write the company at 1775 Broadway, New York, N.Y. 10019.

• **A New Way to Stretch Dollars Under Profit Sharing and Thrift Plans** has been made available without charge to *B.I.* readers from Johnson & Higgins. The bulletin may be obtained by writing Production and Coordination Dept., Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

• **OSHA Compliance Coverage,** available from J. W. Torre and Co., describes the company's new coverage. The policy provides coverage for increased costs which insured becomes obligated to pay for the abatement of a violation of occupational safety and health standards pursuant to section six of the OSHA act providing a citation has been issued. A free copy can be obtained by writing the company, 3540 Wilshire Blvd., Los Angeles, Ca. 90010.

• Alexander & Alexander has issued **A Commentary on the Industry Experience Guide for Nuclear Property Insurance.** The brochure is a technical analysis of the recently introduced experience guide, what the guide is designed to achieve and how it performs under various hypothetical premium and loss conditions. The brochure also includes A&A's recommendations for changes to make the guide even more effective. For a free copy write R. Scott Taylor, A&A, 1185 Avenue of the Americas, New York, N.Y. 10036.

• **Toward Effective and Equitable Pollution Control Regulation,** a research report published by the American Management Association, reveals that pollution control measures are causing U.S. industrial firms serious image and cost problems. The report is based on information furnished the AMA by 262 industrial firms. In addition to discussing the difficulties and problems industry is experiencing, the report also lists specific pollution control techniques currently employed. Copies are $5.00 for AMA members and $7.50 for non-members. Address orders to the association, 135 W. 50th St., New York, N. Y. 10020.

• The American Society for Industrial Security has published a **Directory of Technical Services and Consultants,** a handbook containing a state by state listing of those offering scientific law enforcement and investigative services. Copies are free to members, $1 for additional copies and to non-members, by writing ASIS, 2000 K St., N.W., Suite 651, Washington, D.C. 20006.

• **The Process of Recovery: Patterns in Industrial Back Injury,** an initial report of a research project conducted by Teknekron Inc. and published in Industrial Medicine & Surgery Journal is now available as a reprint for $2.50. The four-part booklet contains information on costs and other quantitative measures, predicting outcomes from early case data and mapping the health care process. To obtain the reprint write to Medical Publications For Industry Inc., reprint division, P. O. Box 7151, Ft. Lauderdale, Fl. 33304.

• **Everything You Always Wanted to Know About Insurance,* *But Since You're a Woman No One Bothered to Tell You,** an illustrated booklet designed to inform women about insurance, has been made available by Insurance Co. of North America. The booklet discusses such topics as workmen's compensation, no-fault insurance and deductibles. Copies of the illustrated booklet may be obtained free of charge by writing to: "Insurance for Women," INA Consumer Answer Service, 1600 Arch St., Philadelphia, Pa. 19101.

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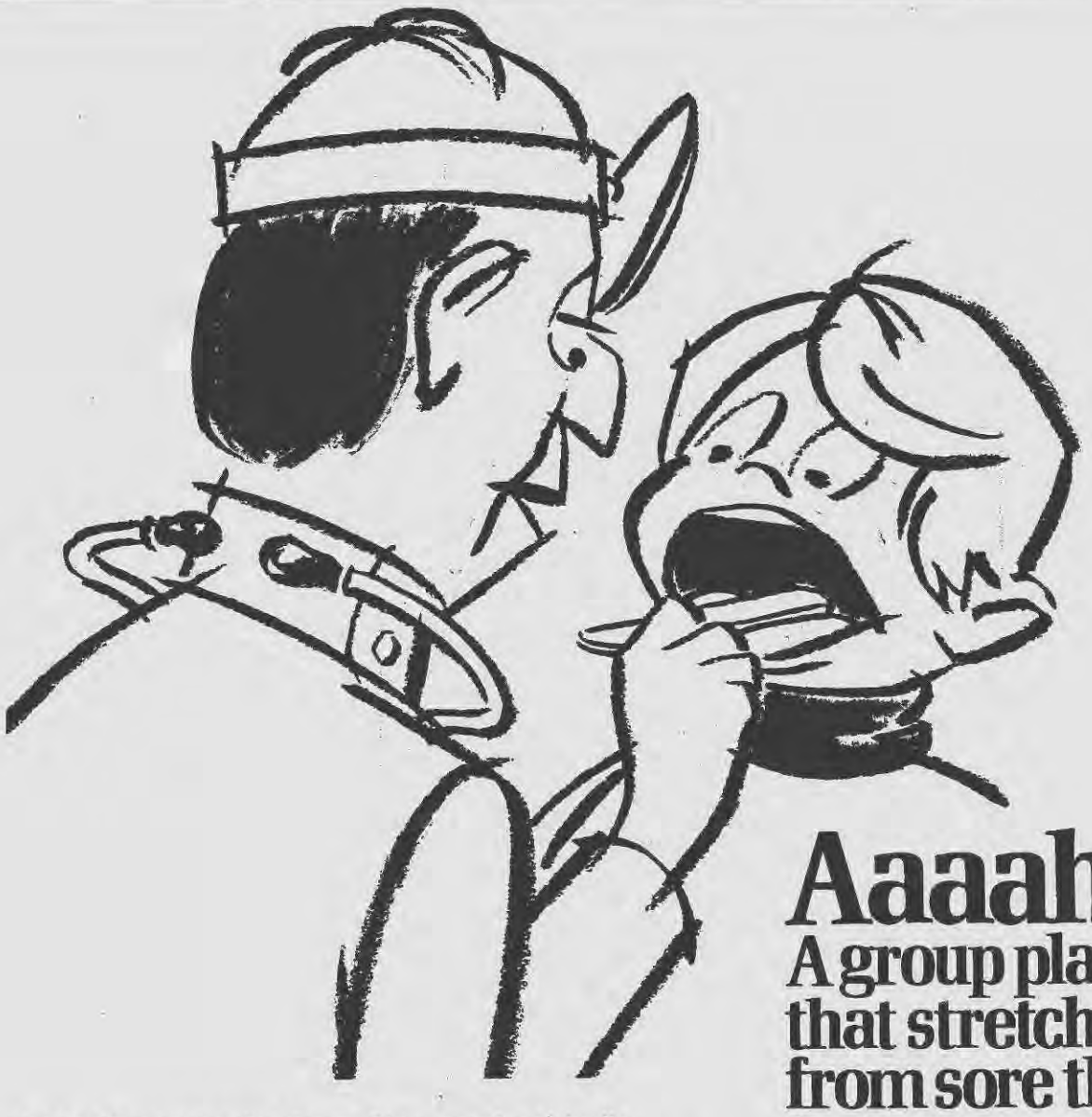

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ASIM risk management conference could draw 2,500 to Atlanta in April

LOS ANGELES—The volume of registrations being received by the American Society of Insurance Management for its 11th annual risk management conference seems to indicate that the April 8-13 Atlanta get-together will be the largest ever.

"Registrations are way ahead of last year," Ralph E. Gentry, ASIM's conference chairman said. "We're expecting a final attendance of 1,500 to 1,700 members. Add these figures to the wives who will be accompanying members, plus representatives from industry, and the total could easily reach 2,500."

Mr. Gentry, who is the insurance manager for Times-Mirror Co., Los Angeles, describes the Atlanta meeting as a combined industry forum and educational conference.

"We've organized it along the lines of successful conferences of the past," he said, "but, this year, we've added another dimension —the forum concept—to give corporate insurance buyers and members of industry a chance to air their complaints and point up possible courses of remedial action. It will be a well-balanced educational conference, with each general session followed by split sessions of special interest subjects. Persons attending can select the session they want from a smorgasboard of 22 industry sessions and 22 mini-seminars."

Employe benefit presentations and discussions will be held on Monday and Tuesday, April 9-10. The final three days of the conference will be dedicated to property and casualty subjects and open forum discussions.

The benefits program will open with sessions on employe communications and the job of the employe benefits director and will be followed by a luncheon presentation, "Top Management's View," by Charles H. Frost, vp USLIFE Corp., and Prof. E. J. Leverett of the University of Georgia's department of risk management and insurance. Monday afternoon split sessions will examine current trends in pension planning and funding, the outlook for fringe benefits in upcoming labor contract negotiations, group insurance claim control, and health maintenance organization and multi-phasing screening.

Tuesday morning, panels of experts will discuss government influence on employe benefits and new developments in the fringe area, with a special focus on total finance planning, company car leasing and other do-it-yourself schemes. Another series of four split sessions are scheduled for Tuesday afternoon.

Being conducted concurrently with Monday and Tuesday's employe benefit sessions are 22 industry sessions in which audiences are encouraged to take part in give-and-take dialogues related to problems affecting a particular industry ranging from professional sports to non-profit religious organizations. Other sessions will examine practices in banking, construction, food processing, publishing, retailing, textiles, trucking, vending and managing insurance for universities. Participants in the industry sessions must register for them in advance through ASIM's New York headquarters. Attendance for some sessions may be limited.

The property and casualty segment of the conference will open Wednesday morning with a general session and forum discussing government as it affects the risk manager. Federal and state government officials will highlight recent legislation and regulations, and Rollyn D. Storey, risk manager of the SCM Corp., will provide reactions. The Wednesday luncheon schedule calls for the appearance of a nationally-known speaker, possibly a ranking officer in the Presidential cabinet, but, to date, none has been named. Wednesday afternoon split sessions will concentrate on no-fault auto insurance, the Occupational Safety and Health Administration, workmen's compensation and mass merchandising.

THURSDAY'S property and casualty forum will focus on the current and future status of risk managers' market place, with answers to audience questions being provided by W. B. Christensen, vice-chairman of Allstate Insurance Co.; Frank Raab, exec. vp, INA Corp. and Cliff C. Jones, chairman of R. B. Jones Corp. Afternoon sessions will discuss new revisions in the comprehensive general liability policy, property conversion, ocean marine hull and cargo coverage, handling of property and casualty claims and a film on Lloyd's of London.

This year, 22 mini-seminars will run concurrently with the afternoon sessions Wednesday and Thursday. The mini-seminars will be limited in attendance due to limited seating capacities, and each registrant, when he receives a receipt for his registration, will receive a listing of the seminars to be held. Selections should be made and forwarded to the conference organizers and reservations will be made based on availability. Some of the topics to be discussed include electronic data processing, offshore captives, decision making in risk management strategy and 19 others.

The concluding session on Friday morning will consist of a no-holds-barred forum on the future of risk management and the insurance industry. A risk management educator, brokerage account executive, insurance company underwriter and risk manager will present and discuss their views.

The conference will unofficially conclude with an extra-curricular jaunt to Mexico, departing Atlanta Saturday with those interested in soaking up some south-of-the-border sun and good times as well as information on Mexican subsidiaries and brokers. The tour will depart Acapulco Saturday, April 21. Further information about the tour can be obtained from ASIM's headquarters in New York. ■

Northwestern National

Northwestern National Insurance Co., Milwaukee, has announced the formation of Northwestern National Lloyd's Insurance Co. which has been chartered in Texas to write fire and allied lines insurance. The Dallas-based company was organized by 10 insurance underwriters associated with the Northwestern National Group or its affiliates. The new firm will operate only in Texas and has no connection with Lloyd's of London.

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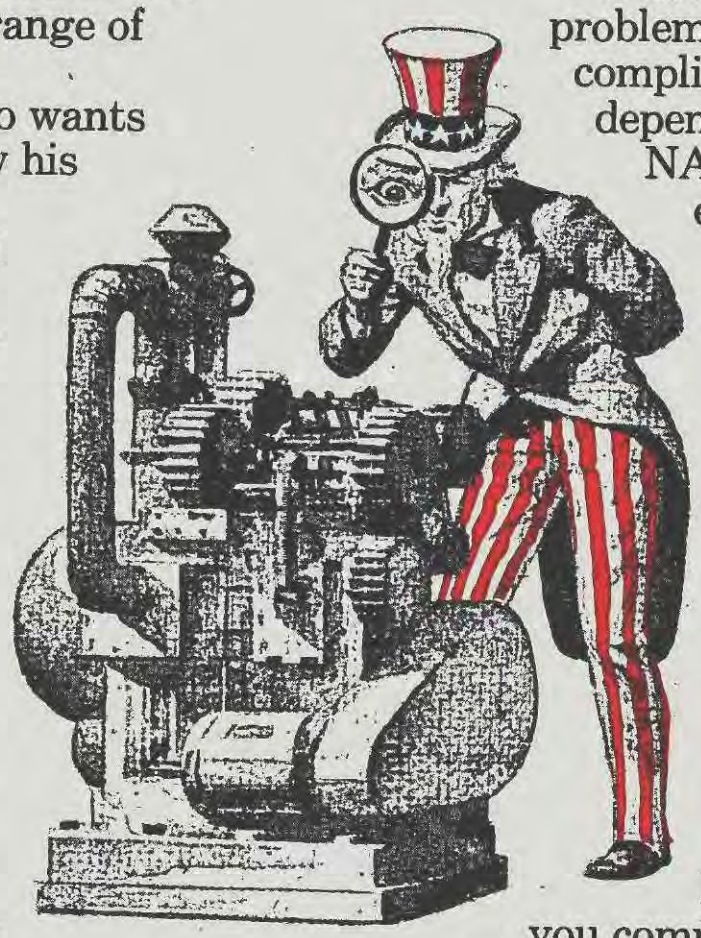
Another important NATLSCO program is the *OSHA Status Survey.* It is designed to aid employers who want to conduct their own, point by point, detailed analysis. With this survey, NATLSCO provides initial guidance that can help you make certain that your compliance efforts will be as thorough, complete, and reliable as possible.

Finally, because OSHA compliance is not a one-time proposition, there is the *NATLSCO Follow Up Service.* This is an on-going program for businessmen who want continuing guidance and assistance in meeting the OSHA standards.



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Javits urges growth of profit-sharing and employe stock ownership plans

NEW YORK—Sen. Jacob K. Javits (R.-N.Y.), speaking to a group of attorneys here, has urged that labor unions and management collectively stimulate the growth of profit-sharing and employe stock ownership plans.

Citing the pessimistic conclusions drawn by a Department of Health, Education and Welfare task force on the subject of employe discontent, Sen. Javits emphasized, "There has been a noticeable erosion of worker motivation in this country and this development must be confronted and dealt with now—especially since it is the kind of problem which can be twisted easily into myth and folklore, leading to overreaction and improvident remedies.

"There are many jobs which can and should be redesigned along more flexible lines" he told the tax section of the New York State Bar Assn. "Workers' health can be better addressed and, compared with European countries, our nation is far behind in the matter of continuing education and training. We must all recognize that improving worker morale is not just a matter of turning up the Muzak and fattening the paycheck."

THE SENIOR senator from New York pointed out that linking employe profit-sharing and stock ownership plans with responsibility-sharing was a good way of getting employes involved in the company, but that profit-sharing plans had far outdistanced stock plans in terms of popularity. "While the growth of profit-sharing plans has, in general, paralleled that of pension plans, the growth of stock plans has been very insignificant, and this may be because company failures have discredited the idea and caused it to be dropped in many quarters."

He felt that worker incentives were a very important piece in the work redesigning puzzle and listed some of the alternatives available for stimulating the expansion of such incentive programs.

The first alternative was a compulsory profit-sharing or employe stock ownership plan which would bring about a universal system in a fairly uniform way. However, he added that a compulsory governmental program would obliterate the much desired link between the employer and the employe. It would also be difficult for smaller firms to participate.

Tax incentives were also considered by the senator. He said that the employer's deduction limit should be raised above the 15% of compensation paid level and that a system of employe tax relief should be instituted.

"IT WOULD seem that a greater advantage would be derived by making the employe contribution tax exempt, rather than a tax deduction, since a large segment of workers use the standard exemption. I would also urge that consideration be given to some type of deduction or offset against the employe's social security tax contribution, an approach which can be justified by the additional personal security which can be derived from property ownership," he commented. This second point was in reference to stock ownership plans.

Sen. Javits stressed collective bargaining as a tool to be used in gaining acceptance for the plans. He noted that unions had been somewhat hostile toward such programs for three reasons—they felt that stimulating greater productivity could lead to the loss of jobs; employers may offer the programs rather than wage increases; and the plans could make the worker-management relationship too close.

He said that evidence pointed to the fact that, on the first concern, companies with profit-sharing plans usually enlarged, creating more jobs rather than eliminating them. The second union worry was countered by the senator when he stated that offering profit-sharing or stock ownership plans in lieu of wage increases was counter-productive.

"Finally," he continued, "I doubt that expanded stock ownership among workers would lead unnecessarily to subordinate their interests to management. Rather, the areas of mutual concern would be enlarged. In any event, where trade unions secure profit-sharing and stock ownership plans for their members, the unions can demonstrate that they are obtaining these advantages for their members."

THE FINAL alternative he discussed was the "Kelso proposal," a capital ownership program designed by Louis O. Kelso, an author and attorney.

"Although the concept proposed by Kelso is complex and has many ramifications," Sen. Javits said, "in essence he proposes that corporations transfer stock to an employe's trust, paid for by a loan to the trust from an outside lender. The corporation is thus provided with capital and the trust in turn pays off the debt with contributions from the corporation on behalf of the employe participants."

He granted that the Kelso proposal had drawbacks but felt that it should be studied further.

The senator felt that greater capital sharing by workers would give employes more social and economic independence while, at the same time, it would more evenly distribute the nation's wealth and help to break up concentrations of political and economic power.

He concluded by asking his audience some pointed questions.

"We need to know what tax limitations should be placed on employe and employer contributions. We need to know whether there is special need for encouraging industry-wide or multi-employer profit-sharing or stock ownership. If the funds are collectively bargained, should the control and administration over these funds be handled differently?" he asked.

"What arrangements should be made for the disposition of an employe's interest when he changes jobs?" he added. "Should these funds have complete freedom to dispose of the former employe's shares?" ■

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Unemployment comp

Wisconsin state unemployment compensation exceeded $94 million in 1972, according to the state department of industry, labor and human relations. The 1972 payments were about $10 million less than the 1971 total.

Risk management turns limousine firm around

NEWARK, N.J.—Joseph DeAngelis, vp of Airport Limousine Service Inc., has been reflecting on his company's future. He noted the growth of this metropolitan area, where the firm is headquartered, and the expected development of still more real estate in the region had crossed his mind.

When he returned to the present, he commented, "We expect to be operating a fleet of 300 vehicles by 1975. Two years ago we could not have looked ahead so positively, but we can now. We've been given a lesson in the concept of risk management and that's one lesson we won't forget."

The risk management teacher, in this case, was Morton Schacher, president of M. Schacher Ltd., a brokerage and insurance consulting firm in Jamaica, N.Y. Experience, however, had dictated that the lesson be taught.

"While our experience was consistent with other fleet owners in this area—the most densely populated in the country—that was little comfort to us," he explained. "We had to do something immediately. Our insurance costs were getting out of control."

"OUR PREMIUM costs were jumping annually and they were reaching the point where they might have endangered the company," added Anthony Norcia, the 110-vehicle limousine outfit's general manager.

The company, which employs 125 drivers and operates out of Newark Airport in New Jersey and New York's J.F.K. International and LaGuardia airports, had suffered through a bad year on the road in 1970. With more than 200 accidents that year, the firm's insurane carrier had indicated that it was most unhappy with the situation. Unhappy enough, it turned out, to slap a 100% retrospective penalty on the limousine service's premium for 1971.

In other words, Airport Limousine Service's (ALS) premium costs were on the verge of doubling.

"Our broker at the time just didn't have the expertise needed to do an adequate job for us," Mr. Norcia told *Business Insurance*. "Schacher has a staff that's well-schooled in the transportation area and they were aware of the kinds of the problems we faced."

Mr. Schacher's first problem, after evaluating ALS and formulating a program for the company which would cut premium costs but still provide adequate protection, was fighting the retrospective penalty.

His argument with the carrier was successful and the penalty was reduced.

A five-point program, designed to improve the company's on-the-road safety record, was then instituted:

- A driver education program, stressing safety, was begun. Both drivers and maintenance crews were taught the techniques of reducing accidents and the drivers were briefed on equipment maintenance.
- A safety incentive program, with savings bonds valued up to $100 as the premiums, was established (the $100 bond would go to any driver with four consecutive years with no accidents).
- A safety committee—comprised of two drivers, a dispatcher, a maintenance man, an insurance company representative and Mr. Norcia—was formed to analyze and establish the cause of each accident.
- The company made its hiring standards more stringent, a move which has upgraded overall driver performance.
- Mr. Norcia was named program director in a move designed to ensure the firm's commitment to the plan.

THEN MR. SCHACHER set about revamping the company's insurance program, moving the coverage from the old insurer to Royal Insurance Co., with a particular eye on the retrospective provision that had caused ALS so much trouble. He did not, however, do away with it completely.

"Fleet companies that do not have retro provisions can be making a mistake," he pointed out, "because a properly constructed retro program would limit the retro charge in a bad year and call for a substantial premium refund in a good year. It can also provide for averaging of premiums to offset possible bad years."

With this in mind, the retro maximum penalty for a bad year's experience was dropped from 100% to 25% of the prior year's premium and the retro limit on claims for an one occurence was lowered to $20,000 from $50,000, Mr. Schacher said.

Another of Mr. Schacher's changes in the firm's coverage was the exclusion from the retro of direct physical damage to ALS-owned vehicles.

Airport Limousine is covered by a comprehensive automobile liability policy with bodily injury limits of $250,000/500,000 and a property damage limit of $50,000. The company also has a $2 million umbrella policy written by Fireman's Fund Insurance Co.

Mr. Norcia noted that the entire program was working well. Stating that he was pleased with the results of the past two years (driver performance has improved over 50%), he added, "We are now in the third year of the retro program and we're delighted. We received a sizable refund for 1972." ■

Control of losses is nothing new

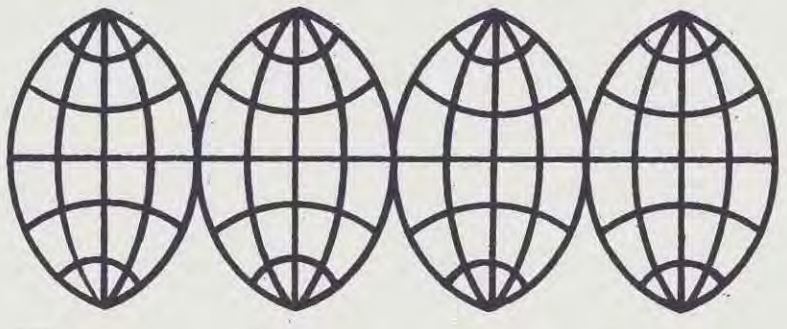
DETROIT—Control of losses has long been a corporate insurance manager's biggest problem. And for Philip G. Spotts, new corporate insurance and safety manager, Allied Supermarkets Inc., it is still the biggest problem.

Mr. Spotts manages all insurance plans, including employe benefits, for the Detroit-based supermarket chain which stretches into 25 states with 300 stores and annual sales of $1 billion.

"Slips and falls of customers" and "work comp losses in stores" are two of Mr. Spotts' biggest loss problems. He also added, "Security of buildings could be a problem." OSHA has not been a big problem yet, Mr. Spotts said, but "we're gearing up for it."

Mr. Spotts worked as insurance manager and consultant for a banking company before filling the "five- or six-year-old" position at Allied recently. ■

1 of 50



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San Francisco may require sprinklers in high-rises; one building does better

SAN FRANCISCO—This city's fire chief, Keith Calden, will ask the city board of supervisors to adopt legislation to make the installation of automatic sprinkler systems mandatory in all new high-rise buildings. The legislation would apply to every new building of more than seven floors and will be ready for the board's consideration early in 1973.

Deputy fire chief Joseph Daly said the mandatory sprinkler system proposal was not prompted by the recent high-rise fires in New Orleans and Atlanta, in which at least 13 people were killed.

The fire department here has been working on plans designed to reduce high-rise fires for nearly a year, and a "battle plan" has been prepared for nearly every major building in the city.

Current San Francisco building codes do not require automatic sprinkler systems. However, at least five major high-rise structures now under construction will have such sprinkler systems, coupled with two-hour fire resistant walls, rather than just a four-hour wall alone.

"SPRINKLER systems," Mr. Daly contends, "have inherent advantages over other methods of containing fire or smoke or systems to evacuate building tenants. The biggest advantage is that the automatic sprinklers simply put out the fire."

Announcement of plans for the mandatory requirement coincided with the unveiling of the new 48 story Transamerica Pyramid's totally integrated safety system.

The system was described by San Francisco fire and safety officials as "a prototype of building safety programs of the future."

Corporate headquarters of Transamerica have moved into the $48 million building and the old Transamerica Building will be occupied by sales and service offices of Occidental Life Insurance, a subsidiary of Transamerica Corp.

Units of Occidental Life personnel and the headquarters of Transamerica Title Insurance Co. and Transamerica Computer Co. also have moved into the Pyramid and others will follow as various floors are completed.

