

# Facing corporate ecology exposures

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# business insurance

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



From 20 to 30 insurance companies provide coverage on a Wakefield, Mass. industrial park completely destroyed by a devastating fire. Damage from the blaze was estimated at \$3 million. —Wide World photo

## Complex covered in small layers

WAKEFIELD, Mass.—Insurance coverage on the industrial park which burned to the tune of an estimated \$3 million here was written in small layers by many insurance companies around the country, *Business Insurance* has learned.

A source within Robie Enterprises, the firm that owned R. S. Robie Industrial Center, said that "20 to 30 insurance companies were involved" in the coverage of the five buildings totally destroyed by the blaze.

"This is one of those risks which is spread in little dribbles all over the country," said a spokesman for a large property insurer. "I have not heard of a

single company being hurt by this fire."

Travelers Insurance Co. reported that it had a total exposure of \$60,000 on the contents of two of the 18 firms that were housed in the buildings.

FIRST estimates on the loss, which was termed "of suspicious origin" by the Wakefield fire department, were published at \$15 million. Later figures indicated that the loss would be a maximum of \$3 million.

Similarly, first reports said that more than 1,000 persons would be left jobless by the blaze but that figure has since been amended to about 300 now unemployed.

The 18 companies destroyed by the fire were all rather small firms, ranging in interests from medical equipment to screws. The fire started in space occupied by Continental Chemical & Coating Co.

There was speculation that insurance on the buildings, which had once been a furniture manufacturing concern, had been difficult to obtain in large quantities because of their age and construction.

A spokesman for the National Fire Protection Assn. announced that NFPA is investigating to ascertain why the sprinkling system did not contain the blaze. ■

## Fleet operators give muffled cheers for no-fault plan in N.Y.

By STEPHEN GILKENSON

NEW YORK—A modified auto insurance plan, which has the backing of Gov. Rockefeller and his insurance department, will be introduced in the state legislature here within a few weeks. As compared to an earlier plan proposed by Richard E. Stewart, former superintendent of insurance, the revised version represents a concession of sorts to commercial fleet operators, and one that, according to several risk men queried by *Business Insurance*, they would be able to live with.

The so-called "Stewart Plan" would have held commercial vehicles or, more precisely, trucks and buses, absolutely liable in accidents involving such vehicles. This plan does not.

However, the proposal as it stands now—and backers are quick to point out that it has not yet been put in legislative form and is subject to certain refinements—does contain a clause that would allow for subrogation by insurers in accidents involving trucks and passenger vehicles. In car-truck accidents the insurer of the passenger vehicle would be able to recover on a fault basis from the truck's insurer or, in the case of self-insured fleets, from the truckers themselves.

Meanwhile, another auto insurance measure has been introduced in yet another state—Rhode Island.

THE N.Y. PROPOSAL is expected to be put into legislative form by the first of next week, according to Sen. Bernard G. Gordon (R.-Peekskill), chairman of the senate insurance committee.

Under the bare bones of the measure, persons involved in accidents would be able to recover benefits of up to \$50,000 for medical expenses. In addition, accident victims would receive 80% reimbursement of lost wages up to \$1,000 a month for as long as three years.

The plan, a version of which is believed to have good chances of passage this year, will eliminate negligence suits. Its backers, however, stress that it will do away with most of the "piddling" claims that clog the courts, provide juicy contingent lawyers' fees and return only 44¢ of the premium dollar to the insurance consumer.

Suits could be instituted, for example, in cases of death, permanent disfigurement or loss of a bodily function, and in cases where a victim's medical expenses

exceed \$5,000. Moreover, litigation may be brought if a victim suffers economic losses beyond the \$50,000 limit in medical payments or more than \$1,000 a month in lost earnings.

THE PLAN ALSO provides for payment of property damages up to \$5,000 without regard to fault.

While some risk management men who have attentively followed auto insurance reform plans generally voiced approval with the latest N.Y. proposal, the plan does contain one section that may receive negative reaction from trucking companies.

In a section of the proposal that discusses when negligence suits would not be allowed, it is noted that subrogation would be eliminated in all but one case. Under a clause headed "Commercial Vehicles," the proposal states:

"Subrogation would not, however, apply to commercial vehicles."  
*Continued on page 2*

### Truck exemption at issue in Illinois no-fault court case

SPRINGFIELD, Ill.—Exemption of trucks, buses and leased autos from the Illinois statute providing for expanded medical payments for auto victims is one of the issues before the Illinois supreme court which is expected to announce its decision on the constitutionality of the law when it reconvenes on March 13.

Leonard M. Ring, a Chicago attorney who filed suit challenging the constitutionality of the law, told the court that the exemption of commercial vehicles from the scope of the statute is "unreasonable and unconstitutional." Chief Justice Robert Underwood then questioned a special assistant state attorney general about the impact of this exemption on the distribution of losses between private and commercial vehicles.

The law, termed "modified no-fault" by its insurance industry sponsors, was passed by the 1971 session of the Illinois general assembly with strong support from Gov. Richard B. Ogilvie and James Baylor, insurance director. Mr. Ring challenged the law because he claimed it discriminates against poor people.

## McGraw-Hill alerts insurer to 'forgery'

NEW YORK—McGraw-Hill Inc. has notified its fidelity insurer of a possible claim in connection with the disputed "autobiography" of Howard R. Hughes, it was disclosed here last week.

According to Seaboard Surety Co., a subsidiary of Home Insurance Co., McGraw-Hill has a \$1 million fidelity policy which covers the publisher for forgery.

On Jan. 25 the publishing house sent a letter to Seaboard giving notice of "certain occurrences that might arise in a claim" under the forgery coverage. The "certain occurrences" refer to the mystery surrounding the whereabouts of \$650,000 paid by McGraw-Hill to a Howard R. Hughes in exchange for the rights to publish his autobiography.

Three checks totaling \$650,000 were drawn by McGraw-Hill and endorsed by an H. R. Hughes. However, it was later disclosed that they were deposited in a Swiss bank by a woman, later identified as the wife of Clifford Irving, author of the alleged autobiography.

Ellery R. Smith, general counsel of Seaboard Surety, confirmed that the company had received notice of the potential loss under the policy written on McGraw-Hill. However, he pointed out that the insurer has not begun its own investigation as yet to determine whether or not the coverage would respond to any potential loss.

*Business Insurance* reported earlier (Jan. 31) that the publisher has a multi-million dollar libel policy with Employers Reinsurance Corp., Kansas City.

## Set March 1 for big mail fraud trial

MIAMI—Federal District Court Judge Joe Eaton has set March 1 as the tentative trial date for Philip M. Wilson and 21 other persons indicted in an alleged international mail fraud conspiracy said to involve \$150 million in losses to businessmen and policyholders of Trans-Continental Casualty Insurance Co. Ltd., Nassau, Bahamas.

Two of those indicted—Edwin Lamar Fox and Jay Kenton Long—pleaded guilty to 10 counts of the 78-count indictment in return for stipulated prison sentences of nine years.

Mr. Wilson, who was also indicted on 16 counts of mail fraud in St. Louis in July of 1970, was released on \$100,000 bond provided that he confine his movement to Dade and Broward counties in Florida except on those occasions when he travels to Tampa to confer on the mail fraud charge with Henry Gonzalez, his attorney. ■

# Motor fleet operators give muffled cheers for New York no-fault plan

Continued from page 1

ever, be eliminated in the case of trucks. When a truck collides with a car, the people in the car are generally far more seriously hurt than the driver of the truck. To make sure that trucks as a class pay a fair share of total accident costs, the insurance company of the car would be able to recover, on a fault basis from the insurance company of the truck,

amounts paid to the car's passengers."

**ELABORATING** on this point, Sen. Gordon told *Business Insurance* that the commercial vehicle fault exclusion is one that he would be willing to hear some give and take on.

"If someone could show me a good reason why such a provision should not be included in legisla-

tion, we would consider changing it," he said. "But," he added, "as of the moment we feel this to be a reasonable exception. We'll just have to wait and see the validity of any arguments in support of changing it."

Superintendent of Insurance Benjamin R. Schenck agreed. "I think we'd be glad to discuss this point with the trucking industry," he said, noting also that another question left unanswered in the proposal is whether or not a certain subrogation "threshold" should be set if the trucking exclusion is left in any measure eventually slated for legislative vote.

That question was also raised by William S. Mortimer, risk manager of Norton Simon Inc., New York. Mr. Mortimer, as a "concerned private citizen," has been an outspoken critic of auto insurance laws in recent months and a proponent of liberal reform measures.

**WHILE GENERALLY** voicing his approval of the Gordon proposal, Mr. Mortimer did tell this magazine that he does hope some refinements are made in the commercial section.

"No, I can't live with the way it's written now," he asserted. "In the first place, I think there should be some definition of what is a truck and what is not a truck. Does panel truck fall under the category, for example. I'd like to see the term 'truck' better described. What does a Cadillac weigh—6,000 pounds? An unloaded panel truck weighs less than that. I think the truck should be defined as a vehicle weighing more than, say, 6,000 pounds or having more than two axles."

Mr. Mortimer also noted that there "should be some level set where subrogation would not be allowed—a deductible of sorts under which claims could not be made. If you don't do this then you're not really eliminating the small nuisance subrogation that is tremendously expensive to administer," he maintained.

"But," the Norton Simon man pointed out, "I think it's an acceptable no-fault bill at the present time. If the law is drafted on the basis of the proposal described in the press I could be happy with it. But," he emphasized, "I would not like it to be

reduced or watered down any more."

**ANOTHER RISK** man voicing positive reaction to the measure was John Murphy, insurance manager at Avis Rent-A-Car Inc., Garden City, N.Y.

Mr. Murphy, an attorney as well, also speaks for the Car and Truck Rental and Leasing Assn. (CATRALA) on auto reform issues. He had just finished making a detailed analysis of the proposal for that group.

"Principally we are for no-fault," Mr. Murphy told *Business Insurance*. "But," he added, "when we evaluate these laws that are being passed around the country there are six questions we ask:

"First, 'Are all vehicles registered in the state required to have the coverage?' Every good law should have this provision and this one does.

"**SECOND**, 'Is there a provision for first party benefits without the application of tort law?' This proposal satisfies us here.

"Third, 'Is there a threshold for entry into the tort system?' Yes, this proposal has a threshold (\$5,000).

"Fourth, 'Are first party benefits paid below the threshold subrogatable?' In this proposal they are not and this is good; much of the wasted money in the present system is in the area of subrogation.

"Fifth, 'Does the occupant of a rented car have his own accident insurance with him when he rides in a rented car?' In the Florida law he does. Here we don't know. The proposal as it stands now is silent on this point.

"**SIXTH**, 'Is there discrimination against trucks?'"

"The answer here," Mr. Murphy said, "is yes. But," he added, "it's not that bad. Subrogation would still have to be made on a fault basis and it would be limited to the economic losses of the private vehicle's passengers."

Mr. Murphy did say, however,

that he too feels there should be some sort of deductible allowance made in the provision before it becomes legislation. Economic losses of the victims in vehicles hit by a truck, in other words, should reach a certain dollar figure before subrogation is allowed.

"Bill Mortimer feels this figure should be \$5,000," Mr. Murphy said. "I think it should be somewhere between \$1,500 and \$2,000."

The Avis executive also said that he, as the lessor of trucks, was not concerned that buses, while just as heavy as some trucks, were not included in the commercial vehicle exclusion.

"**TO INCLUDE** buses in the truck exclusion would simply serve to concentrate more legal profession fire in another area," he said.

One risk man, however, was concerned with the implied discrimination against trucks.

Robert J. McReil, vp of Eastern Freightways across the Hudson in Carlstadt, N.J., said, "This will hit us. Definitely. It's a new twist."

Admitting that he was not yet completely familiar with the logic behind the proposed exclusion of trucks, Mr. McReil commented, "I'd like to ask what happens if the situation is reversed. Suppose a car hits our truck or runs it off the road? Cars do run trucks off the road, you know. Who do we subrogate against?"

**THE BILL** currently before the senate corporations committee in Rhode Island has the backing of the state's Democratic governor Frank Licht, whose party controls the legislature.

That plan provides up to \$2,500 in first party benefits and would limit tort recovery unless medical expenses exceed \$750. Tort recovery would also be allowed in cases of disfigurement, permanent scarring, dismemberment, death or fracture. A property damage portion of the measure would offer a triple option feature similar to one in effect in Massachusetts. ■

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## Routine coverage for newsmen's China trip

**NEW YORK**—President Nixon's forthcoming visit to China may be the cause of a flurry of activity and a seemingly endless string of commentary from the nation's newsmen, but to the men who arrange the insurance coverage for the news people, well, "this is no big deal."

That quote seemed to sum up the feelings of insurance men at many of the companies which will send newsmen to China to cover the President's journey.

"Everything was already taken

care of in our policies," said a source at one of the television networks. "There may be a few more people going along on this one but our standard blanket policy covers them. Something like this is a newsman's business, therefore it's also our business. This hasn't created any problems at all. All we had to do was let the underwriters know we had people going."

Approximately 80 news people will arrive in China with the President on the 21st of this month, though they will travel by chartered plane. Another 61 persons, radio and television technicians, have been there since Feb. 1 preparing for the visit, which will be broadcast live via satellite.

**LOOKING** at the visit from a property-casualty point of view was James Lott, insurance coordinator at NBC. "The coverage we already had was adequate for the equipment sent over," he said. "There was no territorial exclusion and limits were no problem."

"The beauty of this trip is that there is no hostility involved," Mr. Lott pointed out. "The underwriters shouldn't have any problems because this is a peace mission."

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# Mardi Gras festivities insured for damage

NEW ORLEANS—A jolly caravan of clowns had a lot more than dreams for an exciting Mardi Gras crushed in 1969 when a strong gust of wind toppled several of their parade floats. Large paper maché figures decorating the parade vehicles splintered and broke on the street. The cost to replace these hand-made giants? Approximately \$2,000 each, according to James P. Dorsey, New Orleans branch manager of Marine Office Appleton & Cox Corp., although MOAC did not have the coverage on these losses.

MOAC has been insuring wary Mardi Gras carnival clubs against this type of disaster for 25 years. A list of present and past clients includes the Krewes of Atlas, Venus, Neptune and Hephestus, making a client roster sound more like a guest list for a Mt. Olympus banquet.

Mardi Gras, which translates as "fat Tuesday," is a traditional day of revelry preceding Lent. MOAC writes short-term policies to cover damage to carnival paraphernalia during the festivities. "We primarily cover the floats during the parades and the costumes for the parades and the balls," said Mr. Dorsey.

To celebrate the holiday this year, individual carnival clubs known as krewes are sponsoring 11 parades this month, with the last scheduled for Shrove Tuesday. Lent begins Ash Wednesday. Krewe members construct an average of 10 to 15 floats for each parade, although some work is contracted-out to professional firms. MOAC writes policies last-

ing a day of two to cover the floats. "This year for the Krewe of Amor, we have 27 carnival floats at \$2,000 each," said Mr. Dorsey; "this coverage is only while the float is in transit on the parade route. It is covered from the time it leaves the krewe's den until the time it is returned."

**THE POLICIES** are written to cover damage or destruction by fire and include extended coverage against such disasters as lightning, wind, explosion and riot. In the past the gods have looked favorably on the parades and MOAC. Mr. Dorsey told *Business Insurance* that he had no record of a claim being filed by their insureds for damages of any nature.

Costume insurance sometimes extends for a period of one to two months and is written to cover the elaborate outfits rented from New York costume houses by the higher members of the court. In an interview, John R. (Jack) Moran, vp of inland marine at MOAC in New York, explained, "The costume company has permanent insurance on all their costumes. Their rate is arrived at because it is contingent coverage. They hold the person renting the costume responsible, and we write insurance on behalf of that individual."

MOAC's policies cover the costumes in transit to and from New York, in storage in New Orleans and in use at the balls. One policy, written for the Ambassador Club, covers the costumes, special goblets used at the balls and trinkets which are traditionally



Huge Mardi Gras parade figures, such as this, and parade floats are of the type insured by MOAC during the annual New Orleans event.

given by male members of the court to the ladies with whom they dance. The policy is written

for a limit of \$25,000 and has no deductible.

MOAC also covers generators

used to power mechanical effects on the floats and to produce light for the night parades. These are insured for \$300 each.

**ALTHOUGH** the Mardi Gras policies are individually written and certainly differ from typical damage cover, Jack Moran does not consider them unusual.

"Many of the risks we handle on a day-to-day basis might be considered unusual to the layman," he said; "the float itself is interesting but we don't consider the coverage unusual." This type of remark might be expected from a man whose company has written coverage on such things as white mice breeding farms, artificial stadium turf and miniature railroads. "Every time the phone rings you move from one thing to another," said Mr. Moran. "You have to have a mind that's quite flexible."

To write policies for unusual situations, he explained, "you relate them to something else which might be considered unusual." Mardi Gras policies are written on a named perils basis.

"We think of the potential of fire to the float. We look at what combustible materials are used. We look at how it is constructed to withstand wind. Transportation perils are compared to other things in the transportation area," he said. "It is all comparable to other experiences you've had in inland marine."

This year MOAC has written Mardi Gras coverage totaling \$250,00.

## Swiss government is active in benefit plans

NEW YORK—Switzerland's changing attitude toward employe benefits will affect current company benefit plans according to Charles E. Tosch, vp of the international employe benefit division of Johnson & Higgins, New York.

In a speech to an American Management Assn. conference on employe benefits and pension management, Mr. Tosch said that the Swiss government will be taking an active role in benefits planning for the first time. "This will certainly lead to a whole new

and individual provision.

The 1874 Swiss constitution, still in effect, did not originally provide for social security legislation. "Probably due to the reluctance of the Swiss to increase federal powers, the confederation was not given power over old-age, disability and survivor benefits until 1925," said Mr. Tosch.

**THE PRESENT** social security system provides only a minimum of protection. Retirement benefits paid at age 65 to men and at age 62 to women range from a minimum of 220 Swiss francs per month to a maximum of 440 Swiss francs. "It is based upon career average earnings, but is weighted in favor of lower earnings. On the average it provides about 25% of final pay," explained Mr. Tosch. A married couple's pension is 160% of a single person's pension. Employers and employes pay an equal 2.9% contribution on all earnings, and the government pays about 25% of the combined total.

To date, employer-sponsored benefits programs have been completely voluntary and free of government regulation. Employer benefit contributions are, however, tax deductible as are most employe contributions. "In this climate there has been a rapid growth of this 'second pillar,' and it is estimated that more than 75% of those employes who could be expected to have such benefits are covered," said Mr. Tosch.

The government gives similar tax deductions on premiums paid for individual life insurance policies. Employes also protect against the future by means of savings, investments and ownership of property.

"The Swiss have a much more

## School board settles for \$100,000 from Connecticut General

MIAMI, Fla.—Dade County's school board has agreed to accept a \$100,000 out-of-court settlement from the insurance company that previously handled its employes' health, accident, and life insurance coverage.

The board sued Connecticut General over a 16-month period in 1971 to protest what it described as "excessive" premiums for life and health coverage of the 17,500 employes.

The school system was seeking to recover, with interest, roughly \$250,000 in dividends. Its suit also demanded a "full accounting" of the more than \$4.1 million in premiums received by Connecticut General over a 16-month period.

**A PREVIOUS** school attorney and school insurance experts had claimed that the insurance firm utilized about \$250,000 in life insurance dividends to pay off losses incurred under the health plans. Connecticut General had provided health insurance, and optional life.

direct influence on government than we have here in the U.S.," said Mr. Tosch. "First, all changes in the constitution must be submitted to the voters. Second, if 50,000 voters sign a petition called a public initiative requesting an amendment to the constitution, it must be placed before the voters for approval or rejection."

Continued on page 32

## Malpractice challenge

DURHAM, N. C.—A Duke University study challenges the frequent claim that malpractice litigation is a contributor to the rising costs of health care.

The study, conducted by two law students, a medical student and a student in a combined medicine-law program, is believed to be the first attempt using systematic statistical evaluation to measure the effect of malpractice suits on the health care cost problem, Duke officials said.

The study team set out to determine to what extent doctors practice, "positive defensive medicine," that is, prescribe unnecessary diagnostic tests and procedures to insulate themselves from possible suits.

**THE FINDINGS**, published in the current issue of the Duke Law Journal, conclude: "The threat of a malpractice suit does induce physicians to over-utilize diagnostic tests and procedures in particular cases... but the practice is not extensive and probably not a contributing factor to the rising costs of medical care."

Some authorities have claimed that the rising number of malpractice suits, higher awards and a shrinking malpractice insurance market have caused many physicians to practice "defensive medicine," contributing significantly to the spiraling cost of medical care.

Allegations to this effect have been heard in hearings conducted by a commission on medical malpractice formed last August by Elliot L. Richardson, secretary of health, education, and welfare.

The survey of California and North Carolina doctors reported in the Duke Law Journal covered 10 medical specialties—dermatology, obstetrics-gynecology, orthopedics, otolaryngology, pediatrics, plastic surgery, psychiatry, urology,

internal medicine, neurology.

California was chosen as a state that has a high rate of malpractice claims and high malpractice liability insurance rates; North Carolina ranks low in both categories.

**QUESTIONNAIRES** were sent to 1,545 physicians, asking them to review a hypothetical set of circumstances and suggested diagnostic and treatment procedures that might be followed. Accompanying the hypothetical situations was a set of questions asking each physician how often he would follow the prescribed practice, his opinion of its medical benefit and his reasons for following it. Fifty-four percent of the questionnaires were answered and returned.

The questions were developed with the aid of 66 physicians at the Duke Medical Center.

From the replies, it was concluded that over-utilization of medical resources does occur but defensive medicine is not as significant a cause as other factors.

**ON THE OTHER** hand, the team suggested that "negative defensive medicine" can result from malpractice costs. That is, physicians can develop the practice of avoiding hazardous procedures which could result in suits.

Also, the group wrote, malpractice litigation imposes "tremendous administrative costs on the health care system in discovery costs and attorney and court fees."

For the amount of cost involved, the report adds, "malpractice litigation makes only a questionable contribution to the maintenance of an acceptable standard of care and spreads the cost of only those injuries received by a very limited class of patients."

## International section coming

CHICAGO—A special section of the Feb. 28 issue of *Business Insurance* will be devoted to international insurance and the challenge it presents to risk managers and buyers of employe benefit services. A review of foreign pension plans in relation to U.S. developments in the field will also be included.

In the section, a supplementary Info for Buyers column will offer readers the latest information.

An international services listing, containing descriptions and locations of services available to risk managers and employe benefits administrators, will also appear.

approach to employe relations," he remarked.

Swiss benefits currently follow a "three pillar" system, he explained. Disability, retirement or death benefits are paid by a combination of state social security, employer-sponsored programs



## washington watch

### Rep. Griffiths sees chance for only a 'mild' national health plan in 1972

By JOHN REVETT

Washington editor

WASHINGTON—Unless there's a last minute surprise, the insurance industry will have its way on national health insurance handled by the government, and no such dastardly act will take place. Not this year, anyway.

Rep. Martha Griffiths (D.-Mich.), sponsor of the House version of tax-paid, government-run coverage, sees little chance of her

bill or Edward M. Kennedy's identical Senate measure being passed in 1972. Further, Mrs. Griffiths told *Business Insurance*, if any national health insurance gets passed this year "it will probably be something mild."

The Kennedy side is somewhat less pessimistic, but not on the aspect of government operation. "The chances of ours or any of the major proposals going through as they are, are nil," said

a ranking staff member. "We do think there's a chance for a system of national coverage that would be built on the present system."

**BOTH THE** Griffiths and Kennedy staffs acknowledge the difficulty the government-run health proposals faced from the beginning. In addition to heavy flak from the insurance industry the idea drew sharp criticism from

manufacturing and business groups who felt the cost to employers might be prohibitive, and from state and local spokesmen who were alarmed at the prospect of throwing out the "troublesome but workable" present health coverage system. There was also concern about the possibility of a bureaucratic Pandora's box being opened, and one employer group felt hospitals wouldn't be able to handle all the health insurance patients approved by permissive government administrators.

