

# How to handle benefits in corporate mergers

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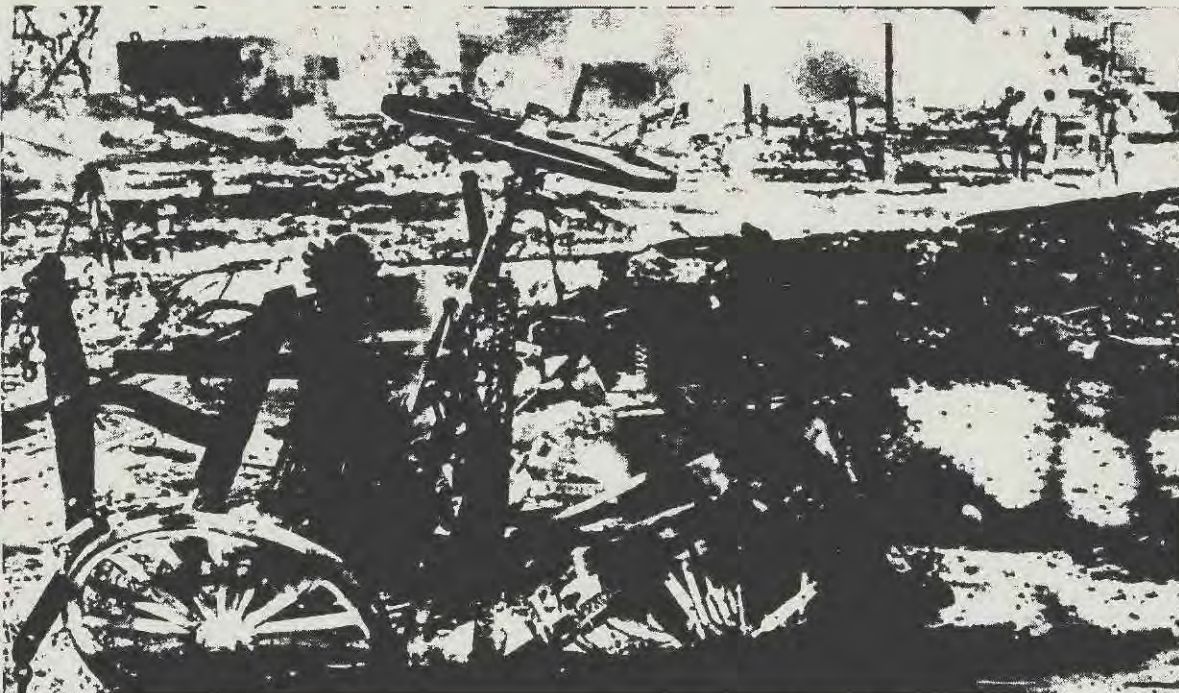
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February 16, 1970

# business insurance

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



Scenes from the Western past went up in smoke, but not gunsmoke, when a fire destroyed Columbia Pictures' sets that were used in the famous films "High Noon" and "Cat Ballou." More than three acres of sets were lost; damage was placed between \$1 million and \$3 million by studio spokesmen.

—Wide World photo

## Part of filmdom's past succumbs to fire on Columbia Pictures ranch

BURBANK, Cal.—A fire that swept three to four acres of a Columbia Pictures ranch here is estimated to have done between \$1 million and \$3 million of damage.

The area destroyed was mostly Western street scenes with false-front buildings and was part of 34-acres the studio used for movies, television programs and commercials. The publicly owned studio, whose parent company is Columbia Pictures Industry Inc., has a \$12 million fire policy, brokered through Bayly, Martin & Fay Inc., New York, with 17 insurers

participating. The policy, covering only the 34-acre Burbank ranch, is one of many under Columbia's master fire policy. "Each of our lots has separate coverage," Al Feder, controller, told *Business Insurance*.

**THE JAN. 30** fire hit sets that are constantly in use, Bob Hagel, studio manager at the corporation's Los Angeles offices said, but no people were in the specific area of the fire when it started. "The fire department has ruled out arson as a cause," he said, "but they are investigating

other possibilities such as an electrical failure."

**"WE HAD BETWEEN 500 and 1,000 people out there that day,"** he continued, "so it was amazing that there were no injuries. The only reason we were able to halt the fire so soon was that all our people pitched in to help by wetting down roofs. I don't think the fire department itself could have handled a fire of that size, area-wise; they were too busy concentrating on the area of origin." Actually, there was one injury—Mr. Hagel tore some leg ligaments while chasing a fire truck.

The television series "Here Come the Brides" was shooting across the street from the fire and Columbia's commercial division is permanently located at the Burbank ranch.

Mr. Hagel said the 50-year-old sets had been sprayed periodically with fire-retardant paint but "they were built so long ago that naturally no fire-resistant construction materials were used." Many of the buildings contained props and equipment and although the studio is now working with adjusters he estimated that it would be quite some time before an exact figure for total damage and cost of reconstruction would be available.

The Western sets that burned had been used in the films "High Noon" and "Cat Ballou." A Puerto Rican street scene, used regularly in the television series "The Flying Nun," was also demolished.

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## INA's marriage to Blyth augurs new directions for financial services

NEW YORK—The recent announcement of the marriage of INA Corp. and Blyth & Co., one of the country's largest investment banking firms, is being looked upon by the insurance community as only the first of many such changes the industry can expect to see in the future. However, no one is saying that the pair will make strange bedfellows, although at least one person wondered aloud last week which was the bride and which was the groom.

Independent of the significance of the merger to the financial community—Blyth was forced to resign its seats on the stock exchanges and did so willingly, thus underlining the fundamental changes the securities industry is undergoing—the INA-Blyth wedding is seen as a perfect match.

INA, which was formed a year ago, is made up of 39 companies. Chief among them are Insurance Co. of North America, Life Insurance Co. of North America and the Pacific Employers Group of Companies. Its insurance family has been called one of the "swingiest" groups in an otherwise staid industry.

**"IF 'GETTING with it' is the theme for the industry in the 70s,"** a broker here remarked the other day, "then INA is certainly a leader." Although other companies have stepped into the financial services area, he noted that INA is the first to totally commit its resources to the concept. The deal calls for Blyth to acquire

\$55 million in INA stock.

In his announcement of the merger, INA chairman John T. Gurash spelled out that commitment forcefully.

"The years ahead present an unparalleled opportunity for the development of a comprehensive financial services business, to serve business and industry, as well as families, with skilled money management," he explained. "Security, savings, investment and insurance will be brought together in a marketing system. This move," he went on, "emphasizes INA Corporation's plans to engage in the financial services business on a truly sophisticated basis."

Blyth, the INA chairman said, "will strengthen INA's planned participations in such areas as investment fund management, investment counseling, and venture capital operations through their manifold contacts throughout the country and abroad with individuals and institutions seeking these services."

**FRANK G. Harrington**, vp for communications and marketing of INA Corp. and a senior vp of the Insurance Co. of North America, later told *Business Insurance* that "INA Corp. envisions the marketing of a full package of financial services through payroll deductions at companies that might participate in much the same way that mass merchandised auto and homeowners coverage are now being offered."

Other financial services that  
Continued on page 30

## Late news

### Rail wreck self-insured

Buenos Aires—A train wreck, which claimed the lives of almost 250 persons in the Argentine countryside early this month and thus became the second worst rail disaster in history, will not cost insurers money, according to government sources. The Argentine rail system is owned by the government, which self-insures its property, *Business Insurance* was told by the country's consulate in New York. The tragedy occurred 25 miles outside of Buenos Aires when a 21-car express, traveling at 65 mph, rammed into the rear end of a 10-car commuter train that had stalled on the same track. The worst wreck on record happened on Dec. 12, 1917, when a passenger train derailed at Modane, France, killing 543 persons.

### Paige O'Brien Russell splits

Boston—Paige O'Brien Russell, a Boston insurance brokerage that was formed July 1, 1968, when John C. Paige & Co. and O'Brien Russell & Co. merged, has split and reverted to separate corporate structures as they were before the merger. The company has handled such accounts as Gulf & Western, Rexall, Port of New York Authority, Sperry-Hutchinson and Northeast Airlines. It is believed that most of the large accounts will continue with John C. Paige & Co.

## Rep. Griffiths introduces national health plan bill

WASHINGTON—In the wake of a highly explosive Senate finance committee report that indicated that a national health insurance plan is inevitable unless rapidly rising health care costs are checked, Rep. Martha Griffiths (R., Mich.) has introduced the first of what is certain to be a flood of highly liberal national health insurance proposals.

Her bill is similar to the insurance scheme being planned by Walter Reuther's Committee of 100 for national health insurance. Full details on the committee's proposal will become known in mid-March when the three senators on the committee introduce legislation. They are Senators Edward Kennedy (D., Mass.),

Ralph Yarborough (D., Tex.) and John Sherman Cooper (R., Ky.).

The Griffiths bill would replace Medicare, and Medicaid and cover all persons who have been in the U.S. for at least a year. Benefits would be financed under the Social Security program, with employees paying 1% of their wages up to a specified maximum, employers paying 3% and the government matching the employer's share out of general revenues.

**THE PLAN** would offer comprehensive health benefits, including hospitalization, as required and without limits; physician services, including surgery, subject to  
Continued on page 30

# General Electric-IUEW pact is called 'best ever'

NEW YORK—The long awaited settlement between General Electric and striking members of the International Union of Electrical Workers—looked upon as a guiding torch into the 1970s by both labor and management—has touched off neither elation nor dejection from either side.

Labor had hoped to win a large wage and benefits settlement from the mammoth electrical manufacturing firm. Corporate executives across the country, on the other hand, had hoped that GE would hold the line against what they felt was a dangerous inflationary trend.

In the end, however, it was collective bargaining itself that gained the most prestige. The results of nearly 100 days of haggling between GE and the IUEW were somewhat disappointing to

everyone but hardly as alarming as some had believed they would be.

**WHILE NEARLY 200,000** IUEW members are reportedly most happy with the wage settlement, the new contract calls for several improvements in the benefits package worked out across the bargaining table.

Under the terms of the agreement, which will be in effect for a period of 43 months from the date of the strike, GE "is replacing its proposed health credit card offer with 365 days of full coverage for semi-private hospital care and full payment for the first \$500 of other hospital expenses (including ambulances, diagnostic X-rays and surgery). In addition, 85% of the excess expense is paid.

The company also agreed to permit the employee to join a pre-paid medical plan if he so elects, stipulating that the employee must pay the difference between the cost of the prepaid medical plan and the medical plan offered by GE.

**IN ADDITION** to the increased hospital coverage, GE has agreed to eliminate the employee contribution to the insurance plan for the employee coverage, starting Jan. 1, 1971.

While the union did not succeed in obtaining the \$7.50 minimum monthly contribution to the pension fund, the negotiations did result in a new schedule of contributions. (GE's prior top offer was \$5 to \$7.50.) The new terms range from \$5 to \$7.50 in the first year of the contract, \$5.50 to \$7.50 in the second year, \$6 to \$7.50 during the third year and \$6.50 to \$7.50 during the contract's fourth year.