AS THE NEW "life safety system" was unveiled, the Human Concern Award of the Western Insurance Information Service (WIIS) was presented to Transamerica vp William E. Butts.

George E. Thomas, vp of Industrial Indemnity Co. and chairman of the WIIS Northern California steering committee, cited Transamerica for "the extensive and innovative safety features" of the new high-rise office building.

"This represents a system," Mr. Thomas said, "which goes well beyond any previously installed anywhere." The award, instituted in 1971, is presented yearly to "those persons, groups or projects making an outstanding contribution to the protection of life or property."

"WHAT'S NEW here," Mr. Butts said, in accepting the award, "is a total package, which would not have been possible without the full cooperation of city officials."

The "heart" of the system is a communications command and control center deep in an underground area three floors below street level, which will be manned 24 hours a day.

FROM THIS center, building engineers monitor and control all mechanical operations. It is from the control center that the engineers communicate with staff and tenants above, as well as with firemen on the street in the event of a fire.

Mr. Butts, who supervised construction of the new pyramid (built by Dinwiddie Construction Co., with William L. Pereira & Associates, Los Angeles, as the architects), pointed out that many of the features of the system, such as the sprinklers, alarms and controls, were designed specifically for the building.

Safety innovations include diesel driven pumps to provide water pressure in the event of a power failure; a back-up water supply; sprinkler heads that indicate condition and location of any blaze to both the control center and fire department headquarters; and well as pivoted windows that can be opened to vent smoke.

IN ADDITION, the structure has a complete fire stop between floors; elevators with an override control useable by firemen; a system to prevent smoke being blown through air conditioning ducts; and a separate diesel-run electric power system to provide emergency light and power to exits and elevators.

Mr. Butts pointed out that Transamerica became interested in fire prevention and control features for the pyramid after two fires in New York in late 1970. Those fires, at Chase Manhattan Plaza and at 919 Third Ave., killed five people, injured more than 50 and caused more than $13 million in structural damage.

Much of the New York fire loss was covered by insurance, as will be true of the pyramid. The extra safety features built into the pyramid added about one percent of the total construction cost, or approximately $340,000. "Our major concern," explained Herbert L. Cunningham, corporate risk manager for Transamerica, "was for human lives."

"We wanted a high-rise office building," Mr. Cunningham added, "that would be the safest possible place for tenants and visitors alike. We think the pyramid provides that kind of safety."

Continued on following page

ANNOUNCING . . .

THE RE-LOCATION
OF
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High-rise...

Continued from preceding page

In addition, however, the benefits have been immediate and tangible.

The new building is fully insured, with Factory Insurance Assn., a stock company carrying the policy at a premium rate which reflects a 40% savings. This savings is against the premium cost for a comparable structure without a similar life safety system.

SAN FRANCISCO, which has had a literal rush to high-rise construction in the last two or three years, has become very conscious of the dangers of fire and/or earthquake in such structures and the new pyramid is expected to provide stimulus for stricter codes.

In the event of a fire in the structure, the fire chief in the street will be in full charge and in direct radio communication with his first man inside on the plaza level.

This fireman, in turn, will be in direct telephone communication with the firemen in charge on the floor where the fire may have started and with the building engineers in the building's control center.

The engineer can start or stop fans and over-ride elevators as necessary and maintain communication with all public areas such as hallways, lobbies and stairwells.

TENANTS or visitors, in the event of fire, can talk directly to the control center from their floor and can be directed to safe areas.

The telephone system is independent for each floor. In the event of disruption of wires to one floor, firemen need only plug into the system on the nearest adjacent floor. ■

Large pensions draining fund, study group warns

HARRISBURG, PA.—A private study group has warned that "extraordinarily generous" pensions for judges, legislators and top executives are draining the state retirement fund.

The report was written by the non-profit Pennsylvania Economy League for the Commonwealth Compensation Commission. The league urged the commission to devise an entirely new state retirement system and freeze all pensions at their current levels until the revisions can take effect.

The commission is a five-member agency created last year to recommend salary and retirement levels for top officials in all three branches of state government.

"Pennsylvania, by combination of relatively liberal normal or early retirement eligibility requirements and a liberal benefit formula, provides for its state officials, at unusually early ages, extraordinarily generous retirement benefits," the report said.

THE LEAGUE noted that benefits in Pennsylvania were higher than 12 other states and many private plans. "In numerous instances, pensions are well in excess of reasonable post-retirement living costs and often in excess of pre-retirement salaries," the report said.

The league said that while the state retirement system was intended to be fully funded at any given time, "in fact it has degenerated into a growing deficit position."

It blamed the deficit on actuarial decisions, inadequate funding for new liberalized provisions and the failure of the state to pay its debt to the retirement fund. The state contributed an average of $51.4 million a year since 1967—although the actuarial requests were $70.9 million in 1968, $68.6 million in 1969 and $85.3 million in 1970.

The league report said the commission will have difficulty in revamping the retirement system because the state has a contract with those who are already receiving benefits.

IT SAID THE commission could avoid any legal impediment "by simply continuing its freeze on present pension recipients and offering a non-optional plan for all who retire in the future." The league said a ceiling also could be clamped on benefits, and retirement ages could be increased to uniform levels.

The report said the fund deficit could be cured by increasing employe contributions, increasing state contributions or cutting back on benefits and eligibility requirements.

"The possible actions just discussed for the correction of the problems of the state retirement system should be considered as interrelated and not necessarily to be examined or undertaken individually or independently," the report said.

"The opportunity with which the commission is presented to undertake planning and developing of far-reaching changes in Pennsylvania's state retirement system is one of rare significance," the league said. "The objectives are extremely important in a time of escalating personnel costs, and the time and effort required will be considerable and well-justified." ■

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Suits from air disaster

Two more suits totaling $6 million have been filed in New York superior court on behalf of victims of the Eastern Airlines Tri-Star crash in Florida's Everglades Dec. 29, 1972. The two suits bring the total amount of claims filed since the crash to $75 million.

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editorial opinions

Job enrichment

THE MAJOR EMPLOYE benefit disputes of the not-too-distant future may not involve life or health or dental insurance, pension plan handling or extended vacations, but instead, a fringe area which, although nebulous, is becoming more vital every day: Job enrichment *(story, p. 6)*.

The phrase was popularized by members of the United Auto Workers in their series of "mini-strikes" against small General Motors' plants, but it means simply that many workers are fed up with dull, rote jobs and the nine-to-five time-clock rut. Workers' frustrations and feelings of meaninglessness, studies have shown, cannot simply be bought off with dollars and cents either through improved wages or tangible benefits like insurance and/or pension improvements. What is needed is innovative, concrete action on the part of employers to make their employes believe they are considered by management to be thinking, feeling human beings.

Reduced productivity, poor work quality, rising absenteeism, high turnover rates, increased frequency of strikes and even sabotage are all direct symptoms of worker discontent. The cost to employers is staggering enough to lead us to believe that measures must be adopted soon to assure the occupational mental health of individuals whose physical labors keep the American economy solvent.

Too many employers, we fear, feel they pay their workers a fair wage, and, if they don't like their work, they can damn well quit and go somewhere else. The problem, though, is that worker boredom and discontent are prevalent everywhere and can only be attacked by broad, sweeping changes of attitude on the part of both workers and employers.

Corporations which have invested money, time and effort in experiments to find ways to transform mass production from a dull, mechanical process into an experience which is satisfying both to employer and employe are to be commended. Much more time, effort and cash need to be channeled into this area of study, but those who have begun the search early are those who will reap the benefits of a contented work force.

How much?

A LETTER FROM a reader that came across our desk the other day has teased our interest because it poses a question we've heard asked often enough but have yet to hear a definite answer to—if indeed there is such a thing.

R. L. Blue of R. L. Blue & Co. Inc., supervising general agents and insurance managers in Miami, asks, "What salary or income would be expected by a top grade, experienced risk manager for a $1 billion-asset financial institution?"

Frankly, Mr. Blue, we can't really answer that. And as far as we know there is no documented information available, although there have been studies on the subject done from time to time by various management and association groups. And, of course, we've heard the usual rumors about so and so of ABC Corp. moving to the top risk management job at XYZ Corp. for $60,000-plus a year.

It has always been our opinion that a "top grade, experienced" risk manager for a substantial corporation—whether it be a $1 billion-asset financial institution or a $500 million-sales industrial company—is a rather valuable guy to have around. And he should be rewarded accordingly. There are, of course, a number of factors that must be considered—the complexity of his company's risks, the number of persons under his direct supervision, his experience, education and home office location, for instance—but for the most part a top notch risk management executive who's doing a first-class risk management job for his company should have earnings equal or close to that of other key executives in his company. Not to be daring, but we would venture to generalize that this is not now the case with most corporate risk men who are doing first-class jobs for their companies.

And so, Mr. Blue, we really haven't answered your question. Perhaps some of our readers have thoughts on the subject. Jot them down and send them along (you may remain nameless if you wish) and we'll pass them on.

Commi$$ions

A SECURITIES AND Exchange Commission ruling that orders stock exchanges to accept institutional members if they do at least 80% of their business with the public has been described as an "artful compromise" on a hot issue. Sounds more like an artful dodge to us.

In promulgating the 80-20 rule, the SEC has again avoided a more serious issue facing the industry—that of the fixed commission system which has proved so costly to large institutional investors, such as pension and mutual funds. It also jeopardizes the position of one of the more innovative institutional investors heard from recently—the State of Connecticut whose state-owned Nutmeg Securities recently bought a seat on the PBW exchange in a move designed to save brokerage commissions on the state's pension fund and other investments.

Perhaps ironically, the SEC rule may give added impetus to a measure Sen. Harrison Williams (D.-N.J.) plans to introduce in Congress. Sen. Williams would permit institutions to have affiliated stock exchange members but would not allow those affiliates to handle any transactions for the institutions. Stock exchange members, by the same token, would be barred from doing any brokerage business for pension funds, mutual funds or other institutional accounts they manage. But—and this is where the Williams measure would accomplish its real objective—these prohibitions wouldn't take effect as long as brokerage fees are fixed on transactions larger than $100,000 (prevailing rules fix commissions on all transactions under $300,000).

The SEC's sidestep of the real issue will, hopefully, be blocked by legislation along the lines Sen. Williams proposes. Then institutions like pension funds may start doing business with securities firms on a reasonable (commi$$ion) basis that's in the best interest of their beneficaries.

letters

This column is a readers' forum. Letters are welcome. Address Letters to the Editor, Business Insurance, *630 Third Ave., New York, N.Y. 10017.*

OSHA compliance

To the Editor: Your article in the Dec. 4, 1972, issue entitled "OSHA compliance cover is developed by firm" describes what seems to be a tempting way to buy time to meet requirements of the health and safety act.

As one reads beyond the first two paragraphs, he learns that an insured will get the dollars needed to comply with a specific situation only if he suffers a fortuitous event (accident) and then gets himself cited for the alleged deficiency.

This indicates restrictive cover of what is really "after the fact" insurance. The program also requires a deductible and use of a rating structure based on recognized deficiencies.

Any established firm which wants to stay in business in today's climate, will recognize a moral obligation to employes in advance by resorting either to self-audits of qualified outside consultants, hopefully, before the fortuitous event. Costs can then be allocated on a priority basis and improvements documented as made.

This is not only good business but it lends credence to the proposition that concern for people's welfare—namely prevention of loss—is the better alternate to playing Russian roulette and postponing the inevitable.

As the article points out, it is only a matter of time until everyone gets inspected. The whole intent of the act is one of voluntary compliance—not waiting until and if a serious accident first occurs. Further, physical deficiencies are only responsible for a part of the industrial accidents—how does this policy respond to the "unsafe act" that might result in OSHA charges under the general duty clause?

Realistic loss prevention is the thread that holds together any corporate insurance program. Insurance purchased without this concept in mind results in undesired risk taking and in simply exchanging dollars.

Philip W. Metz
Asst. vp, casualty loss control, Johnson & Higgins, Pittsburgh.

The need for sprinklers

To the Editor: I read the article in the Nov. 20, 1972, issue—"Problems of high-rises still to be solved, says loss control analyst"—quoting a so-called "loss control specialist" and I was and am still amazed that the words "automatic sprinklers" were not mentioned once. To me, this discredits the aspect right off.

The "final solution" for high-rise building safety is complete automatic sprinkler protection and proprietary alarm and value supervision. If we only had money!

The day of the fully sprinklered high-rise office building is here now (the Sears Roebuck Building in Chicago, for example). The recent experiences, added to the old in New Orleans and Atlanta should convince us that something other than the "same old lists" as stated in the article is needed and needed now.

Raymond G. Trabulsi
Asst. vp and district manager, Allendale Mutual Insurance Co., Pittsburgh, Pa.

Continued on page 20

business insurance

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letters

Continued from page 18

Position on no-fault

To the Editor: I was quite interested in your recent story of the legislative battle on no-fault in Pennsylvania (*Business Insurance*, Jan. 1). It was an excellent article.

As one who was intimately involved in a similar battle in Michigan, I found your discussion particularly revealing. As you know, we were successful in Michigan getting a comprehensive bill enacted. We avoided many of the tactual errors made in Pennsylvania. We followed a "softer" approach than (Insurance Commissioner Herbert S. Denenberg). Moreover, we were able to keep it on a non-partisan basis even though fierce infighting took place in Michigan.

I am curious about one aspect which was not mentioned in the article. What was the position and role of the insurance industry? Was INA opposing a "true" no-fault bill? I would suspect the industry had some impact.

Again, let me congratulate you for your fine reporting.

Dennis F. Reinmuth
Consultant, League Insurance Group, Detroit, Mi.

Editor's note: The insurance industry split on the no-fault issue in Pennsylvania last year. The Insurance Federation of Pennsylvania, which represented most of the auto insurers in the state, supported the proposal. Differing in varying degrees were the Insurance Co. of North America, Allstate and Nationwide.

Said an INA spokesman: "By the time the Pennsylvania bill made its way through the legislature it was not a 'pure' or 'true' no-fault measure. In this state we were opposed to any bill that set a threshold because we believe it would be held unconstitutional here. We don't believe in leading the public down a garden path on no-fault and then have it shot down on a constitutional basis."

A lost sentence

In the Jan. 29 Letters *column, a sentence was inadvertently dropped in a letter from B. Grimes of Scarsdale, N.Y. The next to the last paragraph should have read: "The one positive contribution Mr. Backman (pro-general average, has to make is to read 'sundry books' which would convince Mr. Moore (anti-general average) of his ignorance. I, again, as a non-insurance reader, could suggest sundry books that Mr. Backman could read that might cause him to seriously doubt the particular political or religious beliefs he may currently hold—so what!"*

Enrichment . . .

Continued from page 6

Donnelly, the company's president, of the plan as used by a company on the driver's delivery route. With the help of behavioral scientists, Donnelly Mirrors established its own version of the Scanlon Plan, and the firm's low productivity, poor quality and other problems slowly disappeared.

TODAY, DONNELLY'S 500 employes work in teams which do their own planning, make their own decisions and rely on their own group intelligence to solve problems. The teams decide how fast the assembly line should be run and when it should be stopped for a break. Team leaders may approve member absences for any reason without front-office justification. Workers even decide how much of a pay raise they will receive under the condition that they devise ways for the company to save enough money to pay for the increases. In 1971, they hiked their wages 5.5%, the two preceding years, 10%.

How is the company surviving such radical management?

"During this period of 20 years, our rate of growth has more than doubled as has our return on investment," John Donnelly is happy to point out. "Our pay is the highest in the community, and we have consistently improved our competitive position by price reductions and improved products."

Donnelly's company is eager to spread its methods of management and, on Feb. 22, is sponsoring a one-day workshop on the "Donnelly-Scanlon Plan" at Aquinas College in Grand Rapids, Mi. Some 400 companies are expected to attend the conference, the first in a series the company is planning in the Michigan area.

Other American firms have similar plans or are conducting their own enrichment experiments. Chrysler Corp. is now testing a "career ladder" concept which outlines for each employe his specific opportunities for rapid ascension up the corporate ladder. Texas Instruments, Polaroid, Questor Corp., General Electric, Corning Glass and many other large and small firms are well into exploring better ways of making workers feel more like humans and less like androids. ■

Gov. defends his pension funds budget

OLYMPIA, WA.—Washington's Gov. Daniel J. Evans said there is need to improve the day-to-day management of pension funds. He claimed there is no reason why management of retirement funds should not be shared without necessarily consolidating the various systems.

The governor took issue with administrators of teachers', law enforcement officers' and fire fighters' pension programs who claim they are being short-changed in the governor's budget requests.

The governor said, "no one is closing the door of any retirement plan and retirees will be paid benefits." He contended the teachers' retirement board "distorted the intent" of both the governor and the legislature in handling the appropriation made to that system at the 1972 special session.

The additional funds were put into investment programs instead of being used to pay off warrants and interest on those warrants that had been issued against the teachers' retirement fund, he said.

GOV. EVANS also pointed out that the law enforcement and fire fighters' pension fund never has been fully funded. He said that when the state took over those pensions from cities, fire districts and counties, about $40 million of unfunded liabilities were on the books.

"Our budget proposals will make it possible to pay current retirement obligations and to make steps toward an improved funding program," he declared.

The state treasurer's reports indicated that none of the retirement funds maintains large cash balances but they do have substantial investments on which they receive earned interest each month. ■

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Motorola keeps insurance premiums down by looking over hospital costs

PHOENIX—Efforts by Motorola Inc. to keep health insurance premiums down for coverage of its 20,000 employes here have forced Samaritan Health Services, the Phoenix area's major health care provider, to abandon a proposed price hike and have indirectly prompted the Arizona attorney general's office to investigate pricing techniques in Arizona hospitals.

When Samaritan announced last November that two of its eight hospitals would hike their room rates by as much as five percent, Motorola responded with a crackerjack team of hospital consultants and employe benefit experts who studied Samaritan's management techniques and concluded in a series of hefty newspaper ads that hospital managers were wasting as much as $5 million per year. Samaritan's officers immediately responded with threats of lawsuits and accusations that Motorola was guilty of "reckless distortion and misuse of facts."

"All our conclusions were drawn from figures supplied from Samaritan," Kenneth Piper, Motorola's vp for human relations told *Business Insurance*. "If the facts are wrong, then perhaps they had better look at their record keeping."

THE HEALTH care experts hired by Motorola to battle the Samaritan increase listed 24 recommendations for trimming waste, including merging of facilities, centralization of laboratories, reductions in non-essential staff members and the elimination of one hospital. The experts also questioned Samaritan's $15 million net profit over four years.

"Motorola provides health care coverage for employes in 20 cities," Mr. Piper said, "and our experience shows that hospital costs are higher in the Phoenix area than any other area of the country in which we have facilities. In 1970, hospital costs in Phoenix were up 71% over the preceeding year, but we had 30% fewer employes."

When these figures came to the attention of the giant corporation's board of directors and its domestic health plan insurer, Washington National Insurance, Mr. Piper was told to "straighten it out." Five health insurers, he said, have either gone broke or refused to write health insurance in the Phoenix area, and the Motorola higher-ups were apparently fearful of what Phoenix' high prices would do to Motorola's national ratings.

"OUR TEAM of experts simply investigated the matter, found there was no justification for the increases, and told the public," Mr. Piper said. "A public hearing was held Dec. 12, 1972, on the matter and it was jammed, and I mean standing-room-only. Twenty groups appeared and expressed their opposition. The public became so aroused, Samaritan could not put the increase into effect."

On Jan. 18, Samaritan's board of trustees voted to withdraw the proposed increase and even chose to adopt some of Motorola's money-saving recommendations.

The old battle is still raging, it seems, while a new one—not involving Motorola directly, but no doubt prompted by the public interest it aroused—is just beginning.

When Samaritan recently announced that it is thinking of adding almost 500 and maybe as high as 600 new hospital beds in the Phoenix area, Motorola was quick to respond with an estimate that Samaritan would have $19 million worth of empty beds on its hands in 1973. Whether Motorola will bring the same pressures to bear against this new Samaritan proposal remains to be seen, but the company has made it clear that its keeping a hawk's eye on the hospital management group.

In the meantime, Samaritan will have to contend with the pryings of the Arizona attorney general's people who recently began investigating hospitals for possible violations of the Consumer Fraud Act. The state is questioning the hospitals' alleged overpricing of pharmaceuticals and other health services. Hearings in Phoenix have been scheduled for Feb. 19 and 20, and observers say the investigation should develop into a "hot issue." ■

Fraudulent claims get man jail term

NEW HAVEN, CT.—A 40-year-old Bridgeport, Ct., man who telephoned companies to complain that their products harmed him and then threatened to sue them for damages, has been sentenced to two years in prison by Judge Jon O. Newman in U.S. district court here.

As part of the conditions of five years of probation that replaced a second two-year suspended sentence, Irving Keiser agreed he would not file any more claims with insurance companies unless they were accompanied by a doctor's certificate explainng his alleged ailment.

Mr. Keiser initially pleaded innocent, only to admit his guilt later. He will be eligible for parole at any time the federal parole board decides.

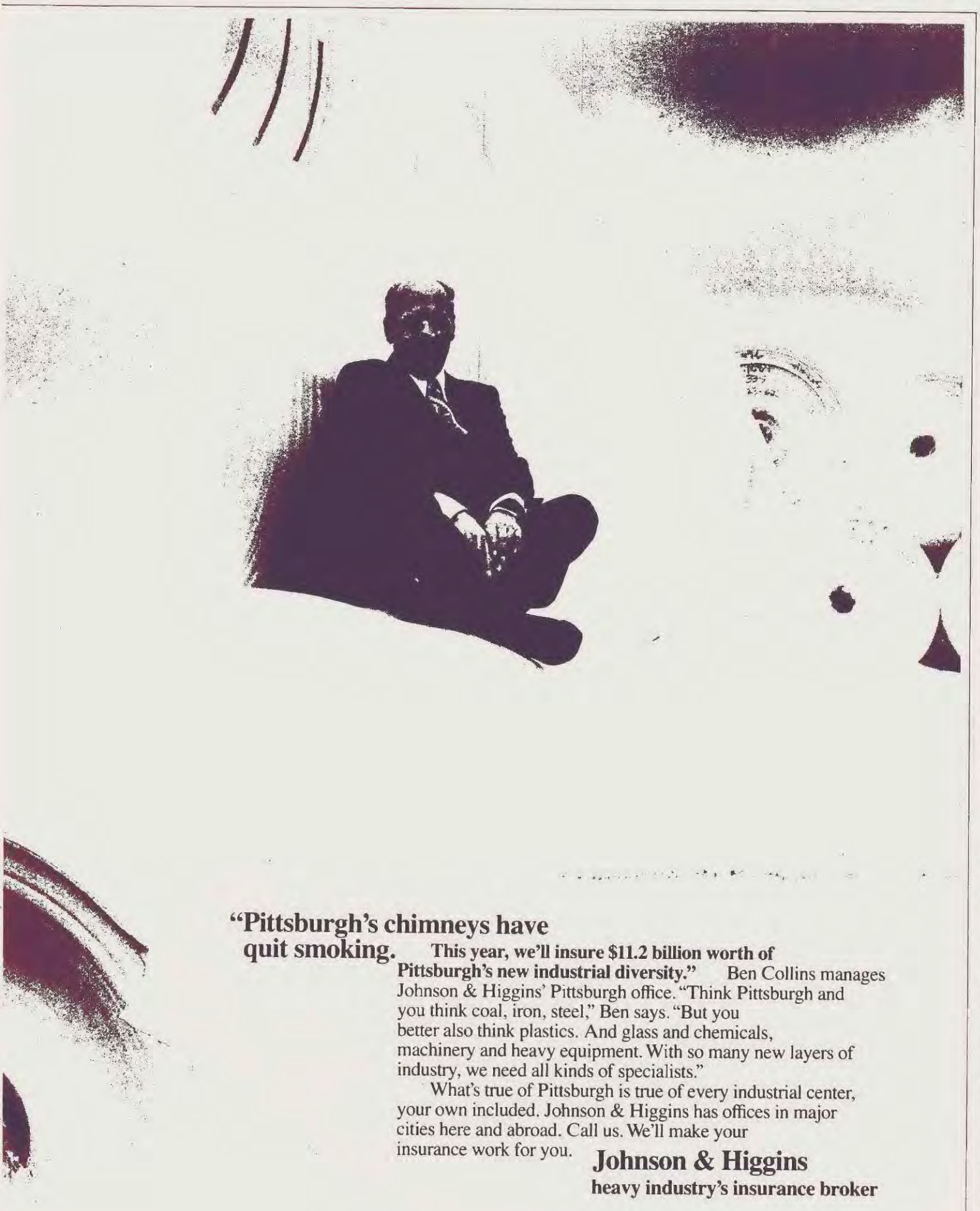
In June, 1971, Mr. Keiser admitted telephoning the Theresa Freedman Co., in Philadelphia, to complain he almost ate a piece of glass found in jelly made by that company. A Freedman officer referred Mr. Keiser to the firm's insurance agency for a claim.