Probably the most effective argument against government operation of health coverage was that thousands of insurance industry workers would be put out of work. It has had an effect on Kennedy-Griffiths backers and may be one explanation for their somewhat battle-weary acceptance of defeat on at least one front.

Apparently the last ray of hope for advocates of government-op-

erated health insurance—and a faint one at that—emanates from the office of Rep. Wilbur Mills (D.-Ark.). The House ways and means committee chairman has the numerous health proposals now (all tax measures originating in the House), and is thought to be focusing somewhere between Kennedy-Griffiths and the Nixon Administration's employer-employee mandated payroll health plan, with government funds paying for coverage of those out of work or on welfare.

Outside the ways and means staff, which isn't talking, there are few guesses as to what Rep. Mills may come up with.

**"HIS ATTENDANCE** during the (ways and means) committee hearings on the bills was low," said a Griffiths spokesman. "In the past this has meant he didn't feel he knew the situation well enough to stay and ask questions. He's something like a trial lawyer in that respect. But you can bet he was reading the transcripts."

The Kennedy and Griffiths people feel fairly sure a Mills health bill will come out of it but won't predict anything beyond that. "His behavior has always been unpredictable," said a Kennedy staffer. "It's especially so this year. We can only say there's a chance something of ours will be in whatever he proposes."

Not seeking to have one of his operations included in health insurance legislation was Hiram L. Kennicott Jr., vp-manager of commercial lines underwriting, Kemper Insurance. In testimony before the National Commission on State Workman's Compensation Laws, Mr. Kennicott urged that the workman's compensation system be left alone as "the primary source for the delivery of work injury benefits."

By keeping workman's compensation "separate and out of any national health system," said Mr. Kennicott, "the cost of this system can be properly allocated to the source of the injuries, namely the production costs of the employer."

The commission, which is holding hearings aimed at developing improvements in the system, is interpreting one of its duties, that of checking out relationships between workman's compensation and other existing or potential insurance programs, as including the effect of a national health plan on the compensation system.

Sen. Jacob Javits (R.-N.Y.) suggested in testimony before the commission that, in the event of health insurance passage, workman's compensation would have to be re-examined even more closely. This is interpreted by the commission staff as meaning a possible "re-positioning" of workman's compensation.

As one commission official put it: "The broad issue is this—suppose that overnight we got a national health insurance program. Where would an injured workman's medical care come from? Unless there's a specific exclusion of workman's compensation in whatever is passed, the workman could be taken care of under the general program. Then what would the states do? Nothing? End their programs? There should be an answer to this, but we don't have it yet."

#### Info source

Details of large-loss insurance claims are being recorded by the Reinsurance Offices Assn. so that underwriters can have access to authoritative information. Its survey for the first six months of 1971 involves returns from 38 of its membership organizations and covers losses over \$1 million amounting to a worldwide total of \$200 million.

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Failure to discover and prevent misconduct by another or others.

Violation of Federal Securities Laws.

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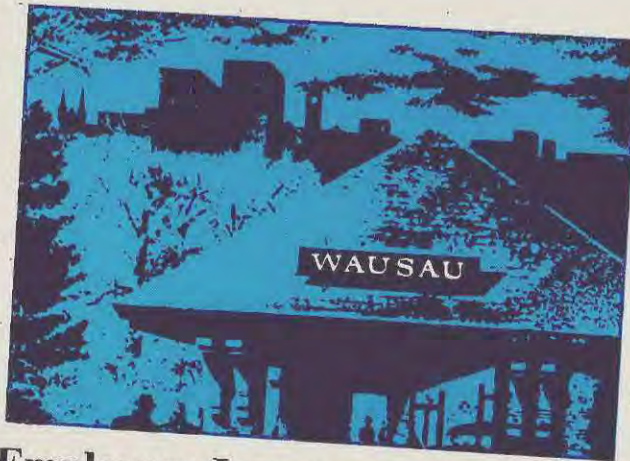
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## following the funds

# SEC estimates show pension funds continue to look healthy

WASHINGTON—The Securities and Exchange Commission has released revised estimates which show that the total assets (book value) of all private and public pension funds equalled \$261.7 billion at the end of 1970.

Private pension funds, both insured and non-insured had \$138.2 billion, or 53% of the total. The public pension funds (state, local and federal) had assets of \$123.5 billion at the end of the year.

The SEC estimates pointed out that the total assets of private non-insured pension funds increased by \$6.4 billion in 1970,

the smallest book value annual increase since 1964.

**HOWEVER**, figures for the first nine months of 1971 showed that these same assets had increased during that time by another \$6.4 billion, indicating, in the SEC's words, "a step-up in the 1971 growth rate from the depressed level of 1970."

The book value of private non-insured funds was just over \$97 billion in 1970, up from \$90.6 billion in 1969. The market value jumped from 1969's figure of \$94.6 billion to \$104.7 billion the

following year. The moneys included in the SEC estimates belong to the pension funds of unions, corporations, non-profit organizations, multi-employer groups and profit-sharing plans which involve retirement benefits.

The SEC said that pension funds had reacted to the bear market, as well as record high long-term bond yields, by putting less money into the stock market and more into debt instruments. However, the first nine months of 1971 saw the marked return of the stock market by the funds.

In fact, the stockholdings grew more than the total assets during the first three quarters. SEC data showed that pension funds purchased \$16.8 billion worth of stock over the nine month period and liquidated \$9.8 billion during the same length of time (subsequently, net purchases were \$7 billion). Net purchases over the entire year of 1970 were only \$4.6 billion.

**THE PRIVATE** non-insured funds' net receipts declined from \$8.7 billion in 1969 to \$7 billion at the end of 1970. The SEC reported that the reason for the drop was the fact that the funds had losses of \$1.6 billion on the sale of assets in 1970. The year before they had realized gains of \$990 million in the same category. The SEC theorized that net receipts would have been \$9.6 billion had the profit on the sale of assets remained constant from 1969 to 1970.

Employers contributed \$9.7 bil-

lion to the non-insured pension funds in 1970, a gain of 14% over 1969. Contributions by employees totaled \$1.1 billion in 1970. Investment income also rose over the time period.

Continuing the trend of the past few years, total benefits increased by a greater percentage than did total receipts. Benefits paid in 1970 amounted to just over \$6 billion, an increase of 14% over the year before. Expenses and other disbursements added another \$150 million to the amount paid out.

State and local retirement funds, the fastest growing area in the pension industry, had book value assets of \$57.9 billion at the end of 1969. The largest percentage of state and local fund money was invested in corporate and other bonds, \$31.8 billion of the \$57.9 billion total.

**CONTAINED** within the portfolios of the state and local funds at the end of 1970 was \$8 billion worth of stock, almost 14%. At the end of 1969, the stock holdings of these funds totaled \$5.8 billion and only \$1.6 billion at the end of 1965 (not quite 5%).

Federal retirement funds showed \$65.6 billion in assets at year-end 1970. Almost half of that total was the figure for Federal Old-age and Survivors Insurance. The overwhelming percentage of the federal funds is invested in U.S. Government securities.

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## Mass plan offered at Benrus firm

RIDGEFIELD, Conn.—About 600 employees at Benrus Corp. here are being offered automobile insurance on a mass marketing basis in a plan arranged by H. & R. Phillips Inc., New York.

"The automobile policies are individually rated," said a spokesman at Connecticut General Insurance Co., Hartford, whose subsidiary, Century Indemnity Co., is underwriting the plan. "The savings over conventional auto coverage can be as much as 20% for good drivers," he said.

The policy offers standard automobile insurance options and is written for various limits depending on the customer. "Normally after a year, about 25% of the eligible employees enroll," said the spokesman.

"top cover" insurance policy or personal liability umbrella is also being offered which provides \$1 million liability protection beyond the limits of an employee's basic liability policy. The package also includes homeowner's coverage on an optional basis.

## Begin pilot cargo project

SAN FRANCISCO—A pilot program to reduce costly maritime cargo thefts, estimated at \$1.5 billion a year nationally, will be established by the U.S. Coast Guard here and in Seattle and New Orleans.

The program, according to the Coast Guard, will be built "around preventive measures" which will include spot checks of trucks near cargo which has been just unloaded from ships, as well as similar investigations aboard ship and in dock and storage facilities.

Coast Guard members of the anti-theft teams also will serve as consultants to shippers and to waterfront storage firms.

# Insurance policy protects unnatural blonds from beauty shop disasters

By LYNN LATHAM

MINEOLA, N. Y.—Mrs. Rosey Bloomgarden, a bottle-blond suburban housewife, walked into the Sunny Dale Beauty Shoppe one Friday afternoon not too long ago to have her roots re-dyed. It was a typical weekly visit except for one thing: After it was over Mrs. Bloomgarden and her hairdresser would not be speaking to each other and a malpractice attorney would have a new client. The cost? Maybe as much as \$50,000 to keep Mrs. B. in wigs for the rest of her life and ease her traumatic shock.

Contrived? Perhaps, but not terribly far from the truth. As a result of such situations, the 150,000 beauty salons and 500,000 operators in this country are becoming painfully aware of a problem that doctors have had for some time, and insurance underwriters are offering liability policies to ease the pain.

In an interview with *Business Insurance*, Mr. William Peet, president of the Hairdressers' Agency Inc., here said there are approximately 35 companies writing salon coverage today compared to a maximum of four or five in the late 1920's. The Hairdressers' Agency, a partner of Employers Commercial Union Cos., Boston, insures over 10,000 individual businesses and is one of the largest companies issuing this type of coverage.

"There is enough room in this area," Mr. Peet said, referring to the competition, "because the beauty field is so popular." "Many women in order to derive additional income put a beauty salon in their home," he explained. Since licensing requirements for these operators vary from state to state, "our policy takes into consideration federal, state and local ordinances," he said.

**THE AGENCY's** typical beauty salon liability policy is a combination policy covering malpractice claims and premises liability. Malpractice coverage protects against claims for injuries resulting from any treatment, use of any preparation or appliance normally involved in beauty shop work, or injuries resulting from the sale of any product used away from the premises providing that the product was not manufactured, rebottled or repackaged by the salon.

"The beauty salon liability policy is primarily a malpractice contract, but we like to include liability because of gray areas,"

explained Mr. Peet.

He told the story of a woman who had been hit on the head with an extension board while having her hair washed. The board was used to hold shampoo and other articles but was not being used by the beauty operator when it fell. The customer, however, was undergoing a beauty treatment at the time. Mr. Peet felt it would be difficult to determine whether the customer would be covered under malpractice insurance or premises liability. Claims, he said, could be easily settled if one insurance contract covered both possibilities.

The combination policy is generally written for limits of \$5,000 to \$25,000. Premium rates are

based on a per operator charge. An operator with one to three years experience is assessed at the highest level. The rate decreases as an operator's experience increases. The lower per operator charge is applied to an operator with 16 years of experience.

One of the primary functions of the Hairdressers' Agency is to help beauty salons avoid accidents leading to claims. When the company was established in 1927, the founder, George Moss, discussed salon problems with some of the country's foremost beauticians. "He was a pioneer in this particular field. He developed the first beauty salon liability contract," said Mr. Peet.

Mr. Moss's investigations showed that the majority of injuries resulted from ignorance of proper salon procedures. He therefore decided that his agency should distribute beauty information to its clients.

This practice is still adhered to. "We have a series of safety bulletins which we have developed for our people. These are sent out when a contract is issued and when it is renewed," said Mr. Peet. The brochures, compiled with the aid of technicians in the field, contain data on the latest beauty devices and treatments.

To further safeguard their clients, the agency has compiled a list of approved beauty products. Each salon is asked to fill out a premium quotation questionnaire stating the types of products used for dying, tinting, dye stain removing, dry shampooing, and eyelash and eyebrow tinting. If a salon is using inferior brands, the agency recommends they switch

to one on the preferred list.

Because of dangerous products, Mr. Peet noted, some Southern belles are risking eye injury to obtain the desired effect. Coal tar aniline dyes, commonly used to dye eyelashes in the South, "might cause an allergic reaction," he said.

Additional bulletins give safety hints on maintaining the premises and keeping electrical equipment in order. One pamphlet relates a case where a customer sued for damages after being severely shocked by a short-circuited hair dryer.

Although these bulletins are designed to eliminate injuries, when accidents do occur they are handled by the agency's claim unit, the Drug, Cosmetic and Beauty Trade Service. Mr. Peet claims the service, staffed primarily by women, is concerned with protecting a salon's reputation. "Word of mouth can harm a beauty salon," he said.

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## Former convicts now security consultants

LOS ANGELES—Plagued by rising liability insurance premium costs, the 7-Eleven chain of convenience food stores has turned to the use of ex-convicts as consultants in an effort to forestall robberies of its various stores in Los Angeles and Orange counties in Southern California.

The chain operates more than 100 of the convenience stores in the two counties and a total of 650 throughout California.

"Actually, the crime prevention plan developed by the former convicts," explained Don Burnside, of 7-Eleven, "is proving to be so simple it's a wonder we didn't think of it before."

# Dual role for school's health and safety division

By ROBIN SUHRBIER

MINNEAPOLIS—The wide scope of a university's activities today makes for some interesting challenges for the safety division.

The University of Minnesota's environmental health and safety division serves a two-fold purpose—safeguarding the safety of students and faculty and participating in a graduate-level program in environmental health.

According to G. S. Michaelson, division director, "Our role in making the university safe is to act as an advisory body to the administration. Our functions include public health engineering, occupational health, safety, radiological health and general sanitation."

Mr. Michaelson explained that each department is inspected and

recommendations are made regarding safety of students, faculty and the physical structure itself. "So far we've had very good cooperation."

**HE SAID** being a student in terms of research or study is construed as an occupation and that "as one of our goals we must prevent adverse health effects from the environment of the occupation. Typical of environmental problems are potential chemical and radiological hazards and physical stresses such as overexposure to toxic dusts, fumes, gases, vapors and mists; inadequate ventilation or illumination; noise, and exposures to temperature extremes."

Main concern is given to the science buildings where special attention has to be given to storage,

handling and disposal of chemicals and radioactive materials.

"We make regular engineering inspections of plumbing installations and waste disposal facilities to weed out potential leakages of chemicals into the water supply or atmosphere," he said.

The university at present is working with the state pollution agency on setting up a new system for waste disposal of dangerous chemicals. With other chemicals, it's up to each department to see that they are disposed of properly.

**RADIOACTIVE** waste must be disposed of by Mr. Michaelson's department. He mentioned that with the university involving itself in a wide variety of research projects, increasing amounts of radioactive material are brought

to the campus and that means all the more to get rid of.

Mr. Michaelson explained that the Atomic Energy Commission maintains tight control over the use of radioactive materials. All such material coming to the campus must be approved of by his division. The division then looks at the lab where the materials will be used, the quality of the technicians and the reasons for a particular project. When a shipment arrives on campus it must be logged in and researchers must account for all uses.

To minimize the amount of chemicals on campus, the university has a chemical storage house located off campus. Specific amounts of chemicals are then delivered to the department needing them.

"We also train lab technicians

in the proper handling of chemicals and radioactive material," Mr. Michaelson explained.

**ANOTHER MAJOR** responsibility for the environmental health and safety division is the fire protection program. Until recently the division made regular housing inspections of off-campus housing but a new rule changes this and makes inspections optional. Now at the request of students or parents, an inspection will be made. However, university owned property is inspected at least annually. Mr. Michaelson's staff handles fire drills at the university hospital; dormitory managers arrange and conduct fire drills for their buildings.

Recommendations are made to various departments on proper methods of packaging and storing supplies to prevent fire. Several years ago the university almost lost the chemistry building because of inadequate repackaging of solvents. A fire caused approximately \$500,000 damage to the building.

Mr. Michaelson pointed out that the university basically is self-insured for fire.

The scope of the safety program for this division also includes athletic and recreational activities, public safety of visitors and inspections of food and food service handling. Mr. Michaelson is attempting to establish better lines of communication with the FDA in regard to food recalls. So far the university has been involved in only one minor recall but should a major recall of a widely-used product occur, the university would need to round up the product from all its campuses throughout Minnesota and account for the entire stock.

**THE UNIVERSITY** communicates its safety through several publications. The division publishes a health and safety bulletin which outlines specific hazards associated with university activities. Mr. Michaelson noted that this bulletin goes to all university locations throughout the state. The publication is not put out regularly, only when something needs to be said, and many bulletins are reprinted in the campus paper so that most students can be reached.

Labsafety News, a monthly publication, deals specifically with laboratory safety. Special hazards bulletins are also issued periodically to alert personnel to specific hazards.

The division holds brief group meetings in the various departments to informally discuss safety problems directly related to each department's activities. Periodic walking tours of each department help to identify minor safety problems associated with daily use of the buildings, classrooms and labs.

**AN OFFSPRING** of the division's safety responsibilities is its teaching programs. The evening school offers courses in hospital safety, fire protection and environmental controls. During the summer an intensive five-week course for hospital engineers is given.

"Newly introduced this year is an 11-month graduate program dealing with the whole spectrum of environmental health and safety in medical care facilities," Mr. Michaelson said. He explained that with the health care field upgrading its requirements for hospital engineers, the school of public health (much of his program comes under health service jurisdiction) decided to develop a

Continued on page 34

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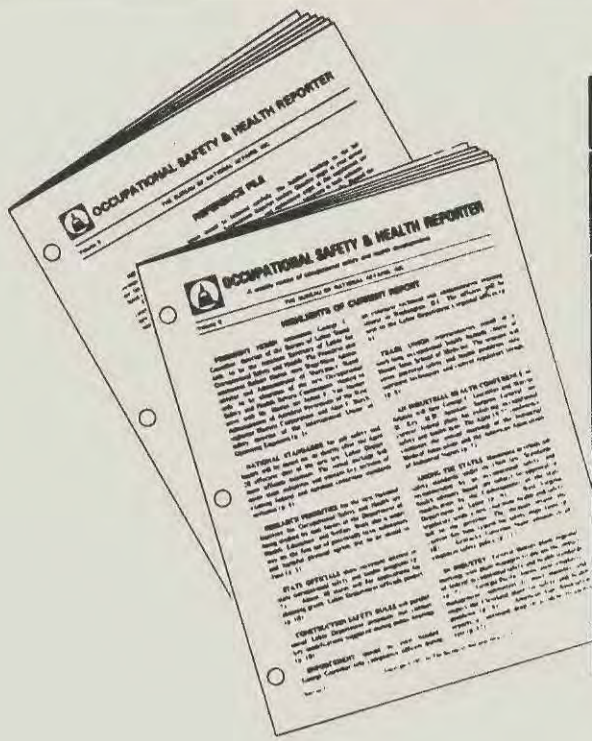
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• The American Society of Insurance Management has published a cumulative index of its publication, Risk Management, formerly The National Insurance Buyer. Authored by Tom C. Allen and Richard M. Duvall of the University of Tennessee, the book indexes by subject and author all articles appearing in either publication from March, 1954, to October, 1971. The 103-page, loose-leaf index is available from ASIM, 500 Fifth Ave., New York, N.Y. 10036 for \$10. Reprints of individual articles may be obtained from ASIM for \$2.

• The provisions of the 1966 comprehensive general liability program and proposed changes have been compared and analyzed in a booklet recently published by the Society of Chartered Property & Casualty Underwriters. The booklet includes a short historical note and a summary of the changes and their possible implications. Copies are available from the Society of CPCU at \$1.75 for members and \$2.75 for non-members. Bulk discounts are available. For copies or more information write **CGL Changes**, Society of CPCU, P.O. Box 566, Media, Pa. 19063.

• **Fall Guy Follies**, an employe hand-out pamphlet prepared by the National Safety Council, clearly illustrates the major causes of disabling or fatal falls in industrial situations and tells how to overcome potential falls through caution, common sense and the alleviation of hazardous conditions. The illustrated leaflet may be used in conjunction with a National Safety Council film on falls entitled **Down and Out**. For quantity price information write the council, 425 N. Michigan Ave., Chicago, Ill. 60611, referring to stock number 193.22.

• **The Balance Sheet Approach to Catastrophe Protection for Banks** is the topic of an address delivered by Bernard J. Daenzer, CPCU, before the annual meeting of the National Assn. of Insurance Agents. The speech suggests a synopsis of all bank exposures and methods of safeguarding against catastrophic loss. Reprints are available without charge by writing Wohlreich & Anderson Ltd., 55 John St., New York, N.Y. 10038.

• **It's Our Business . . . And Yours** is an article from the Brentco Corp. alerting employers to the pitfalls involved in communicating their company employe benefit package to their employes. The article points out that such pitfalls end up as hidden business expenses which are not necessary costs of doing business. Copies are available free by writing Anne H. Taylor, dir. client services, Brentco Corp.,

• **A Survey of Communications Practices in 19 Major U.S. Banks** has been made available by Towers, Perrin, Forster & Crosby free to *Business Insurance* readers by writing Joseph A. Banik, Towers, Perrin, Forster & Crosby, 3 Penn Center, Philadelphia, Pa. 19102. The survey covers, in depth, the goals, attitudes and practices of banks throughout the country in terms of internal employe communications.

• **Financial Counseling**, an article by Arthur S. Hummel, president of the Aims Group Inc., discusses what the author believes are legitimate and profitable advantages to the corporation and its stockholders through the corporation's making available financial counseling services to executives. For a free copy make requests to Arthur S. Hummel, president, the Aims Group Inc., 919 Third Ave., New York, N.Y. 10022.

• **Insurance for the Uninsurables** is a manuscript prepared by the H. Malcolm Teare Agency describing health coverages available to persons who may have had cancer, diabetes, heart disease or more than 100 other substandard conditions. Copies may be obtained from Scott M. Taylor, H. Malcolm Teare Agency, 500 Fifth Ave., New York, N.Y. 10036.

• The significance to management of group auto insurance as an employe benefit is explained in a new report entitled **Automobile Insurance on the Payroll Deduction Plan**. The report was prepared for insurance executives, risk managers and benefit plan administrators. Price information is available by writing Haig G. Neville, Haig G. Neville Associates, One Northland Plaza, Southfield, Mich. 48075.

• **501 (c) (9) Trusts: A Way to Reduce Employee Benefit Costs** discusses the use of an Internal Revenue Code section 501 (c) (9) trust to finance employe benefits as a possible new approach to reducing the cost of employe benefit programs. Prepared by George B. Buck Consulting Actuaries Inc., the item is available by writing the company, 2 Penn Plaza, New York, N.Y. 10001.

• **The Research Institute of America has De-Coded the Federal Tax Law** is an explanation of the use of the tax coordinator program which analyzes relevant source material on tax questions in laymen's language. Made available free from the Research Institute of America Inc., copies may be obtained by writing Milton Margolin, Research Institute of America Inc., 21 Clark St., Randolph, Mass. 02368.

• **Organ Transplant Benefit** is a flyer describing a new coverage for organ transplants, and artificial devices to function as organs, offered as a rider to basic group hospital and major medical policies by Continental Casualty Co. The coverage is available in all states but New York. For copies write Robert J. Hoffman, group division, CNA Financial Corp., 310 S. Michigan Ave., Chicago, Ill. 60604.

• **Boiler and Machinery**, a booklet released by the Maryland Casualty Cos., is a comprehensive guide to boiler and machinery in-

insurance. The brochure includes sections on the basics of boiler and machinery insurance, types of boiler and pressure vessel objects, basic coverage on boiler or pressure vessel objects and types of machinery objects. For your free copy, contact Larry G. Collins, supervisor of advertising, Maryland Casualty Cos., P.O. Box 1228, Baltimore, Md. 21203.

• **Insurance Agent's Action Guide to Catastrophes**, produced by the General Adjustment Bureau Inc., is a handbook of procedures for insurance agents in such disasters as hurricanes, explosions, hail and windstorms. It suggests priorities, protective tips for clients and customers, gives proven advice on communications, transportation, repairs and how to expedite equitable claims handling. Copies are available without charge by writing Cliff Reedy, GAB, 123 William St., New York, N.Y. 10038.