Other new benefits included in the GE-IUEW pact are an extension of the dental care for employees and their dependents to cover extractions and root canal therapy, a fifth day of sick pay for the employee with 25 years of service (new GE sick pay schedule: 2 days for 5 years service; 3 days for 10 years service; 4 days for 15 years service; 5 days for 25 years service).

**A NEW** disability insurance coverage extending 50% of hourly and 55% of salaried employees' pay until age 65 was also agreed to. In addition, a new sickness and accident plan was adopted by GE which will provide 60% of an employee's pay to him for a period of 26 weeks, with a maximum weekly payment set at \$150.

The much-talked about survivor's benefits plan will provide an employee with the elective to take a reduced pension at retirement age (92½% of his full pension) with the provision that his surviving spouse will get one-half of the reduced pension if he dies. The surviving spouse benefit is adjusted by another clause

in the new GE contract which states that for every year of difference between the ages of the employee and his spouse more than two years the pension will be adjusted by ½%.

The benefits portion of the GE contract settlement was coupled with a 25% average wage increase across the board. The average GE wage per hour before the strike was \$3.25.) Also included in the contract is a new cost-of-living adjustment of three cents per hour for the first general wage increase and three further adjustments in October of each succeeding year of the contract of one cent per hour for each .3% increase of the Consumer Price Index.

**E. S. WILLIS**, GE's employee benefits director, estimated that the boost in labor costs resulting from the new contract settlement would reach over \$1 billion during the life of the agreement.

Queried as to why the negotiations lasted so long, Mr. Willis attributed the delay to the negotiations over the cost-of-living formula, and the disputed increases (which GE agreed to) in wages during the second and third years of the contract.

"I think it's a pretty good arrangement," he told *Business Insurance*. The employee benefits program has been strengthened, if at considerable cost," he noted. The major factor easing the sharp rise in the labor costs caused by the contract will be somewhat alleviated by stretching it over a four-year rather than a three-year period, he also remarked.

**IT WAS** reported previously that some locals (led by the large Schenectady, N.Y., local) were holding out for further negotiations. "Those employees involved in what hold-outs there are, are confined to those in New York state who are getting unemployment while on strike."

Mr. Willis said in reply. He indicated that he felt they would be no roadblock to the successful union-management conclusion of

the settlement. In a letter to a local paper here, Mr. Willis cited a \$5 million advance for employee insurance which he said GE advanced for striking employees and their dependents "even though the company has no contractual obligation to do so."

"We paid both the employee's and our portion of the cost of the insurance for the employees during the strike," he said. "The cost amounted to about \$1.75 million a month. It was agreed during the negotiations that the employees would double up on their contributions once they returned to work for the same period they were out in order to reimburse the company for their contribution," he explained.

"I DON'T know what is so remarkable about this," said a spokesman for the International Union of Electrical and Machine Workers. "Maintaining insurance payments for the employees during a strike is standard practice of GE. They've never failed to do this during any strike. The union expects this of any company in

*Continued on page 29*

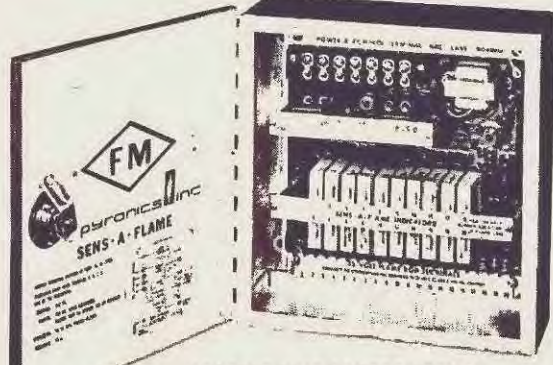
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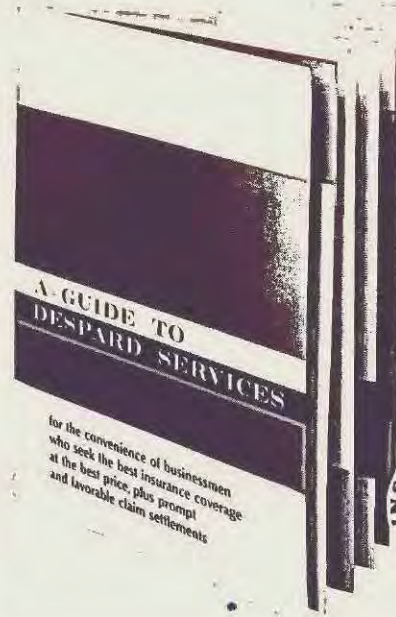
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# Astrological insurance hasn't yet dawned on the underwriters

NEW YORK—The Age of Aquarius is beginning, but the fact has not yet dawned on insurance underwriters who may eventually have astrological forecast liability policies in their futures.

As more people find it profitable to go into the horoscope business, the field is attracting quacks, and liability insurance may be the answer to protecting the public. However, such coverage is not yet available.

Paul Grell, executive secretary of the American Federation of Astrologers in Wash., D.C., said his organization is growing and represents 20,000 astrologers throughout the world.

A LOT OF disreputable people call themselves astrologers and aren't," he said. "We are doing our best to eliminate that problem and are trying to get stronger license laws passed. Now very few states require an astrologer to be licensed."

New York does not. Gloria Bruno, director of the Uranian School of Astrology said she was surprised at a recent New York University astrologers' seminar when about 700 people showed up.

"An astrologer should be just as professional as a priest or a doctor," she said. "If he misleads a client it is malpractice and he should be held liable. Eventually, I think some kind of liability insurance will be necessary to help crack down on the phonies."

SHE SAID a reputable astrologer avoids legal tangles by never stating point blank what a person should do or expect, but rather discusses trends, cycles and possibilities.

"I haven't heard of any malpractice suits against astrologers yet, but possibly we will hear of them if the unscrupulous continue coming into the field," said Doris Kaye, an astrologer and teacher with two offices in Manhattan. "I know of one young man who came to me for two lessons and then went into business. He is giving out totally incorrect information. He uses no math. He could do a lot of damage."

Astrologer Eleanor Bach said the biggest danger is destroying someone's free will.

"AN ASTROLOGER should never say to a client, 'Do this or do that,'" Miss Bach said. "This is quite damaging. Astrology is supposed to give a person insight into his basic patterns and the forces at work in his life. It must not put suggestions in peoples' minds."

Big business is also finding astrology a fertile area and is training computers to process horoscopes. Astroflash in Grand Central Station is one of these. Walk up to the man behind the counter, tell him your birthday, hand him \$10 and presto—the machine spits out your astrological portrait.

IF A one-shot deal doesn't appeal to you, there is a dial-a-forecast system being sponsored by Zodiactronics, a branch of Programmed Personal Services. For \$3, a computer is fed your personality profile and then for \$1 per month you can call it four times. Each additional call is 25 cents. A recording tells you how the present position of planets will effect your energy flow, moods and relationships.

Roberta Burrows of Programmed Personal Services said a disclaimer at the end of the

tape states that the forecast is not inevitable or predestined and thus eliminates any legal problems.

"The number of people signing up for the service in the New York area is now in the thousands," she said. "Astrology is becoming so popular that it's practically replacing the psychiatrist as a topic of conversation. People don't say, 'What did your analyst tell you' anymore. They say, 'What sign were you born under.'"

THE REASON for this popularity, according to astrologers, is the beginning of the Aquarian Age.

"At the start of a new age there is always a strong interest in astrology and the occult," Miss Bruno said. "There is a sort of whirling around of information that pushes people toward this area."

But insurance men are reluctant to let the spirit move them.

"THERE JUST isn't enough of a demand for it now," said a Travelers underwriter. "If such a policy does come into existence it would be a specially worded professional liability policy. I don't know if we'd want the business or not."

A Continental Assurance underwriter said he would not want

-  CAPRICORN DEC. 22—JAN. 20
-  AQUARIUS JAN. 21—FEB. 19
-  PISCES FEB. 20—MAR. 20
-  ARIES MAR. 21—APR. 20
-  TAURUS APR. 21—MAY 21
-  GEMINI MAY 22—JUN. 21

-  CANCER JUN. 22—JUL. 23
-  LEO JUL. 24—AUG. 23
-  VIRGO AUG. 24—SEP. 23
-  LIBRA SEP. 24—OCT. 23
-  SCORPIO OCT. 24—NOV. 22
-  SAGITTARIUS NOV. 23—DEC. 21

the business. "Too much of a risk," he said. "I wouldn't touch it. Maybe Lloyds of London would."

A FIREMAN'S Fund man thought the subject was ridiculous.

"When were you born?" Business Insurance asked.

"January," he said. "You're a Capricorn." "What does that mean?" "You're business and money minded, very interested in your career and are usually successful." "Tell me more." "... this is the dawning of the Age of Aquarius."

Straight talk from men who know the Atlantic Companies:

## "Atlantic is part of the answer, not the problem."

Mr. Donald W. Ownbey, Vice President, Ownbey-Smithe Insurance, Inc., Tucson, Arizona

*"In our changing business, the Atlantic is a splendid example of consistency within change. Insurance is our business, both ours and Atlantic's, and we both intend to stay in it. There can be no better foundation for an enduring relationship."*

Mr. Ownbey is a career independent agent and has represented Atlantic for more than 22 years. He is an active member of both Arizona and National Associations of Insurance Agents and of the National Association of Mutual Insurance Agents.

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Nine years ago Atlantic established its Regional and National Agents Advisory Councils under which agents meet regularly with top company executives. 80% of

the recommendations made by the agents in these meetings have been adopted in whole or in part by Atlantic.

*"Atlantic's commercial program, centered in the Safeguard Policy, is one of the most flexible available. It is a tremendous sales tool in any agency."*

Nearly 500 Atlantic Companies agents were consulted when the Safeguard Package was planned in 1960. The result? Safeguard is easy to write, broad in scope and highly competitive—one of the finest aids to new business development in the market today.

Atlantic is a 128 year old insurance company with a solid record of growth and stability—just the type of market you need. To learn more, write Don Ownbey, Vice President, Ownbey-Smithe Insurance, Inc. 2307 East Broadway, Tucson, Arizona 85719, or Mr. Harold A. Eckmanr, President, The Atlantic Companies, 45 Wall Street, New York, N. Y. 10005.

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# washington watch

## Report calls for pension plan coverage for more Americans

WASHINGTON—"Private pensions, while performing a major service to the economy and to millions of Americans, now serve far fewer than is commonly assumed and will continue to fall short of expectations unless greatly improved."

"Many common assumptions about the level of private pension projection are based more on wishful thinking than upon hard fact."

These two statements are sup-

ported by what Sen. Harrison Williams (D., N.J.) describes as "disturbing evidence," in a "working paper" prepared for his special committee on aging under the direction of pension expert Dr. James H. Schulz, associate professor of economics at the University of New Hampshire.