HOWEVER, according to a federal indictment drafted later, Mr. Keiser's claim was entirely fabricated. His eventual conviction was for two counts of "fraud by wire."

Assistant U.S. attorney Peter Clark said there was a record of more than 90 false claims made by Mr. Keiser in the past five years. The prosecutor added that Mr. Keiser had previously received a suspended sentence in state court for a similar fraudulent scheme.

According to Mr. Clark, Mr. Keiser also made claims of choking on toothpicks in restaurants, falling down the steps of a church in San Francisco and suffering from burns from electrical appliances.

In some instances, Mr. Clark said, the companies paid Mr. Keiser's claims rather than fight the suit threat. ■



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Aetna's LifeVestor is a money-saver for employers and their employes

DALLAS—Southwestern Drug Co. officials give Aetna's LifeVestor plan "the good hard sell" to the pharmaceutical firm's 1,050 employes.

The employes, in turn, have responded to "the good hard sell" quite favorably. Ninety percent of them enrolled in the plan in its first 11 months of operation.

C. B. Sample, treasurer of the Dallas-based firm, with annual sales of $80 million, went on to explain why his firm chose LifeVestor. "We just didn't feel like the plan we had—straight term insurance—was adequate for our employes.

"We use it to supplement insurance at retirement," he added. "But, we still have term insurance for our employes."

That is how LifeVestor is used.

The employer establishes a noncontributory group term insurance plan. Employe contributions —at Southwestern they are based on the employe's group term insurance value—are placed in an investment (LifeVestor) account where hopefully they will grow.

EMPLOYE contributions are not used to purchase term insurance. However, each employe's LifeVestor account does have life insurance value. As the value goes up, the amount of term insurance needed for that employe goes down. Aetna officials like to point out that, in the case of a long-service employe, the employer's term insurance cost may disappear entirely before the employe retires.

The plus side of LifeVestor—for the employe—is that at retirement, or when he leaves the company, the employe receives the value of his LifeVestor account.

Depending on the specified provisions of each company's plan, the employe can receive the money in cash—one payment or installment payments; an annuity—fixed or variable; or a paid-up life insurance policy, with no further premiums required.

At Southwestern Drug, Mr. Sample explained, each employe who elects to, pays into his LifeVestor account, $1 per month per $1,000 of his term insurance value. With the plan closing its first year of operation at Southwestern, Mr. Sample said both employes and company officials are "very pleased" with how it has worked—which is "very well."

THE PLAN was first offered to employes of the Dallas firm in February 1972, after the company had "talked to three of four different companies" about some changes it wanted made in its employe benefits package. Mr. Sample said Aetna was an obvious firm to contact about "the changes we were interested in" because Southwestern Drug has had its group term insurance with Aetna since at least 1929.

Mr. Sample explained that after company officials presented their ideas for a new plan to insurance companies, Aetna came back with the best. "We amended and amended" that plan, he said, and LifeVestor was the final product.

Aetna has since expanded LifeVestor from a one-company plan to a nationwide program, now offered in all but a few states, whose insurance departments have yet to approve the LifeVestor plan for sale.

LifeVestor has been actively marketed since July 1972. Since then, five more plans have been put into operation and are collecting premiums. Six others are in the process of being underwritten.

The plan's low administrative costs are something that Mr. Sample said makes it attractive as an employe benefit. It will be a "money-saver in time," he explained, though not until the employes' LifeVestor accounts grow and the start-up costs are out of the way. ■

N.Y. City seeking seat on NYSE

NEW YORK—City finance administrator Richard Lewisohn lost no time in taking advantage of a recent Securities and Exchange Commission order that stock exchanges admit as members any institutions which do 80% public business. The ink had barely dried on the order last month when he submitted a plan to New York Stock Exchange president James Needham designed to launch the city on its way in the brokerage business —through a seat on the NYSE.

Mr. Lewisohn stated his intention to develop with Mr. Needham "the full range of intricate plans on how the city can establish itself within the promulgated regulations of the Securities and Exchange Commission 'public' rules."

One million dollars a year could be saved, Mr. Lewisohn feels, if the city could handle its own municipal pension funds. He said that the city could qualify for eligibility by developing public business 'from scratch' or by acquiring existing firms that already have such business.

THE CITY finance administrator's projections for success are openly optimistic. "If 25% of the city's 30,000 employes make one average size trade a year, we anticipate that $4 million in commissions will be generated," he predicted. (An 'average trade' for a city employe is, by his estimate, $3,000.)

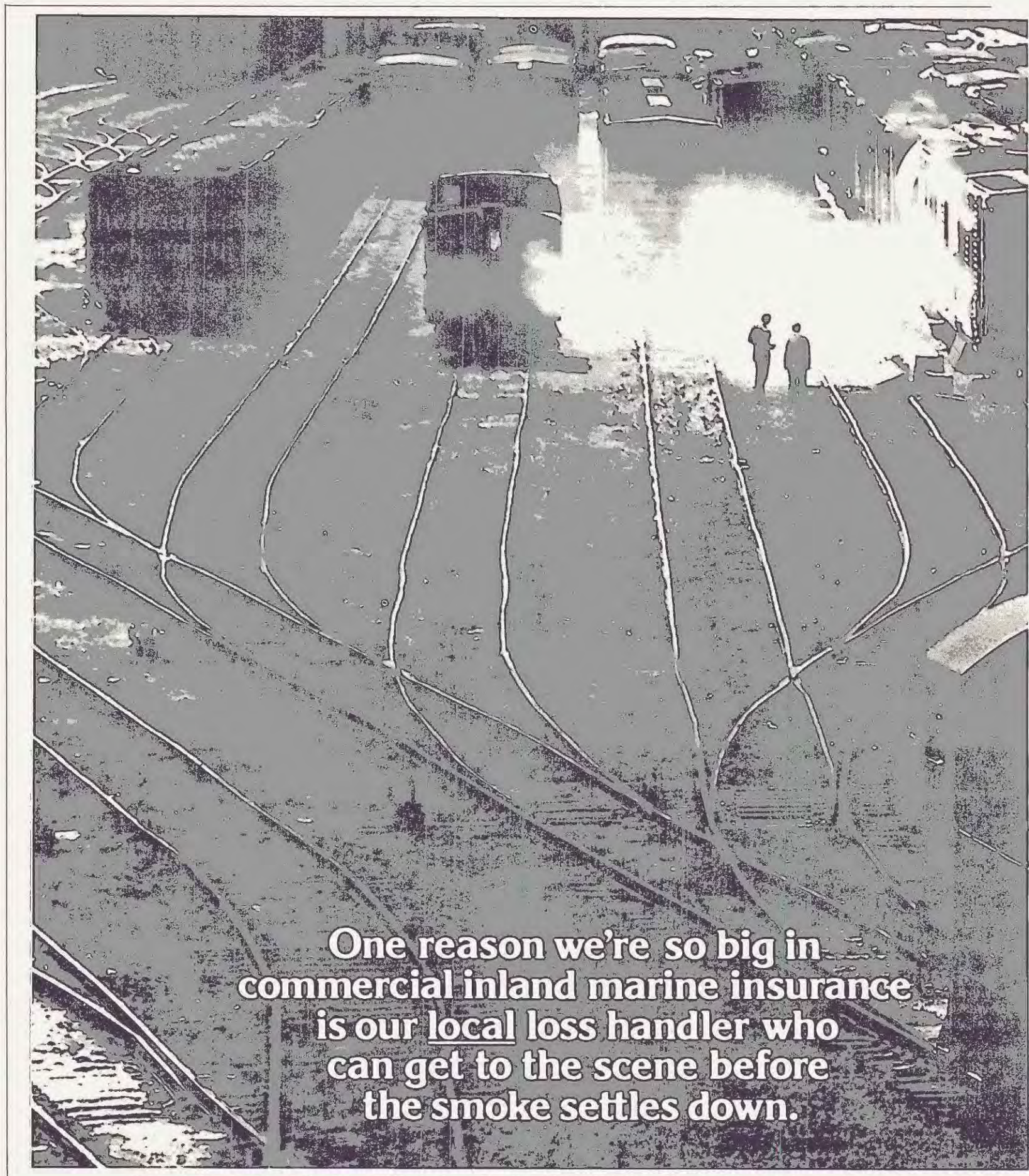
Much like the system used by Connecticut on the PBW Stock Exchange (*Business Insurance*, Nov. 20, 1972), Mr. Lewisohn's plan calls for the set-up of a municipal securities corporation, through which city employes could trade.

Whether they would opt to trade with such a municipal corporation rather than a private brokerage concern has been subject to question, because Mr. Lewisohn's proposed securities corporation would charge full commissions and pay full taxes.

UNDER A current S.E.C. ruling, only transactions in excess of $300,000 can forego 'full' commissions in favor of negotiated rates.

The city council, which had originally proposed a stock exchange seat for the city in order to save brokerage fees, may be somewhat hesitant about the full scope of Mr. Lewisohn's proposal.

One councilman who assured that the council would study the bill commented, "The city has enough trouble trying to run the government, let alone go into private business." ■



Marine Office-Appleton & Cox Corp., 80 Maiden Lane, New York, N.Y. 10038. Other offices in: Atlanta, Baltimore, Boston, Calgary (Alberta), Chicago, Cleveland, Columbus, Corpus Christi, Dallas, Detroit, Glens Falls, Greensboro (N.C.), Houston, Indianapolis, Kansas City (Mo.), Little Rock, Los Angeles, Louisville, Milwaukee, Minneapolis, Montreal, New Orleans, Philadelphia, Pittsburgh, Portland (Ore.), Richmond,

Insurance firms chisel public, attorney claims

LAS VEGAS—Mental damages are often more serious than physical injuries and courts are realizing that fact, stressed a speaker at the American Trial Lawyers Assn. convention here.

San Francisco attorney Robert Cartwright charged that insurance companies, which have been acting in "bad faith and outrageous conduct," are now being penalized by injury claims throughout the United States. "Insurance companies, by nature, want to chisel the American public," said Mr. Cartwright. "They always try to find some way to get out of making payments which they legally must make."

Mr. Cartwright told the more than 1,000 delegates that courts have now been shifting to the belief that "psychic" damages can be more damaging than physical injuries. He cited as examples recent awards made in courts which granted punitive damages against insurance companies as well as actual damages.

"The courts are now permitting not only recovery damages which is the thrust of the suit, but awarding punitive damages as an example to stop insurance companies from acting in bad faith," said Mr. Cartwright.

MR. CARTWRIGHT cited several cases where "outrageous conduct" by insurance companies resulted in large settlements to the consumer. "A major case, recently decided, involved a man with eight children, two grandchildren and his wife as dependents," said Mr. Cartwright.

"He was injured on his job and became totally disabled. The policy called for payment $150 per month for up to 30 years, yet after 15 months the policy was cancelled for no legitimate reason. He suffered a family crisis, lost his income, his credit was ruined and he was emotionally disturbed and upset. "What could this man do?" asked Mr. Cartwright.

WHAT HE did was sue the insurance carrier and a jury awarded him all payments under the policy plus $650,000 punitive damages. Mr. Cartwright then illustrated another recent case which involved hospital care and insurance responsibility.

"The insurance carrier tried to wiggle out of paying the hospital bill and as a result, the man was forced to receive treatment at five different hospitals. He was evicted from five different places of residence and eventually had his wheelchair repossessed. His credit had been destroyed and he was desperate," said Mr. Cartwright.

"WHEN AN attorney agreed to handle his case and presentation was made in court, a jury awarded all hospital benefits, plus $75,000 for the development of his mental condition and $500,000 in punitive damages."

Mr. Cartwright said that "bad faith" cases involving insurance companies come about when the carrier wants to "gamble." He said insurance companies "do not want to pay the full amount on a policy" and "will quibble over a a measly $500 to the discomfort of the insured."

He said through countersuits the insured person is now able to collect damages against the company which tried "to chisel" and "then lost on the gamble." ■

Lawyers told to push for state no-fault

LAS VEGAS—The nation's trial lawyers were urged by Thomas P. Salmon, governor of Vermont to plow through the glistening image of no-fault insurance plans being formulated in the nation's capital and in a number of states. He denounced a federal no-fault plan before the mid-winter meeting of the American Trial Lawyers Assn. in Las Vegas.

Addressing a luncheon of the association, Gov. Salmon said no-fault plans were originally promoted on the promise that they would greatly reduce premiums to policy holders. He was quick to point out that there is no easier way to reduce insurance premiums than by reducing benefits.

He called upon trial lawyers to battle for legislation at the state level and to right the wrongs of current insurance systems.

Gov. Salmon said each state should put its own house in order. The rural communities of Vermont would not want the same laws that govern the highly metropolitan neighbor, Massachusetts.

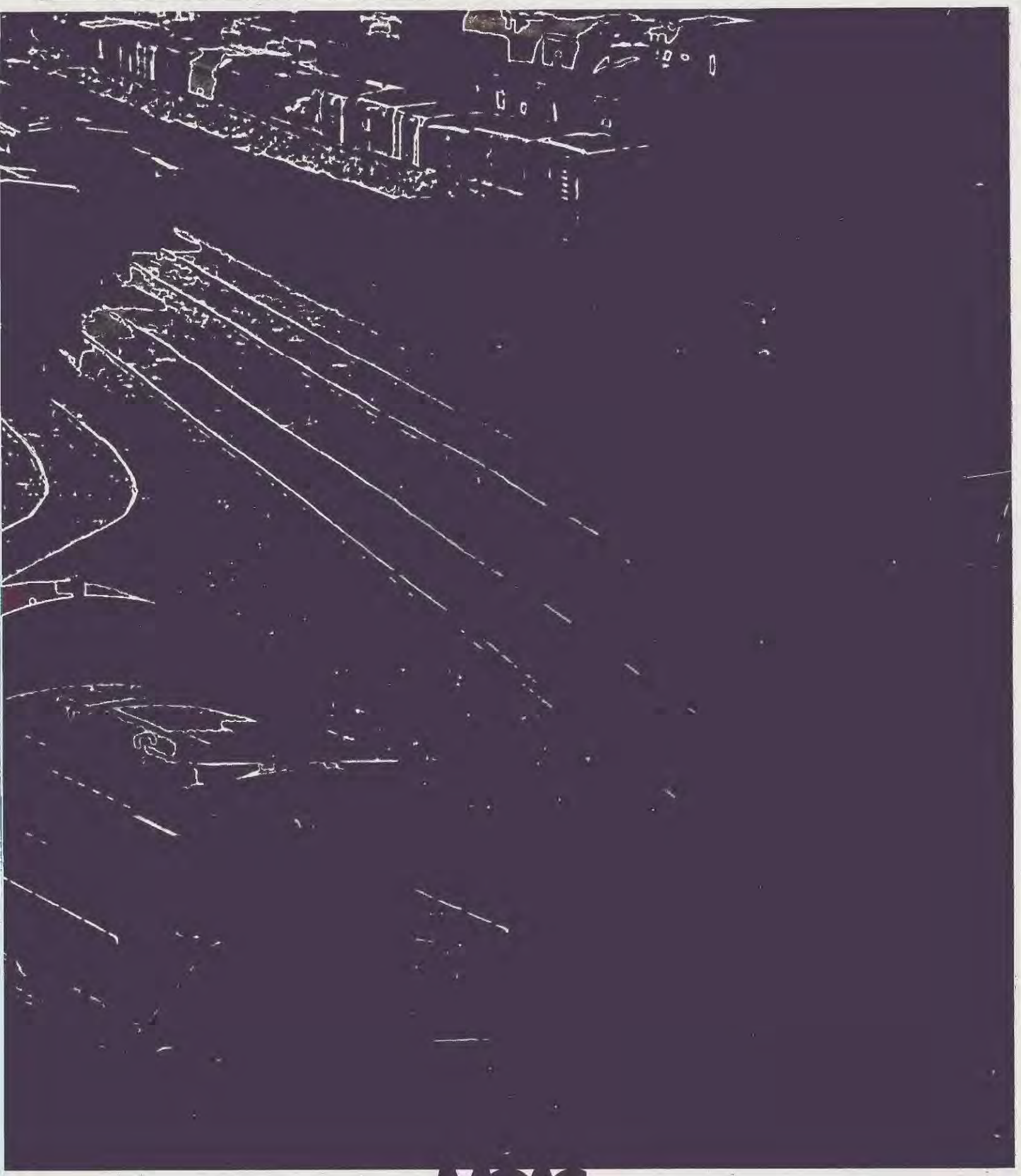
HE SAID no-fault plans do away with the American right to settle claims before a jury. He claimed the average person is not eager to give up this right and consequently no-fault insurance must still allow for this system.

Gov. Salmon said delays were the number one problem with today's system and much can be done about it, such as a new system of settling small claims which take up much of the court's time. He also said partial immediate payment should be made so that the tragic loss associated with an automobile accident is avoided. The governor also asked that mandatory medical payments and economic loss provisions be included in any insurance system.

The governor also said he would like to see Vermont and other states publish insurance rates so that consumers can see what company is offering the best deal. ■

Cover for Nigeria crash

Lloyd's of London and the company market held the $9.2 million cover on the hull value of the Royal Jordanian Airways Boeing 707 which crashed in northern Nigeria Jan. 22, killing more than 170 people.



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More pension benefits agreed to by city, union

MILFORD, CT.—A new contract between the city and the 172 union employes in its public works department calls for increased pension benefits and a three percent wage boost.

The American Federation of State, County and Municipal Employes (AFSCME) has ratified the contract, which is subject to final approval by the board of aldermen.

At present, the amount of pension available to each employe is five-sixths of 1% of average annual pay for the five-year period immediately preceding retirement, up to $4,200, and 1 2/3% of the excess over $4,200, multiplied by the number of completed years of service.

The new formula would provide a pension of 1% of average annual pay for the five highest salaried years of the employe, up to $4,200 and 2% of the excess over $4,200, multiplied by the number of completed years of service.

IN RETURN, the employes would contribute to the pension fund 2¾% of the first $4,200 of their wages, and 5% of the excess over $4,200. The rate of contribution has been 1¼% on the first $4,200, and 4% of the excess. The city contributes to the pension fund 6.85% of the total of the public works department payroll.

At present, employes may retire at age 60 after 20 years of service. Under the new plan, they would retire at 60 after 15 years. Left untouched is an option allowing the employe to continue in city service to age 70.

Vesting is provided for the first time, allowing for 50% vesting after 10 years of service, increasing 10% each year up to 15 years.

THE CITY has maintained a contract provision prohibiting any employe from joining the pension plan if he was more than 50 years of age when he went on the payrolls. This is to be changed to permit a new employe (up to age 55) to join the plan if he agrees to pay in an amount equal to what what he would have contributed if he had gone to work five years earlier.

Moreover, the new contract adds a prescription drug rider to increased hospital and medical benefits, and provides for 100% reimbursement for unused sick leave on retirement. ■

American Express gets new cover for its agents

NEW YORK—American Express, fond of promising its customers the swift return of any travelers checks that are "lost or stolen," is now offering a group insurance policy, the CASH Plan, to cover lost or stolen money or securities from American Express money agents.

Written by Northeastern Fire Insurance Co. of Pennsylvania through the offices of the John C. Weghorn Agency here, the CASH Plan offers each agent $3,000 of high-limit robbery, burglary and all-risk cover with a $100 deductible. Its initials stand for its "cash and special hazard" coverage features.

The annual premium payment is the full responsibility of the agent who opts for the plan, but at $190 it is relatively low, and may be paid in three installments during the first six months.

The policy's coverage includes protection against inside or outside business premises robbery of money or securities; loss of money or securities or damage to other property during burglary or attempted burglary; loss of money or securities or other property during burglary or attemtped burglary of safes or vaults; and loss or damage to "owned" or acquired business property or merchandise from flood or other unusual hazard.

THE CASH Plan was developed by the Weghorn Agency at the request of American Express after a survey among money agents last spring indicated that a large number of them wanted such low-cost, broad-based insurance.

While the plan was in its original planning stages, the premium cost was estimated at $250. But the demand for the policy made it possible for the agency to offer the much lower $190 annual premium and still generate a profitable business, a spokesman told *Business Insurance*.

A Weghorn representative pointed out that the premium rate for a similar type of federal insurance would be about $400, and could be even higher in a high-crime area, although the federal insurance does not offer as much coverage as the CASH Plan.

Claims against the CASH Plan will be handled through a national claim service staffed by the General Adjustment Bureau. There will be adjustors from coast to coast to ease the processing of loss settlements.

Monies and securities protected by the policy, not just those in which American Express has an interest, include all valuables that might be controlled by agents who use the plan. ■

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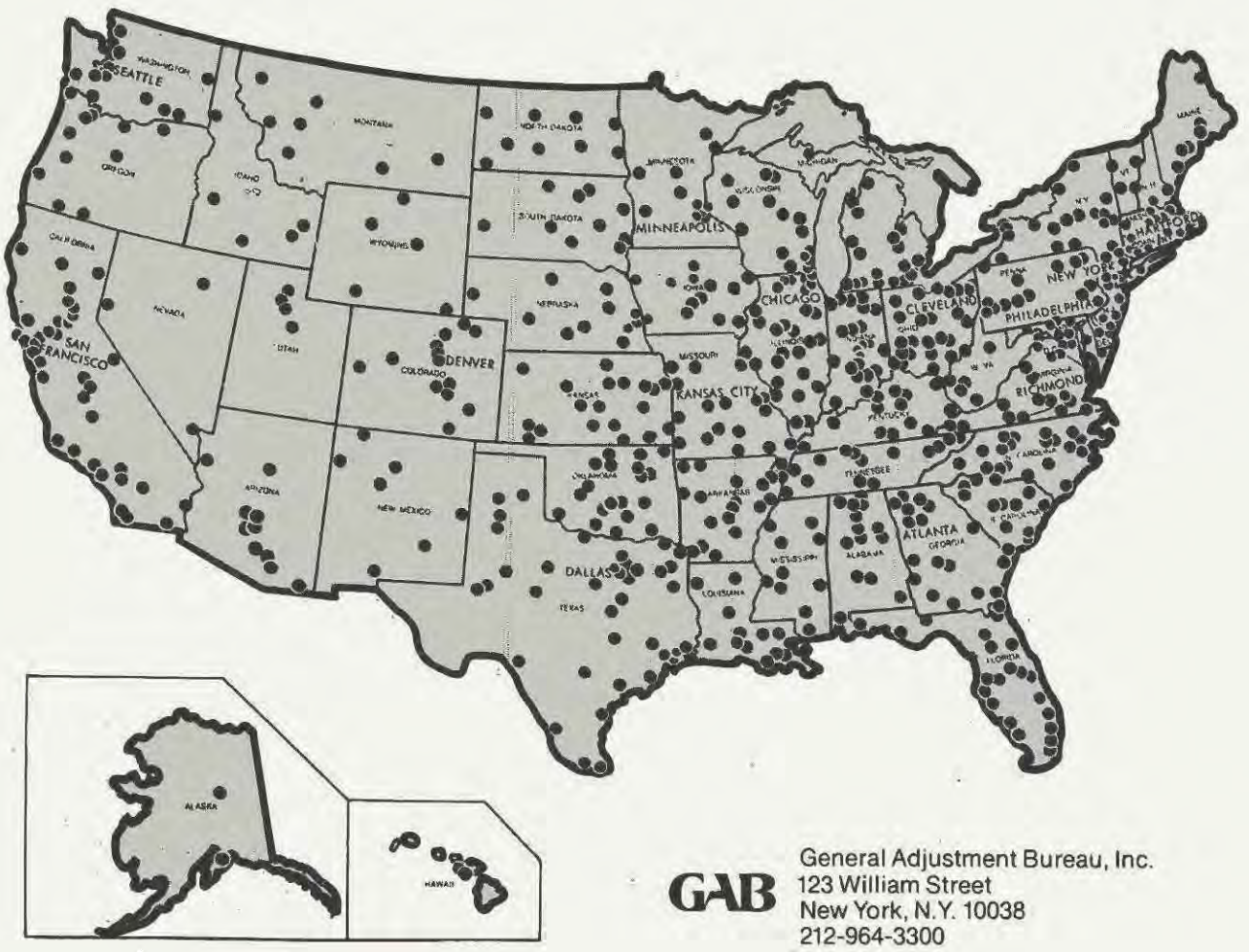

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N.J. ASIM officers meet

UNION, N.J.—The New Jersey Chapter of the American Society of Insurance Management held its first meeting of the new year here earlier this month. The group's new officers, elected late last year, presided over the get-together.

The officers for this year are Doug Collum, insurance and risk manager, Research-Cottrell Inc., president; David Gray, corporate risk administrator, Becton, Dickinson & Co., vp; Leonard Zawondniak, corporate insurance director, The J.B. Williams Co., secretary; and Wilson King, administrative assistant, Boy Scouts of America, treasurer.

Elected to serve as this year's chapter directors were Fred Molineaux, Foster Wheeler Corp.; Bill Simpson, Beneficial Management Corp.; Bill Osmun, C.P.C. International Inc.; Stan Tarr, Rutgers University; Ed Mench, Warner Lambert Co.; and Chris Crisafrelli, J.M. Huber Corp.