• Illinois R. B. Jones Inc. has made available **Seedmen's Errors and Omissions**, an explanatory brochure as to the need for this coverage, citing examples of losses that would be covered as well as an explanation of insuring agreements in layman's language. To order, write Thomas Cath, Illinois R. B. Jones, 175 W. Jackson Blvd., Chicago, Ill. 60604.

• **Advantages of a Self Insurance Program**, a reprint from Risk Management magazine by Robert J. McReil, vp, Eastern Freight Ways, P. O. Box 23, Carlstadt, N.J. 07072, deals with the assumption of corporate risks in a formal program of self-insurance. The article describes how a risk manager can determine if self-insurance is feasible for the company he represents. For copies write Mr. McReil.

• The Commerce and Industry Insurance Co. (a member of the American International Group) has made available **Any Company Will Tell You the Advantages of Being a Preferred Risk. We'll Help You become One.** The brochure explains in detail what a preferred risk is, the advantage of this classification, and how retail stores can become preferred risks. The brochure is the first in a series which will highlight the company's specialization in certain industry fields. For your copy write the company, Dept. A 14, 125 Maiden Ln., New York, N.Y. 10005.

• How to update your property appraisals at a fraction of the original investment is the subject of a booklet available from Marshall and Stevens. **Annual Valuation Service** discusses the high cost of over-insuring and the dangers of under-insuring, the system developed by Marshall and Stevens to keep inventories and appraisals current and coverage and cost in balance. For a copy write John Heath, vp, Marshall and Stevens, 1645 Beverly Blvd., Los Angeles, Cal. 90026.

• The risk management department of Ebasco Services Inc. has made available copies of **Self-Insurance vs. Insurance for Large Cities** by Warren Brockmeier. The booklet is a reprint of a paper presented by Mr. Brockmeier at the 1971 annual Municipal Finance Officers Assn. conference in New York, and deals primarily with the way a self-insurance program can be utilized by a municipality and the factors that must be considered in developing such a program. Copies are available by writing the Risk Management Dept., Ebasco Services Inc., 100 Church St., New York, N.Y. 10007

## Aim to help employees collect on retirement and not life insurance

NEW YORK—Project Health, a new program advertised as the fifth fringe benefit, is being offered to companies by Searle Educational Systems Inc., a subsidiary of G. D. Searle & Co., Skokie, Ill. An educational package designed to instruct employees about common health problems. Project Health was developed over a three-year period by Medcom Inc., New York.

Robert H. Moore, president of Searle Educational Systems, described the plan as "a positive program emphasizing ways to help employees collect retirement benefits rather than life insurance." The self-motivational program is based on the research of 138 medical specialists and in-

cludes information on heart disease, cancer, alcoholism, drug abuse, physical unfitness, obesity, respiratory illness and stress.

Two packages containing four programs each of film, books, and written examinations are being offered. One spokesman for the company said that the cost of the packages is offset by increased employee productivity and longevity. "Costs to replace manpower are tremendous," he said, "to replace a \$30,000 a year executive who dies of a heart attack, it costs \$30,000. That would pay for the program."

**EMPLOYEES** responded favorably to a test of Project Health at the Searle Co., according to Mr.

Moore. "We observed changes in life-style," he said. Some workers quit smoking or changed their drinking habits.

Project Health, which takes one hour of company time per man a month, emphasizes individual initiative. "A 45-year-old man decided to quit smoking after seeing the film 'Ashes to Ashes.' One of the reasons is that there was already a need inside," said Mr. Moore.

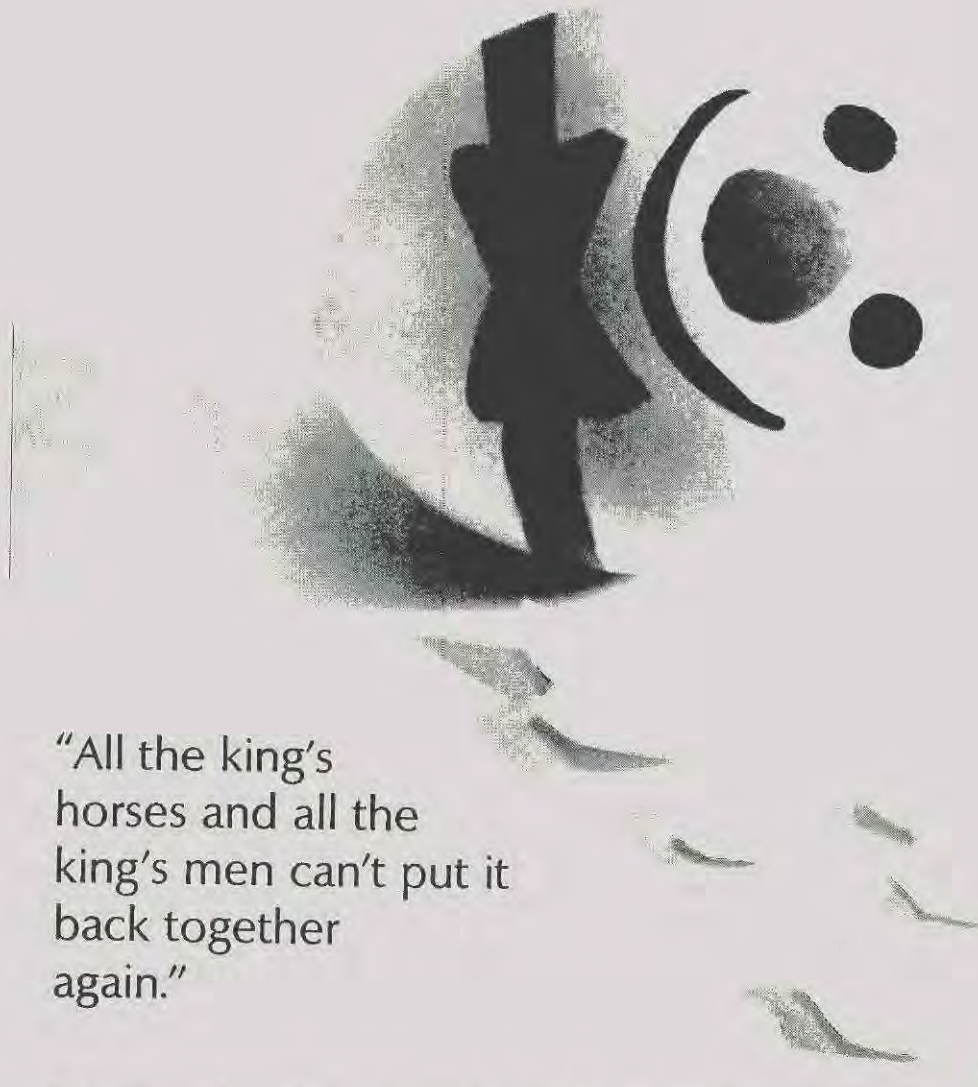
Initially, the program will be offered to key executives because they represent a small number of the total work force in a large company. However, Mr. Moore expects the program to expand as it proves its effectiveness. Advisors will work with participating

companies to help meet their specific needs. "Some companies are more interested in talking about physical fitness than alcoholism," he explained. "We will help acquaint the implementor in the corporation."

Several insurance companies have shown interest in developing special rates for employees or companies utilizing the program, Mr. Moore noted. "The insurance companies consider it as a bonus program, mainly because it indicates that the companies involved are not only doing the normal kind of things, but they are also concerned about their employees."

### Cover cardinals

The Vatican announced that members of the college of cardinals who work in the Vatican or in Rome will be covered under the Vatican's employee medical insurance program.



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# Ralph Nader to address ASIM confab in Montreal on April 26

NEW YORK—Ralph Nader, Undersecretary of Labor George C. Guenther and a U.S. senator will venture across the border late in April to speak to the American Society of Insurance Management's 10th annual risk management conference. The meeting is being held in Montreal April 24 through April 28.

According to Dan E. Sullivan, this year's ASIM conference chairman, Mr. Nader will talk to risk and employe benefits men about safety, health and the insurance function at a Wednesday luncheon session. Mr. Guenther, who heads the Labor department's occupational safety and health division, will speak Friday morning. The third speaker,

not yet committed, is hoped to be a U.S. senator who has tackled problems of an insurance nature.

Mr. Sullivan, who is manager of insurance and property taxes at Northern Electric Co. Ltd., Montreal, and his co-chairmen have worked up a program that is jam packed. "We have approximately 125 sessions planned for the conference, including general sessions, workshops, mini-seminars, industry sessions and panel discussions," Mr. Sullivan said. "It's a lot to put together in just four and a half days."

According to the Montreal risk man, registration this year is "very strong. We expect 1,100 or 1,200 persons and it could exceed that by the looks of it," he

added.

One problem the ASIM conference committee had to face this year was of a logistical nature. The Queen Elizabeth Hotel, the conference headquarters, was just not large enough to accommodate all the convention activities. At some points during the Monday-Friday schedule as many as 30 smaller sessions will be going on at the same time.

To allow for this, ASIM has also staked place in two other hotels, the Plac Bonaventure and the Chateau Champlain. The three hotels are within a block of each other, Mr. Sullivan noted, and are interconnected by underground passageways. That little fact was thrown in there for the

benefit of pessimists who might think the worst of April weather in the French Canadian city.

AS IN THE past two years, the ASIM conference's general session, which begins Wednesday, will be preceded by two days of employe benefits meetings and industry sessions.

The industry sessions, which were the brainchild of George H. Schmidt, manager of insurance plans and programs at RCA, have been chaired by Mr. Schmidt since their inception three years ago.

The first year in Miami there were seven. Last year, in San Francisco, there were 17. This year Mr. Schmidt put together 27. "We had to stop encouraging sessions because we just don't have any facilities left to accommodate them," he said, noting that sessions are being scheduled for either one or two days (Monday and Tuesday).

The industry sessions, in which audiences are encouraged to participate in give-and-take dialogues related to problems affecting a particular industry, range this year from finance banking and food processing and manufacturing to non-profit religious organizations and the wine and spirits industry. Others include the paper industry, universities, electronic data processing, food chain operations, municipal governments, extractive industries, drugs and chemicals, trucking, oil and publishing.

Participants in the industry sessions must register for them in advance by contacting ASIM's national office in New York. Requests are then passed on to the individual session chairman, who may limit sessions at his discretion.

Mr. Schmidt, incidentally, is excluded from the meetings he has arranged this year. "Last year I was interested in the electronic data processing session. But," he added, "since RCA is no longer in the computer business I guess I'll just float around this year."

Going on at the same time as the industry meetings is the two-day employe benefit session.

Gordon Rice, benefits manager at Nabisco, is chairman of that meeting and his co-chairman is Don E. Currie, an employe relations man at the Singer Co.

The employe benefits section of the conference, which has caught on rather rapidly with ASIM members in recent years, will include both panel discussions and workshop sessions.

Six workshops will delve into subject matter that ranges from "The Benefits Manager and the Financial Functions" and "Communicating Information to Employes and Managers" to "The Use of Outside Services" and "Health Care Problems."

Mr. Carrier, by his own enthusiasm, seems to indicate however that the real fireworks during the two-day employe benefit meeting will come during three panel discussions he has been working on with Mr. Rice.

One of these will feature university and college students familiar with business and economics who will discuss what they expect from employe benefits in the future. Students already lined up for the panel come from Princeton, McGill University in Montreal and the University of Montreal.

A SECOND PANEL will be conducted by retirees. This group, Mr. Currie explained, will address itself to the problem of pension benefits and what they mean to people recently retired.

A key man here, the Singer executive pointed out, is George A. Mearns, formerly employe benefits manager at Sunshine Biscuit Co. Mr. Mearns is recently retired. He is also active in one of the many post-retirement activists groups that have sprung up in recent years and Mr. Currie feels he is an especially good choice. "He has a flow of current

*Continued on page 30*

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## Trust administrator

Max H. Cosgriffe, examiner for eight years of health and welfare and pension trust funds for the Washington state insurance commissioner, has been appointed administrator of the various joint trust funds of the state's plumbing and pipefitting industry. He will administer the funds collected under the labor-management agreement of the Washington State Plumbing & Pipefitting Industry for health and welfare, pensions, vacations and apprentice training.

# How the risk management position stacks up

SAN FRANCISCO—A former insurance consultant turned buyer, a one-time buyer now a consultant and Woodrow B. Anderson, who directs the insurance department of Kaiser Industries Corp., took on the task of rating risk managers for northern California members of American Society of Insurance Management.

Mr. Anderson, current president of the chapter; Ralph F. Perry Jr., corporate insurance manager for Fairchild Camera and Instrument Corp.; and David Warren of Warren, McVeigh & Associates, agreed it is a Herculean task with innumerable pitfalls. Mr. Anderson set the stage by asserting that "all risk managers really want to do a good job: To evaluate performance requires the use of a number of tools."

Mr. Perry, who moved from consulting to buying, frankly confessed, "Very few of us are able to effectively practice the art and where we do have some influence, it generally fails to be measured in a fashion understandable by our boss or others."

MR. WARREN, a former buyer as West Coast manager of client services for EBS Management before he and Donn McVeigh established their own San Francisco consulting firm, suggested that technical, operative and judgmental competence be the basis of performance evaluation. "The risk manager," Mr. Warren declared, "holds a role in business that is unique. The very diversity and unusualness of the job makes it tough for management to rate the risk manager's performance."

"To be a good risk manager," he contended, "a man must first be a good manager. This, perhaps, is the reason a number of risk managers go on to different and higher responsibilities in management."

Mr. Perry accepted Mr. Warren's definition or description of a risk manager's functions as "corporate management activities related to risks of property, earnings and liability losses from accidental causes." He went beyond that, however, to describe in detail his own job as corporate insurance manager for Fairchild, which has world headquarters at nearby suburban Mountain View.

"Most corporate insurance departments," he said, "are one- or two-man shops reporting to financial vice presidents who are actually numbers men working daily with financial and management accounting. They spend most of the day with figures, justifying business decisions, or anticipating the future and/or recording the past for those outside the business enterprise, such as creditors, bankers, stockholders."

"THE BALANCE of their time," Mr. Perry continued, "seems to be spent analyzing the management of the company with a review and analysis of budgets and goals as they relate to objectives set forth by the financial group of the company."

Mr. Perry told risk managers, "It is important that we understand the environment in which our superiors operate. They concentrate on the numbers and how they relate to the job and to the future of the company and, understandably, therefore, to the position we refer to as risk manager."

He pointed out that "there are many other departments in our company which work to reduce or eliminate or transfer risks." He named, as examples, the safety department, the security and engineering departments, purchasing and legal staffs. "The risk

management activity," he said, "can best be explained as the influence the risk manager has on the activities of these various departments through the medium of insurance costs."

"The installation of the sprinkler system," Mr. Perry added, "reduces risk and insurance cost. By buying products FOB our plant can reduce the transit exposure and its related insurance cost."

"WE MUST GIVE property values, earnings resulting therefrom and liability risks some dollar signs. Some measures of value are easy to determine; others are more difficult, particularly liability exposures."

Mr. Perry told the ASIM members that Fairchild's position de-

scription for his job states that he "should be managing the corporation's worldwide insurance activities, including an evaluation of risks; recommend basic policies; negotiate coverages with companies and brokers; manage coverage to eliminate overlaps and gaps and to minimize cost; and coordinate loss prevention activities throughout the corporation." Handling these duties, he added, requires the spending of considerable time in total review of existing insurance (to determine the need for insurance); the physical inspection of all locations and historical review of losses. "This also requires a thorough knowledge of your manufactured product," he explained.

Proper evaluation of the insurance market as well as the nego-

tiation of coverage, Mr. Perry said, "must, in a one- or two-man shop, be delegated to the broker or agent."

Development of a recommended company insurance program, he believes, "should reflect the risks you expect to transfer to the professional insurance company and those that you expect to self-assume through a combination of self-insurance and self-assumption." In protecting Fairchild assets, Mr. Perry said his department "outlined the total assets at risk and the potential business interruption loss that might result from losses of that property."

MR. PERRY described the purchase of employe benefits insurance as "a very time-consuming task—here the work of the broker

and his expertise is invaluable."

Management of Fairchild's annual insurance expense budget, he added, "includes the purchase and back charge of insurance coverage for property, casualty and benefits, together with self-insurance operations and non-insurance funds for both domestic and foreign operations."

Mr. Perry described supervision of monthly management reports as difficult with regard to actually preparing a report "that is meaningful, has some relation to the management of the risk program and encompasses overall goals of the job."

Mr. Perry emphasized his belief in "management by objectives" and being very specific in recommendations to management. "This

Continued on page 22

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# Suit accuses Retail Credit of anti-trust and privacy violations

PHILADELPHIA—A 44-year-old law student at the University of Miami has filed a suit in federal district court here charging Retail Credit Co., Atlanta, with invasion of privacy and violation of anti-trust laws.

Earlier this year in Oakland, Cal. an insurance broker was awarded \$290,000 in damages in a libel suit involving a Retail Credit Co. background investigation report that the reporting service admitted was based on false information. At that time it was learned that the company is covered by a Travelers Insurance Co. umbrella policy, including a libel clause, with a \$50,000 deductible and a limit higher than the \$290,000 loss (see *Business*

*Insurance* April 12, 1971).

Robert Biccum, staff vp for Retail Credit Co., told *Business Insurance* that he doubts such "a crazy thing" as the current suit is covered by any insurance carried by the company.

**THE SUIT**, filed by David Weinberger, Miami, Fla., charges that in 1957, International Business Machines Corp. turned Mr. Weinberger down for a job as a result of an inaccurate credit report purchased by IBM from Retail Credit Co. H. Laddie Montague, an attorney for Mr. Weinberger, said the report contained false statements about Mr. Weinberger's drinking habits and persons with whom he associated.

In Atlanta Mr. Biccum said, "Mr. Weinberger has filed a law suit against us and against IBM in Philadelphia. The first part alleges invasion of privacy and interference with contract. He claims IBM and Retail conspired to keep him from getting a job in 1957. The second part is a class action alleging that Retail is being conducted in violation of anti-trust laws. We simply don't think he has any basis for these charges."

The plaintiff's lawyer said that Mr. Weinberger is currently a first-year law student and that he was most recently working as an employment consultant in the computer industry. He also said that Mr. Weinberger had been

employed by IBM from 1949 to 1952 until he quit to help with a family business. In 1957, when Mr. Weinberger sought re-employment with IBM he was turned down, his lawyer said.

The suit asks unspecified monetary damages for Mr. Weinberger and seeks to force Retail Credit Co. to notify every person it has investigated, and to furnish them with a copy of the company's report upon written request.

"RETAIL CREDIT is so big that it can get away with things it couldn't if there was free and open competition in the credit-checking industry," Mr. Montague asserted. He said recent laws bringing credit-checkers under increased regulation "don't go far enough." He did say that Mr. Weinberger had been allowed to look at his credit file at Retail Credit Co., but had been refused a written copy and had been "co-

erced into signing a waiver of his rights" to challenge the company.

"He's supposed to be an intelligent businessman," said Mr. Biccum at Retail Credit Co. "At that time, in 1957, we had a form which we no longer have—a waiver in consideration of re-checking a person's file releasing us from liability for mistakes in past reports. It explained itself in black and white, and he read it. How can he say he was coerced into waiving his rights?"

Mr. Biccum also noted that the Fair Credit Reporting Act, which went into effect on April 25, 1971, does not require credit-checkers to provide subjects with written reports. "We showed him his credit file, which is all we are required to do," he said.

## Investment guarantee cover set

SACRAMENTO—Insurance companies will now be permitted to write investment guarantee insurance in California under two bills signed into law by Gov. Ronald Reagan.

The new kind of insurance made possible by the measures will assure investors in mutual funds and other types of securities that they at least will be able to collect the money they put in their investments, either upon their death or at the end of the policy period. Coverage may be written as a form of life insurance, with the 31-day grace period common to life forms being applicable where the insured might be unable to promptly pay his premiums.

The new law also includes the life practice of permitting reinstatement of coverage within two years upon payment of back premiums and interest. Other life provisions included involved the two year incontestability period, the suicide clause and the misstatement of age provisos.

**WRITING** of investment guarantee insurance has been permitted in approximately 30 states, on authorization by the insurance department of the specific state. Richards D. Barger, California's insurance commissioner, told the legislature that such insurance could only be accomplished in the state through legislation.

Under the new California law, carriers that wish to offer the new coverage must have a minimum capitalization of \$2 million as well as a special contingency fund of not less than \$1 million to provide for losses to policyholders purchasing other types of insurance from the same insurer should such losses result under the investment return policies.

The coverage also will be subject to regulation by the Securities and Exchange Commission as well as by Mr. Barger's department.

The two bills were sponsored in large part by Equity Funding Life Co., Los Angeles.

## Cut jumbo's premiums

Premiums for Boeing jumbo jets have been cut by as much as 15%, according to Lloyd's insurance sources, in the London aviation risk market. This is because of their safe flying record in the three years they have been operated by major airlines. Each jumbo has almost unlimited cover, usually up to \$250 million for total hull loss, ground damage, and passenger fatalities.



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# Peter Garst, new Indian Head risk man, pushes improvement

NEW YORK—Peter E. Garst, the new corporate risk manager at Indian Head here, considers himself something of a lucky man.

"I walked into a very well set-up insurance program when I came here," he told *Business Insurance*. "That's not to say we don't have any problems but things were going pretty smoothly when I arrived."

He said that the biggest problem facing the large, diversified ("We're diversified, we're not a conglomerate") company, at least from a risk standpoint, was the condition of a number of the firm's 57 plants.

can't take any serious action until we find the causes."

Mr. Garst, who feels that the thrust of the Occupational Safety and Health Act is "the government trying to get a reading on how management feels about safety," reported that two of Indian Head's facilities had been inspected by OSHA compliance officers, and with good results. The two inspections ended with a total of \$50 in fines being levied.

"MANAGEMENT here reacted quickly to OSHA," he said. "They evaluated OSHA when it first appeared and decided to move right then. We have an OSHA committee here, of which I am a member, along with the industrial re-

lations manager and a number of others. We visit each plant and decide what the prime exposures may be and efforts are made to correct any possible deficiencies."

Mr. Garst thinks OSHA will be used as a vehicle to "push pollution standards" after it has been in effect for awhile.

When talking about some of the other coverages employed by Indian Head, Mr. Garst commented, "They had a beautiful package here until 1970. Everything was with Commercial Union but when renewal time rolled around in '70, they got off in fire and difference in conditions."

Now, the company's difference in conditions coverage is written by the Lexington Insurance Co. of

Boston. The policy carries a \$3 million limit and a \$5,000 deductible. Mr. Garst said Indian Head had another \$3 million in excess coverage written by Appalachian Insurance Co.

AS DIFFERENCE in conditions coverage is not protection that is called upon every day, has Indian Head's experience been out of the ordinary?

"There was a flood in 1969 that went \$400,000 in excess of the deductible and Commercial Union dropped the coverage the next year but the experience hasn't been bad," he said.

Mr. Garst reported that the company's principal broker is John C. Paige & Co.

He also had definite opinions, as does just about everyone else these days, concerning director's and officer's liability insurance and product liability.

"D and O is kind of scary because you're damned if you do

and damned if you don't," he noted. "I would suspect that every major corporation in the country has either evaluated it or purchased it—probably purchased."

"BUT IT'S hard to say how it will respond if the situation arises where it's needed," he continued. "All I really know is that the insurance companies who write it have collected a helluva lot of money on it."

He asserted that product liability and pollution were a quality control problem, more than an insurance problem.

"We've been fortunate so far in that area," he noted, considering the fact that his firm manufactures automotive, glass and consumer products, among other things. Unlike many product liability theorists, the amicable Mr. Garst thinks that "you should spend most of your time constantly improving your quality control, not keeping records."



Peter E. Garst

"We really have to upgrade 10 of our older plants so they qualify for Factory Mutual coverage," he pointed out. "The main drawbacks at these facilities are water supply and sprinkling, as well as the fact that the storage is done on pallets."