The 61-page paper will "serve as a springboard" for upcoming hearings by the committee on the question, "What should be the future role played by private

pension plans in enabling persons to obtain what they judge to be an adequate level of income in retirement?"

**JUDGING FROM** the tone of the paper, supporters of a strong private pension system can expect to be on the defensive from the start of the hearings, rebutting the "disturbing evidence" in order to justify from a social standpoint a private system's continued existence.

As if daring the business community to come forth with the old standard arguments in favor of the private pension system, the paper lists what it calls four "generalizations made about private pensions which currently enjoy widespread acceptance but which, at best, are true only if highly qualified."

The four statements, also described as "myths" and "misconceptions" are:

- Private pensions are a product of the free choice of workers in negotiation with management and are more compatible with the ideals of freedom than compulsory public pensions.
- While Social Security must ever remain a monolithic uniformity, private pension plans are flexible and can be tailor-made to meet differing situations and conditions.
- Private pension plans are vital to assure the saving neces-

sary to provide sufficient investment in a growing economy.

• The large number of workers currently covered by private pensions and the high incidence of some kind of vesting protection will cause a significant improvement in private pension benefits for future retirees.

The paper finds that the chief favorable attribute of the private system is flexibility. But, it states that "the advantages of such flexibility must be weighed against the submergence of individual and public interest that frequently results." It then asks:

• Is it in the employee's and public interest that a large proportion of workers who build up credits under private pension plans never qualify for an eventual pension because of insufficient periods of service with any one company?

• Is it in the employee's and public interest that the final pensions earned by short-term workers are so much less than those earned by career employees because there are few provisions for transferring and accumulating pension credits from a host of jobs?

• Is it in the employee's and public interest that private funds be permitted to promise the payment of future benefits without providing sufficient guarantees that the money will be there when needed?

• In short, to what extent can it be assumed that pension plan provisions geared to meet the special problems of individual firms are also of maximum benefit to the worker, the public and the economy?

The upcoming hearings, tentatively scheduled for February 17 and 18, are part of the committee's on-going broad study of the "Economics of Aging: Toward Full Share of Abundance." So far, the committee has held 13 days of hearings on the overall subject ranging over a wide range of issues.

The committee is not authorized to propose legislation. But its final recommendations on how the nation should meet its obligations to oldsters are certain to be carefully considered when Congress eventually faces a serious bid by liberal legislators to extend the Social Security program beyond its original "floor of protection."

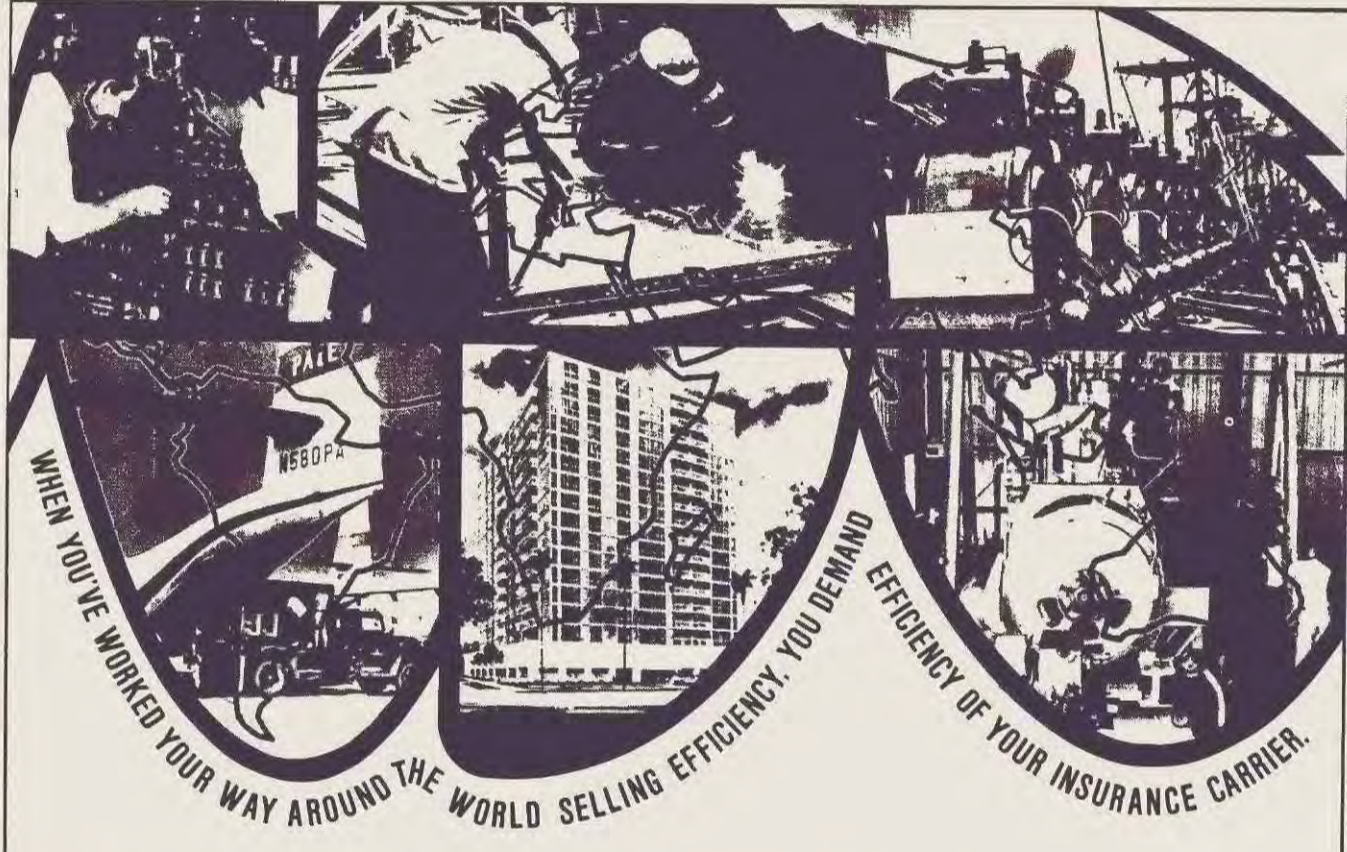
## Crane mishap results in suit

LITTLE ROCK—A \$1,750,000 lawsuit has been filed here in Federal district court against Brown and Root, Inc., Houston, Tex. The suit was filed by Mr. and Mrs. Charles R. Windle who allege that Mr. Windle was injured by a crew member of a derrick barge in the Gulf of Mexico.

Mr. Windle, 52, of Perryville, Ark., contends that he was injured on July 7, 1968, and that the defendant was his employer and owner of the barge. The accident happened when the barge was 25 miles off the Louisiana coast.

Windle said in the suit that a heavy piece of equipment being lifted by a crane fell on him as he walked along the deck. He allegedly suffered severe injuries of the spine and central nervous system. The suit said that he "is totally paralyzed in a substantial part of his body."

The suit was filed under the Federal Jones Act. The act permits a seaman to recover damages from his employer for an accident if he can prove the accident resulted from negligence or an unseaworthy vessel.



### Pacific Architects and Engineers,

formed in 1955, has grown to a worldwide organization by following this policy: give customers the most for their money. Their services include architectural design and engineering, real estate development, and facilities engineering. A technical and professional staff of over 27,000 is currently working on major projects in the United States, Europe, the Pacific and Far East.

### Leaders in Design and Engineering

PA&E, with headquarters in Los Angeles, ranks as one of the largest design firms on either side of the Pacific. The company is equipped to guide a project from initial feasibility studies to detailed supervision of construction.

The company's customers are private firms and government agencies in the United States and abroad. A cross-section of projects includes: public buildings, airports, commercial and industrial plants, highway survey and design, and port facilities.

### Facilities Engineering in Viet Nam

PA&E's largest area of operation, in terms of manpower and equipment, is in providing maintenance services for U. S. military bases stateside and overseas.

In Viet Nam 25,000 employees of PA&E serve as the U. S. Army's "Public Works Department." Someone has to build barracks, operate power plants, and provide potable water. With PA&E on the job, military personnel are freed from these non-military tasks.

### Insurance Problems Overseas

In PA&E's Viet Nam operation, casualty claims had become a costly problem. Mr. Rothbart, Corporate Administrator for PA&E, in cooperation with Mr. Zimmerman and Mr. Schweitzer, representing Zimmerman Insurance Associates, Inc. of Los Angeles, worldwide insurance brokers for PA&E, believed improvements could be made in the insurance program. Based on Argonaut's successful competitive bid, and experience developed during numerous field trips to the Far East, brokers recommended placing coverage with Argonaut.

Argonaut prepared an insurance package covering casualty lines and bonds for PA&E in Southeast Asia. In July 1969, Argonaut Pacific Operations opened a Saigon Office to service the account.

Recently Mr. Rothbart commented, "Argonaut has provided us with the kind of prompt claims service that's important to our people in Viet Nam. At the same time, cost per claim has been reduced. With Argonaut we have cut the net cost of our workmen's compensation and other insurance by 25%. That's efficiency PA&E appreciates."