At this month's meeting, the chapter awarded a $1,000 scholarship to Blaine Greenwell, a graduate student at the University of Pennsylvania Wharton School of Finance and Commerce. A scholarship presentation is made annually by the chapter. ■

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Fire protection by subscription? A quarter-million have bought it

By LARRY PERSILY

SCOTTSDALE, AZ.—Louis Witzeman, 47, moved into his suburban home near Phoenix 25 years ago and discovered that, "in those days, the Phoenix fire department had instructions to pull up at the city limits and go no farther unless there was danger of fire spreading to the city."

He decided to go into business for himself; and solve his fire protection problem at the same time. He founded Rural/Metro Fire Protection Co., providing fire protection for a fee to homeowners and businesses who otherwise would have none.

Rural/Metro has expanded in the past 25 years and now serves 225,000 people in four Arizona counties. Its expansion, however, has been noticed by insurance companies and agents.

"We're starting to get an awful lot of interest from insurance companies," Mr. Witzeman said. "Either they want to buy a piece of the action," he added, "or they want to sell policies at favorable rates" in areas served by Rural/Metro.

MR. WITZEMAN explained that insurance company officials have talked to him recently about investing in Rural/Metro, or setting up such an operation themselves. Either way, he said, they want to write fire insurance policies in areas his firm serves. It seems that Mr. Witzeman's company is very good at its job; and that lowers premiums and cuts losses, something insurance companies find attractive.

"They come to pick our brains," said Mr. Witzeman of insurance companies and others who have called him since his company received mention in the national press last year. "They're welcome to do this," he added, "but I'm getting a little tired. There is no fee but there should be," he mused.

Mr. Witzeman has studied the offers insurance companies have made to him, but has not reached any decision yet. "It would be logical for us to do something," he said, "but, the longer we wait, the better the offers get."

Rural/Metro has grown quite a bit since its beginning—it now takes in about $1.5 million per year—but, Mr. Witzeman said, "We're about at the end of our capital." Because of that, he explained, he probably will accept one of the many offers to buy "a piece of the action" so that he can obtain needed capital.

Mr. Witzeman didn't start with much capital 25 years ago. With no backing other than $900 of his own, he hired salesmen and a fire chief and started his business with one truck, four firemen and a $3,000 prefabricated station.

RURAL/METRO now operates 25 fire stations, employs 400 fire fighters and protects 2,700 square miles of Arizona land from fire. Half of the firm's income comes from contracts with communities, such as Scottsdale, a city of 68,000. Scottsdale pays Rural/Metro $235,629 a year for its services. This averages out to $4.50 a household, less than one-fourth the national average paid for tax-funded, municipal fire departments.

THE OTHER half of Rural/Metro's income comes from individual subscribers; homeowners and businessmen who live in areas where there is no fire department. The yearly fee is based on the value of the building, and can range from $12 to $1,000.

But, if a building is not one of Rural/Metro's customers, the private firemen will still fight the blaze; only the bill is much higher than a one-year subscription to the service. "We don't bill if we don't save the building," said Mr. Witzeman, "We don't want to add insult to injury."

Mr. Witzeman has changed many things in the fire station to get the job done better. He has even tampered with the traditional red fire trucks. His are lime-green.

His other changes, however, are more functional; such as using the bigger, European-style 4-inch water hose instead of the standard American-style 2.5 inch hose. Mr. Witzeman has also developed a remote-controlled water tank that is actually a mechanical fire fighter. It is a hose and nozzle mounted on a water tank on wheels, that can be aimed and monitored by a remote-control switch. So far, Mr. Witzeman said, only one of these tanks has been built, but, he added, two more are under construction.

TWO MORE systems he has added to his fire department are radio-controlled fire hydrant openers and microfilm viewers that permit firemen to study the floor plan of a burning building while they are traveling to the fire.

The big change around Rural/Metro's fire stations that has enabled Mr. Witzeman to build —and build cheaply—his equipment, is the use of firemen as builders. Off-duty firemen, Mr. Witzeman explained, build his firm's fire trucks—all of them —from the chasis up. This, he claims, saves him 30% to 40% over what he would have to pay for the finished product. It also enables him to build the trucks the way he wants them built; with a 1,000 gallon water tank on every truck, rather than the standard municipal fire truck, which has only a 300 to 400 gallon tank.

Mr. Witzeman said firemen spend only nine percent of their 24 hour day fighting fires, so it makes sense to put them to work the rest of the time.

But, with all his success in Scottsdale and central Arizona, Mr. Witzeman doesn't think his firm will ever expand into the big cities. "We just don't consider ourselves specialists in the big cities," he said. He described his clientele as "a suburban mix:" homes, stores and small businesses; but no heavy industry. He gave a breakdown of his firm's clients as about 90% homeowners and 10% businesses.

RURAL/METRO'S success is not welcomed by all, however. Arvi Korstad, manager, insurance services office of Arizona (formerly Arizona fire rating bureau), said some fire chiefs try to discredit Mr. Witzeman's firm. "But I feel this is as good a fire department as you can get," he asserted. Mr. Witzeman dismisses his critics as old-line firemen who are unwilling to experiment with new ideas.

Though some municipal fire chiefs may disagree with Mr. Witzeman's tactics, "Insurance

Continued on page 37

"Automatic" Sprinklers mean automatic savings

Medium-size manufacturer gets top-rated fire protection, saves over $3200 a year!

Forest Park Envelope Corporation, Bridgeton, Missouri is an excellent example of how small and medium manufacturers can protect their plants from fire, and at the same time, reduce their insurance premiums substantially. They are typical of the rapidly growing list of businesses now enjoying "Automatic" Sprinkler's fire protection-plus-savings package.

Here's what Jack Neusel, President of Forest Park Envelope, has to say about his new sprinkler system: "We'd thought about installing a fire protection system for some time, but somehow kept putting it off. Upon the recommendation of a friend, we talked to the "Automatic" Sprinkler people and our insurance underwriter. They showed us how we could protect our personnel — and our plant — and cut our insurance premiums by almost 75%. We didn't have to think about a deal like that very long. "Automatic" installed the system while we continued at full production. We lost very little time during the installation and are now realizing substantial savings. I only wish we'd called "Automatic" sooner."

The pay back period for the 13,100 square foot, single-story Forest Park plant will be less than three and a half years. And these savings continue.

SUMMARY OF COSTS AND SAVINGS	
Insurance costs, before sprinklers	$ 4,436.00
Insurance costs, after sprinklers	1,179.00
Annual savings	$ 3,257.00
Total cost of installation	10,952.00
Gross pay back period*	3 years, 4½ months

*Excludes Cost of Money

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Twin Cities HMO marketed to large employers

By ROBIN SUHRBIER

MINNEAPOLIS—Northwestern National Life Insurance Co., St. Louis Park Clinic and several Twin Cities' employers have teamed together to launch a new pre-paid health care plan in Minnesota.

The first subscribers are expected to enroll by the first of the year. The program, classed as a health maintenance organization, is being marketed first to large employers with a substantial number of employes living in Hennipen County.

"We want to reach a large number of potential subscribers who live in relatively close proximity to the St. Louis Park Clinic," according to Charles Bredesen, manager, group health services for Northwestern. Beside offering the health plan to its own employes, Northwestern will serve as a consultant to the program, officially called the Med-Center Health Plan. Med-Center Health Care Inc. is a non-profit organization developed by the doctors of the St. Louis Park Clinic to serve as administrator of the plan.

NORTHWESTERN will also come in as a participating insurer picking up some special coverages needed to round out the program, Mr. Bredesen added, and will serve as actuarial advisor.

Mr. Bredesen, along with Norton Korn, group sales promotion manager for Northwestern, will approach specific clients to which the health care plan will be marketed. This prepaid coverage, Mr. Korn added, is offered to employes as an option to the employer's present medical coverage.

Basically, the pre-paid plan is a contract between a subscriber and the plan for medical and hospital services. The subscriber contracts on a yearly basis and the monthly service fees will be paid by payroll deductions. The employer's contribution to the cost of the plan will be equal to what it is under the current medical program.

Although the cost for the Med-Center plan will probably be higher, Mr. Bredesen said, the benefits will be greater. In contrast to other medical insurance coverages, this pre-paid plan covers all of a person's medical needs, including routine office visits, mental health services, prescription drugs and physical examinations.

A DOCTOR will work with the total health picture of an individual in an attempt to develop a comprehensive health program designed to meet the needs of that patient. Both Mr. Bredesen and Mr. Korn agreed that the plan has built-in incentives to encourage preventive medicine. Because a subscriber pays in advance for medical services, the cost of a visit will not deter him from seeking professional medical help.

According to Dr. Loren N. Vorlicky, pediatrician at the clinic and president of the Med-Center program, "we will attempt to educate patients on how to live properly to avoid medical problems. We will offer instruction in such areas as proper diet and exercise."

Currently the clinic has an education program for diabetics and has been given a grant to develop education programs for heart, stroke or cancer patients. "No doubt there will be an extension of this program to all patients," Dr. Vorlicky said. The clinic uses audio-visual aids, physician instruction and reading material to supplement the education program.

Basically the pre-paid plan pays for the costs of most services; however there are some co-payment features. For instance, a subscriber will pay the first $2 for a prescription. The plan pays for the first 15 sessions, within one year, for psychiatric treatment; for visits after that, a patient must pay the first $15 after which the plan will pick up the remainder of the charges.

THE CLINIC has arranged with Methodist Hospital to provide hospital services and with the Minneapolis Clinic of Psychiatry and Neurology to provide psychiatric treatment. There is no additional charge to a subscriber for referral to non-clinic doctors.

Dr. Vorlicky doesn't anticipate any major changes in services offered at the clinic. The clinic is composed of 74 physicians specializing in 15 different areas of medicine, supported by a large nursing staff and complete laboratory facilities, he explained.

"WE WILL have a certain responsibility to the pre-paid patients to be sure that their needs are satisfied. If for some reason a patient has to wait for an excessive period of time before seeing a specialist, we will send him to a primary care physician in the interim period."

He added that there may be some changes in staff or services after the plan has been in operation for a year. After the initial year, "we will look at our experience and then decide what, if any, new services to add and whether we need additional physicians."

Dr. Vorlicky expeccts an initial enrollment of about 5,000 members. For the first year, according to Mr. Bredesen, rates have been determined on a group basis regardless of age; eventually "we will establish an experience rating formula."

COSTS WILL be $17 a month for a single person, $39 for a family of two and $63 for a family of three or more.

With this pre-paid program the physicians assume the entire risk and therefore it's up to the doctors to develop a comprehensive health program for a patient in order to minimize health care needs and costs.

However, the hospital comes in on a limited risk basis. Northwestern, along with other insurers, will underwrite stop-loss coverage to limit hospitalization liability. Coverage will be provided two ways, individually and through groups. The plan will therefore be protected against excessive hospitalizations for any one individual subscriber and it will also be protected from a total expenditure standpoint.

SPECIAL insurance coverage has been arranged to supplement the Med-Center Plan if a subscriber requires emergency treatment outside the clinic or any of its facilities. This special insurance has an over-all lifetime maximum of $10,000 per person and carries no deductible.

Problems of abuse by the public through overuse will have to

Continued on following page

THE MARYLAND'S 48-HOUR GUARANTEE IN ACTION:

Pension contributions to create city budget worry

NEW BRITAIN, CT.—With passage by Mayor Stanley Pac's administration of an amendment to the city's fire and police pension funds, New Britain, in this account alone, can anticipate a budget deficit of about $200,000 for 1972-73.

The figure is an estimate by city finance director Thomas M. Doyle, given after an analysis of the impact of restoration of financial stability to the fund.

The change recommended that the city and two unions involved begin immediately matching five percent contributions into the permanent pension funds. Previously, the city had deducted a five percent contribution from firemen to pay pensions for employes, then contributed the difference itself between total cost and police or fire union contributions.

The funds for police and fire personnel are separate, according to Mr. Doyle, but are to be funded in the same manner.

NEW BRITAIN has budgeted some $470,000 for the police fund, and $420,000 for the fire fund, covering 1972-1973. In addition to this figure, however, the cost of the five percent contributions of the city and firemen must now be added. The move is expected to cost New Britain $37,500 as a matching share to each fund for the five months till the end of the fiscal year. This is coupled with a determination that the permanent fund's interest may no longer be applicable toward the payment of existing pensioners.

Interest from permanent funds, plus contributions, is in the $45,000 to $50,000 category, which must also be subtracted from the income the city had anticipated for use. In effect, this boosts the program's cost to New Britain by $45,000 to $50,000.

New Britain, in the current fiscal year is expected to pay about $612,000 in pensions to retired police, and $516,000 to retired firemen, making for a total of $1,128,000 going directly from the city's general fund to pensioners.

Mr. Doyle remarked that, adding to the $200,000 in new costs because of the approved charter change, total cost to fund pensions for retired police and firemen this year will be about $1.3 million. The additional pension tab is expected to be even higher in the next fiscal year. ■

HMO...

Continued from preceding page

be met by the physicians. However, Dr. Vorlicky, doesn't foresee any widespread problems in this area. He noted that educational programs developed for the patients can, if necessary, deal with any potential problems of overuse.

Mr. Korn and Mr. Bredesen added that there will probably be far less over-use of hospital facilities then under present medical coverages. The pre-paid method will tend to encourage more office treatment of medical problems in addition to encouraging patients to visit a doctor at the first sign of a problem rather then waiting until a problem becomes major. Pre-payment takes away the potential financial burden a patient incurs each time he seeks medical advice.

"In other words, finances will no longer keep a patient away from the doctor," Mr. Bredesen said.

Dr. Vorlicky emphasized that the clinic will not be limited to Med-Center participants but will continue to see all types of patients. He added that 20% to 30% of the clinic's patients come on a referral basis.

From the subscriber group a consumer advisory committee will be formed. Besides electing a member to the Med-Center board of directors, the committee will acquaint itself with the clinic's operations and will serve as direct input into the plan from subscribers. Each employer unit will have a representative on the consumer advisory board, which should provide for easy access to the consumer input process for any subscriber who wishes to be heard.

The St. Louis Park Clinic has been working for three years to develop the Med-Center plan. Dr. Vorlicky termed the clinic a "forerunner" in offering new ideas to the Twin Cities.

The next few years, Dr. Vorlicky contends, will determine the fate of pre-paid health care in American society. The real test of the program will come as employes begin to subscribe to the program and have a chance to weigh the pros and cons of pre-paid medicine to more traditional health plans, he noted. ■

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"If The Maryland is out to make new friends, they've sure succeeded with me." *R. Fuller Johns, R. Stuart Cottrell Inc., Richmond, Va.*

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Hazardous substances to be covered

NEW YORK—In response to the passage of ever-more-stringent anti-water pollution legislation, the Water Quality Insurance Syndicate has extended the scope of its coverage from oil spill cleanup costs to liability involving spills of what Congress calls "hazardous substances."

Last October, Congress passed the Federal Water Pollution Control Act Amendments of 1972 (which superseded 1970's Water Quality Improvement Act) and it is this law to which the syndicate is responding. The law adds to the ban on oil pollution by prohibiting the spillage of substances which "present an imminent and substantial danger to the public health and welfare."

The hazardous substances, while not as yet specifically named by the Environmental Protection Administration, are classified either as removable, like oil, or non-removable, such as a substance which dispreses in water and cannot be recaptured.

WQIS, a pool of 27 United States-based marine insurers, will provide coverage for removable substances in the same manner and in the same amounts for which oil spill liability is covered. Cleanup costs, for which the ship owner or operator is liable to the government, will be covered for $100 per gross ton of the vessel to a limit of $14 million.

Since the non-removable substances cannot be cleaned up, the law calls for civil penalties of up to $50,000 for their spillage. The EPA will determine the amount of the penalty based on the toxicity, dispersal characteristics and degradability of the spilled substance. The syndicate coverage applies to the penalty.

The new law, like the old one, requires operators and owners to file evidence of financial responsibility for the substances with the government. However, the new law imposes a fine of up to $10,000 for failure to comply. ■

Hershey Foods new risk man must handle growth

HERSHEY, PA.—H. L. McConnell has taken over the new position of risk and insurance manager for Hershey Foods Corp. here.

Mr. McConnell, former insurance manager for Columbia Nitrogen Corp., Augusta, Ga., has been named to the new position in this small town named for its largest industry—the Hershey bar.

Risk and insurance consultants recommended to Hershey Corp. officers in early 1972 that an insurance manager be hired, Mr. McConnell explained. He was picked to watch over a company that until 10 years ago produced little more than the Hershey bar. Now, Mr. McConnell said, the firm has expanded and owns Cory Corp. (coffee vendors), Reese Candy Co. and other food service companies.

This expansion has made for Mr. McConnell's biggest problem —consolidation.

"When I came here, insurance for Hershey was at Hershey; insurance for Cory was at Cory. As of this month, I'll have a majority of that consolidated," he said.

THERE ARE NO overseas operations of Hershey to bother Mr. McConnell, and only one plant outside of the United States—a candy making facility in Canada. It is a large company, however, with annual sales of $500 million.

"The very size of it (Hershey) lends itself to poor communication," Mr. McConnell noted. "I think this is one of a risk managers' most important jobs—communication.

"I want to get a handle on what I have," he said, "and in one or two years, I'll be giving serious consideration to self-insurance." Mr. McConnell set up two self-insurance programs at Columbia Nitrogen before coming to Hershey. One was for workmen's compensation and the other for auto physical damage coverage. He said both areas at Hershey would be studied for possible self-insurance programs.

CAPTIVES? Mr. McConnell said they're "five or 10 years" away at Hershey.

A more current question—or problem—is OSHA. Mr. McConnel said OSHA is no problem to Hershey. He said the Hershey, Pa. plant has been inspected, and nothing more serious than a "$5 or $10 fine" was found. ■

Las Vegas unsure who will get 1973 policy

LAS VEGAS—City commissioners here met to rescind action on a $145,510 liability insurance policy for the city in 1973.

Commissioners granted the policy Dec. 27, 1972, to Harrington and Horsey Insurance Agency but quickly decided to reconsider the matter after several problems were brought to their attention. The city's 1972 insurance policy, carried by Leavitt Insurance Agency, was set to expire Dec. 31.

Officials explained that the second lowest bid for the 1973 policy was offered by the Leavitt agency at $148,274, but a breakdown of this figure revealed the premium on the basic policy was lower than the figure submitted by Harrington and Horsey.

The $145,510 figure offered by Harrington and Horsey included a premium of $133,274 on the basic $1 million coverage and an umbrella premium of $12,236 to extend this coverage by $300 000.

The $148,274 figure offered by Leavitt, however, included a lower premium of $131,274 on the basic coverage and a higher premium of $17,000 on the umbrella coverage.

JOHN P. McFADDEN of Harrington and Horsey said his bid was $2,700 lower than the bids submitted by Leavitt. Mr. McFadden's proposal would have the city pay 79.2 cents premium per $100 of payroll, audited each year to consider increases in the present $16.8 million annual city payroll.

Mr. Leavitt's proposal was 78 cents per $100 of payroll, and he wouldn't audit the payroll for three years.

Commissioners were called to reconsider the matter because of confusion between the two agencies on whether they were to offer one figure on the combined coverage or two figures on the separate coverage.

The figure submitted by Harrington and Horsey was for the entire package while the figure offered by Leavitt reflected a breakdown on the basic and umbrella coverage. "If the commissioners want to consider the two policies as separate proposals," Mr. McFadden told them, "we wish to withdraw from the entire proposal." "There'd be a $2,000 a year savings by splitting the proposals," Mr. Leavitt argued. He then asserted, "We're almost three per cent lower on the basic insurance policy."

Mr. Leavitt then offered to lower his proposed rate. "If you want to be creepy about it," interrupted Mr. McFadden, "I'll drop mine to 77.5 cents per $100."

COMMISSIONERS concluded that basic and umbrella coverage were matters to be negotiated separately rather than collectively. They elected to extend Leavitt's 1972 coverage by 30 days on a pro-rated premium and to renegotiate the 1973 liability coverage on the two separate policies Jan. 15.

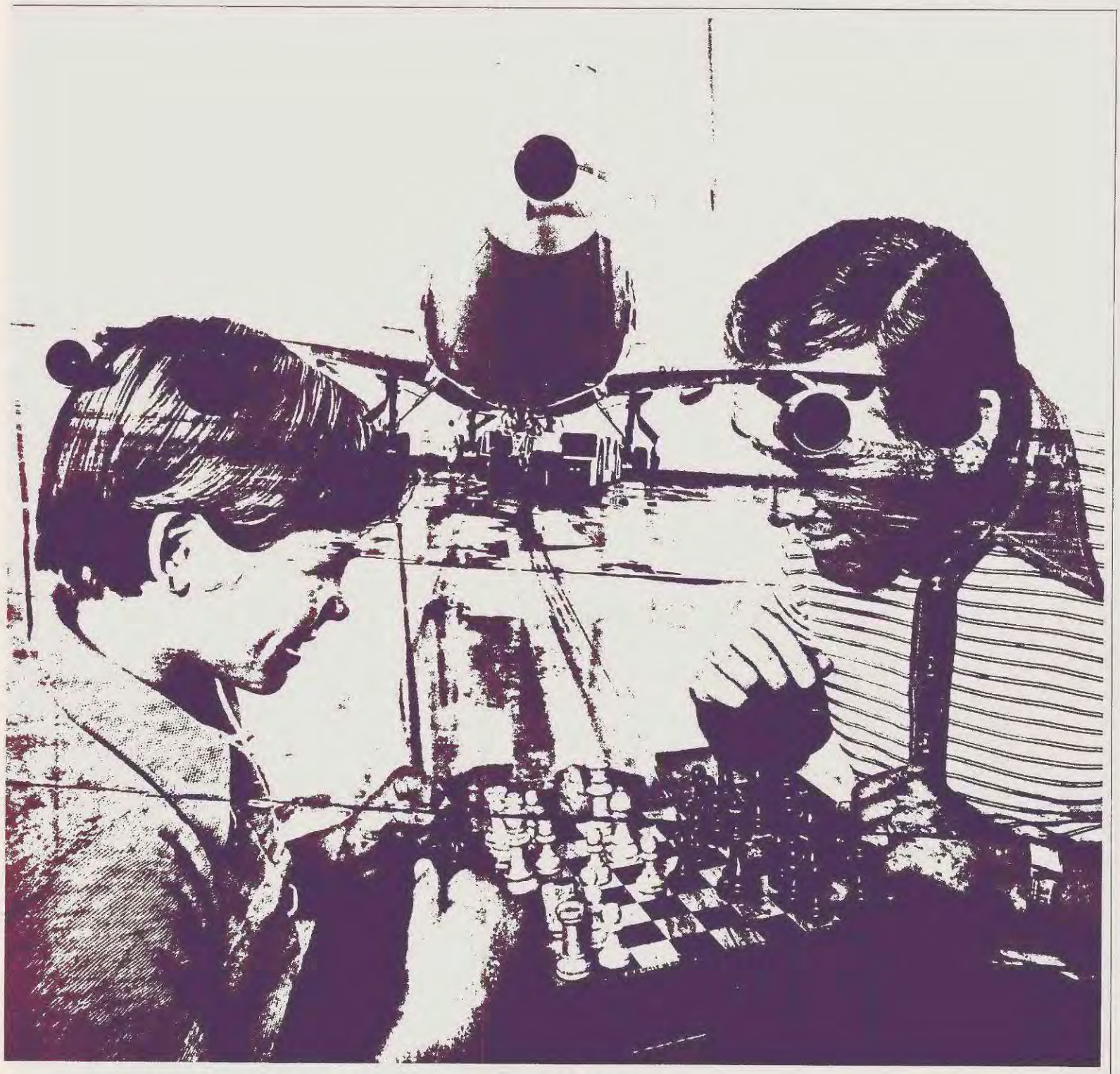
Commissioners were uncertain whether or not that would attract other bidders for the liability coverage. Nevada laws do not require the city to conduct competitive bidding on liability insurance. ■

$1 million settlement

PHOENIX—A Texas man paralyzed after diving into a Phoenix motel swimming pool will receive a $1 million out of court settlement for his injuries.

The money will go to John Stewart Kishpaugh, 43, of Lewisville, Tx., who was paralyzed from the neck down on Sept. 7, 1971, after diving into the shallow end of a pool at Rodeway Inns of America, Phoenix.

PROVIDING the settlement for Mr. Kishpaugh are Rodeway Inns of America Inc., managers of the motel; Motor Hotel Investments Assn., owners of the motel's buildings and furnishings; and Aetna Life Insurance Co., owners of the motel's land. ■



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Transit system pension fund in money trouble

ALBANY, N. Y.—The local transit systems' pension fund appears to be in financial trouble.

A special audit of United Traction Co. by the Capital District Transportation Authority disclosed that the pension fund, started in 1946 for nearly 400 bus company drivers and mechanics, needs about $600,000 more if commitments made to current union employes and retired workers are to be kept.