HE SAID that the plants he wasn't worried about were insured for full replacement value with a deductible of \$5,000 per loss. The deductibles on the problem plants ranged from there up to \$25,000.

If getting those 10 plants in shape was his primary goal, what was next on the list for the ex-Eastern Airlines corporate insurance manager?

"I would like to improve our loss prevention in the automobile and workmen's compensation areas," he answered.

Employers-Commercial Union Insurance Co. insures two-thirds of Indian Head's workmen's comp exposure, according to Mr. Garst, with the company self-insuring the other third. "There is a definite possibility we will expand the self-insurance here," he noted.

ALSO REGARDING workmen's compensation, Mr. Garst's personal feeling is that the workmen's comp system was "very inequitable if you look at it on a national scale but whatever the OSHA workmen's comp committee comes up with, the burden will fall on the consumer."

Employers-Commercial Union is also the insurer on Indian Head's 620 vehicles. "Our premium for the auto coverage has been very small but I don't know how long we can keep it that way," he explained. "Our loss experience has been absolutely horrible. We need a great deal of improvement here."

He has undertaken a study in which he will evaluate each vehicular accident and try to spot a trend. "I really don't know what the problem has been but we

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# opinions

## Where was ASIM?

ON JANUARY 4, 1971, this Opinions column carried an editorial that called upon President Nixon to name a risk manager to the 15-member National Commission on State Workmen's Compensation Laws. The suggestion, which recommended that the President select a member with the advice of the American Society of Insurance Management, was acknowledged by the White House but not acted upon.

Instead, the President named two corporate executives to represent "business" and a state official in Maine to represent the "general public." Department of Labor officials who counseled the President on his appointments said privately that ASIM was bypassed because it seldom expressed itself on questions of public policy on the state or national level.

That criticism by the Department of Labor proved true once again. The national ASIM ignored five regional hearings and three Washington hearings held by the National Commission on State Workmen's Compensation Laws. It was silent.

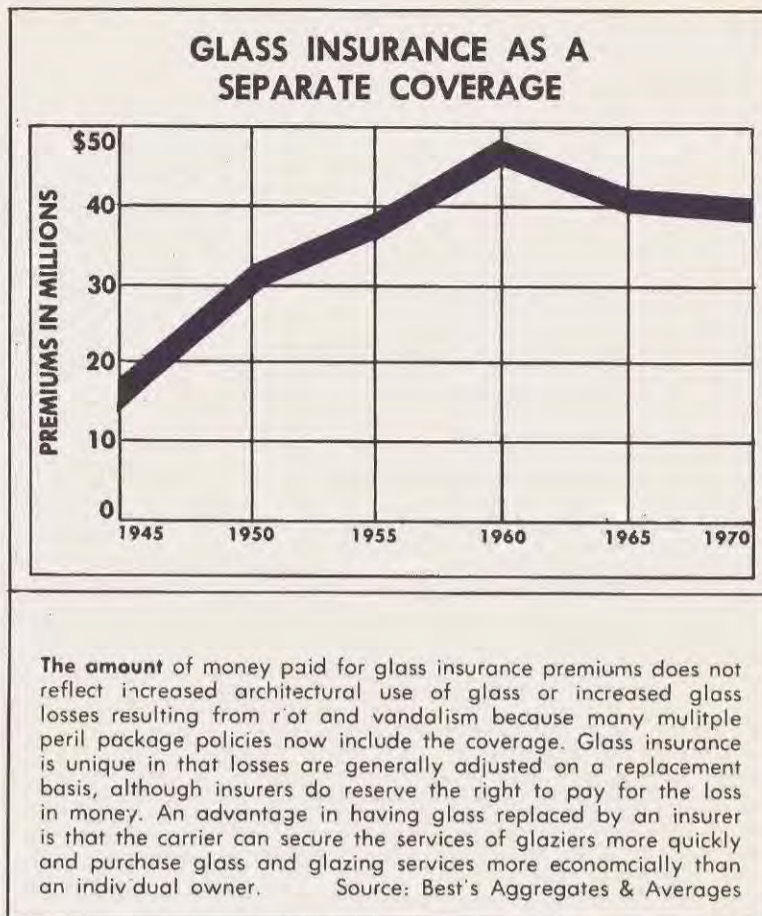
Only William D. Dodge, risk manager of Lockheed Georgia Co. in Marietta, appeared to identify himself as a risk manager and to talk about risk managers' interest in possible federal standards for state workmen's compensation laws. Mr. Dodge, speaking for the Atlanta chapter of ASIM, told the commission that risk managers seek a reasonable degree of uniformity in state laws and that they are willing to have federal standards as a means of accomplishing this objective. Members of the commission questioned Mr. Dodge for some time because they were intrigued with the idea of talking about workmen's compensation with an experienced risk manager instead of with the parade of insurance men, union leaders and chamber of commerce executives who studied the commission's witness list.

Mr. Dodge himself said that one of the reasons he chose to testify for his ASIM chapter was that the witness list up to that time had contained so many plaintiffs' attorneys and spokesmen for business groups who took the attitude that all is well with the system and that no changes are needed.

Copies of Mr. Dodge's testimony were submitted in advance to Edward P. Lalley, ASIM legislative vp and insurance manager of Kraftco, and to James E. Bailey, ASIM's legislative counsel. It is unfortunate that neither Mr. Lalley nor Mr. Bailey followed Mr. Dodge's lead to present testimony.

After the final commission hearing was held, Mr. Lalley told *Business Insurance* that ASIM "rightly or wrongly views workmen's compensation as an employe benefit that falls into the province of the corporate industrial relations director. We have carefully kept our hands off the matter of workmen's compensation benefit levels. We treat benefit levels in the same way porcupines make love."

This "hands off" attitude toward the workmen's compensation study commission does not reflect the feeling expressed by Mr. Lalley when



the President left ASIM off the commission membership list. "There are two members of industry on the commission," he said at that time, "but no member of ASIM. We feel we could have been of some assistance to the commission and we would have liked to have been asked."

Mr. Lalley was quite right. ASIM could have been of substantial help to the commission. Without a risk manager on the commission, ASIM could at least have prepared thoughtful testimony on aspects of the workmen's compensation system that affect the day-to-day operations of risk managers and affect the cost of covering workmen's compensation liabilities.

U.S. business, after all, pays about \$5 billion annually for workmen's compensation in the form of premiums to private carriers and state funds as well as in self-insured payments to beneficiaries. Workmen's compensation costs are met entirely from corporate capital and are therefore a direct concern of risk managers.

Workmen's compensation is the most profitable major line of property-liability insurance, a condition that has caused a number of thoughtful risk managers to consider the possibility of self-insurance. Though self-insurance now represents only about 14% of benefits paid to injured workers and their survivors, interest in this method of coverage has grown with the concept of risk management. A number of insurers now offer administrative and engineering services to those who wish to self-insure, just as many self-insurers' service companies have done for years.

To be of help to the commission, ASIM would not have had to touch upon the never-never land of benefit levels. There are many tangled aspects of the present workmen's compensation system other than benefit levels that ought to be unsharled by the final report of the federal commission. Some of these are:

- Prohibition of self-insurance of workmen's compensation by some states.
- Unreasonable administrative impediments to self-insurance in many states.
- Widely varying state-by-state workmen's compensation benefits and administrative procedures that place unreasonable burdens on interstate companies.
- Monopolistic state workmen's compensation funds in some states that prohibit risk managers from using the options of private insurance and self-insurance.

ASIM, by testifying against these unreasonable limitations in present state laws, would be serving the very purpose of risk management by asking that those who cover workmen's compensation risks be given the widest possible latitude.

That, after all, is what risk management is all about. It seeks to explore alternative ways of eliminating or covering risks in the most economical way to conserve corporate assets.

ASIM is the only organized consumer voice in the insurance field. As such it has an obligation not only to the corporate management that supports the society with its dues but to the general public as well. No other organized group could have presented such balanced "third force" testimony before the National Commission on State Workmen's Compensation Laws. Union leaders, plaintiffs' attorneys, insurance company executives and chamber of commerce spokesmen all represent special interests. They do not understand the responsibilities and problems of the corporate risk manager.

Perhaps it is not too late for ASIM to serve as a valuable information source for the commission. Its report is not scheduled to be submitted to the Administration until June, and a survey of ASIM members could be a vital adjunct to the commission's information.

It's too bad that when the nation took its first comprehensive look at the 60-year-old workmen's compensation system the national American Society of Insurance Management averted its eyes.

# Letters

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

## Workshop 'first rate'

To the Editor: I thought that everything about your Product Liability Workshop was first rate: scope of program, caliber of speakers, organizational details, courtesy of your staff, accommodations, meals etc. This was certainly one of the most successful workshops I've attended.

One question: Are there one or more books on this subject that you would recommend?

**George N. Naimark**

President, Naimark and Barba, Inc., New York.

*Editor's note: For further information on product liability, a number of books have been published by the Defense Research Institute, 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233: "Products Liability—Manufacturers Design Liability," "Products Liability—Defense of a Product's Case," and "Products Liability—Implied Warranties." In addition, the following books are found in many libraries: "Product Liability Trends and Implications," by Coccia, Bodanville and Nelson, published in 1970 by the American Management Assn.; James Donaldson's "Casualty Claims Practice," published in Homewood, Ill. by Richard D. Irwin and "Products Liability and Reliability; Some Management Considerations," published by the Machinery and Allied Products Institute, Washington, D.C.*

## School board liability

To the Editor: A Millers Mutual Insurance Co. issue of Business Insurance Service Bulletin had information regarding school board liability protection. Would you please forward a copy of that issue and the information about the company's name and address writing this type of coverage?

**Stanley E. Cipar**

Jack M. Shuck Agency, Huntingdon, Pa.

*Editor's note: See note below.*

## More on schools

To the Editor: I have been informed that in a recent issue you had an interesting article on school board members liability insurance. I am interested in this article from the standpoint of finding a market to cover this exposure. Would you be so kind as to send me the article or a copy of the issue of your magazine in which your article appeared?

**Richard K. Pflueger**

Pflueger Insurance Agency, Schuykill Haven, Pa.

*Editor's note: The business insurance service bulletin put out by Millers Mutual is in no way connected with Business Insurance magazine. On page 12 of the Jan. 31 issue, in Info for Buyers, we described a board of education indemnity program produced by Stewart, Smith, Mid-America Inc. A brochure on the program is available by writing them at 141 W. Jackson Blvd., Chicago, Ill. 60604.*

## Info from London

To the Editor: On page 14 of your Dec. 6 issue you mention a  
*Continued on page 34*

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# WE'RE GOING TO TELL YOU HOW TO SOLVE A PROBLEM YOU DON'T EVEN KNOW YOU'VE GOT YET. BUT, BELIEVE US, YOU'VE GOT IT.

You may well be in for a shock next time you try to renew your commercial liability insurance.

Because the friendly, cooperative, warm-hearted insurance companies you dealt with last year may very well give you the cold shoulder this year.

It's very possible your primary company will tell you they're sorry but they have to lower their limits. That they have all their capacity can handle—and then some.

And it's also very possible your umbrella company will tell you they're sorry but they have to raise their primary limits. That they just can't take the kind of chances they took last year. And that they no longer want to write coverage on exposures like products, completed operations and XCU.

And there you are, right in the middle, not knowing which way to turn.

Welcome to the 1972 Insurance Gap. It's becoming more and more widespread, and you should be prepared for it.

The reasons are complex.

As complex as the rapid increase in technology—something most insurance companies don't know how to deal with. Or the trend to consumerism, that's resulted in more lawsuits and bigger judgments—something most insurance companies don't want to deal with.

On the other hand, the reasons for the gap are simple. As simple as adverse losses.

But whatever the reasons, the problem is how to cover this gap.

To do it, you may have to do business with a kind of insurance company you've never had to do business with before. A kind of insurance company you know very little about.



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And if, at this point, you're thinking that all this holds true for any excess and surplus lines company, call any other one. And then call us. You may be surprised at just how much further we're willing to go.

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# london line

## Government backs campaign to help business recuperate from fire losses

LONDON—Hidden losses caused by major fires can be avoided if businessmen will decide to plan ahead to reduce the disruption they impose. This message is being passed with government backing to hundreds of corporations throughout Britain under a "Damage Control after Fire" campaign.

John Davies, trade and industry minister, started the campaign with the slogan: "The futile destruction of national wealth through fire is a tragedy." Back-

ing him is the nation's central fire liaison panel, composed of top insurance executives, industrialists and fire-fighting experts, which has produced a seven-point scheme for corporate "damage control teams."

Pointing out that even a consequential loss policy may not fully compensate for the long-term effects of fire, the campaign propaganda warns that the "aftermath of fire" can mean dissatisfied customers, worried stockholders,

broken contracts and the cost of the long, slow haul back to productivity.

**DAMAGE** control teams should be formed by all corporations so that they can get to work if fire breaks out and speed recovery production. They should meet regularly to keep up to date such plans as arrangements for standby plant and substitute suppliers. The teams should be led by a corporate executive or vice president

in charge of fire prevention. They should consist of:

- Plant manager: Responsible for liaison with the fire-fighting brigade on short-term plans, and for reinstatement of partly damaged buildings and equipment.
- Purchasing manager: In charge of provision of alternative equipment and supplies.
- Sales manager: Responsible for information to company customers.
- Personnel manager: Responsible for staff relations.
- Insurance manager: Liaison with the requisite insurance company and its loss assessors.
- Fire prevention officer: Responsible for pre-fire planning.
- Company secretary: Responsible under his corporate board for information to stockholders.

Ernest Bigland, panel chairman, informed *Business Insurance*, "We want industrialists to plan in advance to minimize the loss and disruption occurring if,

despite the best precautions, a serious fire takes hold."

\* \* \*

**WORLD SECURITY** interests have banned dimes-in-the-slot insurance schemes at major airports, including Britain's Heathrow International Airport.

The automatic vending machines are being removed at the request of the International Civil Aviation Organization (ICAO), which fears they could encourage sabotage by suicide-minded travelers seeking to provide insurance cash for their dependents.

Machines provided night-flight service during non-business hours for travelers, who could get \$5,000 temporary risk cover for their trip for 50¢, or as much as \$50,000 if they paid more, by putting in money and getting an insurance voucher ticket.

A U.K. airports spokesman explained, "The ICAO view is that it would be easy for a traveler to take out a large sum of insurance at the vending machine, and then blow up the aircraft so as to kill himself. We don't believe this is likely, and I think American insurers share our view, but we had to accept the ICAO plan to remove the machines."

Insurers pointed out that a suicide insurance claim would almost certainly be contested in British courts.

\* \* \*

**POLICE CHIEFS** at Scotland Yard have set up a special unit to deal with airline hijacking if it occurs in Britain on the scale that has affected the U.S.

So far there has been only one major skyjacking involving the country's air space. This was when a Palestine girl guerrilla tried to hold up an aircraft in 1970, but was arrested when the plane landed at Heathrow International Airport.

Charles Palmer, who has handled many murder inquiries, will head the new squad. He will discuss preventive techniques with security officers of major airlines that use Britain as a landing or stop-over point.

\* \* \*

**BANKING FIRMS** in London have been warned against the new technique of an international gang of Australian crooks who have lifted \$10 million worth of property from department stores in Britain in the past 10 years.

They have turned to raiding the offices of travel agents or merchant banks for large amounts of cash or travel checks, and have already gotten close to \$500,000 in a few weeks from these firms. Their method is to visit the bank or travel agency on an ordinary business inquiry. While one of their associates causes a diversion by creating a quarrel with the staff, or acting as if he was under the influence of drink, other accomplices grab registered mail, travel checks, or currency from the desks of bank officials who are trying to quell the disturbance.

Security officers at banks are issuing warnings against the raiders, who may move to Europe or the U.S. once their activities become too notorious in Britain. ■

### Raise comp rates

An overall rate increase of 14.6% for all California employers will become effective April 1 on all workmen's compensation policies in force. Under the new law, death benefits have been increased to \$25,000 for a widow and \$28,000 for a widow with dependents. Temporary disability benefits have been raised from \$87.50 per week to \$105 per week and permanent disability benefits from \$52.50 a week to \$70 a week.

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# Detective agency conduct ruled unethical by N.Y. state hearing

NEW YORK—One of the nation's largest private investigating agencies was found guilty in a New York State hearing of using entrapment techniques in its investigations into thefts involving employes of various concerns throughout the U.S.

The agency, Dale Systems Inc. of New Haven, Conn., its president, Addison H. Verrill, and vp Harvey Yaffe, were ordered to pay fines totaling \$4,750 or face a one-year suspension of their license, effective December 15, 1971. Leonard Lowell, chairman of the board, told *Business Insurance* that the company's lawyers had obtained a stay of execution of the penalty pending an appeal.

"We are very confident that this decision will be upset," Mr. Lowell added. "It was not a legal case, just a hearing, and the state did not produce the men who made the charges against Dale. They had affidavits—we could do no questioning. There is nothing to these charges—they are utterly ridiculous. I was stunned and shocked to hear the state's decision."

THE FINDING of guilt and the penalty were announced by New

## West Coast confronts auto reform

SAN FRANCISCO—Automobile insurance reform has become a major 1972 issue in the legislatures of six West-Coast states, and modified no-fault plans are an issue for 1973 in a seventh state, Oregon.

Oregon, along with Montana and Nevada, has no regular legislative session this year. The state adopted a mild auto reform program during its 1971 session.

Hearings are being scheduled for February in Alaska on a number of no-fault proposals there, including a dual protection plan and the American Insurance Assn. proposal.

Now being held in Arizona are hearings on several bills already introduced there, including the AIA plan, another plan backed by the Mutual Alliance and a bill supported by the Maricopa County bar association calling for an Oregon-type law.

IN CALIFORNIA a host of auto insurance reform bills have been introduced and Gov. Ronald Reagan has publicly announced his support for a no-fault plan this session.

In Hawaii the legislature has just received a report and recommendations completed by a special legislative consultant. The recommendations urge adoption of a pure no-fault system written by private insurance companies, including a benefits schedule and a state fund in lieu of an assigned risk plan.

Hearings will be scheduled for late February in Idaho, where no-fault proposals have been vigorously opposed by insurance agents.

Auto insurance reform measures introduced in Washington range from a proposal for a \$2,000 threshold to a labor proposal for a no-fault system to be written by a state fund and financed by gas tax revenues.

York Secretary of State John P. Lomenzo, who licenses and regulates private investigators.

Although the agency is headquartered in New Haven, it maintains a New York City office and has 50 permanent and 10 part-time employes assigned to cases throughout the country. Investigators licensed in New York were used in the cases that allegedly occurred outside the state, a spokesman for the New York Department of State said.

In announcing his findings, Mr. Lomenzo said a lengthy investigation of Dale Systems had shown that it also used "other unethical and illegal procedures" in its attempts to uncover wrongdoings committed by the

employes of various companies. He said these included "inducing employes to steal or create conditions or situations where employes could be accused of stealing and then have them subjected to lie-detector tests."

A spokesman said the year-long investigation into Dale Systems' activities had turned up the following alleged abuses:

- A Dale undercover man assigned to a Floyd Bennett Store in Valley Stream, N.Y., had arranged for silverware to be placed in the automobile of one of the employes so that the latter could be questioned about other possible thefts.

- Another undercover man induced an employe of another

Floyd Bennett Store in Jericho, N.Y., to steal tires and sell them at a discount.

- An undercover man assigned to the J. P. Allen Department Store in Atlanta attempted to induce an employe to conspire with a truckman to steal merchandise.

- An undercover man assigned to the Paramount Cosmetic Corp. in New York City talked an employe into giving him some free merchandise, an act that permitted the employe involved to be questioned and polygraphed.

- A Dale man in a New Jersey supermarket induced a cashier to ring up less than the correct amount of merchandise so that she could be questioned and polygraphed.

MR. LOMENZO said such acts "greatly transcended the limits of reasonable investigation" and were "immoral, obnoxious and inimical to the health, safety and welfare of the public."

A spokesman for the New York Department of State said the fines levied against Dale were among the largest recorded in the state against a private investigating agency for whatever cause. Ordinarily, according to the spokesman, an investigating agency found guilty of wrongdoing would find its license automatically suspended. He said the company was offered the choice of a fine in this one instance because the loss of its license would throw so many people out of work. He also said the alleged abuses were first brought to the attention of the department by a "disgruntled Dale Systems employe."

"This is the aftermath of a union situation," commented Dale's chairman of the board. "These men attempted to organize a division of this company and when they weren't successful they went to the state with these stories. They are totally foundless." ■

# A pre-packaged Group Pension Plan really doesn't have all the answers.



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"What will be the effect on comparability of benefits for our bargaining unit?"

"How shall we handle voluntary employee contributions?"

"What about protecting the rights of participants in our former plan?"

"What vesting provision is necessary?"

"Can it be made compatible with our profit-sharing plan?"

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## Questions of builder liability arise but are shot down in pool design suit

LOS ANGELES—Questions of builder liability for accidents due to allegedly faulty swimming pool design were raised by a quadruplegic 24-year-old graduate student in a superior court suit here. Employers Casualty Co. was relieved of any further responsibility in the case when an 11 to 1 jury verdict declared the builder of the pool not liable for damages.

Michael J. Klass, who received his crippling injuries in a dive into a familiar residential pool in 1965, lost his suit to determine liability of the pool's builder and its insurance carrier over what he alleged were inadequate construction details. Had the builder been found negligent or at fault, a subsequent trial would have determined the

amount of damages.

The case was clouded by a number of legal questions which remain untested, according to defending attorney Alvin Cassidy of the firm of Wyman, Bautzer, Rothman and Kuchel. Mr. Cassidy said the questions revolved around the actual identity of a defendant firm, since the pool's builder, Sunset Pools, is no longer a California corporation, and whether the insurance carrier for the firm at the time the pool was built has any risk responsibility any longer.

"Warren Kingsley established Sunset Pools in 1952," Mr. Cassidy told *Business Insurance*. "In 1963 he sold it out to Coralac Industries. At this point KDI Industries owns Sunset Pools, so it is not the

company as we knew it in 1960, when the pool in question was built."

MR. CASSIDY said the problem of insurance in the case stems from the fact that under California law, product liability coverage is the responsibility of the carrier at the time an accident occurs, not of the carrier at the time the pool was built. "The identity of the insurance carrier was disputed in this case," he said. "Employers Casualty Co. wrote product liability coverage for Sunset Pools then, but they denied coverage because Sunset is no longer a California corporation."

Mr. Cassidy's defense was based on the denial that unsafe pool

construction was the cause of the accident, thus suspending legal decisions on the other complex questions involved.

According to the attorney, the 15 by 32 foot residential pool in which Mr. Klass received his injuries is typical of many built in its time. He said that the 11-year-old pool had not been the site of any similar accidents, and that his defense was based in part on the fact that the pool exceeded 1959 National Swimming Pool Institute residential pool standards.

One witness for the defense was Dr. Donald Doughty, a former pool builder, a design consultant, and a past president of the National Swimming Pool Institute. Dr. Doughty explained the nature of the residential pool standards and how they were derived. He said the pool exceeded the then-current NSPI standards by a wide margin.

RICHARD CLIFFORD, attorney for the plaintiff Michael Klass,

contended that the pool was too shallow, it should not have had a diving board—or a least not of the type installed—that the deep end was not large enough, and that the transition point was too near the deep end, making diving hazardous. To support these allegations, Mr. Clifford called on two well-known former Olympic diving champions to make test dives into the pool. Both testified they had struck bottom "with a jolt."

Mr. Cassidy's response was to call on testimony from a University of Southern California diving coach and former Canadian Olympic coach, James Wood, who said that he, too, had struck bottom, but only because he had intentionally tried to. He said that repeated dives showed it was possible to dive safely within the limits of the pool's size.

Mr. Cassidy added, in his closing remarks to the jury, that while no pool is made accident-proof, the fact that the two Olympic divers had struck bottom only confirmed that anyone could do so if he was inattentive, or tried to. It was established that accidents even happen with Olympic divers in competition pools.