### Argonaut's Expanding Services

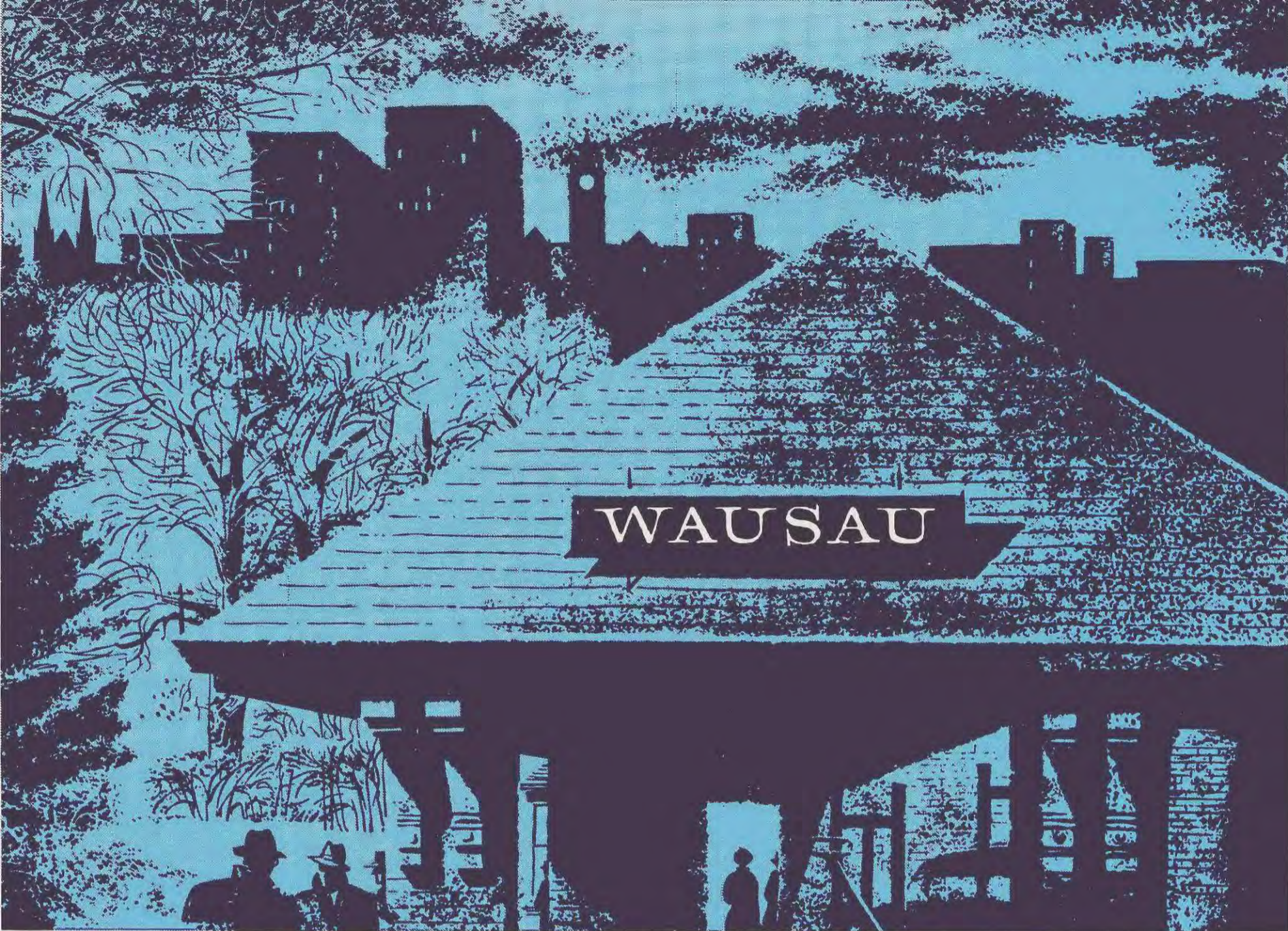
Argonaut has always pioneered new ideas, new areas, in general liability and bonds. If yours is a business that's going places, demand efficiency in your insurance program.

Ask your agent or broker about Argonaut. It's best to travel with a friend who speaks your language.



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PORTLAND • BOISE • MINNEAPOLIS • ATLANTA • NEWARK and other major cities  
OVERSEAS: SAIGON, VIET NAM • BANGKOK, THAILAND



# Funny, it doesn't look like a bank.

People have been saving money with us for years. And in the 70's one point is clear: many companies (ours included) are going to have to earn money by saving it.

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business. May we serve you? We'll guarantee a lot of interest.

We think insurance ought to work for a living.

That's the Wausau story.

**Employers Insurance  
of Wausau**

# Nursing home head says \$6 billion saving in medical costs is possible

By STEPHEN GILKENSON

NEW YORK—Richard D. Zipes stopped by the office the other day to grind an ax. He is not a lumberjack. He is the young (30) chairman of the board, director, and member of the executive committee of Mediatrix Inc., a company which appears to be well on its way to becoming the Holiday Inn of nursing homes.

Mr. Zipes is a very impatient man. Things are not moving as fast for his company as he would like them to. They would move a lot faster if insurers of health care would recognize that wider utilization of nursing homes would chop down rising costs.

"What I am about to say really isn't too popular because it steps on a few toes," Mr. Zipes said as he settled his rather substantial frame into a chair, crossed a leg and revealed a size 12 shoe. The toes he steps on—doctors and hospitals, who want to retain their present role in the scheme of health care things—should know about it, in other words.

**THE CHAIRMAN** of the board had come prepared with notes and statistics. They looked official, printed out neatly on yellow legal-sized paper.

"The national average for a day of hospital care in 1969 was \$67.59," he began, noting that in



Richard D. Zipes

the New York area it was considerably more than that—\$86.92. "The average per day cost in a

nursing home during the same period was under \$20. I don't know what it was precisely, but I can assure you it was under \$20."

Mr. Zipes' pitch becomes obvious at this point. Others have expressed the not-so-original thought that a lot of medical care is wasted, that a lot of time (and expensive time) is now spent in hospitals by patients who could just as well do their recuperating in an extended care facility such as a nursing home.

**HOWEVER**, the young head of the nursing home chain has carried the thought a step further.

"I estimate," he went on, "that 25% of the time spent in hospitals today is wasted, that it might just as well be spent in a less expensive facility." Referring to his notes he concluded that of the billions spent on such care in 1969 roughly \$6 billion could have been saved.

Why then isn't something being done?

"I don't know," Mr. Zipes continued. "I sit in my office wondering about it."

**WONDERING**, however, does produce some thoughts. And Mr. Zipes feels that several must bear the responsibility, not the least of which are the American Medical Assn. (AMA) and the American Hospital Assn. (AHA).

"The doctors are still the vampires," he asserted, noting in a rather awesome tone that their political lobby is "powerful." And, he added, "nonprofit hospitals should become more profit-motivated."

The latter statement—nonprofit hospitals should become more profit-motivated—sounded a little off the wall. Mr. Zipes explained what he meant.

**"THERE ARE** two hospitals—two good hospitals—in Burlington, Vt.," he explained. "You could walk from one to another they were so close. Well," he continued, "one bought a heart pump, an expensive machine that is not in great use, so the other had to buy one also. Then I guess they realized the waste of having two of these things standing idle most of the time, so they combined their facilities and cut their costs in half."

While doctors and hospitals must bear most of the blame—and most of the weight beneath Mr. Zipes' size 12 shoes—the Mediatrix chairman also feels that insurance companies must share some of it.

"I'd like to see more attention brought to the fact that insurance claims can be reduced by the use of nursing homes. I think insurance companies can solve the problem by giving incentives to patients who go to nursing homes to recuperate. The results, of course, would be that savings could be passed on to those paying the premiums for health care insurance. But as yet insurance companies have not recognized nursing homes," he said, explaining that benefits will not be paid by Blue Cross or private insurers for care received in nursing homes. "Naturally," he added, "no one wants to pay for such care when he can get a free ride in a hospital." Doctors, Mr. Zipes said candidly, are most responsible for the "free ride" syndrome since they are collecting healthy fares from insurance companies.

**THE NURSING** homes themselves, however, are not entirely blameless, he went on.

"You think of nursing homes as old wood fire traps, which many of them were until a few years ago. There has been tremendous laxity in our standards for both facilities and service.

"But we're now growing up. When insurance companies recognize that we are improving our standards then I am sure there will be a change. But," he added impatiently, "I think the time to do this is now."

**WHEN** Richard Zipes speaks of nursing homes he is generally speaking of those now being operated by Mediatrix Inc. and other nursing home chains. Also in the business nationally are companies called Four Seasons Nursing Homes, Extencicare Nursing Homes and Hillhaven Nursing Homes.

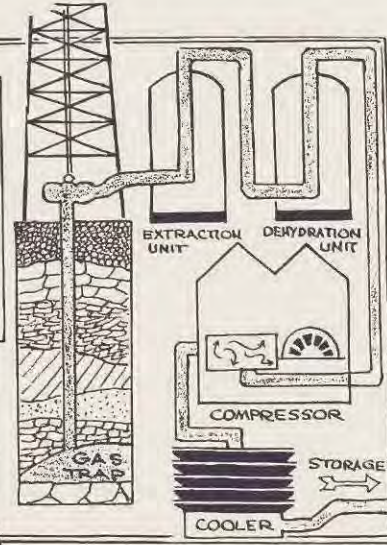
Mediatrix has six in its chain at present and another under construction. Like those in other chains, Mr. Zipes said, each maintains quality standards. Lacking is some form of accreditation which insurance companies could recognize. However, as Mr. Zipes admits, of the approximately 23,

Continued on page 8

## HE SETS THE PACE AT SOUTHWEST GAS IN VEGAS



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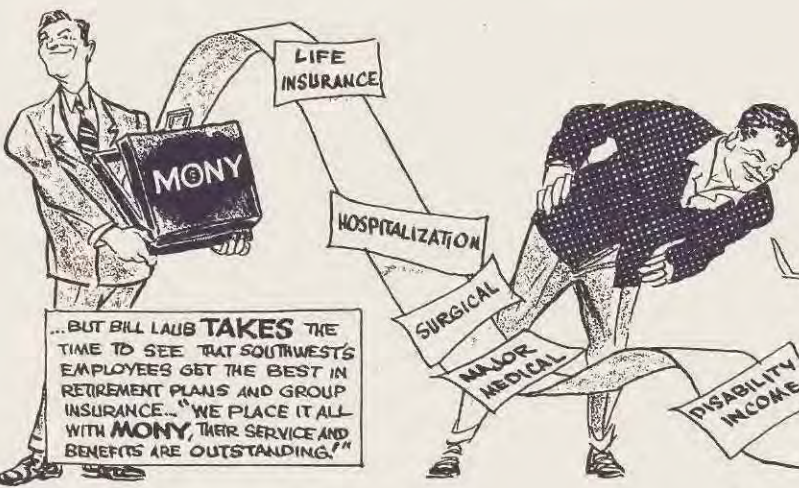


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# Risk management: Growing business in Britain

LONDON—Risk management has now become a \$120 million a year industry for a rapidly expanding group of insurance experts in Britain.

This invigorating development in the United Kingdom was revealed to *Business Insurance* after a survey of trends in corporate insurance among more than 100 leading companies.

Risk management has a long way to go before it can achieve the same pride of place that it has obtained in the United States, but there are certainly clear signs that it is on the increase.

**SUCCESSFUL** progress in this direction is outlined in the survey which was carried out by the Assn. of Insurance Managers in Industry and Commerce so that it could assess the business status of its rapidly-growing membership.

Reginald W. Rooke, chairman of the AIMIC committee which made the survey, prefaced the survey with the comment:

"Only within the past ten years have the majority of industrial and commercial companies in Britain become aware of the benefit of recruiting specialists to assess the pure risks inherent in their business and devise means of protection against them at an economic rate. There is increasing awareness of the many-sided nature of this work, and inevitably insurance managers become large buyers, knowledgeable and selective in their approach."

Details of the survey will be made available to the American Society of Insurance Management

so that transatlantic comparisons can be made of the roles of risk management executives in their respective countries.

**ABOUT 120** members of AIMIC took part in the survey, contained in a 100-page booklet that sets out the answers to its questionnaire.

Dealing with premium expenditures, it states: "It looks as if the total of premium expenditure for all companies represented in AIMIC, which already represents one-third of the top 300 British companies, is between \$110 million and \$120 million.

"But the prevalence of the title of insurance manager as used by companies in this survey is very noticeable. For despite present aspirations, the title of risk manager is not yet being used in the

UK like it is in America.

"It would appear on the surface that the extension of insurance among British companies to the wider realms of risk management has not yet taken place to any significant extent.

**"BUT RISK** management is gradually becoming recognized in Britain as a systematic approach to the handling of risks in order to minimize their cost to the individual firm and for society at large.