A member of the transportation authority charged that the pension fund is running out of money, adding that the problem was inherited from the management of the former bus company.

The transit system was acquired by the four county authority from Albany County this year.

The audit for the transportation authority was made by Peat, Marwick, Mitchell & Co., certified public accountants.

The accounting firm charged that United Traction Co., "has not made any employer contributions to the plan nor accrued any pension funds since 1960."

The audit report continued: "Based upon reports prepared by the company's independent actuary, approximately $320,000 should have been recorded as accrued pension liability for the period January 1967 through Aug. 13, 1972.

"Accordingly," said the report, "liabilities of Aug. 31, 1972, are understated by approximately $320,000 and retained earnings overstated by a like amount. Net loss for the period Sept. 1, 1971 to August 1972 is understated by approximately $60,000.

"As of the latest actuarial valuation date (June 30, 1972) the liability for benefits accrued through that date exceeded the carrying value of the plan's available assets of approximately $442,000. Also, the actuarially computed value of tested benefits as of June 30, 1972 exceeded the book value of total pension fund assets by approximately $400,000 and exceeded the market value of such assets by approximately $595,000."

Insurer head guilty in pension fund swindle

AMARILLO, TX.—John Osorio, former president of National Bankers Life Insurance Co., was found guilty by a jury in U.S. district court here of conspiracy and embezzlement charges arising from the collapse of the insurer's pension fund.

Mr. Osorio was charged with misusing the company's pension funds for the benefit of Frank Sharp, the bank's owner, as well as himself and others. The government said that the funds were used, in 1970, to buy National Bankers Life stock and Master Control Inc., a sister stock.

The prosecution maintained that Mr. Osorio had started two stock-loan transactions, the first of which aided Mr. Sharp and a Dallas stock broker. This transaction amounted to $641,250. The second, for $105,000, was for his own benefit and that of "others."

It was brought out during the trial that the fund lost interest worth $28,000 on the first deal and $56,000 on the second. When Mr. Sharp's financial world fell apart during the "Sharpstown Bank Scandal," the pension fund lost the remainder of its assets.

His defense contended that Mr. Osorio felt that the transactions were good investments at the time he made them.

Mr. Osorio, a former chairman of the Texas Insurance Commission, was named president of the insurer by former Texas governor Allan Shivers, who pur-

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Record . . .

Continued from page 35

chased the bank in 1963. When Mr. Sharp bought the company in 1968, Mr. Osorio was retained as president.

The jury found him guilty on all three of the counts charged against him. The maximum penalty (he will be sentenced later) is a $3,000 fine and 15 years in prison.

Mr. Sharp, who earlier traded a guilty plea for immunity, a three-year suspended sentence and a $5,000 fine, can no longer be prosecuted in the National Bankers Life case.

'Improper' loans result in insurer takeover

BOSTON—A young insurance company which specializes in commercial fishing coverage and bonding has been placed in temporary receivership at the request of Massachusetts insurance commissioner John G. Ryan.

Mr. Ryan took the step against Century Fire & Marine Insurance Co., established in late 1971, because, he alleged, the company had made "unsound and improper" loans to the firm which owns most of the insurer's stock, Century Management Co.

The investigation began when the insurance department received and acted on a number of complaints against the brokerage business of James R. McDuffee, Century Management's president. Mr. Ryan reported that Century Fire & Marine had not been repaid some $200,000 it had loaned to Century Management.

The Massachusetts insurance department was awarded supervision of the insurer in state court. Mr. Ryan pointed out that the company would have no problem meeting claims and was not in danger of insolvency. His quarrel was with the manner in which the company was being managed. Century Fire & Marine has assets of $1 million.

Clean up costs from oil spill in Oakland

SAN FRANCISCO—The cost of cleaning up from 120,000 gallons of oil spilled in Oakland Bay from Port Petroleum Co. storage tanks has risen to $500,000, plus damage to privately owned boats moored in the water and the death or injury to 432 oil-soaked birds.

More than 425 workers were used by Clean Bays Inc., the non-profit company established by the petroleum industry to handle oil spills in San Francisco Bay Area waters. The oil was dumped into the water after valves on the storage tanks were opened, reportedly by vandals.

The spilled salvage oil, previously used in automobiles but filtered to remove metal particles, closed the bay to all ship traffic.

Forrest Smith, manager for Clean Bays Inc., said the company used 62 commercial and government boats, three helicopters, seven cranes, 20 tank trucks and tons of absorbing materials.

Insurance industry spokesmen predicted future claims for thousands of dollars by boat owners whose yachts were pasted over by the thick oil at dozens of marinas in Alameda, Oakland and San Leandro Bay.

Nevada's rates for fire, extended coverage cut

CARSON CITY, NV.—Most Nevada businesses and a substantial number of homeowners can look forward to reduced insurance rates for coverage involving windstorms, explosions, riots, smoke damage and hail, the state insurance division has reported.

Don Winn, general counsel for the insurance division said it has demanded the Insurance Service Office (ISO) of New York cut its rates for extended insurance.

Mr. Winn and Charles B. Knaus, an assistant actuarial, said they hope rates to businesses can be lowered by 10% and rates to owners of homes, apartments and condominiums and other dwellings by more than 10%.

They said the ISO has given a rate decrease recently of 7.5% for fire coverage. But the state officials said they will also work to drop fire insurance by another 10% in addition to efforts being made in the extended coverage field.

The division told ISO to file its new rates within 30 days. The new rates would not affect those persons who have so-called "homeowner" policies but only those with extended coverage.

A majority of the companies that write fire and extended coverage insurance subscribe to ISO, which collects information and sets the proposed rates. Mr. Winn said the insurance division asked ISO in December for information on the rates. But he said the company failed to supply the data. Instead ISO asked for a 60 day extension which Mr. Winn said was "entirely unsatisfactory." ■

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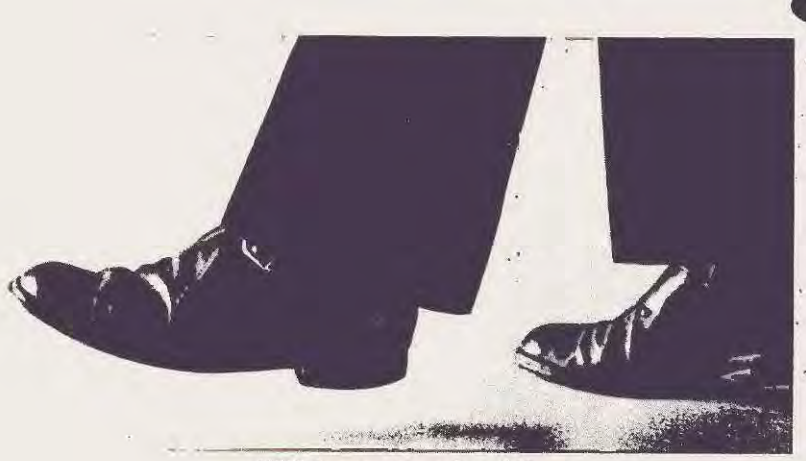

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*Study headed up by one of the nation's foremost research and marketing consultants to the insurance community. Francis D. Barrett, Jr. Mr. Barrett, president of his firm, Francis D. Barrett, Jr. & Associates, has held top positions in the Underwriting, Marketing and Research Departments of some of America's top insurance firms.

Apartment owner cover is available

HARTFORD—The Hartford Insurance Group is now marketing an apartment owners' plan, providing reduced rates to apartment owners in California and Colorado. The program is expected to be expanded to other states shortly.

Called the Apartment Owners' Pak, the plan contains composite rating, a means of bringing several different coverages under a single pricing method. There is a simplified one-page application, allowing Hartford to give faster quotes to agents.

When a building is insured for at least 90% of the actual cash value or replacement cost, the composite price includes:

- Five percent of the amount carried on the building as additional coverage on business personal property.
- 15% of the amount carried on buildings as additional coverage on loss of rents.

The composite price per rental unit includes:

- Premises liability, personal injury and supplementary coverage of $300,000 single limit per occurence.
- Medical payments of $1,000 per person and $10,000 per accident.

A Hartford spokesman told *Business Insurance* that optional limits for business personal property, loss of rents and premises liability coverages are also available. ■

$2 million damage

Ice, sleet, snow and freezing rain that fell on areas of at least two southeastern states Jan. 7 through Jan. 10 resulted in an estimated $2 million insured damage to property in Georgia and Tennessee alone. Three-quarters of the estimated damage was in Georgia, mostly around Atlanta. A catastrophe number—21—has already been assigned to storm damage in the two states by Insurance Services Office.

Pension, welfare hikes help end elevator strike

NEW YORK—A three-year contract which included pension and welfare fund improvements was ratified by striking elevator construction employes by a two-to-one margin, thus ending a costly seven-month walkout that had severely tied up high-rise building construction here.

A spokesman for the Elevator Manufacturers Assn. told *Business Insurance* that the contributions to the employes' pension fund would be increased three cents per hour per employe per year under the terms of the agreement. The employers total contributions to the fund would increase to 23 cents during the first year of the pact, 26 cents the second year and 29 cents the third.

Welfare fund contributions, he pointed out, would rise by 15 cents per hour per employe per year during the first year of the agreement and five cents per hour the succeeding two years. With these increases, the employers will be paying 34½ cents into the welfare fund during the first year, 39½ cents the second and 44½ cents the third.

"THIS IS A national agreement," the spokesman said, "and under it they have an option. They can increase the amount going to pensions and welfare by taking from wage improvements as they come through in the future."

Exactly how the welfare fund money will be allocated was not known at the time of the agreement. The trustees of the fund, according to the spokesman, must meet and work out among themselves what specific areas will be concentrated on.

The total contract package, including the 18 cents an hour in pension and other benefits, was 50 cents an hour in each of the three years. Prior to the strike, the elevator constructors were paid base wages of $8.36 an hour and received an additional $2.47 an hour in benefits.

With the elevator constructors returning to work, all building trades workers who went on strike last July 1 are now back on the job. The 2,400 members of Local 1 of the Elevator Constructors were the only workers still out after Oct. 18 last year. Originally, nearly 65,000 workers, in many different unions, walked out in July but were all ready to return to work by mid-October.

However, the elevator constructors hold-out kept about 50,000 other tradesmen off the job because the workers could not reach their jobsites on the upper floors of buildings without elevators. ■

Fire fighter . . .

Continued from page 30

agents have helped promote this thing (Rural/Metro)," said Mr. Korstad. "It makes their jobs a little easier."

He explained that rates for fire insurance very often go down when Rural/Metro moves in to serve an area. Many property owners—who had no fire protection—could not buy fire insurance before Rural/Metro moved in.

Mr. Korstad spoke of what he thought was the typical insurance agent reaction to a customer who wanted fire insurance and who subscribed to Rural/Metro: "If they (property owners) have a contract with them (Rural/Metro), I'll write the policy."

There are other privately owned and operated fire departments in the United States. There is one outside of Billings, Mt. and 10 serving the suburbs of Nashville, Tn.

But Mr. Witzeman's firm seems to be the biggest, and it seems that some insurance companies want him to share it. ■

New institute chairman

Frederick D. Watkins, president of Aetna Insurance Co. has been elected chairman of the Insurance Information Institute. Elected vice chairman was John H. Washburn, of Home Insurance Co.

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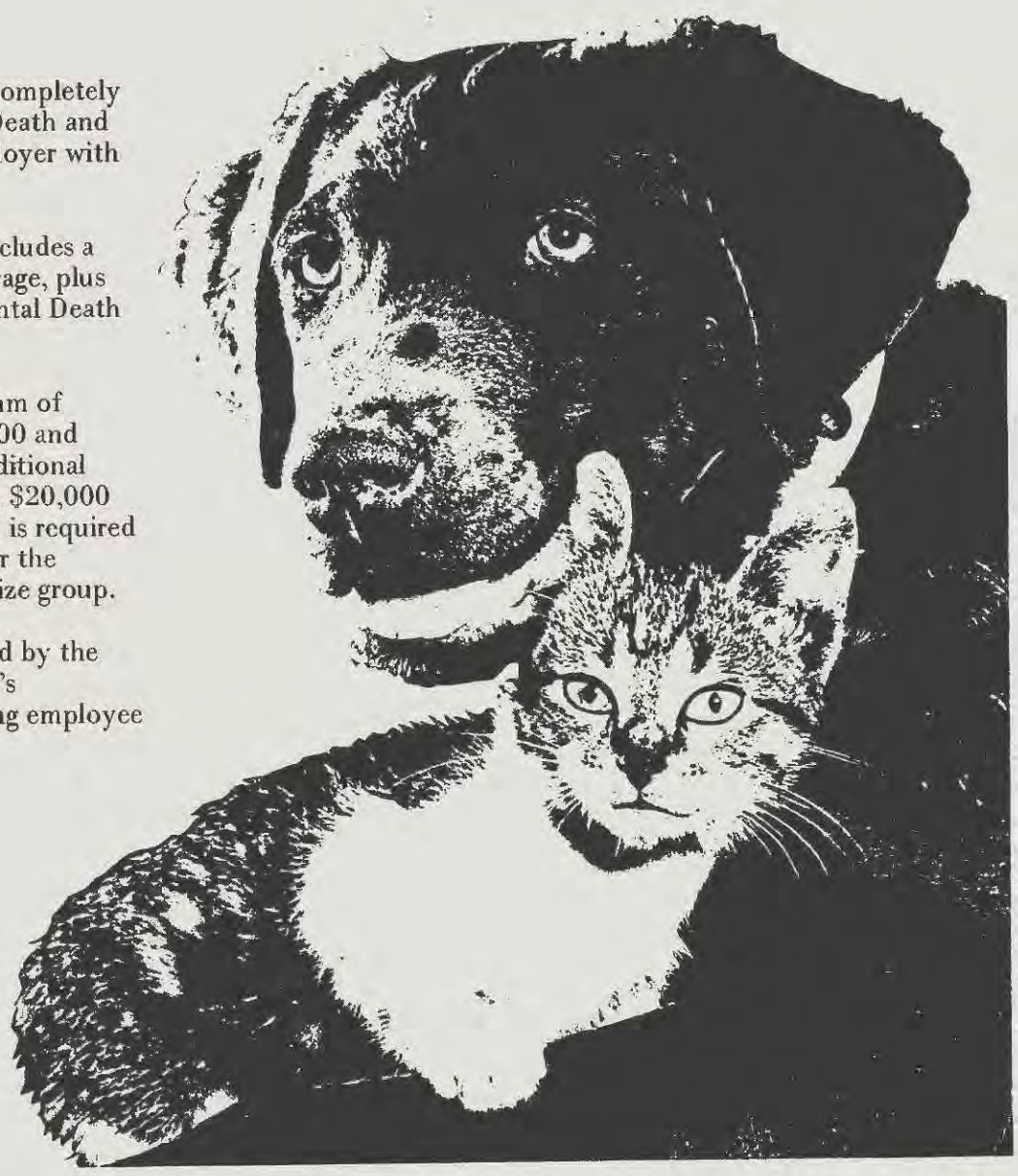
The basic schedule provides a maximum of $25,000 for the top class, with $10,000 and $5,000 in the other two. Optional additional coverage brings the totals to $50,000, $20,000 and $10,000. Evidence of insurability is required for groups of 1 – 4 employees and for the optional additional coverage on any size group.

The cash-value coverage can be elected by the individual employee. It is Crown Life's BI-GOLI-*plus*, which offers the retiring employee an annuity option as an alternative to the cash-out.

Staightforward and uncluttered in concept and operation, CGT is just right for "trust-worthy" companies and their employee benefit counselors.

Your Crown Life General Agents and Group Offices can give you the full story, or you can get it by sending us the coupon!



TO FIND OUT more about CGT , please mail us this coupon.

(This coverage not available to employers located in the state of New York.)

CROWN
LIFE INSURANCE COMPANY / TORONTO, CANADA

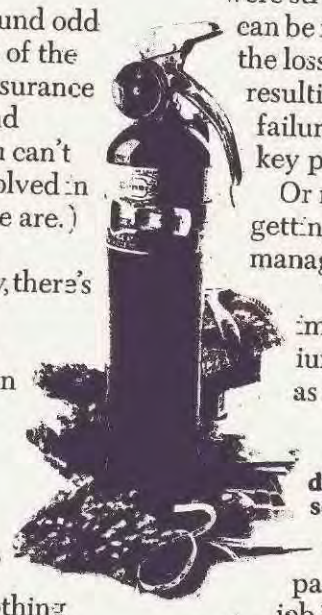
NAME .....
COMPANY .....
ADDRESS .....
CITY .....
STATE ..... ZIP .....

If your insurance man can't offer your company the following services, you may have outgrown him.

First, he should be able to offer you more than insurance alone.

Which may sound odd coming from one of the world's largest insurance broker/agents and consultants. (You can't get any more involved in insurance than we are.)

But if you're a growing company, there's a whole range of services you may need that your own insurance man can't really offer.



Could your insurance man decorate your company offices?

It may mean nothing more than putting up flame-resistant drapes. Or putting in an extra boiler. Or another doorway.

Ways we minimize risks and reduce premiums. And control losses.

Not only the loss of immediate income from disaster either. We may even be able to protect you in business situations you never thought were insurable.

For example, if one of your supplier's plants were struck by fire, you can be insured against the loss of business resulting from his failure to deliver a key part or product.

Or maybe you're not getting top-level risk management consulting.

Something as important to medium sized companies as it is to large ones.

What's your insurance man doing to keep your secretary happy?

We think a big part of *his* job is to help keep your people happy at *their* job.

Through a hard-working employee benefits and communications program.

One that puts more into their pockets than it takes out of yours. And then lets them know all about it in a personalized annual report. (Ours is called Benefacts, the industry's most outstanding employee benefits statements.)

When you're faced with labor pains, does your insurance man help ease them?

He should.

Because the bigger your company gets, the tougher labor and union relations become. We'll help you figure how far you can go at the bargaining table. And then help you negotiate benefit demands.

Did he ever write a book?

We wrote one to help growing companies cope with success. It's entitled: "How To Tell When Your Company Has Outgrown Its Insurance Service."

Just write:
Alexander & Alexander Inc., Information Services, Dept., F 1185 Avenue of the Americas, New York, New York 10036.

It's something your company is entitled to know.

We've made a name for ourselves. Now we're making a face for ourselves.

Alexander & Alexander

business insurance PERSPECTIVE

Insisting on broker competition is essential purchasing policy

"... those outside the company necessarily have other considerations that conflict with the interests of the company, and it is normal to expect that their decisions will be affected by those considerations."

BY WILLIAM W. DINTLEMAN
Consultant,
Associated Underwriters Inc.,
St. Louis, Mo.

A SURPRISING number of companies, large and small, rely too heavily on one agent or broker in purchasing insurance. This is difficult to understand, for insurance is one expense of doing business and management should exercise as much control over this expense as they do over other purchases. For some reason, however, insurance has gathered about it an air of mystery which has caused top management of many companies to regard it as untouchable. As a consequence, they permit a broker or brokerage firm to control insurance expenditures which are frequently of major magnitude. I've even known insurance managers to operate in this manner, although controlling insurance costs should be one of their principal duties.

Inflation has had its effect on insurance premiums, and the effect on companies not controlling insurance costs can be devastating. Those who rely completely on outsiders to determine with whom they insure, and at what cost, may find their profits are inversely affected by those of their insurers and agents. When it comes to making corporate purcases, those outside the company necessarily have other considerations that conflict with the interests of the company, and is normal to expect that their decisions will be affected by those considerations.

That kind of statement once led an insurance manager friend to remark that I was "making agents sound like crooks," which is not the case at all. It is simply a fact of business life that anyone who has a service or product which has no competition places a higher value on it than he does when competition is present. In addition, a good employe places the interests of his employer above those of anyone other than his family, and it is the job of an agent or broker to help his company make maximum profits. Naturally if he performs well at that job he will get more recognition from his company, and when this superior performance is based on commissions produced it is naive to think those commissions will move toward the lower half of the normal commission range unless competition dictates it.

WHILE AT Falstaff Brewing Corp., I had solid confirmation of this line of reasoning. An executive with an international insurance brokerage firm was in my office and the subject of their geting control of our account was brought up. I mentioned that I felt it would cost Falstaff more money as they would want more commissions than most of our lines were generating. He immediately agreed, stating they were not making money on the line on which he made the service call, and if they controlled the account he would increase the commission by 50%. I suspect that he was modest and the increase would have been 100%, because he told me what the commission was and it was quite low. However, they had set the commission originally and they must have thought it a satisfactory, if minimal, amount. Obviously, it was low because the brokers reduced their normal commission to keep the account when they knew competition was strong, and I presume they got the carrier on the line to make a similar concession in the premium charge.

In combination, these concessions represented a substantial saving to Falstaff, and it is part of the reason I think company management must retain the decision rights on the purchase of insurance and maintain competition in their buying practices. I'm sure that most professional risk managers recognize this. Much of top management does not, however, and must be convinced that it is far better to pay a service fee based on services rendered than permit competition to be eliminated if a particular agent or broker is to be favored. In fact, I think some captive accounts would be better off if they paid the agent a fee for the services they require from him and let him submit proposals in competition with others. They would then at least receive the benefit of truly competitive bids on their insurance lines as well as getting their information from more than one source.

COMMISSIONS are a subject of great controversy, and I don't want to intimate that most commissions are not earned. I do think, though, that some commissions are excessive because there is nothing for the agents to do once the coverage is placed. I'm thinking primarily of excess lines and coverages such as directors and officers liability, although I know of at least one brokerage firm that stated at a gathering recently that they have an attorney on their staff who has been hired to do nothing but handle D&O claims. This surprised the risk managers present, and one queried the brokerage executive on the number of claims. He replied that it was in excess of 90, which also lifted a few eyebrows. Perhaps I have a negative attitude but I am dubious about the effectiveness of this one attorney in his "handling" of so many cases even if his thoughts were given any weight by the attorneys of the carriers or the insureds—which I doubt.

The extent of services performed effectively should determine the commission level, and that means performing after the coverage is placed, not simply having services available or showcased. This is a major reason that many risk managers are in favor of fees rather than commissions as a basis for their dealings with agents and brokers.

Incidentally, can you imagine the effect on world economy if the decision-making responsibilities of purchasing departments were assigned to manufacturers representatives? The idea is not radically different from that practiced by insurance purchasers who permit an insurance sales organization to control the insurance-buying decisions.

Getting back to the idea of obtaining information from more than one source, it is axiomatic that sound decisions must be based on facts. I think that to have the facts in buying insurance you should have information that has been derived from more than one source and tested for reliability. An amazing amount of information

Continued on following page

BOOK REVIEW

Nader pension study offers good advice but shaky reforms

"But when it comes to suggested reform–which after all is and has been Mr. Nader's forte in so many other fields–the authors' proposals take leave of political reality and lapse into an economic Never-Never-Land."

"YOU AND YOUR PENSION," by Ralph Nader and Kate Blackwell; published by Grossman Publishers, 625 Madison Ave., New York, N.Y. 10022; $5.95 (cloth), $1.50 (paper).

Reviewed by
FRANK CUMMINGS

If one were to view the new Nader-Blackwell book on pensions as simply a warning to participants—what to look out for, what to ask about, what improvements to urge in a worker's own pension plan—then "You and Your Pension," by Ralph Nader and Kate Blackwell, could be viewed as a useful addition to literature on the subject. However, the labor department is about to issue a new pamphlet also listing the sorts of questions which a worker ought to ask about his pension coverage.

BUT THIS new book is not just a manual for pensioners. It also purports to be a critical analysis of what is wrong with the private pension *system* as a whole, and what ought to be done about it. And the critical attention which it has already begun to attract because of its political and legislative aspects suggests that this new book ought to be evaluated, not merely (or primarily) in terms of the sufficiency of advice it gives the American worker, but rather in terms of the validity of the criticism it makes of the pension system, and the viability of its suggested legislative solutions.

First, a few words about the aspects of the book which are designed to help the American worker assess his own pension plan.

Mr. Nader is no pension expert, but he has done his homework (which he had not done before making some of his earlier forays in this field), and so his lists of questions which a worker ought to ask are *fairly* useful. Even so, he might have checked the law more carefully. He tells the reader to find out "exactly what you have to do to qualify," for a pension, and then lists six questions to ask (pages 42-43), the last of which is: "Must you be a member of the union or union local when you retire to receive a pension?"

MOST LABOR lawyers know that denial of a pension solely on the basis of lack of union membership, as distinguished from lack of active employment in a bargaining unit represented by a particular union, would be unlawful under section 8(a)(3) of the National Labor Relations

Continued on following page

business insurance

PERSPECTIVE

Broker...

Continued from preceding page

is presented, and accepted, as fact when it is really partial truth slanted by the personal desires of the person providing the information and frequently affected by his incomplete understanding of the situation. As one of innumerable examples, I'll pick on a fire protection equipment salesmen because one of them presented me with a good illustration.