Referring to testimony from Mr. Klass, the defending attorney pointed out that the plaintiff had dived into the pool in many styles, not merely on the day of the accident but on many other occasions before. Mr. Klass had not had any earlier incidents, nor had any of his friends, Mr. Cassidy argued. He suggested that the accident resulted from a momentary distraction which led Klass to alter his style in his last dive.

"Sunset Pools had a \$100,000 limit on its policy with Employers Casualty," Mr. Cassidy said. "Much higher limits are needed now. No one ever heard of product liability and strict liability for defects in a product in 1960, but they're the rage now. GM and Ford have been plagued with these suits recently. I wouldn't carry less than a \$1 million policy, and I would prefer a \$2 or \$3 million minimum on products liability, depending on my corporate assets. Remember, you can always be sued for what you're worth, policy limits don't determine court awards."

## Murderer aids in comp case

PITTSBURGH—A woman whose husband was murdered while on the job has received the assistance of the convicted murderer in gaining widow's benefits under workmen's compensation.

Mrs. John A. Baker demanded \$60 weekly support from Liberty Mutual Insurance Co. and Kenny Ross Chevrolet, claiming that her husband, a former car salesman for Kenny Ross, was stabbed when he took Gary Law, a prospective customer, for a test ride.

One wire service reported that Liberty Mutual and the auto agency contested the insurance claim before the state compensation referee on the grounds that Mr. Baker's body was discovered on April 7, two days after his final date of employment with Kenny Ross. The convicted murderer, however, testified for his victim's widow, claiming that he killed Mr. Baker on April 5 while Mr. Baker was still employed.

A spokesman for Liberty Mutual stated that the company delayed benefits only because the murder trial preceded the workmen's compensation hearing by two weeks, and all needed information was not available.

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# Revised U.K. social security scheme outlined in Conservative white paper

NEW YORK—A white paper published by the conservative party in England will cause a substantial revision of the present social security system if enacted into law, according to Derek E. Fellows, deputy group pensions manager of The Prudential Assurance Co. Ltd., London, who spoke before an American Management Assn. conference on employe benefits and pension management.

Mr. Fellows explained that the current state social security and social assistance scheme is based largely on proposals made by Lord Beveridge in the early 1940's. His plan for flat-rate benefits financed by flat-rate contributions was enacted in the National Insurance and Industrial Injuries Act in 1948. However, Lord Beveridge's original proposal was modified, according to Mr. Fellows. "Because of the cost implications, the benefits under the compulsory social insurance scheme were finally settled at a level somewhat lower than the subsistence level," he said.

The scheme remained unchanged for 10 years except for periodic rate hikes due to inflation. Applying to all employes regardless of actual earnings, the system put an extremely heavy burden on lower-paid workers.

In 1961 a new pension scheme was introduced to alleviate some of the inequities. A graduated pension plan was superimposed on the flat-rate system and retirement contributions were based in part on an earnings-related scheme. To avoid unnecessary duplication of state and private pension plans, Mr. Fellows pointed out, the government made provisions for companies meeting certain pension requirements to "contract-out" of the graduated state pension program in return for an abatement of contributions.

**THIS SYSTEM**, which is still in effect, does not provide old-age benefits at a subsistence level. About 30% of all pensioners are receiving additional benefits under a state supplementary means-tested scheme which was originally designed to aid special cases.

Mr. Fellows mentioned that a radical system change calling for a totally earnings-related benefits plan was introduced by labor party member Richard Crossman in Jan. 1969, but was rejected when the conservative party gained power in 1970. The basic idea of an earnings-related plan, however, was incorporated into the conservative's paper, "Strategy For Pensions", released in Sept. 1971.

"But unlike Crossman, they (the government) argue that to induce acceptance of earnings-related contributions by promising earnings-related pensions on a pay-as-you-go basis is liable simply to force the percentage rates of contribution to rise higher and higher to meet emerging costs," said Mr. Fellows. "Thus," he noted, "the government has taken the view that an equitable and lasting solution can only be found in a system of earnings-related contributions for basically flat-rate pensions."

Pensions under the new plan would remain at basically the same level; however, yearly reviews would be established to check pension payments, and the government would allow for pension increases due to inflation.

**THE PRESENT** flat rate, which provides for pension benefits of about three-fourths the amount

considered necessary to maintain a subsistence level, would be financed under the proposal by contributions of 5.25% by employes and 7.25% by employers on earnings up to 1.5 times national average earnings. The government would contribute about 18% of the combined contribution. "These contributions cover not only retirement pensions but also short term benefits including sickness and unemployment benefits as well as part of the cost of the national health service," commented Mr. Fellows. Some employes at a low earnings level will be exempt from earnings-related contributions.

Pensions earned under the existing graduated scheme will be preserved and paid at retirement.

"But no new graduated pensions will be earned after the start of the new arrangements in 1975," Mr. Fellows said, adding that the current graduated pensions plan contains no allowance for inflation, and benefits accrued under this system will be paid without future revaluation.

In addition to flat-rate benefits, the government advocates employes also having some form of earnings-related benefits. Private pension plans are not adequate, noted Mr. Fellows for "the white collar worker is more likely than the blue collar worker to be a member of an occupational plan and men are more likely to be members than women."

The white paper outlines a state reserve scheme to provide

earnings-related benefits for those not fully covered in private plans. "Reserve scheme pensions are to be assessed on a money purchase basis by reference to the contributions paid on behalf of each contributor, the amount of pension secured for each unit of contributions being determined on an age-related structure," Mr. Fellows explained.

**DESIGNED TO** be self-supporting, the reserve scheme is to be financed by employer-employe contributions and earnings from investments. Contributions are based on the same rate of earnings as the basic pension, he said, and employers will pay 2.5% and employes will pay 1.5%. Membership is compulsory for employes under 21 who are not covered by a "recognized" occupational plan.

An occupational pensions board will be established to grant recognition to certain private pension plans, thus exempting them

from reserve scheme contributions. "In order to get recognition, the occupational scheme must provide both a personal pension at the annual rate of not less than 1% for men or 0.7% for women of the relevant earnings on which the basic scheme contribution will be payable; in addition, a widow's benefit representing half the husband's pension rate must also be payable," according to Mr. Fellows.

To protect the value of the pension, the government will require companies to make one of three provisions: benefits may be linked to the cost of living index; pension plans may provide for an increase of a certain percent per annum after award or companies may make financial provision to ensure for post-retirement increases.

All private plans whether recognized or not are required to provide preservation of pension

*Continued on page 28*


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# Plea-bargaining 'promises' led to probation for State Fire officers

MIAMI—Three men who admitted guilt to government charges in the collapse of State Fire and Casualty Insurance Co. here have been placed on probation.

Probation was granted by a federal court judge in Miami who expressed reluctance to free the three but insisted that he had no choice because of "promises" made to the defendants when they agreed to plead guilty.

C. Carey Matthews, a former state representative, who pleaded guilty to one count of security law violations, was placed on five years' probation. Mr. Matthews, onetime vp and counsel of the now-defunct Miami insurance firm, resigned from the legisla-

ture when he pleaded guilty.

S. Mort Zimmerman, the Texas financier who controlled State Fire through bank holding companies, also was given five years' probation but was additionally fined \$30,000. He had entered a guilty plea to one count of security violations and three counts of mail fraud.

Benjamin V. Dobson, former State Fire president, was given one year of probation on a guilty plea to one count. A fourth defendant, Amon DeNur, a former vp who pleaded guilty to one count of securities violations, was fined \$1,000. Numerous other counts against the defendants were dropped when they agreed to plead guilty.

U.S. District Court Judge Peter Fay, in granting probation, said in court that he had little choice but to abide by promises of probation made to the men when they agreed to enter the guilty pleas. Judge Fay, indicating distaste for the plea-bargaining commitment, said he had received no information that could have warranted overturning the agreement. In a lengthy statement after the sentencing, he said the plea-bargaining session that brought the guilty pleas failed to resolve the charges against the men.

"Our system is designed to determine guilt or innocence," Judge Fay said. "This has not been accomplished. If these de-

fendants are innocent, they have been cheated. If these defendants are guilty, our judicial system and society have been cheated."

Judge Fay said the American Bar Assn. had devised the plea-bargaining session. It has "obvious defects," he complained, since there is no way to determine guilt short of a trial.

"IN VIEW of the recent holdings of the U.S. Supreme Court," he said, "there is a serious question concerning this court's authority to impose any sentence other than that 'promised' by the government prosecutor."

Judge Fay noted that each defendant actually denied any intention of wrongdoing. "They have, in substance, said to the court, 'I'm pleading guilty not because I've committed a wrong but, rather, because of a possible conviction on more serious charges involving a possible sentence of confinement.'"

"The government has said, 'We

are willing to accept such a plea and agree that you will not serve such confinement.' The Supreme Court has approved such a plea and its acceptance," he added. ■

## Position . . .

Continued from page 13

is the way Fairchild management likes it. With respect to property insurance, as another example, our objective was to complete a rigorous review of all policies. The domestic program," he said, "is about a third complete and should be completed by Dec. 15. The foreign program has not begun."

Fairchild, according to Mr. Perry, has a key man evaluation summary and development plan that is divided into assessment of performance, broken down into objectives and accomplishment and other aspects, such as technical and managerial skills. At Fairchild, he reported, performance is measured by objectives and accomplishments, with the process heavily weighted toward development of individuals.

**INABILITY** of a risk manager to "effectively practice the art," according to Mr. Perry, often results from the "lack of control over the many activities that influence insurance costs or work toward the reduction or elimination of risks.

"The safety, security and the fire protection engineering departments," he explained, "all operate independently and through the industrial relations department. The legal department, of course, works separately in the corporate organization."

Mr. Perry cited as "a very straightforward statement of the situation in which we all find ourselves" a Jan. 3 article in *Business Insurance* by Robert E. Abrahamson, corporate insurance manager, Control Data Corp., Minneapolis. Mr. Abrahamson asserted that "true risk management, as practiced by most major corporations, is presently not a centralized function within the corporate structure."

"UNLESS effective, concrete measurements can be developed to properly evaluate and measure the job," Mr. Perry continued, "the job and its manager will continue to swim in an environment of recognizing but only paying lip service to a concept with modest influence within his company and profession."

He said he agreed with Mr. Warren that in most corporations the risk manager reports to the treasurer or controller, the numbers man. "I have been surprised," Mr. Perry said, "that within the two corporations where I have worked, no one knew, or had very little idea of, the total cost of domestic or foreign insurance, the cost of uninsured or under-deductible losses that were expensed in the company's books, or the costs of the safety or security, fire protection and engineering departments that influence these insurance costs.

"The only thing they seem to know," he said, "is the department budget. Job measurements used by most corporations dwell on whether there have been any problems or major uninsured losses and whether the manager is industrious and alert." ■

## New war risk head

Robert C. J. Gordon, one of Lloyd's of London's leading marine underwriters who is well known to U.S. corporates, has been named chairman of the U.K. war risks rating committee.

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# New York is asked to halt pension improvements until evaluation

ALBANY, N.Y.—A special state pension commission that was created last year after legislative leaders became increasingly concerned with skyrocketing public employe pension costs has submitted its first report to Gov. Nelson A. Rockefeller. In essence, the commission has asked the governor and the state legislature to "do nothing 'til you hear from us."

Created after a jam of public pension bills were introduced in the state assembly here, the initial report of the Permanent Commission on Public Employe Pension and Retirement Systems has been highly critical of the plethora of costly public pension plans that exists in the state.

"Too much concern with individual or special group interests has led to the existing proliferation of plans, confusion and a

scramble for special privileges and rights," the report said.

Otto Kinzel, chairman of the five-member commission, said that the group sought "a degree of uniformity and equalization" in the various pension plans now in effect in the state. He also urged the legislature to take no action on legislation until the commissioners have been able to take a good look at each measure and establish its long-range effect on taxpayers in the state.

**AMONG OTHER** things, the report noted, "The idea is rejected that a retirement system is an all-purpose remedy for inadequate salary schedules, poor working conditions or other job-connected

liabilities.

"Nor," it continued, "should retirement benefits be designed to encourage their recipients to retire at an early age in order to take another job while on public pension exempt from taxation by the state. This is a subversion of the proper objective of a pension plan."

In the words of the commission, a good plan "should be designed to conform as much as possible to the standards of adequacy, simplicity, equity, uniformity and taxpayer capacity." In the past, it noted, the trend in the state has been toward greatly liberalized pension plans, particularly in New York City, without sufficient concern for the long-range implica-

tions of the taxpayers of the state.

"Almost without exception," it asserted, "none of the noncontributory plans of the state's 50 largest private employers and unions is as liberal as the bulk of plans covering New York state public employes."

in the future. Their costs are borne not only by the retired public employe but by the taxpayer."

Interestingly, one state pension plan that will not be scrutinized by the panel—because it is not in the mandate given the commission by the legislature—is the legislator's own. That plan has often been criticized because of its liberal payment and qualifying requirements for politicians.

The commission of five includes Carl Stevenson, director of compensation and benefits, corporate relations division, Eastman Kodak Co., Rochester. Other members, in addition to Mr. Kinzel, are John J. Burns, retired former state commissioner of local government; Harold A. Conroy, retired former administrative director of the state division of retirement; and James F. Murray, retired owner of the Winsmith Corp., a gear-box manufacturer in Springville, N.Y.

**NOTING THAT** the overall picture of the state's pension plans was of "continuing demands on the part of public employe groups for more liberal benefits—demands often granted apparently without awareness of long-range budgetary effects and policy implications," the report also said that because pensions were subject to labor negotiations a situation existed where "extravagant demands are often made by public employe groups. These demands have no general parallel in the private sector.

"It is especially necessary," the report said, "to carefully control pension and retirement benefits

## Precedent for long hairs

LOS ANGELES—The California unemployment insurance appeals board has established a precedent for cases involving unemployment benefits for males with long hair.

The ruling, issued in the case of an Oroville man who had offered to trim his locks if a prospective employer said that the job required it, stated that unemployed men with long hair would not be eligible for benefits in towns where a majority of the employers refused to hire long-haired applicants.

At the same time, the board also ruled that employers did not have to be truthful if they turned an applicant down because of his grooming.

CALIFORNIA'S unemployment compensation code says that jobless persons are eligible for benefits only if they are seeking employment and they have done nothing to unduly restrict their chances of getting a job.

In this case, the board ruled long hair, even though it was clean and neat, did indeed restrict the chance of employment in Oroville, a small town 90 miles northeast of San Francisco. To back up the board's decision, a sampling of employers in Oroville showed that a great majority of them preferred giving jobs to men with shorter hair.

One of the board referees said that the decision had set a precedent, meaning that it would be binding in future cases. Under the ruling, unemployment compensation division employes of the department of human resources and development would have to deny benefits to long-haired applicants if a survey of community employers pointed out that they preferred short-haired employes.

The administrator of unemployment compensation for Los Angeles county noted that the ruling would be applicable only in communities with the same outlook as Oroville. He felt that the rule would apply only in given communities and in given jobs.

Though there have been a number of similar cases in California over the past few years, this is the first time the appeals board has established a precedent. Any appeal of the ruling must be made in Superior Court as the appeals board is the last level of reparation within the department.

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# business insurance/perspective

## How to face your company's many ecology exposures

by Norman Hoffman,  
corporate insurance manager,  
National Industries Inc.,  
Louisville, Ky.



Norman Hoffman

FOR A MULTI-INDUSTRY company the consumer movement, product liability control, and the Occupational Safety and Health Act of 1970 may all be combined into one overwhelming word—ecology. Responsibility to conservationists, consumers, local, state and federal governments and society in general has become an issue requiring the full-time attention of top-level management. No longer can manufacturing be left to manufacturers nor retailing solely to retailers; monitors, looking over our shoulders, now tell us that profit is only one factor to be considered in our operations and that our social responsibilities must take precedence. A multi-faceted company covers the spectrum of ecology exposures and must attempt diligently to put out the fires as they occur and, preferably, prevent them from occurring at all.

On the corporate level, an ecology director should be employed to provide operating units or independent profit centers with advice and assistance for their general and individual exposures. Each subsidiary should know that it may call upon the ecology director to assist it in the research and development phase of a product, in expansion and building projections, in advertising, marketing and sales promotion, and in correcting defects that are called to management's attention by customers or others. In addition, a monthly bulletin could be published by the corporate headquarters and sent to all management personnel. It should describe operation problems, offer suggestions for correcting them, and include supplemental material gleaned from trade publications and governmental publications, insurance company and inspection services reports, and articles from newspapers and magazines of general interest. Operating companies should be encouraged to review this information at staff meetings, to apply that which is applicable as promptly as possible and to follow up on sources of information and equipment mentioned.

One of the worst ecology exposures is noise in factories. Metalworking, canning and assembly lines within closed spaces are inherently noisy. Action should be taken at all locations to identify the problems and seek to cure them through improvements to the machinery and building construction, earmuffs for workers, and constant testing of noise level by employees as well as outside services. Since noise is also a major factor under the new Occupational Safety and Health Act, attention to

**'Responsibility to conservationists, consumers, local, state and federal governments and society in general has become an issue requiring full-time attention of management.'**



this matter is no longer an option.

**DISPOSAL OF SOLID WASTES** has become a real problem. Open dumping or burning of solid wastes, even on the great, wide prairies is no longer being tolerated. Now it is necessary to pre-determine where solid wastes are to be disposed of and to ascertain whether the disposal method does not itself create a new form of pollution. The services of professional solid-waste consulting companies can be employed to reduce the cost of hauling trash, and contracts can be made with landfills and scrap dealers.

Many production processes involve discharging of liquids into sewage systems and, in turn, into streams and rivers. When this problem exists, management should be concerned on a daily basis with biological oxygen demand per million parts of water. There are several methods of reducing the pollutants, such as holding tanks, injection of oxygen or air, and charcoal and other filtering systems. Work

closely with federal and local governments, with water companies and with chemical laboratories.

The problem of dust passing out of plants into urban areas and affecting the health of workers is another area of concern. Also, air pollution from operations using steam for heating or washing may lead to changing the type fuel used, to installing filters in air outlets and to being more concerned with temperatures involved in processing operations. Try to become familiar with government standards and formulas, though the volume of them is, of course, staggering.

There is also the problem of not paying sufficient attention to area beautification and possibly infringing upon natural resources. Work with conservationist groups as well as governments and zoning boards in an endeavor to put forth the best possible face and indeed to be an asset, conservation and beauty-wise, to the communities in which you operate and of which you consider yourselves to be good citi-

zens.

Some bottlers and canners in several communities have joined together to ask the public to return non-returnable bottles to them for recycling. Similarly, they have taken up can collections at several locations. Thus far they have found the public to be not overly cooperative in these programs and the programs themselves to be costly. It would appear that until the public lends whole-hearted support to such programs, the cost to industry, which it must pass along to the consumer ultimately, is not economically justifiable. Work with others in your industry and with consumer groups to find a solution to this problem.

For the immediate future, all of these moves represent expenditures of time and money by industry. For the long-run, they represent an improvement in the living quality our country affords its people. One large grocery chain states that the consumer movement should help convince retailers that they can do more to be buying agents for consumers than selling agents for suppliers. This benefits business as well since everyone knows that successful purchasing contributes significantly to a corporation's bottom line. Corporations can call upon their insurance companies, agents, local and federal governments, suppliers, lawyers and architects and all others who make a contribution in some way to their bottom line, to aid them in the long-run objective of contributing to an improvement in the quality of American life.

Norman Hoffman is corporate insurance director of National Industries Inc., a diversified conglomerate headquartered in Louisville, Ky. Holder of Chartered Property & Casualty Underwriter and Insurance Institute of America risk management designations, Mr. Hoffman is past president of the CPCU in Miami where he was formerly associated with the Tobin & Tobin Insurance Agency. He attended City College of New York and the Insurance College of New York.

## Insurance problem may be secondary to people problem

by Bion H. Francis,  
insurance consultant,  
Milford, Conn.



Bion H. Francis

This is the first of a series of articles by Bion Francis on buying corporate insurance. Mr. Francis will discuss the problems to be expected, how to recognize them and how to surmount them.

**'The most effective situation is the one in which the insurance professional also has the power to bargain effectively.'**

**TWENTY YEARS** AGO, the employees who arranged insurance programs for corporations frequently called themselves, and thought of themselves as, insurance buyers. Today these men are insurance or risk managers. However, even though the responsibilities of the position have grown to match the title, the purchase of insurance is still a basic responsibility of insurance and risk managers.

It may be helpful to focus on this insurance buying function. How is insurance for a corporation purchased? To answer that question, I shall go back to experience gathered when insurance buyers bought the insurance needed by a corporation. But the question now requires more than simply the experience of that period. Growing sophistication in the field of corporate insurance has broadened the insurance buying function as it has broadened other areas of corporate insurance.

In buying insurance, how should we begin? The textbooks might say that we

should begin with an analysis of risks. But years of experience have led me to believe that the most important problems of an insurance buyer or manager may not be insurance problems at all, but rather people problems. So let us start by looking at some people problems.

**PERHAPS YOUR FIRST** people problem is represented by the questions: "What is my authority to buy insurance? Can I buy it on my own responsibility? Must I submit proposals to my superior for approval? If the latter, does this mean that it is my superior who actually exercises the buying function?"

The answer can be important. In buying insurance probably the most effective situation is the one in which the insurance professional—the man who knows both the insurance field and his corporation's insurance and risk problems—also has the power to bargain effectively for insurance.

Continued on following page

# Insurance

Continued from preceding page

If the insurance manager has recently been hired for the position, it is natural for his superior to look over his shoulder until he has demonstrated his competence. But when the insurance manager has held his position for some years, has met and coped with emergencies, then he should be a part of the management team and able to do the most effective insurance bargaining for his corporation.

This does not mean that the insurance buyer, whatever his title, should never be overruled. Insurance is only one of many fields of activity, all of which must be coordinated if the corporation is to be successful.

**I ONCE SAT IN ON** a two-day meeting devoted to the problems anticipated in the construction of a large plant. The very first subject taken up by the group was reciprocity. The word is out of favor today but the situation behind it will probably always be with us. Suppose that your insurance is bought from an organization that does not offer the most favorable insurance cost. But, as a result of buying your insurance from this organization, your corporation obtains a substantial volume of business that it would not otherwise have obtained. Should the insurance

be bought in this way?

There are many who have spoken out against the practice. However the business facts of life behind the practice cannot easily be disregarded. There is also the fact that insurance is not always purchased from the most favorable organization, even when the corporation does not obtain a satisfactory offset. This situation may be less prevalent today than it has been in the past. However, this too, is something that may always be with us.

Recent years have seen an increase in the number of suits brought by stockhold-

ers against the officers and directors of corporations. Suppose that responsibility for working out the purchase of insurance has been assigned to a risk manager but an officer or director interferes. Is there any possibility of a stockholders' suit as a result? A factor to be considered here is that insurance is normally excluded from the protection provided by d&o insurance.

## 'Competitive efforts of insurers and brokers will be focused on the man who actually exercises power to buy insurance.'

The purchase of a large amount of insurance can involve severe pressures. In a large corporation, if the president or any other top officer interferes in the purchase of insurance, or indicates in any way that he may interfere, then, in effect, he may

have made himself the insurance buyer for the corporation. The competitive efforts of insurance companies and brokers will be focused on the man who actually exercises the power to buy insurance, no matter what his title or position in the organization.

**IF THE TOP** officers of a corporation routinely direct all insurance matters (including sales efforts) to the risk manager, then the insurance purchasing function will remain in the hands of the corporation's insurance professional. For the best

interests of the corporation, this is where it belongs.

But this is not an end to your people problems. As your corporation's insurance professional, you must be familiar with the properties and operations of your corporation. This involves dealing with insurance companies and brokerage organizations, and with dozens of line and staff units of your corporation. You may have to deal literally with hundreds of people, perhaps even with a thousand or more.