"Some companies have recognized this and have shown great expertise, but others are only now awakening to the full implications of what is meant by risk management."

The extent to which British companies adopt self-insurance

as an aspect of risk management is set out in the survey, which found that in general, riot, earthquake, storm, flood, impact and burglary were covered by risk assumption or shared with insurers, while fire was scarcely ever covered by self-assurance.

Product liability risks are more often shared with insurers than public liability risks, and there is a high proportion of companies which do not insure for consequential loss risks.

**REPORTING THAT** most firms place third party and employers' liability risks outside their own offices, the survey comments: "A discontented claimant can have a bad effect on personnel or public relations, but it seems that such firms prefer to use insurers as a

scapegoat in the event of dissatisfaction, though keeping close liaison with them over settlements."

But many more British companies in AIMIC are now considering self-insurance, and 50% of them are tending to step up their dependence on this risk-control factor every year. Few companies sought quotations for large deductibles, and even fewer have arranged their insurance on this basis. Most corporate insurance managers still act completely through brokers for their insurance placings, which meant the continuance of stable business relationships.

Copies of the survey are available from J. A. Kimberley, of Readymix Concrete Ltd., High Street, Feltham, Middlesex, England.

## New move for capacity

SAN FRANCISCO—Current efforts to expand the capacity of the reinsurance market were outlined here this week in a speech to the Insurance Forum of San Francisco by Ralph C. Lewis, vice president, North American Reinsurance.

"Efforts to expand capacity," Mr. Lewis declared, "are being made almost everywhere and by nearly everyone in a position of being able to do something about the problem."

Mr. Lewis cited as an example the professional reinsurance subsidiary of Crum & Forster as well as The Intercontinental Reinsurance Co. recently established in London by a group of U. S. carriers and London brokers.

**"INTERCONTINENTAL,"** he explained, "will be jointly owned by Fireman's Fund, Aetna C&S, Aetna of Hartford, American Overseas Reinsurance Corp., Bowring and a number of other investors."

Andrew Drysdale, reinsurance deputy at Bowring in London, will be president of the new company which will have a combined capital and surplus of \$25 million.

"As some of you may know," Mr. Lewis told the Insurance Forum, "The Harbor Insurance Group, owned by the Union Bank of Los Angeles, recently acquired the Buffalo Insurance Co.

"The Buffalo Co.," he added, "will be used by Harbor primarily as a reinsurance firm and the organization plans a quick expansion, beyond its current capital and surplus of \$10 million." ■

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# Proposes bill for government-run fund to pay aircraft noise damage

WASHINGTON—Rep. Seymour Halpern (R., N.Y.) has introduced legislation which would establish a Federally administered fund for payment of damages caused to either property or individuals by excessive aircraft noise.

The fund would be financed largely by the air carriers and administered by the Department of Transportation, which would be charged with determining the amount due from each carrier and to each claimant.

Payments into the fund in the case of public aircraft would be accomplished through appropriations.

**THE BILL IS** not expected to go anywhere this Congress—or

even in the next—but it highlights a growing problem which eventually is certain to get careful Congressional scrutiny.

Rep. Halpern points out that while millions of Americans suffer damages from sonic boom and other aircraft noise, "there is no legal recourse—the courts will not touch jet noise."

"Lawsuits amounting to billions of dollars have been pending against the major airports for a decade, deterring other plaintiffs; and the new Federal jet noise regulation does not offer real relief from the relentless roar of turbojet engines," he charges.

One of the largest suits to date was filed last summer by Ingel-

wood, California, residents living near Los Angeles International Airport. They sought \$1.4 billion in damages, claiming that jet noise created "nerve and economic disturbances of a permanent nature."

**OVER THE PAST 25** years the average increase in the noise level has been one decibel per year, Rep. Halpern claims, pointing out that when you consider that a level of 85 decibels is all that is necessary to cause ear damage, it will not be long before the noise level in this country is lethal.

Many jets now emit noise at level of 150 decibels, which can cause permanent damage, he continues. The new regulation

for the Boeing 747 is 108 decibels.

The bill not only provides compensation against injury or damage, Rep. Halpern says, but it serves as an incentive for manufacturers and airlines to reduce noise pollution and the hazards of sonic boom, since airline operators can qualify for lower premium payments into the proposed fund if they insist on aircraft that has been designed and engineered so as to reduce the possibility of noise.

The proposal provides that the transportation secretary pay the claimant the amount he would have been entitled to under the law of the place where the damages were caused, had they been caused by negligence.

**IT ALSO PROVIDES** a claimant a variety of remedial procedures. He may proceed under state law and pursue whatever remedies are available, or he may make his claim against the

## \$1 million is asked for deaths of nuns

NEW HAVEN—Allegheny Airlines, Inc., is being sued for \$1 million damages in connection with the death of two nuns in a plane crash at Indianapolis last September.

The nuns, Sister Mary Acharia and Sister Mary Cristen of the Sisters of Mercy Knoll, West Hartford, were among those killed when a DC9 airliner crashed after colliding with a light plane in the Indiana city.

The two \$500,000 damage suits were filed in U.S. District Court, New Haven, by Sister Mary Clotilda, executive of the estates of the two dead nuns.

fund.

If he chooses to proceed against the fund, he must assign all rights he may have against any person or corporation who may have a legal liability to pay for the damages caused. Any excess recovered by the secretary—over the amount paid by the fund and costs—will be paid to the claimant. ■

## Nursing . . .

*Continued from page 6*

000 nursing homes in the U.S. today only 13,000 provide more than eight hours a day of nursing care. More than half of those, he added, would probably fail if they sought accreditation.

"Our industry is rapidly changing," continued the 30-year-old executive who occasionally uses four-letter expletives to color his conversation. "We are sort of like the motel business. Ten years ago motels were largely a mom and pop operation. Then companies like Holiday Inn, Ramada Inn and Howard Johnson came along to do the job more efficiently. Five years ago the nursing home business was a mom and pop operation. Now there's nothing wrong with mom and pop, but there's no place for mom and pop in this business any more. Absolutely not," he said.

**MEDIATRICS INC.** was formed in 1967 by Mr. Zipes and others who had been in the nursing home field for eight years before that.

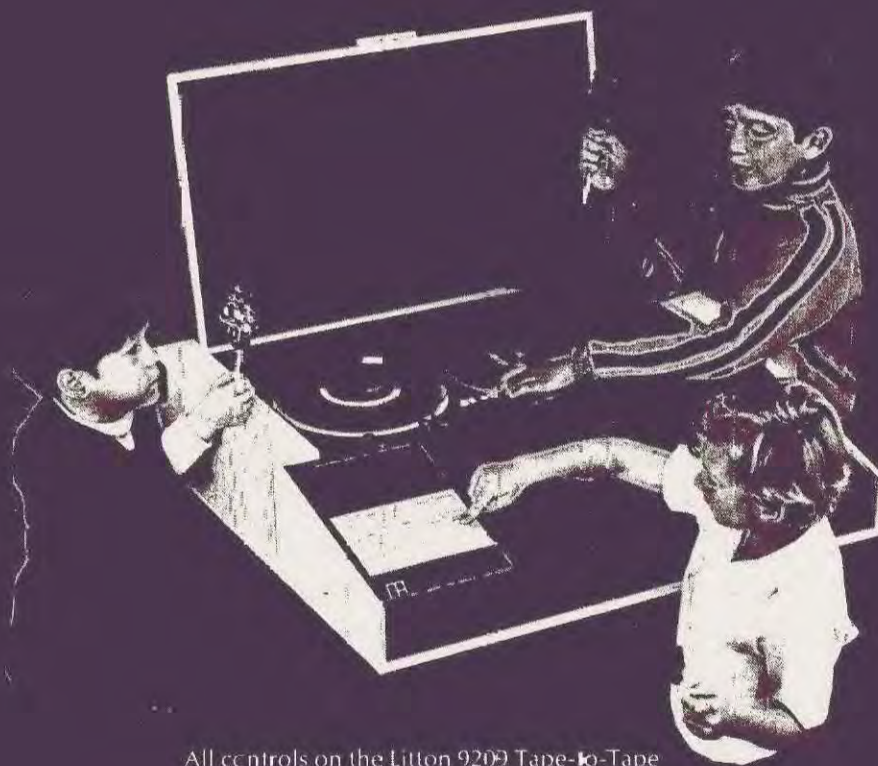
"My parents were in the real estate business in New York," Mr. Zipes said, explaining that a while ago they were approached with an investment proposition that showed a return of about 12%. His parents, not impressed, asked for something with more potential. The proposition this time was a nursing home that would yield a profit of 25%. "We worked it out on paper and that's what we came up with—25%," he said flashing a smile that crossed from one long sideburn to the other.

The first Zipes nursing home was Hilltop Manor Convalescent Home in Rocky Hill, Conn., near Hartford. The profit estimate apparently was not too far off the mark, for Mediatrics now has five others; two more in Connecticut, one in Florida and two in Texas.

Last March the company's stock went public. It started at \$11, went to \$16 and now has since dropped to a little less than \$6. "We came in a bad market, that's all I can say," Mr. Zipes shrugged, but adding that he is confident that will change.

Indeed it may—if his message about nursing home care being a valuable alternative to more expensive hospital recuperation is heard and heeded. ■

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# Asks Penn Central investigation by Transportation Safety Board

WASHINGTON—The National Transportation Safety Board is drafting a "substantive" reply—not just the usual "We are looking into the matter"—to Rep. Richard Ottinger's recent strong request that it launch an immediate investigation into the overall safety policy governing Penn Central Railroad commuter lines into New York City.

The New York Democrat from Westchester County charged, in a letter to the safety board, that "all aspects of safety on the Penn Central have deteriorated to a point where the lives of some 80,000 daily commuters are being jeopardized."

He pointed to a three-train accident in the Highbridge area of

the Bronx Jan. 9 that shut down service on the Hudson division of the railroad and injured 18 persons. "This was the latest in a series of accidents on the Penn Central commuter lines—a series that shows increasing frequency of accidents and an alarming increase in the number and nature of personal injuries," Rep. Ottinger told the board.

"AS IS CUSTOMARY," he continued, "the railroad bureau of the New York State Public Service Commission is investigating the accident. As is customary, I suspect the PSC's report will provide a whitewash, with the railroad exonerated of responsibility and no corrective action recom-

mended.

"Such was the result of an 'investigation' into a near-tragic derailment at Chappaqua, N.Y., the aftermath of which saw Penn Central management fire three employees, although the company's own hearing record indicated that mechanical failure of a brake component was the real cause."

Rep. Ottinger charged that "despite a PSC order of last June requiring improved maintenance procedures, the railroad continues to ignore safety considerations and adamantly refuses to make any capital investments to replace equipment that is as much as 60 years old.

"The railroad refuses even to install fire extinguishers in its

passenger cars. This glaring dereliction of duty was at least a contributing factor in the recent death of a New York City fireman, who was hit by a train while he was putting out a small fire under a passenger car. The presence of fire extinguishers on that particular train would have obviated the necessity for calling in the Fire Department in the first place."