He, as have others in the past, told one of Falstaff's plant engineering managers that installation of his company's fire detection equipment in one of our smaller locations would result in a reduction of our fire insurance premiums. It happens that this building represented a very small portion of our overall values which were insured under a blanket superior form policy purchased on a competitive basis. His sales point, therefore, had no validity—although it would be valid if the building was insured separately.

ALTHOUGH purporting to represent you, a broker may even give primary consideration to interests of a fourth party, the insurer, in your dealings with his firm. A few years ago, the anniversary date came up for Falstaff's long term disability policy and the experience had temporarily gone sour because of a purge of people in the sales department. The older salesmen who saw dismissal coming suddenly had disabilities which brought on a flurry of claims during a period of six or seven months. The claims situation had cleared up by the time the renewal rates were delivered by a member of the accident and health department of the same brokerage firm mentioned previously. He remarked that the quotation contents were so bad that the carrier's representative did not want to attend our meeting and proceeded to present rates that were 80% above the existing rates.

I pointed out the improved experience and stated the new rates were unacceptable, asking what alternative proposals he had. His reply was that he had none because he "felt obliged to first sell the position of the insurer". That hardly supported his firm's sales story of representing Falstaff's interests, and I'm sure that their official position was not the one he presented. However, I wonder what would have happened if the insurance had been controlled by his firm at the time. As it was, we secured competitive bids on the line (at which time the carrier greatly reduced the rate increase the broker presented previously) and placed the coverage with a different agent and carrier at a cost comparable to the one we had. After two and one-half years the loss ratio with the new carrier was less than 30%.

A major control area that seems to be overlooked by many insurance buyers is that of controlling bidding. Permitting one firm to "search the market" when circumstances do not require it can cost the buyer in three ways: The agent is not likely to search among those carriers who pay low commissions and, without competition, the agent will not be inclined to reduce his commissions as he will when he feels it may be necessary to get the business. Most importantly, there will be many carriers who do little or no business with him and possibly some who have a bad loss ratio on his business, and unless they have a real chance to get a line of business they consider desirable, underwriters are not prone to spend time working up a serious quote.

Obviously, your chances of getting a good proposal would be improved if you had another agent or broker working with underwriters who either haven't been doing much business with the first one or wish they had not been doing any.

IN A PREVIOUS article, I disparged the value of risk managers developing relationships with underwriters, and my thoughts in that regard are unchanged. Yet the relationship an agent develops with an underwriter can be very important to his clients if he personally markets their coverages. Most underwriters have been sufficiently burned by overeager agents and market managers that they are rightfully doubting some of the underwriting data received from those who have not earned the underwriter's complete confidence.

In addition, an agent must "sell" the underwriters on making special concessions in coverage or rating just as hard as he must sell a prospect in getting an opportunity to work on a line of insurance, and his relationship with the underwriter will often be the critical factor in the job he does for the client. An excellent relationship will enable him to do a much better job, of course, and it is this kind of relationship along with his more intimate knowledge of the risk that enables the independent broker to compete with the leverage of the large national brokers —especially when the marketing is done by a home office department.

"Although purporting to represent you, a broker may even give primary consideration to interests of a fourth party, the insurer . . ."

Insurance companies, like others, keep close track on the lines which are profitable, and the age of the computer has given them almost instant access to this information. While rating inadequacies may cause nearly everyone to lose money on a line, in which case capacity problems will develop, some lines will present losses for some carriers and profits for others. Those who are doing well may be doing so for good reasons such as loss prevention work, careful underwriting or expert claims people, or they may just be lucky.

Nonetheless, their underwriters are naturally going to have more interest in writing these lines than those which are showing losses. The computer printouts will therefore put another variable into the insurance purchase practices, as the carrier actively seeking a line today may not want it next week. Similarly, one declining to write the line a few months ago may be soliciting the business next month when it finds the profit picture has turned around. Because of this flexibility it is more necessary than ever to maintain access to all good markets for coverage. Permitting one agent or broker to limit you in this area is not in the best interests of your company, and it can happen even though you accept bids from several agents, as is evidenced by the following:

AN AGENT handling some of Falstaff's insurance once mentioned that while in the elevator of one of the major insurance office buildings he overheard a conversation between two other insurance men. One was laughing about how he had "tied up 41" insurers on a particular account that was coming up. Naturally, this upset my agent friend because he wasn't sure it wasn't an account he was working. Having this sort of situation brought to my attention in such a forceful manner was very beneficial, because I took the lesson to heart and came up with a system I found to be very effective.

When I decided a line was going to be purchased on the basis of competitive bids I invited several agents to participate. The agent writing the line was given the opportunity to select three carriers of his choice, and after he had made his selections the other agents were given the same privilege; however, any agent who already had a line of our insurance received first chance to include the carrier on the line among his three choices. The carriers chosen were recorded, and the agents were then free to contact any dark horse candidates they decided upon. The agent making first contact with a dark horse carrier got to quote it, and if a dispute arose that the carrier and agents could not settle between themselves, the carrier was eliminated from consideration. This process serves several purposes in that it is reasonably fair to the agents and brokers, permits them to work with those carriers they find most accommodating and assures you that no one will "tie up" many of your coverage sources. ■

William W. Dintleman, formerly manager of insurance and safety for Falstaff Brewing Corp., St. Louis, is a consultant with Associated Underwriters Inc., St. Louis. He spent nine years on the industry side of insurance, holds a Chartered Property and Casualty Underwriter certificate as well as a designation as an Associate in Risk Management and is past president of the St. Louis chapter of the American Society of Insurance Management.

Nader...

Continued from preceding page

Act (except in the rare case of a plan set up by a union solely for its own officers, organizers, and employes).

In the same list, the book suggests that the participant should find out "How many years of continuous service must you have to be eligible for a pension?", but neglects to ask how many years a worker must work (and what age he must reach) before he is eligible to *become* a participant at all and before his years of work are counted at all as "continuous service" under the plan.

Nevertheless, by and large, the practical aspect of the book—the advice given the inquiring worker—is sound and useful, if that is what the book is for.

But when it comes to suggested reform —which after all is and has been Mr. Nader's forte in so many other fields—the authors' proposals take leave of political reality and lapse into an economic Never-Never-Land. Picking up the recent critique by Prof. Merton Bernstein, who lately has all but abandoned faith in the private pension system entirely, the book suggests that, "rather than simply patching up the old system we might create a new framework for private pensions" and that "the first step would be creation of private independent pension funds outside of the control of employers and unions" (p. 124).

EVIDENTLY the authors would have the government set up a group of government-established and government-regulated mutual funds, somehow to supplant the private pension system as we know it. One wonders why an employer would go this route, or what he would get out of it. If a major corporation at least gets the competitive advantage of being able to recruit good workers on the basis of having a "better" pension plan, what advantage is there to the employer in this system? What does it offer beyond expanded Social Security? Indeed, Mr. Nader quotes with approval from Prof. Bernstein, who remarked that Social Security "has never lost a penny to a dishonest trustee, never paid a kickback to a union or management official, never failed to pay off for lack of funding" and "pays off to widows and children and other dependents when a worker dies, retires, or becomes disabled" (pages 122-123).

WITHOUT IN any way attacking the Social Security system, I cannot help but reflect that, if Mr. Nader is interested in "funding," he ought to be aware that most private plans *are* adequately funded (better than Social Security), that Social Security is the most woefully underfunded of retirement systems, with no reserves at all except barely enough cash to pay a few months' benefits (not that anyone worries about funding when the government's credit backs up the system), that Social Security deprives the nation of vast aggregates of investment capital, and that, though Social Security is an effective means of avoiding destitution in old age, it is hardly a system designed or intended to provide the typical American middle class worker with the kind of typical American middle class economic strength and dignity in his older years which he believes he has earned and deserves. And when, on occasion, the Social Security Administration mistakenly denies a payment, the job of breaking through its vast bureaucracy is awesome—ask any Congressman's staff-caseworker!

Mr. Nader's critique of pending federal legislation in the field suggests that perhaps he would have done better to examine it a bit more closely. He quotes Prof. Bernstein to the effect that the pending Williams-Javits bill "provides a mirage of reform" (p. 117), and some of his criticisms of that bill have some limited validity, but when he says that the bill "does nothing for employes who lose their benefits through 'partial terminations'" (p. 118), it is obvious that he has not read the provisions of section 4 on reinsurance and terminations, in which the enforcement agency under the bill is given authority to trigger termination provisions when there has been either a complete termination or a "substantial termination" (section 211 (a)), in which a withdrawal of a significant employer from a multi-employer fund may be deemed a termination as to the withdrawn part (section 217(e)), and in which reinsurance against the risk of inadequate funding is provided in either event (section 402 (a)).

IN SHORT, when the book launches into the arena of political and legislative reform, some of its remarks come over like a bull in a china shop.

Still, if the Nader-Blackwell approach to legislation results in characterization of the present Congressional reform efforts as "moderate" (which, in light of Mr. Nader's critique, would be a fair characterization), perhaps the book will serve a salutary purpose, even in its legislative aspects.

And of course, if no reform at all is forthcoming from Congress, and soon, then the more extreme proposals of Bernstein, Nader and Blackwell may gain an increasing validity and vitality, which, in my judgment, would be a pity. ■

Mr. Cummings, an attorney, is with the Washington, D.C., firm of Gall, Lane, Powell & Kilcullen. He was formerly administrative assistant to Sen. Jacob K. Javits and general counsel for the minority members of the Senate committee on labor and public welfare. He drafted the original pension reform bill introduced by Sen. Javits.

when 2,065 agents rate their 108 companies, it should matter to you

And Zurich-American was rated first in the overall services category, made up of the composite ratings in 18 categories, in which Zurich-American garnered 5 firsts, 4 seconds and 2 thirds.

Francis D. Barrett, Jr. & Associates, San Francisco planning and research consultants to the insurance industry, conducted the survey. Statistical probability sampling techniques were employed, assuring validity of results.

Agents answered 2,065 of 3,500 questionnaires. This 59% response is considered unusually good.

The following tables show just how the top three company groups were rated for each of the services in relation to competitors. Percentage figures were calculated this way: The highest possible score a company could receive for each service was 10 times the number of respondents that represented them in this study. Actual scores given were then computed, and divided by maximum possible score to yield percentage.

UNDERSTANDING OF AGENT'S VIEWS	%
1. New Hampshire	79
2. USF&G	78
3. ZURICH-AMERICAN	**77**

QUALITY OF ENGINEERING SERVICES	%
1. Bituminous Casualty	83
2. ZURICH-AMERICAN	**77**
3. USF&G	73

COMPETENT FIELD ASSISTANCE	%
1. ZURICH-AMERICAN	**77**
2. Bituminous Casualty	73
3. American States	71

COMMERCIAL CASUALTY UNDERWRITING	%
1. ZURICH-AMERICAN	**92**
2 Reliance	81
3. USF&G	78

CLAIM SERVICE	
1. Chubb/Pacific	86
2. Ohio Casualty	82
3. ZURICH-AMERICAN, Gulf, INA, Reliance, Safeco, USF&G	80

COMMISSION EQUALITY	
1. USF&G, Bituminous Casualty	79
2. ZURICH-AMERICAN, Trinity, Gulf	77
3. Chubb/Pacific	75

ADEQUATE DIRECT BILLING	
1. Safeco	85
2. Ohio Casualty, Unigard	75
3. INA	69

COMMERCIAL PROPERTY UNDERWRITING	
1. Chubb/Pacific	86
2. Fireman's Fund, Reliance	78
3. Hanover	77

STABILITY OF MARKET	
1. American General	97
2. Chubb/Pacific	91
3. Ohio Casualty	82

ABILITY TO SOLVE UNDERWRITING PROBLEMS	
1. ZURICH-AMERICAN	**83**
2. USF&G	80
3. New Hampshire, Bituminous Casualty	79

OVERALL EASE OF DOING BUSINESS	
1. Bituminous Casualty	86
2. ZURICH-AMERICAN	**83**
3. Ohio Casualty	82

PERSONAL AUTO UNDERWRITING	
1. ZURICH-AMERICAN	**80**
2. Unigard	78
3. Safeco	74

ADEQUACY OF BRANCH FACILITIES	
1. USF&G	84
2. New Hampshire	81
3. Reliance	80

PROMPT QUOTATIONS	
1. Bituminous Casualty	83
2. ZURICH-AMERICAN, Chubb/Pacific	76
3. Western Casualty	75

HOMEOWNERS UNDERWRITING	
1. Bituminous Casualty	88
2. Aetna	86
3. Lumbermans	82

FIDELITY AND SURETY UNDERWRITING	
1. Reliance	73
2. USF&G	68
3. Aetna	66

PROFIT SHARING PROGRAM	
1. Chubb/Pacific	75
2. Unigard	73
3. Bituminous Casualty	71

OVERALL SERVICES (ALL OF ABOVE)	%
1. ZURICH-AMERICAN	**73**
2. USF&G	72
3. Chubb/Pacific, Reliance	71

PROMPT POLICY ISSUANCE	
1. ZURICH-AMERICAN	**91**
2. Bituminous Casualty	86
3. Safeco	76

Agents consider many companies as doing good jobs, as you can see. We have shown only the first 3, when the full tabulations may include many more.

We let the facts speak for themselves. If you'd like to do business with the kind of company our agents think we are, get in touch. The address is

ZURICH-AMERICAN INSURANCE COMPANIES

111 West Jackson Boulevard, Chicago, Illinois 60604

First with Independent Agents

Code revision to close bankruptcy loopholes

WASHINGTON — Ranking members of the Senate judiciary committee have introduced a revision of the U.S. criminal code that includes a provision closing the bankruptcy loophole through which insurance companies have been drained.

The provision, more detailed than a draft version reported last spring (*Business Insurance*, May 8, 1972), calls for a maximum prison term of up to 10 years for persons convicted of draining insurance companies of more than $100,000 and concealing their holdings while declaring bankruptcy. If the offense involves $1,000 or more the term is a maximum of five years and if the loss is less than $1,000 three year is the maximum.

Wording of the anti-plundering provision specifies these penalties for anyone who "with intent to deceive a court or its officers, or to harm creditors or other persons, transfers or conceals in contemplation of a state insolvency proceeding his property or the property of another."

SENATE judiciary attorneys who helped frame the provision say it brings insurance companies into the bankruptcy frameworks as far as fraud is concerned. State laws generally don't make impairing the solvency of insurance companies punishable, and there are known cases of shady operators escaping prosecution after moving into insurance, investing company assets in other holdings, then declaring bankruptcy.

As a part if the lengthy criminal code revision, co-sponsored by Sens. John L. McClellan (D.-Ar.), Roman Hruska (R.-Nb.) and Sam Ervin (D.-N.C.), the provision may not move rapidly through the Senate this year. After introduction, the revision was sent to Sen. McClellan's subcommittee on criminal laws, which has no plan to move on the changes until it has studied recommendations from a number of sources, including the justice department. A justice department critique is expected in a month or so.

Subcommittee staff members are prepared for possible challenges on the numerous code revisions because of effects on defendant rights and other such changes that might disturb one interest group or another. ■

Auto cover in Canada ripe for some changes

TORONTO—Some big changes are in the works for auto insurance in Canada, it was predicted at the Toronto Insurance Conference.

There is a decided trend to complete no-fault car insurance, the meeting was told. The insurance people also heard predictions of radical changes in the concept and distribution methods of auto insurance during the next five years.

Doing the predicting was Donald D. McKay, president of the Canadian Underwriters Assn. and president of Canadian Surety Co. of Toronto.

Said Mr. McKay: "I forecast that within the next five years the current no-fault accident benefit covers will be extended and all vehicle damage will be written under a no-fault concept. There will be a class plan for no-fault accident benefits and vehicles will be rated on their susceptibility to damage."

The head of the insurance trade association predicted that automobile insurance will be sold largely through employer group plans or by salesmen of the major life insurance firms. He indicated some insurance firms may introduce direct sales auto insurance subsidiaries.

Mr. McKay believes that auto claims handling will be dramatically simplified by elimination of vehicle-to-vehicle property damage, and appraisal centers operated on an industry basis will offer an immediate drive-in claims service.

"This, coupled with improved vehicle design already in evidence," Mr. McKay commented, "will revolutionize the public attitude toward auto insurance claims, as well as reducing consumer costs."

In the future, the agent will function primarily on behalf of his client rather than for the company, he further predicted. His payment will come in the shape of a contingency fee for services.

HE SAID that inspection and rating work now performed by the Canadian Underwriters Assn. will be available to all subscribing firms on a shared cost basis. He said this would result in the CUA being reorganized with a new constitution and a new name.

The CUA president forecast that the Insurance Bureau of Canada, of which most companies are members, is likely to operate as the legal and legislative arm of the reorganized inspection bureau. The reason for this is that non-adherence to published rates will remove both the IBC and the CUA from their present position opposite the Competition Act.

It is the contention of McKay that the shift from the agency approach to customer broker will provide independent agents with increased freedom to function in a very innovative market.

"The economics of size will take their toll," said Mr. McKay, "and some will disappear down the road of mergers and acquisitions."

It is important for the auto and property insurance firms to develop a continuing plan of action that "will influence and convince the public and our elected representatives that we really do have their best interests at hear," he warned. ■

No-fault in Wisconsin

MADISON, WI.—A bill (S-78) making no-fault auto insurance mandatory for every car registered in Wisconsin has been introduced in the state senate.

Proposed by the state bar of Wisconsin, it would require insurance companies to make payments of specified amounts regardless of who was at fault in an accident.

However, it would allow insurance companies to recover damages from the insurer of the one at fault and does not change the present court system of collecting damages for such things as pain and suffering.

Binding arbitration would be required for the settlement of disputes between insurers. ■

THE LID IS OFF
the maximum benefit with this group health insurance plan

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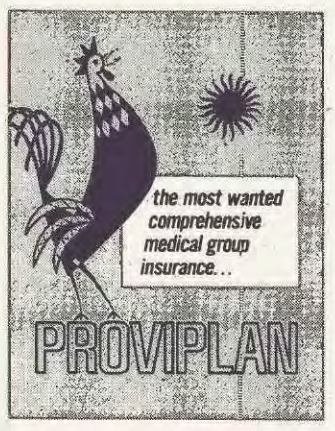

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N.Y. no-fault proposal treats all autos equally

ALBANY, N.Y.—A no-fault automobile insurance bill—watered down perhaps, but still a no-fault bill—which does not discriminate against commercial vehicles was unveiled in the New York state legislature here by the lawmaking body's Republican leadership last month.

State Sen. Bernard G. Gordon, one of the bill's chief sponsors, told *Business Insurance,* "This bill treats commercial vehicles in exactly the same manner in which it treats passenger vehicles. There is no difference."

This year's bill, which is said to have excellent chances for passage, sets the lawsuit threshold at $500 in medical expenses. Suits could also be brought on the grounds of death, serious disfigurement, dismemberment or the loss of a bodily limb, organ or function.

Sen. Gordon's proposal of last year, which was defeated in the state senate by a vote of 33-22, barred tort suits until a victim's medical expenses reached the $5,000 limit.

LAST YEAR'S proposal provided for $50,000 in medical expenses for accident victims as well as reimbursement of 80% of lost wages up to $1,000 a month for as long as three years.

The Republican "consensus" bill provides for a combined medical expenses and lost wages limit of $50,000. Also, this proposal contains no provision for property damage claims under no-fault while last year's would have provided payments up to $5,000.

A new feature in this latest attempt at getting a no-fault law on the books here is the encouragement, in the form of an option, offered to drivers to take a $200 deductible in their auto insurance policies. The bill's sponsors said that the deductible could result in premium savings as high as 20%.

While Sen. Gordon pointed out that most motorists already had other kinds of insurance, such as Blue Cross that would cover the $200 bodily injury deductible, the New York Consumers Assembly, a consumers interest group, attacked the no-fault bill's deductible option as a device which would force health insurance costs to climb upward.

NEW YORK STATE Superintendent of Insurance Benjamin R. Schenck denied the charge, saying that health insurance costs could actually be decreased if health insurance policies could be tailored to no-fault.

Also, as a counter-weight to the inevitable charge from trial lawyers that no-fault will help insurance companies, the bill calls for a three-year study period during which the impact of no-fault on insurer profits will be scrutinized and excesses will be returned to drivers.

The bill's sponsors, including the two legislative majority leaders, estimated that the bill, if passed, would result in premium savings of about $100 million, or $14 per vehicle.

It was also predicted that the no-fault law would rid the courts of from 70% to 75% of the auto accident cases now heard.

A second bill has also been introduced but it contains no bar to tort suits. For this reason, no-fault proponents feel that it is an attempt to sidetrack the issue and cannot be considered as true no-fault. ■

Compulsory auto cover

OLYMPIA, WA.—The Washington legislature has a bill which would require owners of vehicles registered in the state to have a minimum liability insurance policy.

Sens. George W. Scott and Dan Marsh have introduced a modified no-fault insurance measure requiring $50,000 coverage per accident, and coverage for all reasonable and necessary medical expenses arising from an accident in the amount of $2,000 per person, plus loss of income to the injured. ■

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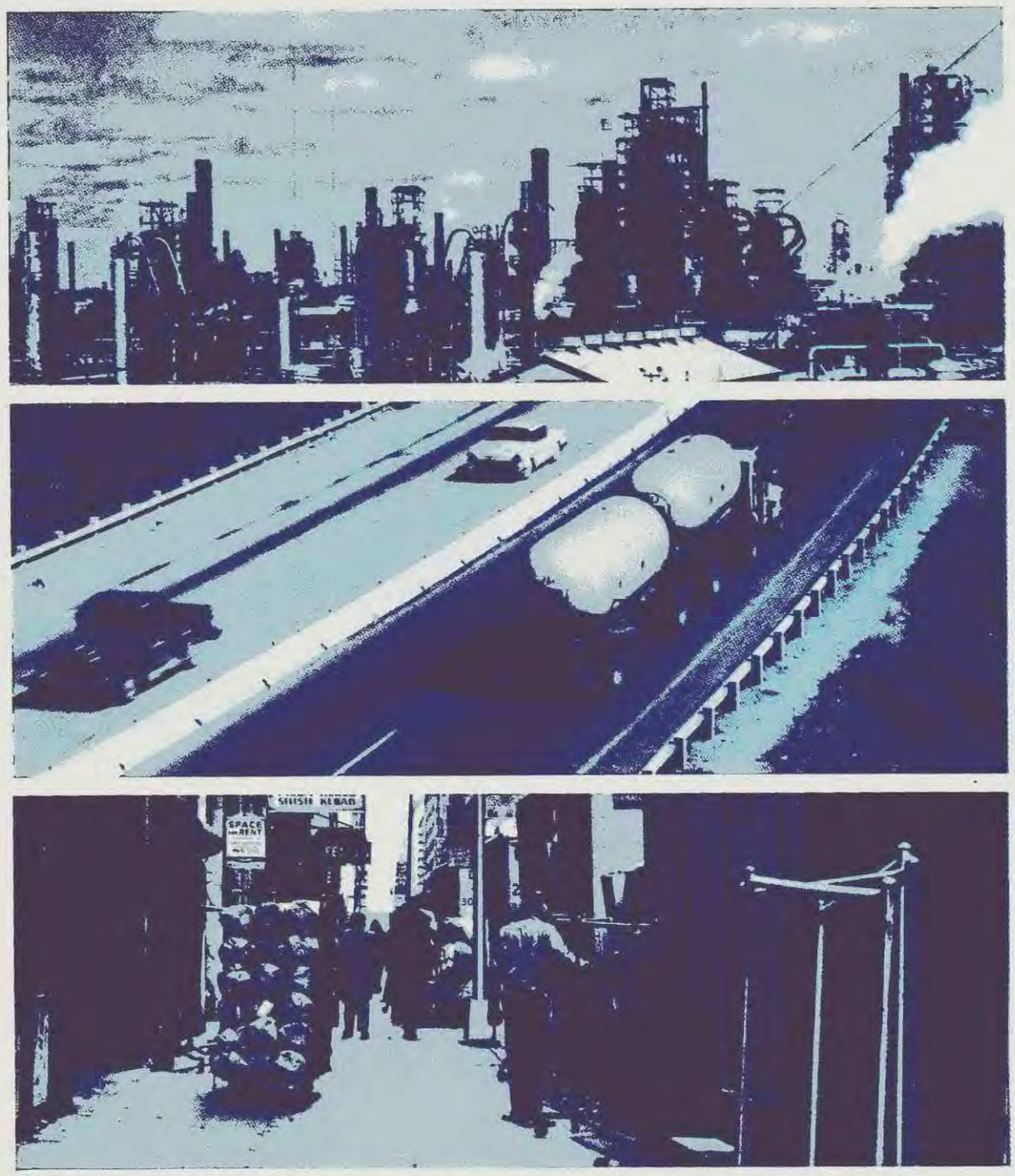

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Commission advances proposal to rid city pension plan of 'chaos'

NEW YORK—"Enormous cost increases" pumping the city's public pensions costs to about $1.1 billion had just been forecast by the state study commission for New York City, when another commission, the permanent commission on public employe pension and retirement systems, made a proposal that, it said, could salvage the city from bankruptcy.