Throughout the years, I have come to feel that insurance buying and other

activities of the insurance manager are primarily liaison functions in which he is operating at the center of a widespread web of relationships to provide the most effective protection for his corporation.

Finally, do not overlook the fact that many others may regard you as part of their people problems. You have an intimate knowledge of insurance operations and of the risk problems of your corporation, but more than this may be required of you.

The dependence by insurer and insured upon each other is at the heart of the relationship between the two—including the purchase of insurance. Just as you, as an insurance buyer, may need the support of your top management, the insurance companies that you deal with must depend upon you. In protecting your corporation, you must provide the integrity needed for the mutual confidence that is essential to the purchase of insurance. ■

*Bion Francis graduated from Massachusetts Institute of Technology with a degree in mathematics. He has served as insurance manager for Wellington Sears Co., West Point Pepperell, Olin Mathieson Chemical Corp. and Crucible Steel Co. of America. He has also been manager of benefits planning of Colt Industries Inc. and president of the Insurance Buyers' Assn. of Pittsburgh. He is now an insurance consultant in Milford, Conn.*

## Risk management notes

# Is government the answer to insurance catastrophes?

by Warren, McVeigh & Associates, risk management consultants, San Francisco—Los Angeles, Cal.

**THE TRADE PRESS** recently quoted A. D. Sappington in his final address as head of the National Assn. of Independent Insurers to the effect that the government should stay out of the insurance business and confine its role to that of a buffer against unusual and catastrophic losses that cannot be absorbed by private insurers. Few would oppose this defense of the free enterprise system, but let's look at this a little closer. What is insurance but protection against the catastrophe and the unusual? Why should private industry leave this, the most important part of insurance, to government? It is questionable whether you can have two systems of loss reimbursement working simultaneously, and if the government is in part of it, it is probable that the rest of the camel will soon follow its nose into the tent.

The industry has argued for years that insurance against major catastrophes is not possible because of adverse selection. Some of us think they are mistaken. Among these was one of the great statesmen of insurance, William Winter, the former head of Atlantic Mutual Insurance Co. and author of the classic text "Marine Insurance." In the middle 1950s, Mr. Winter made a report to the New York insurance department that was later circulated in pamphlet form titled "The multiple line concept and the need for research." His thinking, based on experience in marine insurance that traditionally insures against loss per se rather than various types of loss, was that the American insurance industry could provide protection against all catastrophes by a proper loading in the fire rate. He estimated that about 10¢ overall would do the job. His approach was to research loss causes more deeply and do a more sound job of underwriting. The rate would then more truly reflect the

risk and underwriting could be on a sound basis.

Of course, there are many obstacles to such a plan, not the least of which are the many state rating laws. But stumbling blocks, Henry Kaiser used to say, are stepping stones in disguise. These obstacles are not insurmountable. One possibility is federal or state legislation to require that all insurance be truly all risk. Unfortunately, the industry as a whole has failed to push for Mr. Winter's program, though it could be in the best interests of long-term survival, because it promises no short-term benefits. But maybe time is getting short and the long term is becoming the short term. Why not start now?

Some in the industry say there is no demand for such coverage and they are right. The public is not sophisticated enough to understand the need, and infrequent catastrophes do not generate the continued pressure to achieve change. So the industry sits fast. Meanwhile, a few persons on the side of a hill have their homes and life savings wiped away because a heavy rain washes out the foundations. An individual with a promising new prosthetic device to help the handicapped cannot produce it because he cannot buy product liability insurance. A competent and qualified physician closes his doors because he can't buy malpractice insurance. Catastrophe insurance can be underwritten if properly rated. Lloyd's has been proving this for years and it is a sad commentary on the state of American underwriting that most of the innovations in insurance have had to come from across the ocean. The industry is now moving with commendable, though perhaps belated, efforts to shore up state workmen's compensation laws to forestall a federal act, even though national health insurance may pre-empt the field before long. If the industry would now get together and decide to provide the service that they are chartered to provide, that is, protection

against all losses rather than simply certain types of loss, we could preserve the free enterprise system. If it does not meet these genuine needs, is it worth preserving?

Life insurance policies are not written with exclusions of heart disease, cancer and auto accidents. Why then should property insurance policies be written with exclusions of earthquake, flood and electrical burnout?

## Communications

Communication is probably the single most troublesome problem for the risk manager, not only because of its importance in risk discovery but also because it is so easily neglected. Deficiencies following a failure of communication are slow to surface and may never be wholly evident. It is difficult to break away from the many day-to-day problems to venture into the poorly charted ocean of risk analysis.

The purposes of communication are basically to inform the risk manager of corporate activities that create or affect risk, and to alert operating people to their responsibilities and opportunities. Each risk manager has his own *modus operandi* but here are some helpful techniques:

- Send out frequent bulletins to the operating managers on subjects of concern to them such as use of private automobiles on company business, credit card liability, chartering aircraft and watercraft, purchase of vending machine policies, and many more.

- Make a point to have lunch frequently with the heads of departments such as research, operations, employee relations, finance, legal, accounting. Talk about their future plans as well as current problems.

- Whenever an interesting fire or other casualty loss occurs, which has relevance to your company's operations, have it written up and circulated, preferably with

pictures, to everyone who might be interested.

- Many risk managers say that they visit all important locations at least once a year, but it is easy to let a year or two or three slip by. Don't let this happen.

- Statistics on safety are always available and if properly written and interpreted, make important and interesting reading to operating managers.

- Insurance company fire inspectors represent eyes in the field to supplement yours. Read their reports and also read between the lines. If questions arise, get in touch with the inspector for further explanations.

- Some plants publish local papers. Get on their mailing lists.

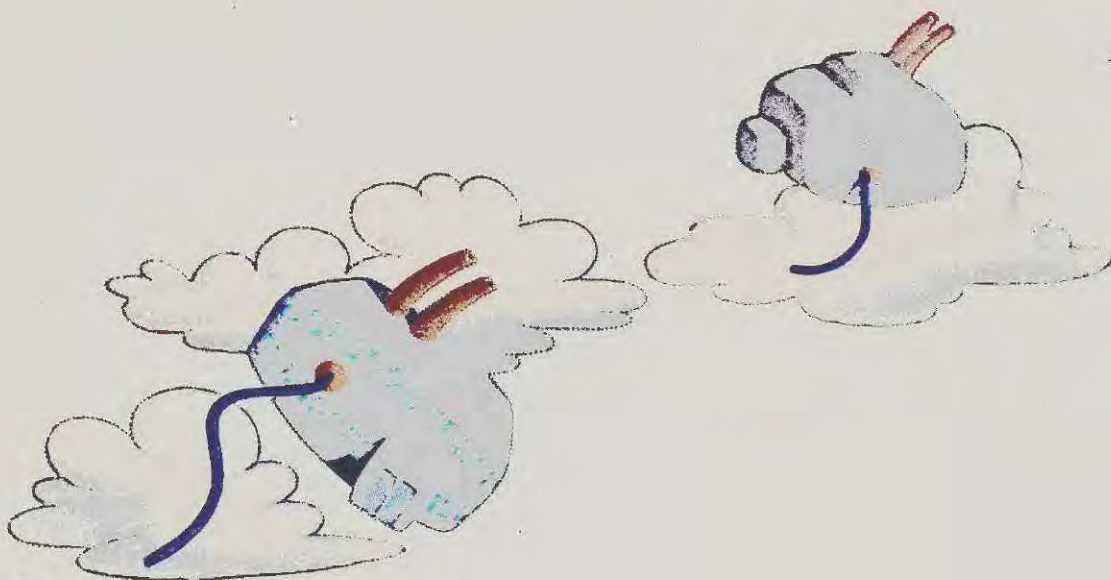
- Don't underestimate one of the most important methods of informing top management of the importance of the risk management function: the regular report to management. This should be at least once a year and in larger companies more often. It should include a summary of activities in the most recent period, forecast of future activities, and summary of costs of insurance, loss prevention, claims, administration and uninsured losses.

## Foreign Insurance & Taxes

**T**ax considerations aside, it is often desirable with foreign properties to obtain broad high deductible difference in conditions coverage in U.S. (or Canadian) dollars. This covers all types of losses not otherwise insured. The difference in conditions policy can either augment local foreign insurance, or be written without local coverage.

The major disadvantage to this approach lies in the tax deductibility of non-admitted insurance premiums where local law requires insurance to be written in admitted companies in local currency. There is no question that the foreign subsidiary cannot deduct the non-admitted difference in conditions premium, but some question does exist regarding the parent's ability to deduct these premiums. At least two court cases state that the parent corporation can write them off, but we know of one large American company with such a program whose deduction is now being contested by the Internal Revenue Service.

Obviously, it is best to obtain professional tax counsel when considering this coverage. ■



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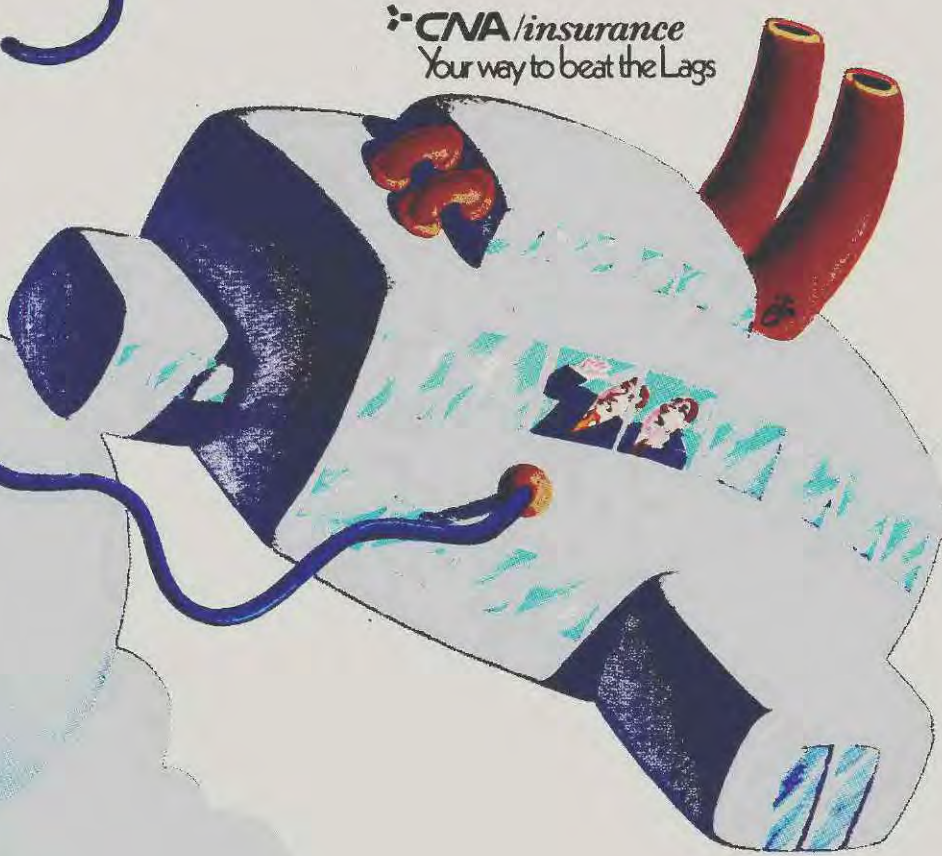
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## Washington has new work comp rates; 1971 legislation allows self-insurance

OLYMPIA, Wash.—The Washington state department of labor and industries has adopted a comprehensive rate schedule for workmen's compensation for 1972.

Logging employers will pay the highest regular rate, with an assessment of 47.5¢ per man-hour for insurance and nearly 12¢ per man-hour for medical insurance. Comparatively, chemical and explosive manufacturing firms will pay only about 1¢ per hour for both types of coverage.

In general, the rates will be up 60% to 85% in 1972 from rates paid by employers this year.

Rates for road construction workers will total about 25¢ per hour and bridge and wharf construction rates will be more than

46¢ per hour. Strong objections were voiced by representatives of the construction industry.

**RULES** outlining how employers may qualify for self-insurance coverage under the revised workmen's compensation law were also adopted at the public hearing here, said William C. Jacobs, director of the department of labor and industries. "Self-insurance does not allow employers to provide workmen's compensation through private insurance carriers," he stated. "Rather, self-insurance permits a qualified employer to pay injured employees the legal benefits himself, rather than buying protection through the state department of labor and

industries."

For the past 60 years workmen's compensation in the state has been provided exclusively through the department. However, the 1971 legislature allowed employers to choose between state fund coverage, or self-insurance. All self-insurers who qualify under the rules adopted will be subject to regulation by the department, he noted.

The rules specify application procedures, require self-insurers to post a surety deposit or bond, and detail the method by which such employers will be assessed to cover the department's administrative costs in regulating the self-insurance program.

Employers who self-insure

must pay off any deficits owing to the state fund if previously covered by workmen's compensation. The rules outline the procedures by which such deficits shall be computed. Self-insurers are also required by the rules to submit specified reports to the department and to follow certain injury claims procedures.

**MR. JACOBS** said the new rates and risk classes adopted by the department had been modified to create a separate risk class for sheltered workshops, providing substantially lower premium rates in keeping with new information gained through public hearings. A second change will allow salesmen and office workers employed by farmers to be classed along with other salesmen and office workers.

The director said the new risk classes bring the total to 141, up from only 70 risk classes last year. The additional classes will

accommodate the estimated 450,000 working persons who must be covered by workmen's compensation. ■

## U. K. . . .

Continued from page 21

rights, Mr. Fellows noted. "In general, schemes will have to ensure that deferred pensioners are treated no less favorably in relation to their period of pensionable service than employees who stay on until pension age," he said. An employee must have reached the age of 26 and must have served the company for five pensionable years to have his rights preserved.

**IF AN EMPLOYEE** in a recognized plan does not meet these requirements, Mr. Fellows explained, "the employer will be required to pay to the state reserve scheme the contributions which would have been due to the scheme except the exemption, and any refund of occupational scheme contributions due to the employee may be reduced by his share of the payment to the reserve scheme."

Mr. Fellows expressed doubt about the proposed partnership of private and governmental pension schemes. The money purchase reserve scheme pensions accruing from contributions at younger ages are considerably greater than at older ones. Benefits under this reserve scheme will yield more than corresponding benefits under private age-related occupational plans. "This is likely to lead to unnecessary pressures with employees—particularly in industries with a high turnover of labor—seeking a money purchase approach for their pension plans at least during the early years of service," he commented. Private companies have suggested that the government amend the reserve scheme and base it on an age-related system before the white paper is implemented.

**ALTHOUGH THE** new state schemes are not yet finalized, recent tax legislation has resolved part of the benefits structure. "The principal change is that it is now possible to provide tax-free lump sum benefits on retirement, up to 1½ times final pay, regardless of the level of any associated pension, under fully approved pension plans receiving a tax-exempt build up of both investment income and capital appreciation," Mr. Fellows stated. Tax improvements have also been made in widows' pensions and lump sum death-in-service benefits.

"The new tax code will apply automatically to all plans effected on or after April 6, 1973, or which are substantially modified after that date," noted Mr. Fellows, who added that "all other plans will have to be approved under the new code not later than 1980." ■

### Work comp rates drop

California's inspection rating bureau has revised downward the state's compensation rates to conform to the 2.5% federal price regulation. If approved by the state insurance commission, the rate revision will become effective April 1, which is also the effective date of new workmen's compensation benefits legislation to which the rate is geared.

### Prize courts set

Prize courts are being set up by the Indian government to adjudicate on merchant ships seized during the war with Pakistan. Four Pakistani vessels are among those still held.

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## American Airlines pays for new dental program

NEW YORK—A company-paid dental plan for certain employees has been instituted at American Airlines. The negotiated plan, the first dental program tried by the airline, became effective in January.

The Group Dental Insurance Plan, which is underwritten by the Travelers Insurance Co., pays 80% of charges for covered dental expenses up to a maximum of \$1,000 per year, after a calendar year deductible of \$50. The plan pays 50% of costs for inlays, crowns, fixed bridgework and gold fillings.

The plan will cover most of the dental problems faced by people from oral surgery to teeth cleaning to dentures, as well as dental treatment necessitated by disease, defect or accidental bodily injury.

Specifically excluded in the plan is "treatment which began prior to the date the individual was initially covered; orthodontic treatment other than for extractions and space maintainers; separate charges for general anesthesia, except in connection with

oral surgery, fractures or dislocation; cosmetic treatment; and charges for dental treatment by someone other than a physician or dentist."

**THE PLAN** also features another first for American, a new claims filing procedure called a pre-statement of benefits. This feature, which is not mandatory but is strongly recommended, allows for covered employees or their dependents to pick up a dental claim notice before any actual dental work is begun.

The employee should fill out his part of the notice and have his dentist fill out another section which indicates what work he expects to do and how much he will charge for doing it. The form should then be sent directly to the Travelers, where benefits payable will be marked on it. The insurer will then send it back to the dentist. All this occurs before any work has been done.

After the dentist actually performs the dental work, he marks the dates on the form and returns

it to the Travelers. Payment is then sent to either the dentist or the employee, whoever has been authorized by the employee.

A source at American said that "we are only in the second month of the plan and we are looking at the time factor now. The Travelers says that it takes a week from the time the dentist mails the form until he gets it back from them."

**THE PRE-STATEMENT** procedure is recommended to employees because American feels that, due to the possibility of high dental costs, it is advantageous for the employee to know what work will be done and how much his insurance will pay before any work is started.

The plan, which includes dependents and excludes retirees, is available to management and specialists, salaried nonmanagement employees, flight attendants, guards, flight dispatchers, stores, maintenance and communications employees and Canadian employees.

The airline initiated other benefits improvements at the same time the dental plan was started. Among them was a change in the deductible provision in the group insurance plan. The \$50 amount remains the same but the time period during which the provision

must be satisfied was expanded from 90 days to a full calendar year.

**THE COMPANY** also doubled its contributions to the supplemental variable annuity plan for certain employees. The company now contributes 2%.

All the benefits are subject to review by the Pay Board. ■

## ASIM . . .

Continued from page 12

information coming in to him from retirees," Mr. Currie noted, "and he has an informed background in benefits."

A third panel will deal with financial considerations as they affect benefits. A controversial subject to be covered during this meeting will be whether pension funds should invest in social projects. Another: Whether pension funds should invest in industries that have a detrimental effect on the environment.

"What we have tried to do," Mr. Currie said, "is to avoid the traditional approaches, such as 'How much hospitalization should be provided employees?', 'Who should pay what?', and 'What's happening in long term disability.' We are," he added, "working with sophisticated guys. The people we will be reaching at this meeting are already working professionals. They are sophisticated buyers."

**THE APPROACH** the employee benefits committee took, by the way, was dictated by a survey the committee took among ASIM members last year. "These," Mr. Currie noted, "are the subjects that pulled the most."

Another element of the conference is mini-seminars. The third year for these as well, they will be held on Thursday.

Twenty-nine such meetings have been set so far, according to Robert Spencer, chairman. Mr. Spencer is director of insurance at Fugua Industries Inc., Atlanta, Ga.

The mini-seminars are limited to 30 participants. Each registrant will be able to attend two. Morning sessions will be repeated in the afternoon. Sessions slated include "Train Your Subordinate," "Communications with the Boss," "Part-time and New Insurance Managers," "Loss Reserve Evaluations," "Captive Insurance Companies" and "Directors' and Officers' Liability."

"I'M VERY pleased," conference chairman Sullivan told *Business Insurance*, "Everyone working on this meeting has worked like a Trojan."

Furthermore: "Canada is excited about it. This is the first time an ASIM conference has been held outside of the U.S., you know, and the people here are responding very well."

Mr. Sullivan also noted that response to a post-conference working trip to London also looks good.

**ASIMERS** who can get the time off and justify things with their managements may join a tour to London which leaves April 28 and returns May 6. Planned already are trips to Lloyd's exchange where risk men may meet with underwriters; an address by Sir Henry Mance, chairman of Lloyd's and a dinner-reception with the Assn. of Insurance Managers in Industry and Commerce, ASIM's British counterpart.

ASIM's national office in New York (500 Fifth Ave., New York 10036) has further information available. ■

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Giles on the law

# Illinois court says bridge tender's fatal attack compensable under law

By JOHN W. GILES  
Attorney at law

WASHINGTON—In order to obtain compensation for a heart attack under workmen's compensation in Illinois, the claimant has the burden of showing certain activities incidental to employment were performed by the employe, that these activities were of a character to expose the employe to greater risk of injury than if he had not been so employed, and that there was a causal connection between the activities and the attack.

When the body of a 77-year-old bridge tender was discovered lying on the basement floor of a three-story bridge house, an award of compensation based upon a fatal heart attack was upheld. Here circumstantial evidence as to the decedent's employment duties, as well as medical testimony concerning the risk involved, made it reasonable for the industrial commission to find that death arose out of employment. The supreme court will not substitute its judgment for the industrial commission. The accident was held compensable. (*City of Chicago v. Industrial Commission*, 248 N.E. 2nd 103, 1970.)

\* \* \*

IF A WORKER sustains only 15% disability of the body as a whole, does that preclude him from being held totally disabled? The supreme court of Florida says "no". Here the worker was a 42-year-old male who had completed the 5th grade only and whose entire work and experience had been limited to being truck driver and laborer. The only question involved was whether there was competent substantial evidence in accord with logic and reason to support the finding of permanent total disability based upon loss of wage earning capacity, when the claimant received only a 15% permanent partial disability rating of the body as a whole.

The court quotes a Florida case which holds that decreased earning capacity is not necessarily proportionate to general physical functional impairment. No one standard is conclusive in the determination of the degree of incapacity to earn the same wages as prior to an injury. Instead, there should be taken into account, among other things, such variables as the injured employe's physical condition, age, industrial history, education and inability to obtain the type of work which he can do insofar as affected by the injury. The court held that this claimant was entitled to total disability. (*Gibson v. Minute Maid Corporation*, Supreme Court of Florida, June 30, 1971.)

\* \* \*

AN INDIANA appeals court has decided that a construction company is absolutely liable to a gasoline repairman for personal injuries he suffered in a gasoline explosion. The repairman was attempting to repair the line previously broken by the blasting operations of the construction company. The claim was that the construction company was negligent in detonating dynamite too close to a pressure gas main owned by a public utility company. This caused the gas line to rupture. It was also

claimed that the construction company was negligent in leaving a backhoe engine in operation and positioned just above the excavation where the gas line had been ruptured. It was further claimed that the company used dynamite to blast rock in close proximity to pressure gas mains.

The court noted that detailed research disclosed no case in the United States permitting recovery for blasting damage or injury upon an absolute liability concept, without actual trespass by debris or damage directly inflicted by concussion vibrations. Here

such condition did not exist. However, in imposing absolute liability, the court said, "We now therefore hold that if acknowledged extra-hazardous activity, this blasting proximately causes damage, whether by direct impact of debris or by concussion waves, or otherwise, the actor is absolutely liable for such damage without regard to his exercise of reasonable care in the carrying out of such activity." In other words, the court has here extended the absolute liability doctrine to all instances in which the damage is proximately caused by the extra-hazardous activity. The

court added that if public policy dictates otherwise, the Indiana general assembly is free to act. (*Ind. App. Ct. Galbreath v. Engineering Construction Corp.* Sept. 9, 1971.)

\* \* \*

WHERE A CLAIMANT'S husband, who had worked as a truck driver and maintenance man for 10 years, suffered a fatal heart attack after climbing onto the bed of a pickup truck and throwing a 20-25 foot coil of rope to the top of a bean pile, compensation was denied.

The evidence showed that the decedent had recent signs of heart trouble and was not feeling well when he left for work that day. An internist, testifying in response to a hypothetical question, saw no causal relationship between the employment duties and the decedent's death. (*Boyd v. Industrial Commission*, 225 N.E. 2nd 441, 1970.)