**IN CALLING** for the safety board to investigate both the Jan. 9 accident and the entire Penn Central safety conditions, Rep. Ottinger told the board: "I need not remind you that the merger of the New York Central and Pennsylvania Railroads was government-sanctioned and that there accrues to the Federal government some responsibility to assure that operations carried out pursuant to the merger are in the public interest."

In a separate development, a

woman whose son was killed when he fell from a Penn Central train in Greenwich, Conn., last summer, has filed a \$750,000 damage suit in superior court here against the railroad.

Mrs. Ruth J. DeLuca of Bridgeport claims that the rail line was negligent in connection with the death of her son last Aug. 11.

Michael R. DeLuca, 26, fell from the train enroute from Bridgeport to New York.

The action charges that he was hurled from a commuter car vestibule through an open door to the tracks and suffered fatal head injuries.

## Court hears Caterpillar drug plan

PEORIA, Ill.—Caterpillar Tractor Co., Metropolitan Life Insurance Co., and the United Auto Workers are expected to appear before the Illinois supreme court next month to argue in favor of Caterpillar's Prescription Drug Plan.

The plan, instituted by the company in response to negotiation with various local United Auto Workers unions in 1967, was contested by local druggists who charged that it promoted price fixing. Caterpillar put its plan into effect last October as an employee benefit covering hourly and weekly salaried employees and other family members ordinarily covered in the firm's employee benefits program.

**CIRCUIT JUDGE** Robert E. Hunt issued a temporary order restraining sections of the plan.

Caterpillar has put into effect a temporary prescription drug plan until the case is argued. The alternate plan varies from the original in that there is no predetermined fee for the drugs and the employee can purchase drugs at the pharmacy of his choice.

The employee will be reimbursed 100% less a \$2 deductible to the extent of the charge not exceeding the customary price of the item. The employee can present his claim for reimbursement after he has accumulated a \$15 bill.

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## Insurance man sought unique way out with N.J. mob

NEWARK—Terrified by Mafia threats, Newark insurance man Louis Saperstein offered to write a \$100,000 life policy on himself, name a mob leader as beneficiary and then jump out a window, according to Federal prosecutor, Frederick B. Lacey.

Mr. Lacey, who made the charge at the extortion trial of alleged Mafia figure Angelo (Gyp) DeCarlo, said last year Mr. Saperstein had organized an illegal business that sold foreign securities simultaneously here and in Europe. Mr. DeCarlo, along with Peter (the Bull) Landusco, Joseph (Indian Joe) Podverino, and Daniel (Red) Cecere, supported the scheme financially. When it fell through they threatened and beat Mr. Saperstein and charged him up to \$5,000 a week interest on loans.

To protect his family, Mr. Saperstein made the life insurance offer, but apparently his creditors weren't interested. In November, 1968, he was found dead of arsenic poisoning.

# Significance of new reinsurance company is weighed by industry

NEW YORK—A major new reinsurance company with headquarters in Hamilton, Bermuda, has been formed by a group of American and British insurance, reinsurance and banking interests. Its purpose, according to those who had a hand in the formation, is to provide yet an additional market and capacity for the business that has until now gone wanting.

One person close to the deal even went so far as to say that the company, called Intercontinental Reinsurance Co. Ltd., will virtually "solve" the current capacity crunch.

Insurance sources here, however, were somewhat dubious about the claim. International has a subscribed capital of \$18.1 million to begin with.

"I CAN'T imagine that with less than \$20 million in the kitty it's going to solve the capacity problem," a source at American International Underwriters said. In effect, AIU will be competing

for business with the new company through its subsidiary, American International Reinsurance Co., also headquartered in Bermuda.

"Competition is hardly the word, however," another knowledgeable international insurance man said, referring to the current seller's market.

"From our standpoint," a spokesman for AFIA in New York noted, "it becomes yet another market to help ease the capacity problem." Asked if it might solve the problem altogether, he commented: "Oh, gosh no!"

The entry of the new company into the international insurance

and reinsurance market is thought to be of more than passing significance, nevertheless.

FIRST OF all, it has been subscribed to by a mixed bag of "quality" insurance and reinsurance firms. Among them is Atalfa Inc., a consortium of American insurance interests, including Travelers Corp.; the Aetna Casualty & Surety, a subsidiary of Aetna Life & Casualty; Fireman's Fund Insurance Co.; the Aetna Insurance Co., a subsidiary of Connecticut General Life Insurance Co.; and American Overseas Reinsurance Co., an affiliate of Guy Carpenter & Co., which in turn is an affiliate of Marsh &

MacLennan.

Atalfa, the largest single subscriber to the new company, has kicked in a total of \$13.8 million to capitalize the venture. Others subscribing to Intercontinental are C.T. Bowring & Co. Ltd., Lloyd's brokers, of London (a \$3.3 million share) and Schroder Investment Co. Ltd., a subsidiary of L. Henry Schroder Wagg & Co. Ltd., both of London (a \$1 million share). International Reinsurance, which will operate through the intermediary of Lloyd's brokers, has opened its office in Hamilton, Bermuda, and will underwrite all business there. Thus it will be able to function as a non-admitted carrier in all U.S. states and be permitted to write its business with the same flexibility as Lloyd's.

While its viability as a major new market for insurance and reinsurance has been minimized by some in the business, it is

believed by others that Intercontinental Reinsurance could one day have a strong voice in the marketplace since the several large U.S. insurers that make up Atalfa are more or less "putting themselves on the line."

ONE PERSON even spoke of Intercontinental as possibly sounding the death note for Air Transport Insurance, S.A., the airline industry captive which is scheduled to begin operations Jan. 1 next year. He noted that Intercontinental may provide that extra liability cushion airlines that have recently written their 747 coverages in the present market are now searching for.

Another insurance source thinks this possibility is remote. "I would think," he said, "the airlines will start their captive and use this (Intercontinental) as another market in which to place the excess."

## Jones tells of merger

KANSAS CITY—R. B. Jones Inc. and Benedict & Benedict have consolidated as of Jan. 1, 1970, when the firms' respective operations were merged into R. B. Jones Corp., a Delaware corporation.

Cliff C. Jones, chief executive for R. B. Jones Inc., will head the new company as chairman. Mr. Jones stated he started the consolidation move to further a long-range plan of expanded operations and continued nationwide growth.

According to Mr. Jones, the combined premium volume of the consolidated operations, in excess of \$62 million, will place R. B. Jones Corp. in the top 10 major commercial insurance brokerage and agency organizations doing business in the U.S.

A proposed merger with W. H. Markham & Co., St. Louis, Mo., insurance agency and broker, was terminated by mutual agreement of their board of directors and the board of R. B. Jones, according to Hal Ingerbretsen, R. B. Jones secretary and vp.

### More than one way to . . .

HARTFORD—While trying to get the facts on an automobile accident in a small backwoods village, the Travelers Insurance Cos. notes, an adjuster had occasion to interview the chief chair-warmer on the porch of the general store and post office.

The elder citizen had witnessed the accident and willingly told his story.

When the adjuster had written the story out in statement form, however, the man refused to sign it.

All his friends supported his position.

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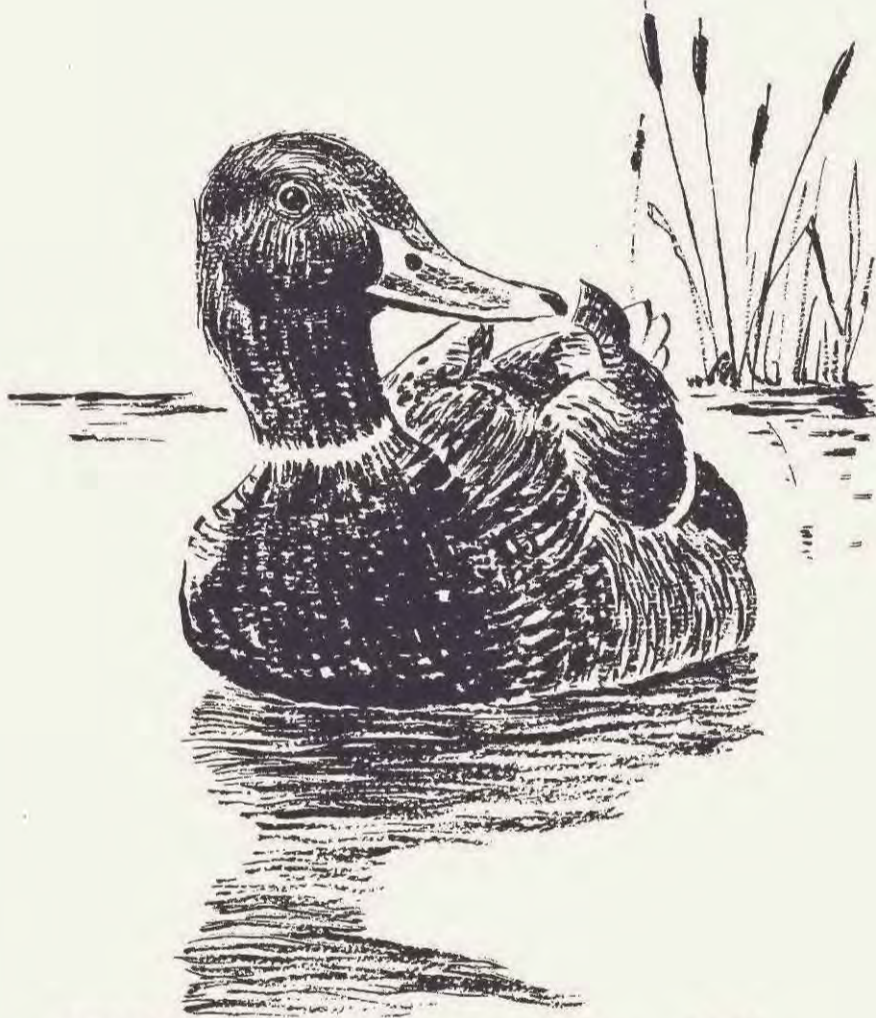
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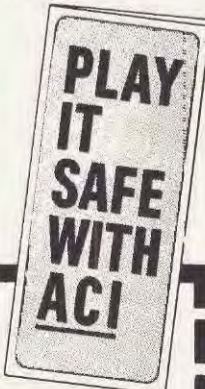
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Readers are invited to submit items for inclusion in this column. A sample of the literature should be sent to: Info for Buyers, *Business Insurance*, 740 Rush Street, Chicago 60611.

are possible with split-screen television views of both the subject's face and his ID card. To receive the booklet write Mardix Security Systems, 900 Sterlin Rd., Mountain View, Cal. 94040.

• Ayer Public Relations has released a 12-minute, 16mm, color-sound film, **Grooving for Safety**. The film, available on loan, explains tire hydroplaning during periods of rain and its relation to automobile and aircraft skid accidents and illustrates a new technique currently being employed to prevent hydroplaning. For more information write Ayer Public Relations, 1345 Ave. of the Americas, New York, N. Y. 10019.