Late last month the commission recommended that a uniform pension plan for the one million public employes in New York state be adopted for all new employes hired after July 1, 1973.

This would pull all city pension plans, now among the most liberal in the nation, under strict state control, and within the influence of federal social security legislation.

Features of the proposal get around five of the biggest bugaboos that ever stymied pension reformists seeking to revamp the city plans: A state constitutional freeze on all existing pension benefits; lack of co-ordination with social security benefits; pressures of collective bargaining that steadily upped benefits; a jumble of plans all administered autonomously, giving varying benefits even to the same classes of workers; and cases of employes receiving more spendable income in retirement than they had received on the work force—at the taxpayers' expense.

The proposed system would have no effect on public employes enrolled in current retirement programs, and therefore would not violate the constitutional freeze on existing benefits. However, it would shave costs by curtailing any further increases under those programs, including benefits deferred by the legislature since 1970, when they were negotiated by the state, county, and municipal employes union. And all employes starting after July 1, 1973, would automatically receive the regulated benefits outlined in the plan.

Recognizing recent changes in federal social security laws, the new plan would integrate social security benefits with other retirement benefits—a feat the city has never attempted, and for which critics say it has paid dearly.

Presently, a city retiree is given increments of 60%, 84% and 90% of final average salary at the respective ages of 55, 62, and 65. No consideration is made for adjusting the payment with social security benefits.

Under the commission proposal, the corresponding percentages would be 40%, 64% and 80%, and the social security wage base will serve as the foundation for the award of these percentages of final pay.

FOR EXAMPLE, a 65-year-old retiree would receive 80% of his pre-tax final salary, if his salary was equal to or less than the wage base (set at $10,800 in 1973, $12,000 for 1974).

According to the commission, this would be the equivalent of 100% of final post-taxes salary because of lower taxes after retirement at 65, including the tax-free aspect of social security benefits, double exemptions for income taxes, discontinuance of social security taxes and state income tax exemption for public pensions.

The 80% scale would apply to those whose salaries fall under the wage scale imposed by federal social security. As the wage base increases over the years, the 80% level goal would then apply to higher salaries. The plan would pay a lesser percentage to employes earning more than the wage base, and would give scaled-down pensions for retirement before age 65, or with less than 30 years service.

The commission felt that administrative muddles would be cut back because all pensions would be handled through only eight retirement systems throughout the state. The new plan would not be subject to collective bargaining, and therefore would not sway with the winds from labor unions.

Otto Kinzel, chairman of the commission which was established by the state legislature two years ago, said the proposal would reduce "chaos" over pension provisions in the city.

"The crisis in public pensions cannot be resolved by simply restructuring existing programs," Mr. Kinzel declared when the sweeping changes were recommended. ■

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Women file suit alleging sex bias

NEW YORK—Add sex discrimination charges to the long list of grievances that are blackening the name of New York City's pension plans. A class action complaint citing "across the board discrimination against female employes" was filed early this month by a group of women municipal workers through the U.S. Equal Employment Opportunity Commission.

According to a study directed by attorney Susan Rosenthal, female municipal workers make higher contributions and get lower benefits than their male counterparts in city overnment. The study "Women in City Government United," illustrates that if a male and a female employe, each age 45, entered service in July 1968, and both retired at the same salary at age 65, the man's yearly allowance would be $9,014 as contrasted with the woman's allowance of $8,820. Yet during the same employment period the woman would have made a $36,585 contribution as compared to the man's $34,173.

Statistics are the villains in the alleged discriminatory practice. Since the statistical life expectancy of a woman is greater than a man's, the rationale is that because women will receive pension benefits for a longer period of time, they should pay higher contributory rates and get a lower allowance.

Attorney Rosenthal disputes the sole use of statistics for determining pension contributions and benefits. "Obviously some kind of measuring standard has to be used for this, but to do it on sex alone is completely arbitrary," she asserted.

Pointing out that statistics are not used across the board for other groups, she said, "Statistically, blacks live a shorter time than whites. But no one would dare change their contributions and benefits because of race." ■

School children...

Continued from page 3

better name for it."

"Insurance salesmen are the same as insurance brokers only just the opposite."

Then I don't suppose I'll ever forget the girl who remarked: "If anybody ever said Insurance salesmen aren't valuable people to know, boy would that ever boil my temper."

The elementary school youngster's mind is evidently a vast storehouse of miscellaneous misinformation—half true, half false and wholly delightful. I'm sure this next statement is perfectly true—if I could only figure it out:

"The insurance business will not be like it should be until it gets like it was when we did not have any and appreciated such things as the Insurance business offered."

Sometimes they don't know and they know they don't know—but that doesn't keep their answers from being charming:

"What is actually meant by liability protection has a very short memory in my mind."

"I am not sure what insurance agents are supposed to do, but trying to find out is one of my constant doings."

"The way they figure out how much insurance each person needs is only to wonder at, not to understand."

Last year a boy wrote of this frustrating experience: "I looked up the number of insurance companies there are twice but I forgot it three times."

And here's a remark as charming as childhood itself: "I was thinking if I wanted to be an insurance agent, I wouldn't have to go to college. When I learned different, all the thoughts I was going to say went in a swallow down my throat."

Each year the kids write letters to a member of the profession or business they are interested in as a career. Here are some excerpts from letters that I've saved through the years:

"I want to be an insurance agent like you so I am writing this letter to you. I want to make it without any mistakes so I am stouping now."

"I want to work in an insurance company like you do. I have decided you are my ninth favorite person in the universe."

"One of my idiot-friends (that I will remain nameless) thinks that insurance companies will help businesses decide on where to invest their money. Please write back to me about it so I can say THERE to him."

"Can you tell me if insurance companies ever help businesses decide where to invest money for pensions? I said yes and Donald said no and I said yes and he said no and I said yes and so on. So can you tell us for sure? Oh well, thanks anyway."

Truth-telling, complete candor and awful sincerity are to be found in both the tale and the scribblings of children. This seems to be especially true when they comment on their own personal experiences. Four examples:

"My brother teased me that I was interested to read about fires and other things that cause insurance to happen."

"Zzzzz. You would be sleepy too if you stayed up and read as much as I did about what insurance agents do at their jobs."

Looking at facts as the small ones sometimes see them is like looking through the wrong end of a telescope—but it's fun to try! Here's a quote from a lass who seems to be giving it all she has: "Correct my being wrung but tell me true or false. Can one company insure both people and buildings? I wrecked my brain trying to decide."

But I'm afraid some of them aren't all that eager:

"I have always wanted to try selling insurance but not very much."

"Axually, selling insurance to people is very interesting if you happen to be interested in it."

Another moppet (who claimed she was one of the insurance profession's "starchest supporters") summed up her feelings like this: "Now that I have studied about insurance, the next time I hear it being talked about like it is very important to have I will just twinkle an eye and know why." ■

$25 million in benefits

Washington state taxpayers will have to pick up the tab for about $25 million in fringe benefits if Gov. Dan Evans' salary proposals are approved by the convening legislature. Figures developed by the legislative budget committee and others indicate the cost of additional state and school district contributions to retirement systems alone would total about $12.9 million. The budget also provides $12 million more in state contributions to state and school district health insurance programs.

School board is immune from liability

PHILADELPHIA—The Pennsylvania superior court has upheld the immunity of the Philadelphia school board from liability for student injuries.

The decision came in a suit to recover damages for personal injuries suffered by a 15-year-old student whose arm was amputated as the result of an accident while operating a machine as part of an upholstery class. The school board claimed governmental immunity, and the suit brought by the boy's parents was dismissed by the Philadelphia common pleas court. The superior court then affirmed that ruling.

However, three of the seven superior court judges expressed dissatisfaction with the doctrine of governmental immunity and urged the Pennsylvania supreme court to abolish it.

Judge J. Sydney Hoffman said the superior court was bound by the decisions of the supreme court until they have been reversed. He said the supreme court has held that governmental entities are not liable for injuries arising out of governmental functions.

JUDGE HOFFMAN said he agreed that the board of education, by providing its students with vocational education, was acting in a governmental function specifically authorized by the state legislature.

He said that since the immunity doctrine is being rejected by other jurisdictions in the nation, it is time for Pennsylvania to do likewise. While the supreme court has already removed charitable and parental immunity in liability suits. Judge Hoffman said, "it continues to shy away from acting on this outrageous doctrine."

"I believe it is for the highest court of the commonwealth to act to abrogate the inequities of the doctrine of sovereign immunity," Judge Hoffman wrote in his opinion.

Judge Israel Packel agreed with the need for change, but he did not feel the superior court was totally bound by the decisions of the supreme court.

"We need not follow blindly an old decision which we are convinced the supreme court would not follow; nor need we follow a decision of our supreme court which the Supreme Court of the United States has subsequently decided is violative of the federal constitution," the judge wrote. ■

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Giles on the law

Manufacturers not required to make products accident-proof

By JOHN W. GILES
Attorney at law

WASHINGTON—I call your attention to the new federal consumer protection statute relating to the rights of the public in purchasing defective products.

There was a recent court case in Georgia where a suit was filed on behalf of a school girl who lost effective vision in one eye after being struck in that eye by a rock. The court held that the rock—which flew into the classroom through an open window—was thrown by a rotary power mower.

The court also held that the plaintiff could not recover damages from the manufacturer or distributor on the negligence theory because the lawnmower had been design with a total exposure area to thrown projectiles that was less than the maximum allowable under industry safety standards. The manufacturer also provided a booklet with the mower which warned of such dangers:

The court then offered some enlightening language on a manufacturer's duty to warn. It cited 247 Feb. 2*nd* 23, in which that court wrote: "There are on the market vast numbers of products as to which the law holds the manufacturer to a duty to warn of foreseeable dangers, or to provide safeguards against such dangers.

"But there is also on the market vast numbers of potentially dangerous products as to which the manufacturer owes no duty of warning or other protection. The law does not require that a manufacturer warn or protect against every injury which may ensue from mishap in the use of his product. Almost every physical object can be potentially dangerous in a sense.

"A lead pencil can stab a man in the heart or puncture his jugular vein, and due to that potentiality, it is an inherently dangerous object; but if a person accidentally slips and falls on a pencil point in his pocket, the manufacturer of the pencil is not liable for the injury. He has no obligation to put a safety guard on a lead pencil or to issue a warning with its sale. A tack, a hammer, a pane of glass, a chair, a rug, a rubber band, or myriads of other objects are truly 'inherently dangerous' because they might slip. They cause accidents and injury more often, we expect, than rubber exercisers.

"But the doctrines fashioned by the law for inherently dangerous objects do not encompass these things. A hammer is not of defective design because it may hurt the user if it slips. A manufacturer cannot manufacture a knife that will not cut or a hammer that will not mash a thumb or a stove that will not burn a finger. The law does not require him to warn of such common dangers."

It is clear today that we have not reached the state where a manufacturer is under the duty of making a machine accident proof or foolproof. (*Stoval & Co.* v. *Tate*, 184 S.E, 2nd 834.)

* * *

YOU ARE AWARE that an employe cannot claim workmen's compensation unless he is injured during the course of his employment. We call your attention to two recent cases which have been litigated.

The supreme court of Minnesota ruled on a case in which a field supervisor for a construction company headquartered in Minnesota worked irregular hours on Iowa projects, was furnished a pickup truck for performance of his work and was permitted to use the truck for personal use. The supervisor was killed in an accident while he was driving his employer's truck to his home in Minnesota. The accident did not arise out of or in the course of his employment and hence the court said the decedent's widow was not entitled to workmen's compensation benefits.

In the other Minnesota case, a highway construction contractor provided its foreman with a truck for use in the performance of his duties and for his personal use. The foreman was fatally injured while he was driving the truck to his motel after attending a dinner sponsored by the employer for off-duty employes. The court found that the dinner was simply a social event, without talks of any activity incident to the employer's business. In denying the widow's claim for compensation the court said that the decedent's death did not arise out of or in the course of his employment. (*Funk* v. *A. F. Scheppmann & Son Construction Co.*, July 1972, 199 N.W. 2nd 791; and *Bonfig* v. *McGarry Brothers Inc.*, July 1972, 199 N.W. 2nd 796.)

* * *

WE ARE INDEBTED to the court of appeals of Ohio for information concerning the state in which parties seeking to enforce group insurance contracts may proceed.

- Parties to a group insurance contract may select the state whose law is to be applied to the terms of the contract.
- In a group insurance contract, a choice of law provision will be upheld if it is not shown that the application of the law of the state chosen by the parties would violate public policy of the forum.
- The choice of law made by the parties, the place where the group insurance policy is delivered, the place of the principal office of the group policy and the desirability of uniformity and certainty of the law applicable to thousands of insured members scattered throughout many states, are proper factors to be considered in determining the state whose law is to be applied to the terms of the policy. (*Woelfing* v. *Great West Life Assurance Co.*, June 1972, 285 N.E. 2nd 61.)

* * *

IF CHILDREN trespass on your property and set your plant on fire in Michigan, can you recover against them?

The action here was by a fire insurer, against three boys, aged seven, eight and nine. It was alleged that the boys' negligence started a fire which damaged the insured's premises to the extent of $40,000. On appeal, the court of appeals in Michigan held, that although the doctrine of "attractive nuisance" excused these boys for their trespass in playing around trash receptacles located on the premises, the doctrine did not excuse their negligence in setting the fire which damaged the premises.

The court pointed out that under Michigan law, a trespasser is liable for all the consequences, indirect and consequential, as well as direct damages resulting from his trespass, irrespective of his negligence. In the case the plaintiffs sued the defendants for their negligence, not for damages arising out of their trespass. (*Insurance Co. of North America* v. *Cuevas*, Aug. 18, 1972, 199 N.W. 2nd 681.)

* * *

IF YOU ARE operating in New Mexico and sell or buy contaminated food which is seized by the state, can you be reimbursed for the value of the food? The answer is "no."

The action in the case was for the value of 44 gunny sacks of contaminated grain. The court said the New Mexico Food Act and similar statutes of like import, have for their objectives, the protection of public health. The right to seize and destroy unfit or impure foods is a reasonable exercise of the right and duty of the state to protect the public health.

Injury which results from the proper exercise of the power is not compensible. Thus the state is not required to make compensation when it seizes and destroys food found to be contaminated within the provisions of the New Mexico Food Act. (*State* v. *Gunny Sacks of Grain*, New Mexico Supreme Court, May 26, 1972, 497 Pac. 2nd 966.) ■

1972's air fatalities

An aviation symposium in London was told that 1972 was the worst year in history for deaths in aircraft accidents. D. L. Dann, Lloyd's of London, informed the gathering of lawyers, insurance brokers, underwriters and airplane manufacturers that in 1972, more than 1,200 people were killed in aircraft accidents.

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Opponent of legislators' pensions very confident

HARTFORD—The leader of an on-going effort to repeal the pension plan for Connecticut's state legislators said he believes there is enough support for corrective measures in the 1973 session, beginning this month.

State Sen.-elect Nicholas Lenge, said it was "a good omen" that, of the 187 members of the 1973 legislature, only 48 had applied to "buy into" the retirement plan by the Dec. 31, 1972, deadline for lawmakers seeking retirement credit for past legislative service.

"I think it (the pension plan) has a good chance of being defeated," said Mr. Lenge. "The incoming legislature contains many new people who are very sensitive to feelings of constituents on questions of taxes and compensation."

assembly is not typical employment.

"These are part-time jobs. These people have other sources of income; their only job is going back to the electorate for re-election. I'm not persuaded by the fact that Congress has a pension or that several other states have plans; there's nothing to say there should be a domino effect with all states."

He thinks that Connecticut should, in effect, function as the domino and start a reverse trend.

Of the 71 legislators who have "bought into" the plan, 4 are retiring after at least 10 years of service and are 65 or over, entitling them to benefits. The plan became effective Jan. 1. ■

UNDER THE pension plan, to qualify at age 65, legislative members must have served at least 10 years and contributed 10% of their annual salary. They cannot receive the pension while still in state legislative service.

A newly-elected member retiring after the necessary 10 years would be eligible to receive an annuity of $1,375 at 65, the pension to cost the individual a total $5,500 contribution while in office.

Mr. Lenge tagged the plan "conceptually wrong."

Fundamentally and basically, he said, "a pension is just wrong. Being in the legislature is not like working in industry. The general

Health bills submitted to legislature

BOSTON—A number of proposed measures of prime interest to the health insurance field have been submitted to the Massachusetts state legislature.

Democratic Rep. John Buckley and Sen. Alan D. Sisitsky have introduced a five-bill "package," the key measure designed to compel insurers to offer prepaid coverage for preventive care and outpatient services.

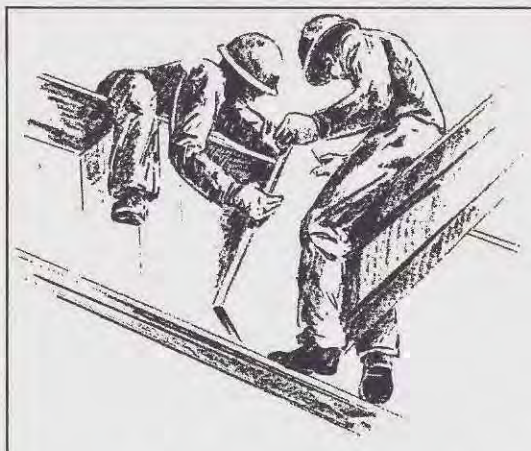
"Insurance," said Mr. Sisitsky, "is triggered now by hospitalization. This would turn that situation around."

OTHER BILLS filed by the two would force insurers to give preference to hospitals which provide health maintenance services, give the state rate setting commission and public health department approval authority over any increase in hospital rates; force insurers to keep persons on group coverage rates after they leave the group employer and compel Blue Cross hospital contracts to provide for minimum use of high-cost facilities.

Sen. James A. Kelly has introduced a bill that would provide cancer insurance for public jobholders.

Prompted by the cases of several state workers who discovered they had cancer, the measure would cover hospitalization, drugs and medicine, surgery and X-ray treatment, doctor and nursing costs, anesthesia, blood and plasma, ambulance service and other related costs.

The Massachusetts group insurance commission has the authority to set rates and coverage for all public employes in a group insurance plan. ■



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Global consortium covers Canadian satellites

OTTAWA—The recent successful launch of a Canadian communications satellite was a space shot heard 'round the world by a global insurance consortium which is providing $30 million in insurance protection against launch failures.

The unique risk arrangement insures that Canadians can withstand as many as three failures in their efforts to orbit two telecommunications satellites. The first loss, if it occurs, must be absorbed by Telesat Canada, the Canadian corporation handling the space program, but the second and third losses are covered by more than 100 non-Canadian insurance firms.

With one up and the second waiting to be orbited in April, the system is designed to provide Canadians with better television, radio and telephone communications by allowing a network of 37 "earth stations" to beam their audio and video signals to the satellites for amplification and retransmission to other corners of the country. Telesat Canada Corp. was established by a special act of Canada's Parliament and is owned jointly by the Canadian government, the Canadian people and Canadian telecommunications carriers.

Launch insurance, being a relatively new and highly technical risk area, was not easy for the corporation to acquire. Liability cover was readily found, but the corporation had to send its executives on a global safari to secure the necessary launch insurance.

"Our liability policy is underwritten by Associated Aviation Underwriters," Robert Turta, vp finance and treasurer of the corporation, said. "It provides coverage for personal injury and property damage arising out of preparations at the launch site as well as the launch or attempted launch. The policy has combined limit of $5 million for any one occurrence, with a $500,000 limit on each person. Coverage is provided at Cape Kennedy prior to, during and after a launch and elsewhere during and after a launch."

The liability coverage is written on a form similar to the comprehensive general liability format and excludes liability arising from transmission or emission of electronic signals, Mr. Turta said.

The actual launch sequence—both the events which take place on earth and those which transpire in space—are covered under two policies. The first provides pre-ignition coverage and attaches as the satellite and its engines are mated and during and after the assembly of the spacecraft and launch vehicle at the launch complex. Coverage continues until the launch vehicle's engines are intentionally ignited for the purpose of putting the spacecraft into orbit.

One of two Canadian communication satellites has already been launched—under the cover of a $30 million insurance policy.

"The pre-ignition policy has a total liability of $15 million on any one loss, with a limit of $7 million on each spacecraft and $7.5 million on each Thor-Delta launch vehicle," Mr. Turta said. "The policy is underwritten by Chubb & Son Inc. as the lead with the balance of the line underwritten by Lloyd's of London and companies in the United States, Europe and throughout the world."

AN ADDITIONAL $500,000 cover has also been written to provide reimbursement of Telesat's cost for removal of debris and demolition of any of the insured property, should the launch fail while on the ground. Such losses are each subject to a $100,000 deductible. This all-risk coverage is subject to the normal exclusions found in most inland marine forms.

"One interesting feature of this policy is the provision for automatic reinstatement of coverage 15 minutes after an abort," Mr. Turta said. "The policy continues in force until intentional reignition of the launch vehicle's engines for the purpose of another launch or until the launch vehicle is removed from the launch pad and disassembled. Each such abort calls for an additonal premium. Further premiums are charged in the event of delays, under varying charges depending on whether or not the rocket is fueled. The policy represents 100% of the cost of each Telesat launch."

THE SECOND policy covering the in-flight launch sequence was difficult to arrange, Mr. Turta said, because of the need to properly define a launch failure. Armed with diagrams which indicated precisely what the satellite must do in space in order to be considered a success, Mr. Turta and members of his brokerage, J. E. Benoit and Associates Ltd. of Montreal, traveled to London to meet with representatives of the C. T. Bowring & Co. Ltd., which acted as broker in the London market for the necessary overseas coverage. After approaching insurers and reinsurers in Belgium, France, Italy, Iceland, Holland, Sweden, Germany, Norway, Switzerland, Spain, Brazil and Japan, a worldwide market was assembled to provide $14.5 million in coverage, 100% of the worth of the launch vehicle and the satellite.

"This policy is a valued form, subject to a deductible equal to the value of a launch," Mr. Turta said. "These underwriters would pay the face value of the policy for the second loss. The policy terminates upon payment of a loss, or upon the successful placement of two Telesat spacecraft into synchronous orbit."

The entire launch insurance coverage was placed by J. E. Benoit and Associates Ltd., working with the Montreal office of Dale & Co. Ltd.'s marketing facilities. ■

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California not insured for $3 million loss from fire in motor vehicle office

SACRAMENTO—Fire damage to the California department of motor vehicles headquarters here has now been set in excess of $3 million, representing the largest non-insured property loss the state has ever suffered.

Content loss has not yet been established but is expected to be high in that smoke and water caused considerable damage to data processing material and equipment.

State Sen. Albert S. Rodda has introduced an appropriation measure of $1.5 million to begin repairs on the building which also houses offices of the California National Guard. Legislators indicated that the loss from the fire, which occurred in December, may stimulate some changes in California's program of insuring its own risks.

California has a risk-management section which operates under the department of general services here, with Eugene D. Marquart as insurance officer.

MR. MARQUART'S office writes specifications for each risk that requires insurance and then conducts bidding on them. His deparment also sets insurance purchase standards when asked specifically to do so by political subdivisions other than the state.

He is responsible for procuring all commercial insurance purchased by the state, excluding physical damage coverage on all toll bridges and insurance for the Cal-Vet home loan contracts.

Brokers in the bridge consortium are Marsh & McLennan Inc., San Francisco, Johnson & Higgins, also San Francisco, and Emett & Chandler, Los Angeles. "These brokers," Mr. Marquart explains, "solicit the free world insurance market for the $200 million physical damage coverage on California toll bridges, of which eight are so insured."

Companies involved in the excess tort liability coverage include Lloyd's of London, Employers' Surplus Lines, Harbor Insurance Co., C.V. Starr, Continental Casualty Co., St. Paul Fire and Marine and Employers' Mutual Liability.

Farmers' Insurance Exchange carries the liability protection for California's fleet of 26,000 state-owned cars, trucks and other vehicles. Farmers', incidentally, obtained the business as the result of presenting the lowest competitive bid.

Mr. Marquart believes the state has "structured its insurance procurement program so as to guarantee high quality coverage and efficient, economical management, with a strict policy of open, competitive bidding on all insurance purchased."

HE IS EQUALLY convinced that "substantial economies" have been produced for the state, although the economies have not been tabulated into dollar amounts. "In all cases where insurance is required," he told *Business Insurance*, "a minimum of four qualified brokers, capable of adequately and responsibly providing the necessary service, are asked to solicit the available markets and submit bids."

The insurance is then awarded to the lowest bidder who has qualified in accord with specifications prepared by the state insurance office.

California operates with a system which combines self-insurance and commercial insurance for tort liability up to $50 million. Mr. Marquart, who holds a bachelors' degree in business administration and insurance from the University of California at Los Angeles, came to his state post with 23 years experience in various insurance administrative and management capacities.

THE STATE'S two largest cities, Los Angeles and San Francisco, handle their insurance problems in a similar manner.