\* \* \*

WHAT DOES THE term "any drydock" mean in the Longshoremen's and Harbor Workers Act? Here the claimant, a welder, was injured as the result of a fall from a ladder inside a graven or sunken building way used for new ship construction. He applied for workmen's compensation. The court held that such a sunken building way was within the meaning of the act and cited a long list of cases in which the meaning of the term "any drydock" has been very broadly construed. (*Gretna Machine & Iron Works v. Newman*, July 13, 1971, 446 Fed. 2nd 550.)

## Renamed to board

Connecticut Gov. Thomas J. Meskill has reappointed William C. Fox, chairman of the state workmen's compensation commission, to a five-year term. He will continue as chairman.



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# Swiss . . .

Continued from page 3  
tion."

ABOUT TWO years ago three initiatives were put forward," he said, "The Labor party (communist) proposed nationalization of employe benefit funds and a minimum state provided retirement

benefit of 60% of the average of the best five years earnings."

The Socialist party proposed a similar plan which, however, permitted an employer to contract out a portion of the program. Under the proposal, a minimum benefits plan similar to the present government system based on tax revenues and employer-employe contributions would be established. The party also called for

an additional benefits plan which would provide up to 60% of income with limits of 2.5 times the average annual wage to be financed two-thirds by employers and one-third by employes.

A third plan urging codification of the three-pillar system was proposed by six middle-class parties. Social security would be funded by employer-employe contributions of 8% employer-sponsored plans would be sponsored at least 50% by employers; and incentives would be offered to encourage individual savings plans.

The Labor party initiative goes before the electorate this fall. "However, there is so much opposition to it," Mr. Tosch said, "that the government has prepared a white paper, which it released last Oct. 11." The white paper recommendations went into effect Jan. 1. One of the more important changes was an upgraded benefits scale. In 1973 and 1974, the single person's monthly benefit will be raised to a minimum of 400 Swiss francs and a maximum of 800 Swiss francs. This will increase in 1975 to 460 francs and 920 francs. A married couple's benefits, however, will be reduced from the current rate of 160% of a single person's benefit to 150%. The employer-employe contribution rate of 2.9% will be increased to 4% in 1973 and to 4.3% in 1978.

"UNTIL THIS year there were very few requirements for employer-sponsored plans," said Mr. Tosch. The payments had to be made through a foundation or cooperative society and contributing employes as well as employers were entitled to elect trustees. Several new requirements be-

came effective Jan. 1. Employer contributions to benefits plans must now equal employe contributions and employers must furnish benefit information.

"Employees who terminate their service with fewer than five years of participation are entitled to a credit, not cash, equal to their contribution plus interest, less the cost of any risk protection," said Mr. Tosch. "Employees with five or more years of participation are entitled to a proportionate credit in the mathematical reserves" An indemnity of at least two months' salary must be paid in the event of an employee's death or for termination of employment after an employe reaches age 50 and has served the company for 20 years.

"Thus, we've now new rules for the ball game which will require changes in most pension plans," advised Mr. Tosch. It is expected, he said, that the government will make employer-sponsored plans obligatory by the end of the year and will require the combined level of private and social security pensions for a single person to reach 60% of final pay to a maximum of about 40,000 francs. "As an alternative to a private plan, the federal government may establish a plan which employers can join instead of setting up their own," he said.

Although there is no federal medical benefits legislation in Switzerland, about 90% of all residents are covered under plans in the cantons.

Medication costs and approximately 80% of hospital and doctor bills are paid for by cantonal "sickness funds." Membership is voluntary in most circumstances. Compulsory membership for persons with lower incomes is required in certain cities or in en-

tire cantons in over half of the cantons. "Usually, employers do not contribute to the cost of medical benefits, although there is a federal subsidy," said Mr. Tosch.

The Socialist party put forth an initiative in March, 1970, calling for a compulsory federal medical benefits program. Compromise measures, however, were proposed by a federal commission appointed to study the initiative. The commission recommended that in-hospital benefits be compulsory but favored keeping out-of-hospital benefits on a voluntary basis. A compulsory income continuance plan was proposed to give benefits of as much as 80% of salary after 31 days of absence due to illness.

"This year will probably see the following changes in Swiss employe benefit plans," noted Mr. Tosch; "social security benefits and costs will increase; employers will have to supplement social security benefits; and hospital and salary continuance benefits will become mandatory and employers will have to pay half that cost."

"Thus, Swiss management finds that the government will now be taking an active role in a previously unregulated area," he said.

## Begin project

In response to increasing cargo theft in airport and seaport areas, the Treasury Department and its bureau of customs have developed standards for cargo security which are being tested in three dock areas in Brooklyn. Assistant Treasury Secretary Eugene T. Rosides announced that the proposed measures are voluntary and include guidelines for proper cargo storage and policing.

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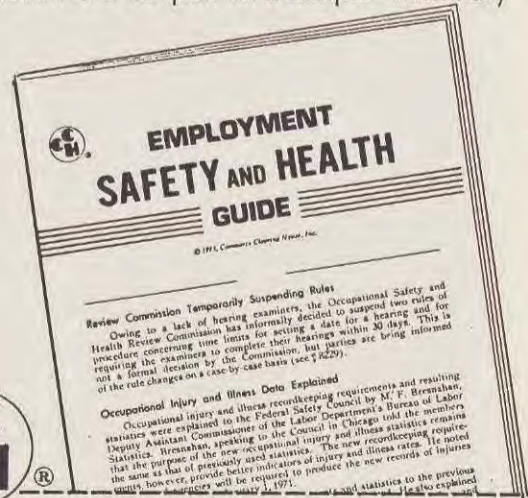
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# Dreher & Associates tries to blend actuarial and investment counseling

By STEPHEN GILKENSON

NEW YORK—The office on the seventh floor of the Newsweek Building on Madison Avenue here has silver doors. The rugs on the floor, deep maroon, are of a rough fiber and the furniture is early plywood. Office desks, even the president's, are triangular affairs made from slabs of natural finished plywood set atop three chunky legs. A high-priced architect came up with the scheme and a little old cabinet-maker in Brooklyn nailed it together.

"We want people to know that we're getting with it, but without the long seedy hair and jeans," said William A. Dreher. Mr. Dreher's hair is tightly trimmed and he still wears vested suits and button-down shirts—which leads one to believe that you can take an actuary out of a dull, drab office but you can't take the actuary out of the actuary.

NINE MONTHS ago Mr. Dreher fulfilled a long standing ambition when he hung out his own shingle. The firm, William A. Dreher & Associates Inc., specializes in employe benefit plan consulting. About 20 clients are on the books, a healthy percentage having moved with him when he left A. S. Hansen Inc. where he was eastern division manager and a director. "We've doubled our business in the last six months," the tall, confident Mr. Dreher said, "and we're just now beginning to turn the cash flow corner. We knew it would take a lot of money to get the thing off the ground and we've achieved that goal." He chuckled like a man who has a few healthy tax deductions.

"I think it's rather significant that not one significant new employe benefit plan consulting firm has been formed in this country in the past 20 years," Mr. Dreher said during an interview with *Business Insurance*. Naturally, he added, he's out to change that.

"I AM convinced," Mr. Dreher continued, "that most of the conventional, more established firms are in a sense the victims of an ideological structure that goes

## No coverage for charred zoo trains

SAN FRANCISCO—The popular elephant trains at San Francisco's zoo have been destroyed by fire and because James E. Kenny, owner of Zoo Tours, Inc., canceled his insurance last November, the loss will exceed \$75,000.

The three motorized trains, each consisting of a tractor and three passenger cars, were completely engulfed in flames in shed where they were housed.

The blaze was touched off while tour guide Charles Christman was preparing to take one of the trains out to begin the day's run. The engine backfired and the shed caught fire.

Mr. Kenny's trains have taken an average of 225,000 persons a year on guided lecture tours of the zoo since 1957.

"The disaster was a great loss," said Ron Reuther, zoo director, "and we are hopeful Mr. Kenney can get replacements as soon as possible."



William A. Dreher

back to the old days when, for example, insurance companies merely transferred pension funds into trust funds.

"Furthermore, I seriously question the thrust of some of the larger consulting firms toward the total compensation approach. I prefer a thrust that relies more on mathematical skills—an ability to introduce effective actuarial talents to the pension fund balance sheet," he said.

If there is anything unique about Dreher & Associates, the company's president feels it is the combination of talents the firm's principals offer.

For example, Mr. Dreher himself has an actuarial background. His principal associate, Stephen Rogers, recently acquired from Rogers, Danburg & Co. Inc., an investment counselling firm, has an investment management orientation.

"WE KNOW of no other company that offers a combination of backgrounds of this kind," Mr. Dreher maintained, "and we believe that blending our two sets of skills and experiences will give a unique dimension to our consulting services. At the same time, however, we can maintain complete objectivity, for we have no connection with any investment adviser, nor do we offer portfolio management services ourselves."

While claims of uniqueness are often misused, Mr. Dreher insists that his firm does offer a combination of services—on a fee basis—that until now has been unavailable.

"If you ask me to compare us to other firms, I would have to say that we are an actuarial firm in the technical sense. We are like a lot of companies that involve themselves in employe benefit planning and executive compensation planning. Then," he continued, "we begin to depart. We are also doing things that certain brokerage firms will do on a soft money basis; that is, we will help select money managers and measure and compare investment performance. At this point, I guess, we begin competing with brokerage houses. About 66% of the time we get involved in work that conventional benefit consulting firms get involved in. The other 33% of the time is spent in the investment field. And, as far as I know, there are no others like us getting totally involved in this combination, although I do know that other actuarial firms are making plans to move into this area."

One of Dreher & Associates' largest clients is the New York City Teachers Retirement System, which has about three-quarters of a billion dollars in fund assets to manage.

"I'd say we act as an alter ego for them," Mr. Rogers said.

"We ask the investment board the questions that they are not necessarily equipped to ask. And through this questioning process we advise them, although the actual investment decisions are always made by them."

Dreher & Associates is also working with the Ford Foundation on asset management and the National Football League Players Assn. on employe benefit and, more specifically, pension reforms.

According to Mr. Dreher, companies like his are being approached these days by top corporate financial men.

"For example," he noted, "on one particular job we have recently been involved in the initial approach was made by the company's top financial officer. However, our first assignment from the company came from the industrial relations head. It had to do with the qualification of an employe benefit plan with the Internal Revenue Service. The second assignment dealt with actuarial assumption problems and the chief question we had to advise them on was, 'Are the assumptions realistic?' The third assignment, which has not been formally approved as yet, has to do with consultation on new money man-

agers. The company has decided to leave its present money manager and it primarily wants us to advise on a new choice. "We don't make the actual decisions," Mr. Dreher emphasized. "What we attempt to do is help exclude the less desirable candidates and provide the input to help management make a decision."

MR. DREHER, who has 12 persons on his staff and expects to have to add more soon, has naturally picked up a few prejudices in the years he has been consulting on employe benefit planning. Three of them:

- "On benefit plan design I think we need, as quickly as possible, to include widow's benefits in plans. We also need post-retirement protection of pension purchasing power and more realistic vesting provisions," he said.

- "On actuarial assumptions, we need to be more realistic in forecasting some of the develop-

ments that happen but are largely ignored in actuarial studies. Things like potential salary increases shouldn't be ignored, for example.

- "On investment supervision we need more healthy competition. Pension funds for the most part should have more than one manager. But," he added, "we don't agree with the notion that you should shift capital from one manager to another simply because of poor short-term results. It takes three to five years to evaluate a money manager's performance."

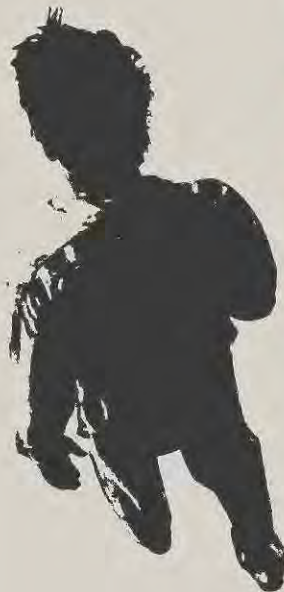
These, incidentally, will be some of the subjects that get the once over in March when the Society of Actuaries holds its 1972 regional meeting in New Orleans. For the first time in history, the society is devoting a two-day program to a discussion of retirement plans. Mr. Dreher is planning the program.

## RETROSPECTIVE RATING INSURANCE PLANS

by John R. Stafford

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# Letters

Continued from page 16

booklet which can be obtained from the Insurance Institute of London. I would appreciate it if you would advise us of just

where we can write to get this booklet.

Gilbert Easley

Dallas, Tex.

Editor's note: The booklet on contractor's all risks policies mentioned in *London Line*, is available from the Insurance Institute of London, 20, Aldermanbury, London, E.C. 2, England for \$2.60 plus \$1.10 for surface-mail postage and clerical expenses. Readers

who request it should send their total payment of \$3.70 to W. H. Stafford, the institute's secretary, mentioning *Advanced Study Report #192/1971*, entitled *The Underwriting of Contractors All Risks Policies*.

## Pru's move

To the Editor: I am doing a research paper for my company on the recent Prudential move into the property/liability field. Your publication was referenced in the *National Observer*. Please send me information in any applicable areas.

Linda Ramirez

Marketing Research, Royal Globe Insurance Group, New York

Editor's note: Other stories on Prudential Insurance Co. in the property/liability area appear in the following *Business Insurance* issues: June 8, 1970, page 27; July 20, 1970, page 1; July 5, 1971, page 1; Jan. 31, 1972, page 2.

## 'We're proud:' III

To the Editor: The Insurance Information Institute shares your editorial hope (*Opinions*, Jan. 31) that tv viewers are not led to

believe that insurance companies customarily ransom stolen property, but we do not believe the "Longstreet" series fosters that belief to any considerable degree. On the whole, we feel strongly that the show reflects credit upon insurance and that the institute has been able to help the series achieve reasonable insurance credibility.

To be sure, there have been a few scripts where for dramatic purposes, a buy-back of a stolen property has been arranged, but in each instance the script specifically states or clearly implies that the buy-back is "bait" to trap the criminals and, of course, this always comes to pass. In one instance, the claims manager in the show lectures on the folly of paying extortion by the state to a bomber threatening to blow up a bridge.

The show is beneficial to the reputation of insurance even though insurance is just incidental to the prevailing story line. It is, after all, a story of a young man of complete integrity who, after being tragically blinded, struggles and succeeds in pursuing his own profession with the same brilliant success after his blindness that he achieved before his accident. "Longstreet," the hero, is a renowned insurance investigator who knows his job, is compassionate, is a gentleman, and gives everybody a fair shake.

He has no time for expediency or cutting corners and, the insurance business would agree, provides a pattern of honor and excellence that all investigators, sighted or unsighted, could emulate.

The actor who portrays the claims manager in the show may be a bit younger than some of his real-life counterparts, and dramatic license provides him with a broader claim and loss responsibility than is obtained in the real world, but his integrity is established and functioning throughout the scripts.

Perhaps it boils down to this as far as the III is concerned: The producers and writers and actors of "Longstreet" want to tell some stories of very admirable people who happen to work in the insurance business, and we can help them avoid blatant misrepresentation or circumstance that might reflect discredit upon their characters or upon our business.

If ignoring some technical insurance facts helps the story achieve greater dramatic impact that again demonstrates the integrity of the chief protagonists, then the III will not quarrel with the dramatists. For these reasons the institute is proud to have its name on the credits as a consultant for the insurance business.

Myles Smith

Regional Manager, Insurance Information Institute, San Francisco, Cal.

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## Law professor calls no-fault a 'gimmick'

HOUSTON—A critic of no-fault auto insurance, Prof. David J. Sargent of Suffolk University Law School, Boston, said, "I think there is something wrong with the brand of no-fault insurance which the public has been presented thus far which takes benefits away from innocent victims in order to finance the same kind of benefits to the wrong-doers who caused that injury."

Prof. Sargent was in Houston speaking at the University of Houston Law School convocation and before the Houston Trial Lawyers Assn.

## Dual...

Continued from page 8

program to train students for this field. Furthermore, he commented, the hospital has become a highly technical environment, exhibiting a variety of engineering situations which need to be handled by trained personnel. The university program hopes to train a breed of engineers to meet the new challenges.

The program provides a comprehensive combination of lectures, laboratories and field practice exploring all facets of hospital environment including infection control, food service, laundry, solid waste handling, isolation techniques and related subjects. The program makes use of the 800-bed teaching hospital at the university.

Mr. Michaelson contended that with this program "we hope to open up a whole new area of engineering. We've had a few inquiries from other universities interested in offering similar programs."

Because hospitals put millions of dollars into securing the most up-to-date equipment, he said, "they need the assurance that someone can keep all this equipment and the physical plant in proper working order to guarantee both the safety of patients and staff and to avoid major breakdowns of equipment." ■

Citing the pioneer Keeton-O'Connell no-fault plan, Mr. Sargent said, "Under the plan, compensation will be paid to the drunken driver, to the dope addict operating under the influence of narcotics, to the escaping criminal who crashes his motor vehicle while trying to elude police, and to the driver who is guilty of willful, wanton and reckless misconduct in the operation of his car."

MR. SARGENT called no-fault a "gimmick" and said that legislation of the type now proposed is not in the interest of the consuming public.

"My basic objection is the reduction of benefits," he said, "and the public is not generally aware of this portion of the plan. People believe they will have auto insurance at cheaper rates. But they do not realize that even if you do give them a cheaper policy, which is highly questionable, you are guaranteeing that they are going to get a very small fraction of the benefits that they receive under the traditional system (of justice)."

MR. SARGENT opposes present no-fault proposals because of the elimination of the right to recover general damages. In a reference to U.S. Senate Bill 945, Mr. Sargent stressed that a complete exemption from liability for property damage is contained in the bill. "We can hit each other's car and there is absolutely no liability," he noted, "which means that we then have to go out—unless we are going to take an awfully big gamble—and buy at some high prices some collision insurance."

"That's one of the great misnomers of these no-fault plans," said Mr. Sargent "in that by and large they deal with the bodily injury aspect. Nationwide, only one-third of the insurance premium dollar of the traditional motorist is consumed by the bodily injury coverage; two-thirds is for property damage." ■

# Industry, labor, and science blamed for occupational deaths and injuries

PHILADELPHIA—Referring to what he called "one of the most savage forms of violence in our society," consumer advocate Ralph Nader told an audience at the convention of the American Assn. for the Advancement of Science that thousands of American workers were needlessly killed and maimed on the job each year.

While he said that one of the reasons the carnage in the workplace continued was that the Occupational Safety and Health Act was not being adequately enforced, he did not stop there. He also cast blame at industry, labor and the scientific community.

**HE SAID** that industry was to blame because it was not concerned about the safety and health

of its workers and was, therefore, unresponsive to demands for safer workplaces. Unions, since "job safety has never been a bread-and-butter issue with labor organizations," must also share in the blame because, he said, they have not done enough to protect their members.

The scientific community, he added, is also guilty because men of science, notable physicians, found the medical and technical problems of working men boring.

**"IF A SECOND-year** medical student were to tell his medical school dean that he wanted to specialize in occupational medicine," Mr. Nader said, "the dean would jump out of his chair."

Mr. Nader estimated that there were between 8 million and 9 million job injuries in 1970, which resulted in 250,000 permanent disabilities and 2.5 million temporary disabilities. Along the same lines, he said that somewhere between 200,000 and 500,000 workers had been needlessly exposed to poisonous chemicals, radioactive materials and other toxic agents and that it "would be almost impossible" to ascertain how many of those people are killed and injured.

He pointed out that government efforts to correct unsafe conditions under OSHA were not getting the job done because of a lack of money, manpower, expertise and political muscle. As an example, he noted that there were only 350 OSHA compliance officers to inspect and enforce safety standards in more than 1 million plants.

"At the present rate," he said, "it would take 200 years to inspect them all."

A physician and assistant to Mr. Nader, Dr. Sidney Wolfe, told the audience that the first 5,000 inspections had turned up more than 19,000 violations but that the average penalty for each violation was only \$18.

**DR. WOLFE** also pointed out that OSHA's budget of \$100 million a year meant that only about \$1 per worker was being spent to enforce standards.

Among other recommendations made by Mr. Nader was that labor should organize a 25-member task force in Washington to push for more strict safety laws and better enforcement of the already existing regulations.

He also felt that violators should be subject to what he termed "behavioral sanctions." By that he meant that violators should be sentenced by courts to spend "a couple of weeks in the mines or foundries," working alongside their employees. ■

## Cover your jeroboam!

NEW YORK—When Paul Manno goes out for a bottle of wine, he doesn't mess around, as witness a purchase he made in London.

At an auction at Sotheby's, Mr. Manno, an antique dealer, bought what was to become the most heavily insured bottle of wine in history. The purchase was a jeroboam (which holds the equivalent of four single wine bottles) of 1929 Chateau Mouton Rothschild. The cost was \$7,110.90.

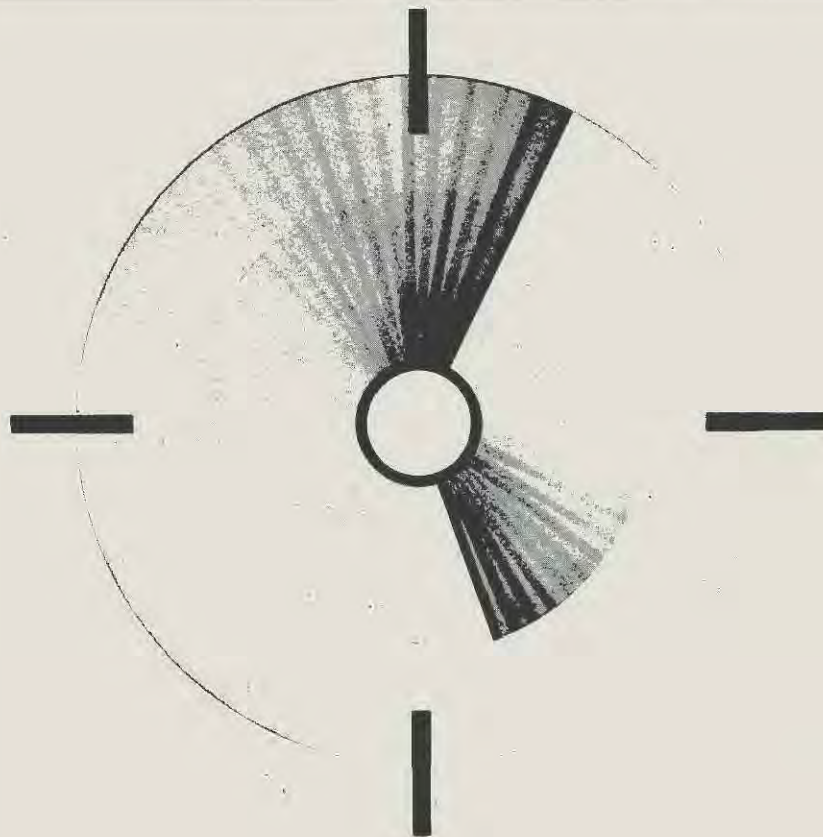
Phoenix Assurance Co. of London wrote an all-risk policy covering transit of the large bottle from London to New York. Mr. Manno paid a premium of \$36 against an insured sum of \$7,200. The broker on the policy was Marine Office—Appleton & Cox (MOAC).

While congratulating Mr. Manno for his "daring and wisdom," a noted wine authority referred to the wine as "the best claret anyone can drink today."

"Just as in art," he continued, "there are classics in wines. We know that 1929 is probably the best year of the twentieth century. We also know that Mouton Rothschild proved to be the best vineyard in 1929, which makes it a classic."

He also pointed out that the jeroboam is the only specimen of its vintage and class in existence.

Now that the wine has arrived safely in New York, what are Mr. Manno's plans for it? He will serve it at the party for his tenth wedding anniversary. He said that he had purchased the \$300-a-glass wine as a present for his wife.



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# Hartford insurance commission involved in long legal tug-of-war

HARTFORD—Outgoing city corporation counsel John Fitzgerald has reasserted his contention that the controversial Hartford insurance commission is legal.

He believes, moreover, that the commission can be "helpful" in reducing the cost of insurance bought by Connecticut's capital city.