• The National Safety Council estimates that 19.2% of the compensable work injuries with permanent—partial disability involves machinery; 3.1% of work-injury fatalities involves machinery. Inadequate guarding or distraction are the major causes of occupational injuries involving machinery and other power-operated equipment. **Safeguarding Machinery** is an 8 page booklet listing the reasons for using guards and includes a table of standard materials and dimensions for guards. The booklet can be obtained for 10¢ from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

• The National Fire Protection Assn. offers three pamphlets dealing with the installation, and maintenance of portable fire extinguishers: **Installation of Portable Fire Extinguishers**, 36 pages, \$1.00, No. 10; **Maintenance and Use of Portable Fire Extinguishers**, 33 pages, \$1.00, No 10A; and **Model Enabling Act For Portable Fire Extinguishers**, 10 pages, 50¢, 10L, can be ordered from the association at 60 Battery March St., Boston, Mass. 02110.

• General Reinsurance Corp. is offering a 24 page booklet entitled **Glossary of Reinsurance Terms**. It carries a glossary of bonding, casualty, property and life reinsurance terms. A free copy can be obtained by writing the firm at 400 Park Avenue, New York, N. Y. 10022.

• **Industrial Furnaces** is a 90 page pamphlet (86B-TR) offered by the National Fire Protection Assn. for \$1.75 per copy. It covers Class B furnaces which approximately operate in excess of 1400° F. The standard deals with location, construction, heating systems, ventilation, safety controls and fire protection considerations. For a copy write the association at 60 Battery March St., Boston, Mass. 02110.

• **Dusts, Fumes, and Mists in Industry** is a 16-page data sheet published by the National Safety Council. The illustrated item covers 157 points for control of hazards and evaluation of industrial situations involving air contaminants. A copy may be obtained upon request from Stock No. 123.04-5321, National Safety Council, 425 N. Michigan Ave., Chicago, Ill. 60611.

• Mardix Security Systems has released an illustrated, eight-page booklet explaining personnel entrance control with its **Video-guard Entrance Model VG-300**. Positive identification checks

• A 34-page survey containing national vital and health statistics data in booklet form can be obtained for 45¢ per copy from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402. **Regional Utilization of Short-stay Hospitals, United States 1965** covers discharged patients, days of care, and average length of stay for the four major geographic regions—Northeast, North Central, South, and West.

• Data on medical care utilization in the U.S., the United Kingdom and Yugoslavia is collected in **International Comparisons of Medical Care Utilization**, a 74-page booklet priced at 70¢ per copy available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402. The report describes the conduct of the study and gives the findings and conclusions together with summary tables incorporating standardized rates.

• Companies with pension plans that are concerned about the substantially higher cost that could result from pension reform legislation may be interested in becoming members of the Assn. of Private Pension and Welfare Plans Inc. Members receive extensive information on pension developments and opportunities to express their views on legislation through local meetings of members with their own congressmen. A free brochure and additional information may be obtained from Joseph P. Leary, Assn. of Private Pension and Welfare Plans Inc., P. O. Box 1920, Washington, D. C. 20013.

• **The Narcotic Addict Rehabilitation Act of 1966** is a pamphlet distributed by the U.S. Dept. of Health, Education and Welfare explaining who is and who is not eligible for rehabilitative treatment and how non-profit organizations may obtain grants for rehabilitative purposes under this act. Copies are available at \$5 per 100 or 10¢ each from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402.

• **The Fundamental Concepts of Industrial Hygiene** are presented in a six-page, illustrated, folded brochure published by the National Safety Council. This definitive item is available upon request by writing Stock No. 111.17-21, National Safety Council, 425 N. Michigan Ave., Chicago, Ill. 60611.

• HEC Industries Inc. has developed a cassette tape recorder for use with their blast monitoring shocKorder. **Model TR-103 Ta-Data Recorder** records the complete vibration and shock signals received by the shocKorder's sensing element. The records may be played back and analyzed for complete signal information including frequency, displacement, acceleration and velocity, using standard visual recorders. The basic model is priced at \$685. For additional information write Stan Preskitt, Gen. Mngr., HEC Industries Inc., P. O. Box 30627, Dallas, Tex. 75230.

• Psychological theft prevention is possible through use of **Model N SG 454, Simulated Closed Circuit Television Camera**, designed by Shield-Guard Corp., 2109 Central Dr., S., East Meadow, N. Y. 11554. Several models of this crime-prevention device are available and if it is used in conjunction with live cameras the units can be placed inside the simulated camera. For more information write the firm.

• An illustrated brochure is available from Certified Portfolios Inc. explaining their function as originators and administrators of tax-sheltered plans for individuals and corporations. Biographical material on key officers is also included. To receive the item write Charles R. Billman, Certified Portfolios Inc., Client Service Center, 500 Newport Center Dr., Newport Beach, Cal. 92660.

• Information on do-it-yourself safety program material is free by writing Don Chase Safety Dir., The Statesman Group, Box 394, Des Moines, Iowa 50302. Items include bulletins for management, supervisors, employees and drivers as well as safety posters and speeches.

• Certified Portfolios Inc. has released **How to Establish a Flexible Corporate Retirement Plan**. The brochure is a guide to the development of a plan for the corporate employer based on CPI's variable master plans. A worksheet is also provided for the reader. To obtain a copy write Charles R. Billman, Certified Portfolios Inc., Client Service Center, 500 Newport Center Dr., Newport Beach, Cal. 92660.

• A new booklet from Kemper Insurance compiles eight case histories of employee theft or embezzlement. These claim briefs will help employers spot areas in which measures can be taken to prevent serious loss due to employee dishonesty. **Enterprise and Imagination as Applied by Employers to the Detriment of Employers** may be obtained by writing Bond Dept., Kemper Ins., 4750 N. Sheridan Rd., Chicago, Ill. 60640.

• **Fire Protection That Pays for Itself** is an eight-page brochure illustrated with charts and photos and released by Hodgman Manufacturing Co. Inc. It is free by writing Wm. Duggan, Sales Mngr., Hodgman Manufacturing Co. Inc. P. O. Box 387, Taunton, Mass. 02780. Sprinkler installations are made without disturbing daily activities and the manufacturer states that 75% of the work is completed prior to arrival at the installation site.

• Information on **Survivair Supplied-Air Systems**, self-contained protective breathing equipment, is available upon request from Mary K. Bradley, Advertising Div., Survivair, Santa Anna, Cal. 92702.

# Small company pays more for fringes

NEW YORK—The cost of fringe benefits for 8,000 companies surveyed by the Research Institute of America has increased by 2% to 4% during the past two years. According to the institute, "this average hides the fact that smaller companies carry the larger share of this increase."

As benefits become more nu-

merous and generous, the cost—as a percentage of payroll—increases. Although surveyed companies with fewer than 50 employees paid between 13% and 16% of payroll for benefits and large nonmanufacturing companies questioned paid as high as 30% of payroll, the large companies are able to buy more fringe

benefits more efficiently and economically. The small companies, said the institute, are faced with an uphill race as they try to compete for manpower with companies that can provide more benefits in more areas.

"It is certain that these costs will continue in the future and that the trend of steeper in-

creases for the smaller company will also continue," the institute stated.

Respondent companies of all sizes from all parts of the U. S. reported a common concern that the cost of fringe benefits is rising at a faster rate than productivity and that benefit programs

Continued on page 14

## The GAB Adjuster: A nice guy with a mean streak.

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# Kemper says 'no' to \$150,000 school premium from Indianapolis

INDIANAPOLIS—The Kemper Insurance Group has decided not to renew a \$150,000-annual-premium insurance program for this city's public schools.

The coverage includes property insurance (for about \$150 million in assets), a primary slice of liability and the school board's workmen's compensation retrospective rating plan, a package that was awarded to Kemper in 1967 by bids placed through Marsh & McLennan.

The coverage expires March 1, 1970, and the school board has already advertised its desire to receive bids for new insurance.

**KEMPER JOINS** the growing list of underwriters that are im-

posing nonrenewals and cancellations on public schools and buildings coverage across the nation.

Many schools, troubled by rioting, fire and vandalism, are finding it difficult to acquire coverage in the open market—unless rates are double or more and deductibles substantially increased—and have been forced to seek coverage under FAIR plans.

In its notice to the school board, Kemper said, "Unfortunately, even with a premium increase we cannot see our way clear to offer a renewal quotation next March."

The letter explained that "We have tightened our underwriting program for schools, particularly those located in large metropol-

itan areas."

**NOLAN E. ALLEN**, school board business manager, told *Business Insurance* he didn't think the move by Kemper was justified in terms of losses Mr. Allen said that other than a windstorm that hit the school system in October of 1967, all other claims have been minor.

R. E. Seaver, assistant secretary for Kemper, did not dispute the fact that the windstorm was the major portion of the losses suffered by the company under the package contract, but he held that the frequency and potential of willful damage claims in general have made the risk undesirable.

Mr. Seaver explained that another factor involved in Kemper's decision was that a mutual pooling arrangement that writes shares of the coverage dropped some of its participation at the end of the second year of the three-year contract. This forced Kemper to increase its participation "substantially" on a direct, unreinsured basis. "This was to allow us to continue the coverage for the third year of our contract. In my own experience," Mr. Seaver said, "we have never done this for any other risk in the past."

The Kemper assistant secretary declined to give specific loss information "because it might prejudice Mr. Allen's position in dealing with other carriers," but he said that he would be happy to make the information public if Mr. Allen would so instruct him.

**MR. ALLEN**, for his part, contended that most of the vandal-

ism referred to by Mr. Seaver occurs in the construction projects and such claims fall to the builder's risk coverage carried by the school board. He said that while the 1967 windstorm did bring large claims, that is a "one-time situation." Since then, he said, all claims have been minor and only two were for more than \$800.

"The insurance companies are in business to underwrite risks. When a situation isn't a risk they want to underwrite it; when it is a risk they don't want any part of it," Mr. Allen told *Business Insurance*.

Although final plans for the design of the new insurance coverage are incomplete, Mr. Allen said that he plans to ask the carrier to take the property coverage with a \$25,000 deductible and a \$100,000 stop-loss feature. Present coverage with Kemper involves a \$100 deductible for property insurance.