Insurance protects San Francisco, for example, from liability which might arise from even such activities as the Chinese New Year's Festival, an annual February event.

Actually, both Los Angeles and San Francisco are protected through either self-insurance or commercial policies against the entire spectrum of risk rising from accidents, false arrest, libel, slander, defamation of character, wrongful entry and even invasion of privacy.

SAN FRANCISCO is protected against all liability hazards with a single limit excess umbrella liability coverage of $24 million, in excess of $1 million. The city's sprawling public utilities commission has its own separate $25 million of coverage.

San Francisco's problems are unique in that it is one of the few U.S. municipalities which operates both as a "city" and as a "county." Thus, there is considerable overlapping of functions, risks and responsibilities.

The Unified School District (San Francisco) is a "creature of the state" but utilizes many of the services of both city and county but the district arranges its own insurance program. Mund, McLaurin & Co. has long been insurance analysts and consultants for San Francisco. ■

State could save from cut in broker fees

HARTFORD—A proposed measure that would, according to its sponsor, State Rep. Paul A. LaRose, save Connecticut and its cities and towns at least $1 million annually in broker fees, has been introduced into the current state legislative session.

The bill would chop the amount of commissions paid to agents and brokers who handle surety bonds on public capital projects, such as schools, roads and bridges.

Under the proposed measure, the premium for the first $2.5 million of the contract would be reduced from 30% to five percent. Along with the premium reduction there would be a brokerage fee reduction, Mr. LaRosa said.

In addition, there would be premium reductions at other steps, reaching a minimum one percent on a bond amount over $7.5 million. The premium at that level is now five percent, Mr. LaRosa noted. ■

Job safety act confuses employers

REGINA, SASK.—There is a lot of confusion among Saskatchewan businessmen over provisions of the province's new occupational health act which took effect at the start of the year.

And some businessmen candidly admitted they were not even aware that the new program had gone into operation.

Under the occupational health act, any company with 10 or more workers must set up an occupational health committee to take care of complaints about employe health and safety and, at the same time, to foster health and safety education.

A survey showed that few employes in non-unionized business firms in the Regina area have done much about establishing such committees. Most of the committees which have been set up are in larger companies, having 50 or more workers.

SPOKESMEN for employer groups report they have been studying implications of the new act and its effect on business in the province. They have discovered a noticeable lack of understanding about the act and what role the government intends to play in enforcing its provisions.

It was pointed out that while the act was proclaimed on Oct. 24, 1972, employers did not receive details on the setting up of committees until two months later. Delegates from employer groups met with Labor Minister Gordon Snyder on Dec. 18, 1972 to explain some of the terms of the act.

According to Ralph Purdy, executive director of the Saskatchewan Employers Assn., employers have received no clarification of the act from the government to date. He hinted that the government itself may not have decided on a method of procedure.

The purpose of the occupational health committee, according to Labor Minister Snyder, is to enable both employers and employes to resolve health and safety concerns reasonably and on their own, requiring minimum intervention by a third party. ■

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February 28-March 2, American Management Assn., briefing session and forum, "Cash management for insurance companies," Miyako Hotel, San Francisco. For more information write AMA headquarters.

February 28, Society of Chartered Property and Casualty Underwriters, one-day seminar, "The 1973 changes in comprehensive general liability," Boston, Ma. For more information write the CPCU, P.O. Box 566, Media, Pa. 19063.

March 1-2, American Management Assn., two-day seminar, "Captive insurance companies—development and management techniques," AMA headquarters, 135 West 50th St., New York, N.Y. 10020.

Auto insurance bills will be argued in legislature

SALT LAKE CITY—One of the major insurance questions the 1973 Utah state legislature will wrestle with this year will be whether or not to enact a compulsory motor vehicle insurance law.

If a proposed bill, recommended by the Utah legislative council, is passed, it will mark the first time in history the state has had such a compulsory law. The state now has a relatively tough financial responsibility law, but it doesn't take effect until after an accident has occurred.

The new legislation would require that each vehicle owner have minimum no-fault and public liability coverage. The no-fault portion would enable a motorist to collect up to $2,000 from his own insurance company for personal injuries regardless of who is at fault in the accident.

The public liability portion protects the innocent motorist for personal injury up to $15,000 for one person and $30,000 for two persons. It allows up to $5,000 for property damage.

AT PRESENT, in order to show "financial responsibility" after an accident, a vehicle owner must have minimum public liability coverage of $10,000/$20,000/$5,000.

During a recent meeting of the legislative council, State Sen. E. LaMar Buckner outlined provisions of the no-fault legislation. He cautioned that the measure is no panacea. "It won't solve all problems and you'll have to analyze it carefully to see if it will solve any of them."

However, he said it was a proper step for two reasons:

- It may head off imposition of federal legislation upon the state with a "catastrophic" raise in premiums (estimated by Buckner at 32% to 55%).
- The experience of other states which have adopted a no-fault insurance law indicates that it does yield some benefits to the vehicle owner.

Mr. Buckner noted that the $2,000 amount would cover the medical costs in about 80% of Utah accidents. There would also be allowance for payments of up to 85% of gross earnings to $150 a week for a year for disability.

Statistics indicate, Mr. Buckner said, that the no-fault provision would eliminate about 80% of the court litigation in personal injury cases, but the motorist would be free to go to court if there was death, dismemberment, disfigurment or significant permanent disability. ■

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Pension fund stocks rise in '72 for N.Y.

NEW YORK—Common stocks invested by three of the city's five pension funds rose nearly 17% during the fiscal year which ended Sept. 30, controller Abraham D. Beame announced.

This placed the city-invested stocks well head of both the Dow Jones Industrials and the Standard & Poor's 500 stocks during the same period. Dow Jones rose 7.45%, while Standard & Poor's appreciated 12.4%.

The common stocks, worth $523 million at the beginning of the fiscal year, increased to a round $946 million by Sept. 30. This $423 million increase is attributable to three factors.

First is the actual 16.81% appreciation on investments, which came to $115 million. New money invested at a rate of $19 million a month accounted for $228 million more. And $80 million in new money came from bonds which had been owned by the pension systems, matured, and were reinvested in common stock. Appreciations were computed on a time-weighted rate of return.

PENSION FUND investments for the city are guided by a voluntary committee of businessmen, bank officials, and insurance men. They advise which common stocks should be bought and sold to keep the New York city employes retirement system, the New York city police pension fund and the New York city fire department pension fund in the black.

Further guidance is given to pension fund revenues by four investment counselors under contract to the city.

Citing "policy reasons" for not revealing the identities of the common stocks currently bought by city pension fund investment counselors, a spokesman for the controller said such information "could damage the market."

In past years, the city has invested pension fund money in such stocks as Coca Cola, American Cyanamid, Eastman Kodak, Chrysler, and American Can.

Two other city pension funds, the teacher's retirement system and the board of education retirement system also invest in common stocks, but do so through a private investment set-up. ■

Hallmark...

Continued from page 1

The company is considering mass-marketed auto and homeowners plans for its employes.

Hallmark offers an extensive thrift plan in which "participation has been very good," according to Mrs. Hartnett. Under the basic thrift program, the company contributes 20¢ for every dollar an employe contributes. Under a supplemental plan, an employe can contribute from 2% to 5% of salary—if, and only if —he contributes 5% of salary on the main plan.

Three investment options are open on the plans: An insured plan with guaranteed return, a common stock plan or a balanced plan combining the first two.

Both Hallmark's pension and profit-sharing plans are totally company contributory, Mrs. Hartnett commented, with pension beginning after one year and profit-sharing eligibility beginning after two year-ends (Dec. 31).

ON THE liability side, Hallmark carries a broad tort liability policy with Commercial Union Insurance Co., the risk manager added. Since Hallmark's umbrella coverage excludes advertiser's liability, the company carries a $500,000 policy to cover that written by Seaboard Insurance Co.

The company's primary liability layer is $100,000/$300,000. Two umbrellas of $5 million each are also applicable to auto, Mrs. Hartnett said.

The company's fleet of 1,000 vehicles, mostly automobiles used by salesmen, is retro rated, Mrs. Hartnett noted, as is Hallmark's workmen's compensation cover. Business interruption, with 50% written through the Factory Insurance Assn. and 50% through the Factory Mutual System, covers 70% of gross earnings for an indefinite period of time. Property insurance is also written through FIA (50%) and FMS (50%). Hallmark's boiler and machinery policy is written by Arkwright-Boston Insurance for $5 million.

"WE DO HAVE product liability cover," Mrs. Hartnett commented, "though, basically, we haven't had any major complaints." She explained that all consumer complaints involving bodily injury or property damage are handled through her department, which responds immediately to any correspondence. "The fact that you even answer their letter usually astounds them," she said, adding that customers are asked to send any allegedly defective items to the company (with Hallmark reimbursing for postage and any damages) to ascertain whether the grievance is legitimate.

"Our quality control people take a look at the product," she stated, to check both the claim's validity and to find out what, if anything, has gone wrong.

Small claims are self-insured and whenever a valid consumer complaint is lodged, all Hallmark departments are notified—in writing—of the situation. "With product liability, anything can be damaging," the risk manager said. "It's important to remember that customer misuse is a very important factor."

ACCORDING to Mrs. Hartnett, Hallmark has not been forced to make any major adjustments for the Occupational Safety and Health Act. "We've always had good housekeeping here," she said, "and we've frequently been complimented by our carriers on that.

"About six years ago, management named a full-time safety director and it's really made a difference. We have executives on our safety board and that safety sense filters down to every employe no matter what his position. Having that kind of top-level support can't help but help." Mrs. Hartnett claims that Hallmark safety people "have done a magnificient job."

What occupational injuries do occur, she pointed out, come not so much from the company's die-cutting presses, but rather from order-filling departments (back injuries) and maintenance workers. Mrs. Hartnett noted that Hallmark put guards on its cutting presses years before OSHA required them.

Both Mrs. Hartnett and Hallmark's safety director are on the board of directors of the Kansas City Safety Council.

Security is tight at the company's Kansas City headquarters, with uniformed guards—all of whom are Hallmark employes—posted at each entrance. Employes are required to carry identification cards, which also serve for hospital admittance. And, suitably enough, the same cards are used for charging purchases in the in-house card shop. ■

New ASIM chapter

Arizona became the 47th American Society of Insurance Management chapter last month, when it joined the society with 13 charter members. Most of the members are from Phoenix—a few are from Tucson—but the chapter hopes to draw new members from the entire state. Officers of the Arizona chapter are (left to right): Bob Pye, vp, of Talley Industries; Jean Burdict, secretary, of Salt River Project; Norm Cocanour, director, of Arizona Public Service; Larry Bell, president, of Amerco (U-Haul); Dick Martin, director, of Tanner Cos.; Earl Jolly, director, of Salt River Project; and Phil Barrett, treasurer, of First National Bank of Arizona.

Alberta society officers

The Alberta Risk and Insurance Management Society has released the names of its officers and directors for 1972-73. A.G. Dalton, Husky Oil Ltd., is president of the society. Other officers are: R. Nobes, Canadian Utilities Ltd., vp; C.E. Browne, Peace River Oil Pipe Co. Ltd., secretary; D. Cosandier, Union Oil Co. of Canada Ltd., treasurer; and J.B. Sauve, Pacific Petroleums Ltd., past president. All of the above officers, along with G.E. Gray, of the city of Calgary, are society directors.

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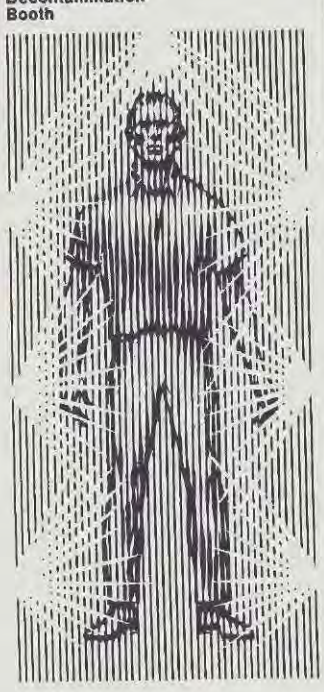

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Insurance firms move into aviation market could violate anti-trust act

LONDON—U.S. life insurance firms are moving millions of dollars of their funds into the world aviation risk market. But now comes a suggestion from rivals in this field that they might be violating the Sherman Act because of their pension fund links.

The reasoning behind this was explained by Lloyd's underwriter Geoffrey Eliot in an address to the Insurance Institute of London, in which he outlined his attitude to this growing development in major airline cover.

Insurance sources in Britain have become very sensitive lately to the intrusion of big American corporations into world markets. This was surveyed in *Business Insurance* last year (Aug. 14 and Sept. 11).

But the concept of "trust busters" being required to probe the international rating-war is entirely new and reflects the natural concern felt by old-established underwriters at the entry of competitors to the market.

Comments by Mr. Eliot, who has been a leading aviation underwriter for many years and is on the committee of Lloyd's, are likely to provoke challenging thoughts in the minds of many insurers. Said the Lloyd's underwriter:

"World aviation premium income has risen from an estimated $400 million in 1967 to $1.2 billion in 1972. Large profits have been made and as a result plenty of efforts have been made to disrupt the risk-taking insurance industry.

"The extension of reinsurance facilities has enabled the meanest of underwriters to write enormous gross lines on the backs of other companies or underwriters all over the world, such reinsurers not being subject to any of the solvency tests which are so scrupulously observed under British insurance laws.

"This availability of gross capacity will work well until the level of premium income, less the commission and overriders in each passing-on phase, is insufficient to meet the claims.

"I can see in the not too distant future a requirement for restriction of the amount of reinsurance arranged by any one company, on the lines that we adopt in Lloyd's, either voluntary or compulsory.

"For apparently the burden of satisfactory and permanently solvent reinsurers is proving to be dangerously expensive to us all, underwriters and brokers alike. We must be near that time now.

"SENSING this approaching situation in our world aviation market, along come the life offices of America. They came marching to war with big battalions of backing in the form of trillions of dollars in assets.

"I thought those self-same assets, including capital appreciation, were the property of the life policy holders and were bespoken. Whoever heard of an actuary, who after all, works out the cost of the inevitable claim payable at death of all policy holders, having a go and sticking his neck out? What then is the threat to the risk-taking insurance industry from the life offices?"

Dealing with this aspect, he went on: "First of all, I suggest we face up to the problem and see if we have anything to be scared about.

"The life office is a life insurance company with very large assets which have been amassed from the millions of people who have taken out policies with it. So in trust the life offices have masses of money to invest.

"Recently, the U.S. life offices—so far authorized in only two states—have invented a new term called 'surplus surplus funds' for the investment of certain of their vast monies.

"IN THE CASE of one life office, the resulting amount of money available for one line is over $30 million. This so-called investment threat by the life offices is not confined to the aviation industry.

"Latest information is that aggressive approaches into the casualty field have been attempted, and in the Midwest, a subsidiary is seeking homeowners and auto business. They appear to be saying, 'We do not influence the rate. We are in business simply because you in the risk-taking industry have not got enough capacity.'

"I say: Don't ignore the life offices and hope they will go away. Don't give them little bits of business in the hope of satisfying their greed. It won't. They will be back for more."

Telling his British audience to "stand up and fight" against the intrusion of U.S. life offices into the industry, Mr Eliot said: "I do not believe they ever mean to lead a risk. So the established underwriter will win out in the long run because of his technical ability to judge each risk. They will not lead a risk, I submit, for fear of breaking the law of the United States.

"These life offices already finance the purchase of nearly all the aircraft in the air fleets they now propose to insure. They already provide life insurance for the many hundreds of thousands of airline employes of all grades, with a corresponding vast capital sum involved.

"In addition, they already provide large portions of the pension arrangements for these self-same airline employes.

"Now there is nothing particularly sinister in insuring someone, or a corporation, to whom one has lent money, provided one observes the Sherman Act. But if it can be shown that undue influence to reduce rates has been exercised, or even that it could be inferred that the airlines bought insurance from the life offices at perhaps no more advantageous terms than could have been obtained from the legitimate insurance industry, it might be found that a tying agreement existed, and thus be held to be inherently coercive. This may well be a violation of the Sherman Act.

"I think the life offices will follow, not lead. Therein surely lies our strength," he concluded. ■

Sex bias suit to be heard

HARTFORD—A federal judge has approved a three-judge court hearing for a suit challenging the Connecticut state employes' retirement benefit policy which allows women to retire with full pensions five years earlier than men.

U.S. district court Judge J. Emmet Clarie has approved the application for the hearing after neither of the two oppossing lawyers in the case objected to such a resolution.

The court must now appoint three judges to hear the case and set a date for the hearing. ■

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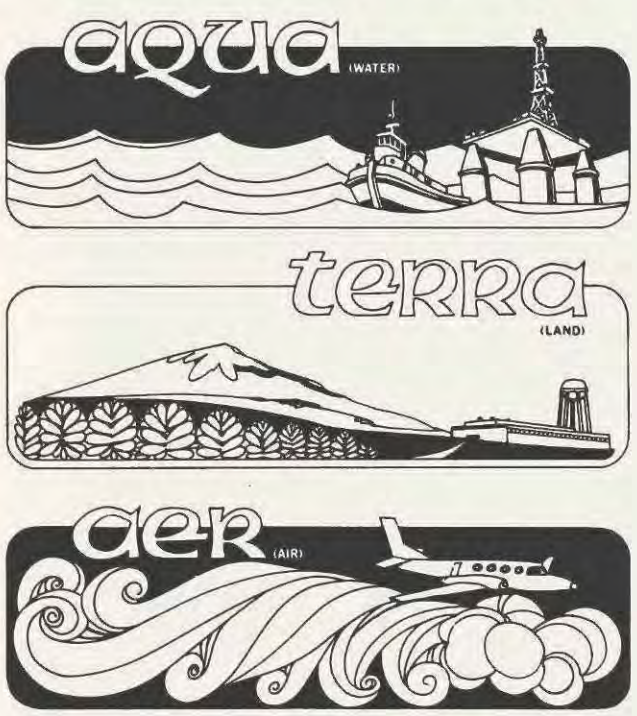

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New position available for an individual to coordinate safety activities on power plant construction sites. Requires familiarity with OSHA regulations as well as power plant construction techniques. Good starting salary plus full range of fringe benefits. Send resume along with salary requirements.

Box 320, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

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MIDWEST SAFETY, CLAIMS ORGANIZATION SEEKS MERGER
Regional service organization with more than 20 years in self-insured Workmen's Compensation, safety and claims desires merger with similar organization(s). Objective: national operations potential. Reply
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740 Rush St., Chicago, Ill. 60611

POSITIONS WANTED

Capable, Experienced Safety Mgr, Retail, Hospital, Industrial & Aviation desires Insurance Co. position in Florida Area Answer to
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740 Rush St., Chicago, Ill. 60611

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CORPORATE INSURANCE MANAGER

Our company, a leading manufacturer in the fast-growing field of pollution control equipment, needs an experienced Industrial Insurance Manager to develop and administer a world-wide program of risk management, including all types of property, casualty, and employee group coverage.

The position, located at our corporate headquarters in a major midwest city, offers a unique challenge and opportunity to the qualified individual.

If you have a BBA or equivalent degree, 5 or more years of corporate insurance management experience with a medium to large manufacturing company, and have the maturity and drive to assume this important management position, reporting to the Chief Financial Officer, we want to talk with you. Send us your resume and salary history, in confidence, to:

Box 332, BUSINESS INSURANCE
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RATES AND CLOSING TIME: $2.25 per line, minimum charge $9.00. **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 $19.50 per column inch, and card discounts on size and frequency.
Mail ads to Business Insurance, 740 N. Rush St., Chicago, Illinois 60611.

Number of Insertions:_____ Amount Enclosed $_____
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LEVERAGE

For our multi-national clients, Royal-Globe offers the world. That's an extra advantage we call leverage.

Whether your company's insurance needs are in Caracas or Karachi, Stockholm or Sydney, we can write you an American style policy, often payable in dollars, with local, on-the-spot claim service.

And that's not all. Through our international operations office in New York, we've got instant connections with our 600 offices around the world. And that spells speed.

If you're sitting at the head of a multi-national operation, you need a multi-national insurance company. One that not only speaks your language, and just about every other language under the sun, but one that can provide you with the right insurance policy backed by fast, efficient service whenever and wherever you need it. That's everage. That's Royal-Globe.

Royal-Globe Insurance
World-wide shield
against the unexpected.

YOUR Insurance Independent AGENT SERVES YOU FIRST

ROYAL-GLOBE KNOWN ROUND THE WORLD INSURANCE

Royal-Globe Insurance Companies
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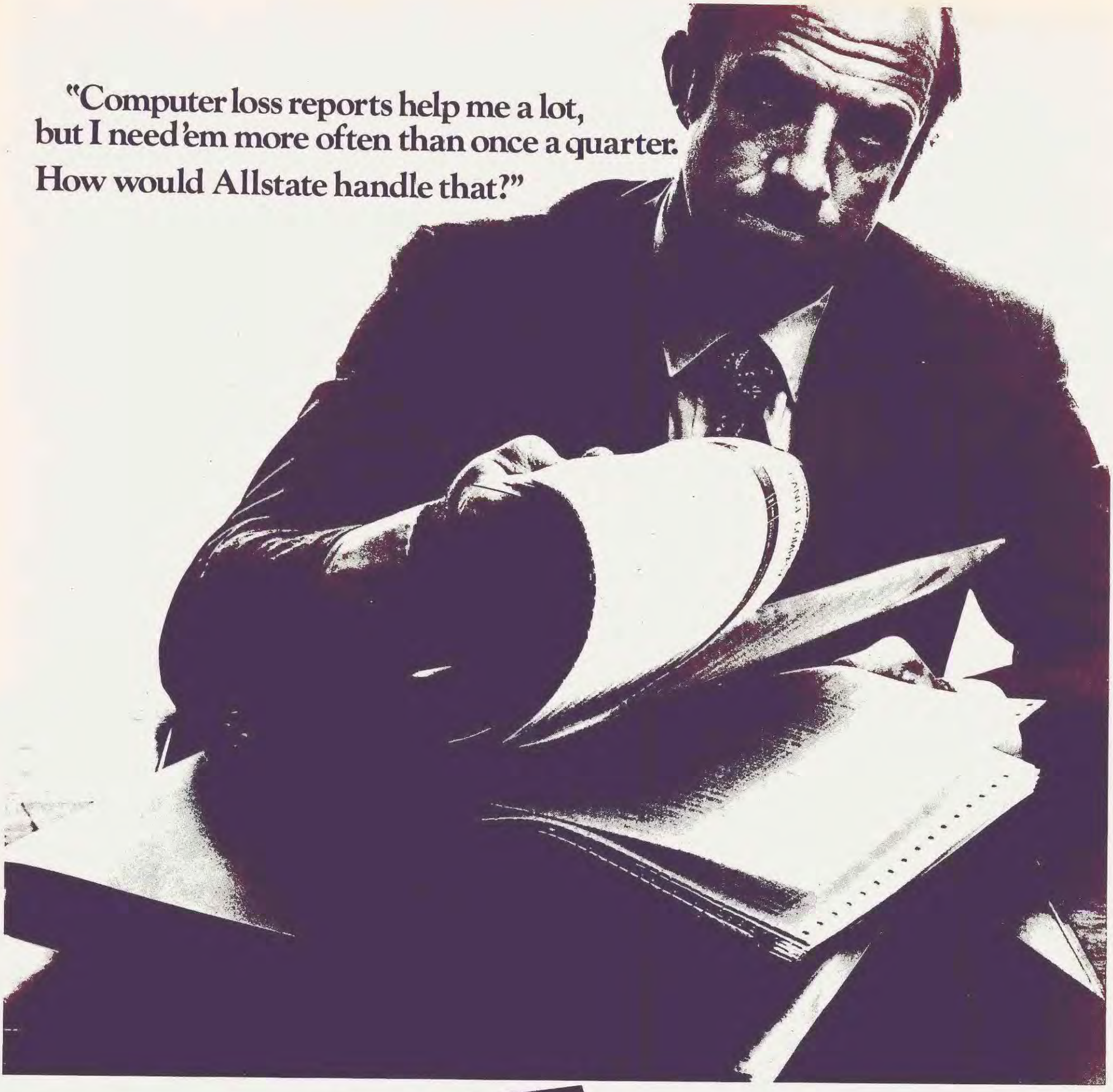
"Computer loss reports help me a lot,
but I need 'em more often than once a quarter.
How would Allstate handle that?"



We'll put a computer loss report on your desk every month if that's what you need.

Allstate's computerized operation and cut-the-red-tape way of doing things usually mean better, faster service to our customers. That's often how we get them as customers in the first place.

Insurance is as competitive as your business, so we capitalize on our advantages.

Extra hustle; an aggressive, just-let-us-quote attitude. A management that thinks an insurance company's service should bend to suit the customer. And the largest full-time staff of claims specialists in the business.

And the price? That's right—very competitive.

But don't take our word for all this. Put us to the test.

Ask us to quote.

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