Created by city ordinance more than a year ago, the commission has been criticized by former mayor Ann Uccello (now in the Department of Transportation in Washington) and some municipal administrative officers.

Before leaving office, Miss Uccello refused to appoint commission members, referring questions concerning the legality of the

body's existence to the corporation counsel's office. Since Miss Uccello went to Washington last spring, these referrals have remained on the corporation counsel's desk.

**GEORGE ATHANSON**, who succeeded her as mayor (and was elected to a full term last November), has not named commission members, either.

A study of Hartford's insurance needs was started in 1968 by the city administration and the finance and personnel committee, headed by Mr. Athanson, then serving as a city councilman.

At the time, Mr. Fitzgerald ruled that the so-called Premo plan (under which Hartford in-

surance agents split commissions on city-purchased coverage) was illegal.

The splitting of the commission was intended to avoid political patronage by spreading membership around, according to a formula based on amounts of city taxes individual agents paid and other factors.

**IT WAS THE** opinion of Mr. Fitzgerald at the time that agents were gaining commissions without doing any work. He held that this action was in itself illegal and therefore, commissions should be returned to the city administration.

Under the Premo plan, the last commissions totaled some \$8,000

(divided among a number of agents). It was noted that the city had paid out as much as \$44,000 for commissions in other years.

From administration spokesmen, however, came the argument that insurance companies must pay commissions on sales and could not, legally, return the commissions to the city since this action would come under the category of rebate.

**THE MAIN** objection over a city insurance commission revolved around the controversial atmosphere of political patronage, since particular agents could be favored.

But such action, Mr. Fitzgerald commented, is impossible under his ruling, which eliminates commissions paid to agents not doing any work, and under the city ordinance spelling out commission operations, which include the ruling that no commission member can get insurance commissions on

Hartford's municipal coverage needs.

Under the city charter, Mr. Fitzgerald said, the city council is empowered to set up an insurance commission. The next move, it would seem, is up to the present mayor.

## Nader cites pressure in ITT merger

HARTFORD—Former Connecticut insurance commissioner, Rep. William R. Cotter (D-Conn.), has denied before the superior court of Hartford County that he reacted to political and economic pressure in approving the 1970 merger of International Telephone and Telegraph Co. and Hartford Fire Insurance Co.

Mr. Cotter's decision, which permitted the largest merger in the nation's history, is being appealed in a civil suit brought by consumer advocate Ralph Nader and three of his associates against ITT, Hartford Fire and Mr. Cotter.

Mr. Nader testified that prior to the merger Mr. Cotter had voiced doubts about the legality of the move and had spoken of political and economic pressure being exerted upon him. Denying this allegation, Mr. Cotter replied that the pressure he had referred to was not political but rather consisted of phone calls and letters from stockholders, stockbrokers, policyholders and others.

**MR. COTTER** declined to comment to *Business Insurance* on the pressure by Hartford policyholders, or whether any corporate insureds were involved, saying, "I am under court orders not to discuss the case."

It is generally believed, however, that most large corporate policyholders have not favored the Hartford-ITT marriage. These large insurance buyers have felt that ITT manipulation of Hartford's financial resources would drain capacity from the insurance marketplace and thus make Hartford a less viable source of insurance protection.

## Parents sue for slain son

MIAMI—Dade County has been sued for \$1 million by the parents of a 17-year-old runaway boy slain a year ago in the county jail in Miami.

The suit names not only the county but Sheriff Wilson Purdy; Jack Sandstorm, Dade director of corrections and rehabilitation; Continental Casualty Co., Illinois, and Employers Commercial Union Cos., Delaware. Dade County carries coverage with both insurance firms.

Young Cloyce Cook who had been arrested for stealing a car, was strangled in a jail cell crowded with 19 incarcerated men on Jan. 26, 1971, two days before his hearing. Two men were charged with first-degree murder in the slaying. One, Johnnie Lee Jones, 18, was convicted by a circuit court jury and sentenced to life imprisonment, while the second was freed after charges were dropped.

The complaint charges that Mr. Cook "was placed in a maximum security cell wherein hardened criminals with known propensities for violent acts" even though he had no criminal record. Mr. Jones, convicted of the Cook murder, was at the time awaiting transfer to a state prison on a robbery conviction.

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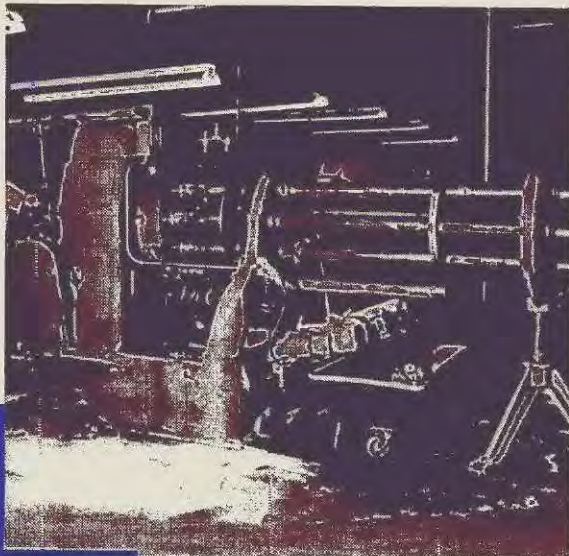
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## Employers' prepaid plan begins with employes

WAUSAU, Wis.—Employers Insurance of Wausau has begun an experimental, prepaid medical care plan here, using its employes and their dependents as a control group.

"Once we gather experience with our own group of employes, we will work closely with the medical and health professions in the community in considering plans for other area groups who may be interested in this type of a medical insurance program," Clyde F. Schleuter, Employers' president, stated, adding that "Ultimately, we would like to take this concept to the marketplace as part of our total package

of insurance coverage."

Another company spokesman said the plan differs from others being tried around the country in that it doesn't require policyholders to deal with a certain group of doctors.

It does not require participating doctors to join a group and permits the policyholder to select the doctor of his choice, the spokesman explained. The traditional fee system for medical service is left undisturbed, he added.

Referred to as the North Central Health Plan, it was worked out by the insurance company, the Marathon County Medical Society and Wausau Hospitals Inc. Most of the doctors in Marathon Coun-

ty have agreed to accept patients covered by the plan and more than 94% of the company's headquarters staff has elected to enroll in the program.

Maximum coverage of \$30,000 per person for each disability is provided by the privately financed plan. The plan has no deductible and covers the full cost of a semiprivate hospital room, the spokesman said.

It also covers all miscellaneous hospital charges, surgery, X-rays, laboratory costs, anesthetics, specialists' care, consultants' fees, doctor's office and hospital visits and physical examinations, the spokesman explained.

Heavy emphasis is placed on preventive health measures and early detection of illness by full payment for doctor's office visits and physical examinations, he stated.

The plan also encourages the use of less expensive types of medical care, the spokesman added, such as home recoveries under the supervision of a visiting nurse when a doctor decides such treatment is appropriate.

"Because it has a potential for stabilizing medical costs while maintaining or increasing the level of care doctors have eagerly invested many hours of their time in its development," commented Mr. Schlueter.

The plan has been under development for 18 months. The experiment will continue through 1972, according to the spokesman. ■

## Auto maker is liable in warranty breach case

ALBANY, N. Y.—In upholding a judgment against Chrysler Corp., a New York appeals court here has ruled that a manufacturer of a defective automobile can be held liable for breach of implied warranty, even if negligence is not involved, if the defective vehicle injures persons in another car.

Chrysler appealed the original judgment, an award of \$350,000 to a couple injured in an accident five years ago, on the grounds that its implied warranty covered only the vehicle's owner.

The court, however, did not agree, saying "there would appear to be no logic or reason in denying a right to relief to persons injured by a defective, dangerous instrumentality solely on the ground that they weren't themselves a user of the instrument."

The couple's car was struck by a vehicle which, according to the driver, went out of control after the power steering failed. The car had just been inspected.

The original jury, after hearing conflicting testimony, held that Chrysler had not been negligent in the manufacture of the automobile but, because the vehicle did not operate as it should have, the implied warranty had been

breached. The jury decided that the warranty's protection should cover all the victims.

The court cited precedents in California and Michigan and said, "The manufacturer . . . obviously is aware that such product will be operated on the highways in conjunction with the operation of other automobiles and that a defect in its manufacture might result in danger of injury to such other users of the highways."

The defective auto driver's insurance company paid \$100,000 of the \$350,000 award. ■

## Attorneys held liable for failure to file suit

ORILLIA, Ont.—Two members of a legal firm here have found out, to the tune of over \$25,000, that attorneys can be sued by their clients if they fail to take proper legal steps in carrying out their cases.

A judge has found that Gary Ferrier had instructed the law firm to sue a Bracebridge policeman who had shot him in August of 1969, but that the two attorneys, William L. Moore and George Clegg, did not take "appropriate" action and were therefore negligent.

Mr. Ferrier was awarded \$25,476 though he had sued for \$50,000 in special damages and \$300,000 in general damages and costs.

In his testimony, Mr. Ferrier pointed out that he had retained the legal firm but they had neglected to sue. Because of this, he said, any action against the policeman had been barred and he had suffered substantial losses.

The judge said that Mr. Ferrier had obviously been seriously injured, though he is able to work. He granted the award because he said he could find no excuse for the firm's failure to issue a writ in the case.

It was alleged that the policeman had followed a car which carried Mr. Ferrier and a friend

because he thought there was a connection between the car and a man he was trying to find.

"The officer said the plaintiff was behind him and that he had a dirty look on his face," Justice E. A. Richardson said. "He drew the conclusion the plaintiff had some kind of weapon behind his back. He said he discharged his gun, and apparently did not realize he had shot him in the stomach.

"I CAN COME to no other conclusion," the judge continued, "than that the officer was negligent in assaulting the plaintiff as he did. He was inexperienced, he had been on the force only two or three years, and he had never had any training in the use of a gun. The officer had no reason at the time to arrest the plaintiff. The young man had produced credentials."

Regarding the policeman and his conduct while answering questions on the stand, the judge said, "I noticed that he lost his temper quite quickly and I was left with the clear impression that this was a young, inexperienced officer who had been given a gun with no instructions about the use of a gun, and I think his evidence about this young man having a nasty look on his face was clearly imaginary." ■

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# for the record

## Burglary rate drops; so do security plans

HARTFORD—Pointing to a markedly decreased number of burglaries and illegal entries, city councilman George R. Levine has dropped plans to seek more security requirements for industrial and commercial property in Hartford.

Police department spokesmen told a council legislative policy committee hearing that illegal entries of commercial property have dropped from a record high of 1,612 in 1969 to 781 for 11 months of 1971.

Police Lt. Thomas Barber re-

marked, "We have a public relations program that is working. Business property owners are receptive to security suggestions from police, and burglars are finding it more difficult to operate on commercial property."

Increased industrial security requirements were opposed by Keith Levine, secretary-treasurer of the Connecticut Safe & Lock Co. "The insurance companies," he suggested, "are far better enforcers than the city of Hartford."

**ROBERT MACKAY**, secretary in the executive department of Hartford-headquartered Aetna Life & Casualty, and coordinator of the federal crime insurance program, remarked that insurance company requirements for security generally depend on the kind of merchandise that is to be protected.

Requirements, he noted, can run from the conventional locks concept to electric central station systems, with actual commitment dependent on merchandise susceptibility.

Such strict security is spelled out by the federal approach. Mr. Mackay added, that very few customers have been found, and easing of security requirements should prove more attractive.

Councilman Levine recommended dropping of the indus-

trial requirements before any specific proposals had been sounded. No objection was voiced to his recommendation.

### Pyfer is named 'ombudsman'

HARRISBURG, Pa.—Rodney F. Pyfer has been named as the Pennsylvania insurance department's ombudsman by Commissioner Herbert S. Denenberg. Mr. Pyfer, formerly insurance manager at the University of Pennsylvania for 12 years, joined Mr. Denenberg's staff a year ago as special assistant. He has worked on various advisory committees and has helped form an insurance buyers advisory committee.

As ombudsman, his duties will include coordinating matters between the department, the public, insurance companies, agents, or any other party who feels they are being dealt with unfairly by the department. Direct complaints will continue to be handled by the department's complaint office.

Commenting on his appointment, Mr. Pyfer said: "If someone can convince me that something the department is doing is improper, I will do my best to see to it that the thing is corrected or I will find out the reason why it can't be corrected. If necessary, I will see that the matter is brought to the personal attention of the commissioner. I will also do my best to get any matter back on the tracks that gets lost in the shuffle."

### Pitney-Bowes offers payroll plan to 12,000

STAMFORD, Conn.—Pitney-Bowes Corp. has reached a selling agreement with Connecticut General Insurance Co., Hartford, to allow insurance agents to mass market automobile and other lines of insurance coverage to the firm's 12,000 employees.

The program is the largest employer-sponsored plan of its type underwritten by Connecticut General. The mass-marketing program was arranged by Pitt and Pauley, Inc., of Greenwich.

The plan may mean reduced auto premiums for enrollees, whose voluntary application for coverage will be handled individually with Connecticut General sales people.

### Mass. court stays double reductions

BOSTON—The Massachusetts supreme judicial court has temporarily stayed dual reductions in compulsory bodily injury insurance rates proposed by Insurance Commissioner John G. Ryan. Rates this year, however, still drop 27.6% for private passenger vehicles, 35% for commercial vehicles and 29.6% for garage owners and dealers.

Commissioner Ryan had asked for dual reductions—55.2%, 70% and 59.2% respectively—because of what he termed excess profits earned during 1971. The court's decision, however, temporarily stays this order pending final adjudication.

It is expected that the case, which raises questions of constitutionality and legality surrounding a rebate procedure, will be taken up by the March session of the state's high court. In the meantime, Commissioner Ryan's order directing the insurance companies to set aside 35% of the amount collected in 1971 compulsory auto insurance premiums for possible rebate purposes remains in effect.

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# TV newsman insurance industry moonlighter

CHICAGO—Lester Brownlee, a Chicago television newsman, has been paid \$9,600 in each of the past two years for moonlighting as a public relations man for the Illinois FAIR plan operated by property insurers in the state.

Spokesmen for the insurance industry and for WLS-TV, Mr. Brownlee's employer, insist however that there is no conflict of interest. A challenge has also been made to the newscaster's membership on a state insurance advisory committee.

John C. Severino, general manager of WLS-TV, expressed surprise when informed by *Business Insurance* that one of his newsmen was employed by the insurance industry. "I'm really surprised that the insurance industry would hire a newsman in such a capacity," he said, "but I'll look into it because Mr. Brownlee and all of our news employes must file affidavits that include statements on any outside income that may hamper their objectivity."

Mr. Severino later said that Mr. Brownlee had filed the necessary statement and that his employment by the Illinois FAIR plan has been "cleared" by the legal department of the ABC network.

**MR. BROWNLEE** was hired late in 1969 by the public education committee of the Illinois Property Insurance Placement Facility (FAIR plan) at a salary of \$800 a month. His assignment was to assist the insurers in developing information bulletins and public relations announcements explaining the FAIR plan, especially to the black community which must rely on the facility for coverage of inner-city properties that cannot be placed in conventional property insurance markets.

One of the three members of the public education committee objected to the apparent conflict of interest created by the hiring of Mr. Brownlee and stated his objection at a December, 1969, meeting of the committee and later in a memorandum to Donald P. McEwan, then public relations director of Kemper Insurance and chairman of the committee.

"I think we have a conflict of interest problem with Les Brownlee," the memo said, "that would look more serious in public print

## Railroad is liable

EAST ST. LOUIS, Ill.—Six or more liability policies may be involved in the aftermath of a tank car explosion that rocked the Alton & Southern Railway Co. yards, and surrounding area, here.

L. L. Schaltenbran, assistant treasurer and assistant comptroller for the railroad, told *Business Insurance* that liability is "100% with the railway." He said that, after deductibles, they have up to \$5 million in liability coverage but because public, employer, rolling stock, bill of lading and building liability are involved it will be some time before a management estimate of damages would be available.

Alexander & Alexander Inc. and Marsh & McLennan Inc. are brokers for the railroad.

The tank car that exploded was owned by Trans Union Corp. and filled with propylene. An investigation by Trans Union, the National Transportation Safety Board and an industry-railroad group placed blame on a faulty brake, part of the yard installations, called a retarder. ■

than it really is. In all events, I think we need to take steps to correct the problem."

The objecting member then asked Mr. Brownlee what it would cost to employ him full time at the FAIR plan and have him leave his job as a television newscaster. The \$20,000-a-year figure mentioned by Mr. Brownlee was not within the committee's budget, the member told *Business Insurance*, and the moonlighting arrangement continued.

The question of Mr. Brownlee's dual position as newsman and insurance industry public relations man was brought by this magazine to Clarence Rauter, assistant vp of Lumbermen's Mutual Casualty Co. and chairman of the board of governors of the Illinois FAIR plan. Mr. Rauter took the matter to his board, which decid-

ed there was no conflict of interest because both employers were aware of Mr. Brownlee's status.

**MR. RAUTER** and Mr. Severino conceded that Mr. Brownlee, during the past two years, has covered a number of insurance news events in his newscaster capacity with WLS-TV. Included among his assignments have been coverage of a meeting of the National Assn. of Insurance Commissioners and interviews and roundtable discussions of the "black tax" allegedly imposed on inner-city residents by rating zones in effect in Chicago.

These appearances by Mr. Brownlee were brushed aside by Mr. Rauter, who said that they did not concern the FAIR plan and hence did not constitute a conflict of interest. He conceded

that the companies in the plan are chiefly multiple-line underwriters, but he insisted that auto and property insurance were unrelated.

Black insurance brokers in Chicago have voiced strong objection to Mr. Brownlee's position as a member of the advisory committee to the Illinois insurance department, a position he holds by appointment of Gov. Ogilvie.

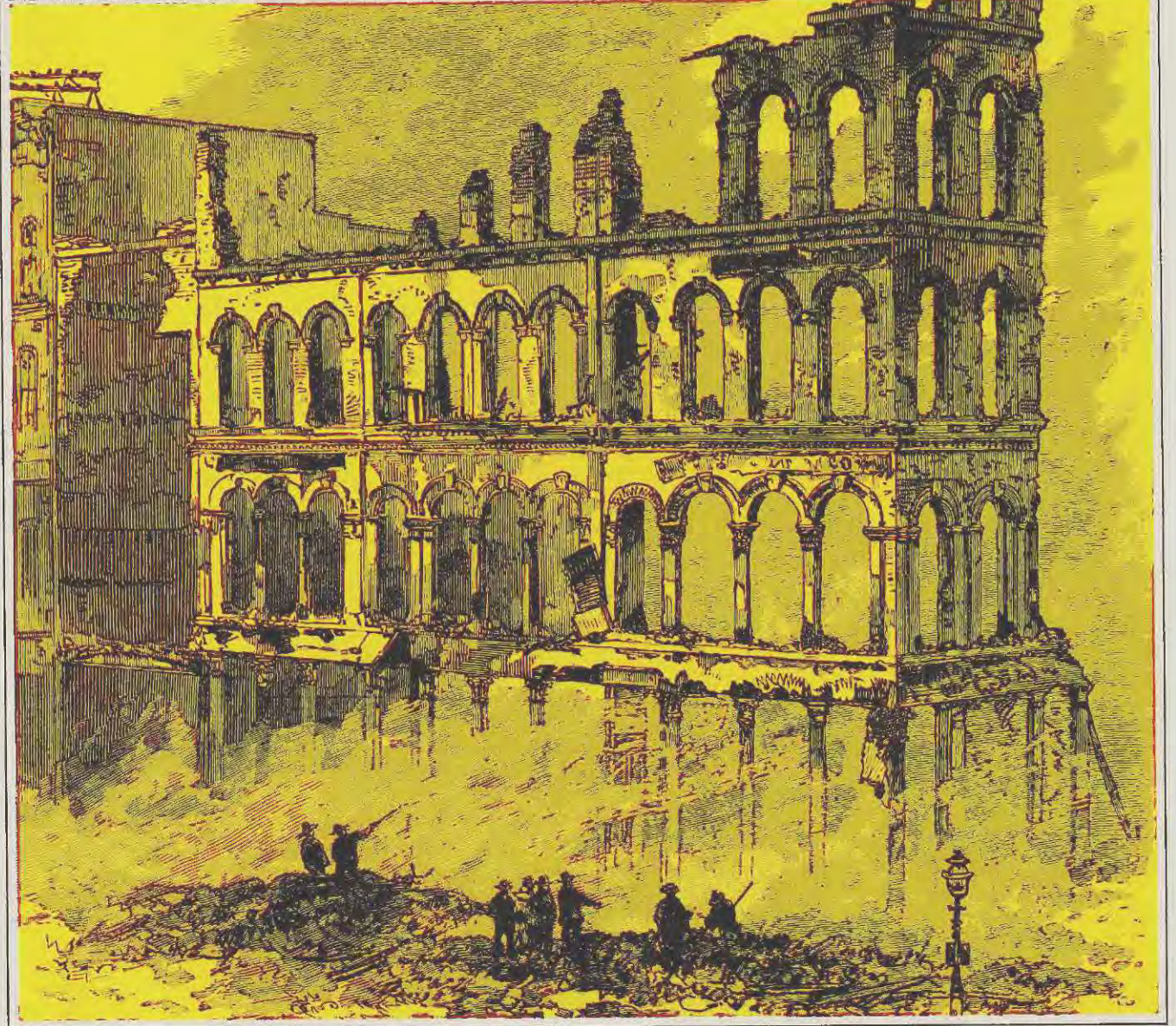
"We don't think it was a wise appointment," said one black broker, "because if they are going to have a black spokesman on the committee he ought to be knowledgeable about insurance rates and markets and other matters that affect the availability of insurance in the black community." He added that Mr. Brownlee is a "friend" and that he and other black brokers object to the ap-

pointment only because of his lack of information about conditions in the insurance market.

Members of the insurance department advisory committee, including Mr. Brownlee, are all employees of the insurance industry. Others are John Smith, attorney for Lloyd's of London in Illinois, chairman; Newell P. Weed Jr., exec vp of Marsh & McLennan; Harry Lansman, exec vp of Kemper Insurance, and Raymond M. Defosse, vp and general counsel of CNA Financial Corp.

James R. Baylor, Illinois insurance director who was responsible for naming the committee, said that the lack of a consumer representative was not significant "because we choose the members for their knowledge of the insurance business, not as representatives of any particular group." ■

GREAT AMERICAN FIRES NO. 4



## Shirtwaist factory ravaged

### Fire Protection Found Wanting.

Origins of the fire which destroyed the Felicity Shirtwaist factory in East Pinafore, R. I., are cloaked in obscurity. Speculation at the time centered around a malfunction in the electrical system of a new high speed hemstitching machine. Thomas Farthingale, factory superintendent, reported that attempts to control the blaze were severely hampered when the concern's fire extinguishing equipment could not be located. Had the 12 high capacity water buckets, the heavy duty garden hose and the soda acid fire extinguisher been available, the outcome might have been more felicitous.

### Could Ansul Have Prevented the Disaster?

Had Ansul been invited to conduct a hazard analysis of the factory we would, of a certainty, have made several recommendations. A Halon "clean agent" system might have provided excellent protection. It would have detected and quickly extinguished a fire without leaving any residue and without damaging the electrical apparatus (sewing machines) and the large inventory of shirtwaist fabric.

### Should a Gentleman Offer a Lady a Fire Extinguisher?

Strategic placement of hand portable first aid extinguishers would have been indicated. Ansul's "Sentry" dry

chemical units would have been appropriate because of their light weight, which makes them most effective in the hands of female personnel . . . of which there were many. We would also have suggested that Mr. Farthingale and several of his key ladies attend the Ansul Fire School, to learn the most advanced techniques of fire fighting.

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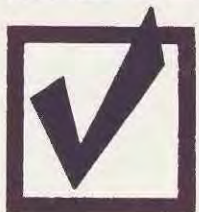
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