"We will surely receive a number of attractive bids," Mr. Allen said, "especially from local firms. Our wish is to do business here at home—if we can." The reason a local underwriter might be more eager for the school board's business, Mr. Allen said, is because local underwriters are aware of the city's "Upswing" program to curtail youth problems and vandalism. ■

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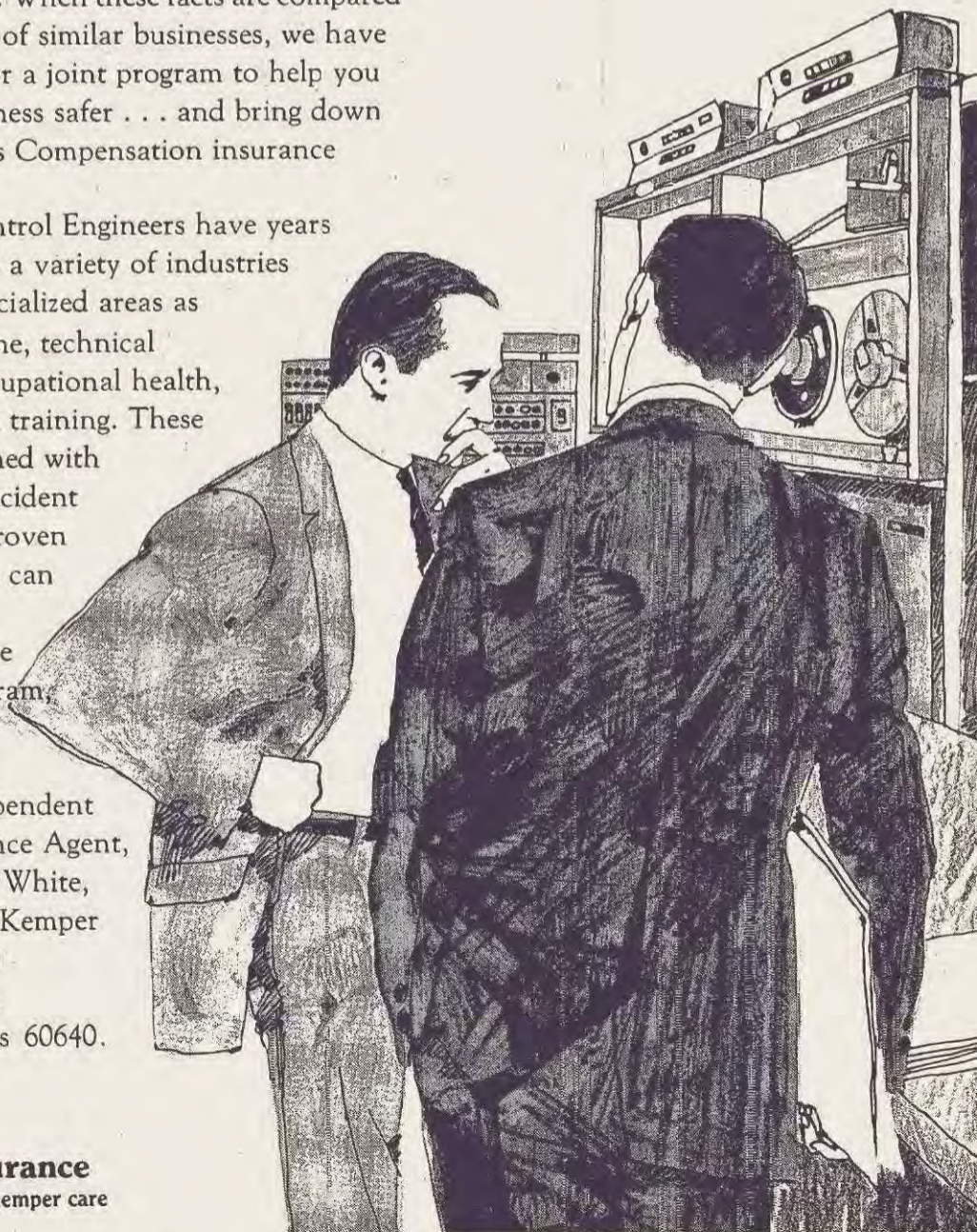
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Our Loss Control Engineers have years of experience in a variety of industries and in such specialized areas as industrial hygiene, technical engineering, occupational health, and educational training. These services, combined with computerized accident control, have proven that "Accidents can be controlled."

To learn more about this program, see the Yellow Pages listing of your local independent Kemper Insurance Agent, or write Walter White, Vice-President, Kemper Insurance, 4750 Sheridan Road, Chicago, Illinois 60640.



**Kemper Insurance**  
You can count on Kemper care



## Fringes . . .

*Continued from page 13*

are not very effective in reducing the rate of turnover.

The survey revealed that smaller companies were more liberal than larger companies in only one area of benefits—their benefit packages were more often noncontributory. But this was partially offset by the fact that benefits in smaller companies are usually lower and fewer.

**OFFICE WORKERS** have traditionally fared better on benefits than plant workers but when a company's personnel is more or less evenly divided fringe benefit programs tend to be substantially the same for both. "But contrary to the commonly held notion that white-collar workers are way out ahead in fringes," the institute said, "the differences between office and plant worker benefit plans have steadily diminished. . . . it is the research institute's prediction that this small advantage will totally disappear in the 1970s."

The study of 8,000 companies shows that unionized workers do not uniformly enjoy more generous benefits than nonunion workers. Union workers may gain more in benefits involving direct monetary outlays but they cannot match their nonunion counterparts in the areas of major medical and long-term disability coverages.

The institute ascribes part of this difference to the fact that union leaders tend to press for noncontributory plans, even if it means features are smaller, and that they are slow to adopt new benefits unless they are useful to the full membership.

On a geographic basis, benefits of companies located in major cities tend to be significantly better and higher than for the surrounding areas. But the survey also revealed that "so-called 'geographic differences' are more often due to different industry mixes, different proportions of large and small firms and different degrees of unionizations, than they are to economic and social differences among the major geographic sections of the country." ■

Giles on the law

# Court holds employer liable only when trip is required by the job

By JOHN W. GILES

Attorney at law

WASHINGTON—In order to hold an employer in an accident case, the trip must be required by the job. A senior engineering technician for the New York State department of public works was permanently based in Buffalo, where he also resided. For a time, however, he was assigned to a reservoir project about 80 miles from Buffalo. Because of the great distance involved, he boarded near the project during the week, but drove home to Buffalo for weekends with his family.

Driving back to the project from Buffalo one Monday morning, he negligently struck and killed John H. Lundberg, whose widow sought wrongful death damages against the State of New York by imputing its employee's negligence to the state. There was a strong dissenting opinion in the case, but the majority held that the state employee was not driving to satisfy an obligation he owed to his employer, but solely to satisfy his personal desires to visit his family in Buffalo. Moreover, the state did not have the power to control the employee's activities after the close of work on Friday, until the commencement of work on Monday. During these hours the employe was free to do as he pleased. The mere fact that the state had agreed to pay the employe's travel expenses, in the form of a mileage allowance, did not bestow it with any right of control.

The dissent cited an opinion of the learned Judge Cardoza in the case of *Marks v. Gray*—251 N.Y. 90. The judge said:

"THE TEST in brief is this: If the work of the employe created the necessity for travel, he is in the course of his employment, even though he is serving at the same time some purpose of his own". The employe here was clearly acting in furtherance of his employment since he has been awarded compensation benefits for the injuries he received in the same accident. The mere fact that his traveling back and forth was motivated by his desire to see his family in no way detracts from the fact that the trips would not have been made at all had it not been for his assignment to a distant work site.

(N.Y. Ct. of Appeals. *Lundberg v. New York*—12/4/69.)

**IS A BAILEE** under a duty to insure the property bailed to him?

It is a well-settled general rule that a bailee is not, in the absence of a statute, instructions from the bailor, a special contract, a usage of the trade, or a habit of dealing between the parties, in the ordinary case under any duty to insure the property entrusted to his care for the benefit of the bailor, and in the event of loss or destruction, he is not liable to the bailor for having failed to procure insurance.

The failure of a bailee of furs to procure insurance on them has been held to render him liable for the value of the furs when lost. In several cases, the failure of a bailee of jewelry to procure insurance on it has been held not to render him liable for the value of the jewelry when lost.

However, a bailee of securities

has been held under a duty to procure insurance on them, at least when releasing them from his own custody, and his failure to do so has been held to render him liable for the value of the securities when lost.

Similarly, the bailee of grain or flour has been held in several cases to have been under a duty to insure it, and his failure to do so has been held to render him liable for the value of the grain or flour when lost. Failure of a bailee of cotton to insure it has

been held in several cases to render him liable for its value if lost.

**BAILEES** of crops other than grain and cotton who failed to insure them while in storage have been held liable in a number of cases for the value of the particular product when lost. A recent Wisconsin case held that the bailee of furs was not under a duty to insure them. There was a dissenting opinion.

For ten years a furrier periodically stored a fur coat for a customer who, stating that her own

insurance covered the coat, declined to be included in the insurance coverage provided by the furrier. When the customer asked the furrier to send the coat to an out-of-state address for glazing, no mention was made of insurance for transit. The furrier sent it together with two cloth coats by public passenger coach line in a package marked "furs." The furrier, knowing that under the carrier's tariff schedule filed with the Interstate Commerce Commission no single shipment could be accepted exceeding \$200 in declared or released value, entered the fur's value on the bill as \$200, without discussion.

The package was lost in transit and never seen again. In a negligence action against the furrier and the carrier, brought by the insurer that had been subrogated

to the customer's rights on paying the \$5,000 face value of the policy, judgment was entered to the effect that the carrier's liability was limited to \$200.

Upon appeal by the insurer, the Wisconsin supreme court affirmed, and held that although the standard of care established by decisional law for a bailee for hire is that, in the absence of a contract to the contrary, the bailee owes a duty to exercise ordinary care as regards the subject of the bailment, nevertheless under the foregoing circumstances, the furrier was not negligent in the choice of the carrier or in failing to insure the fur coat for transit, and the carrier had successfully limited its liability for its negligence to \$200. (*Insurance Co. of North America v. Kriek Furriers, Inc.*, 153 N.W. 2nd 532.)

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### Continental Assurance: The Great Unknown

(But No. 1 with insurance pros)



# opinions

## 'Era of consumerism'

In the first issue of *Business Insurance* for 1970 we carried an editorial that heralded the "Decade of the consumer," pointing out that the coming ten years would bring innovations in insurance practices and law that would serve the interests of corporate and individual consumers.

Now comes Illinois Insurance Director James Baylor to underscore our editorial with a warning to the Chicago Board of Underwriters that they, as insurance executives, had better get with it and understand the wave of the future. Mr. Baylor's cogent warning said, in part:

"The problems are yours as well as mine. The point is this: The shifting emphasis of the last third of the 20th Century has placed problems and weights on you and the insurance industry (that were) not fully anticipated. Society in general, and the insurance-buying public in particular, has asked the industry to assume a greater role than it has equipped itself to handle in relief of what may be social problems.

"The American public are a fickle and demanding people. They expect superior performance and are entitled to it in every insurance transaction. To the extent that they do not receive it, they have been cheated, just as when the butcher's thumb on the scale is figured in the price of beefsteak. The era of consumerism is upon us and anyone involved in an insurance transaction who blinds himself to that fact is out of step with the passing parade.

"To this administration, since enactment of the Illinois Insurance Code in 1937 and passage of the McCarran-Ferguson Act of 1945, I find no evidence that a director of insurance of Illinois has to any significant degree approached the problems of the consumer. This stemmed, I believe, from the old concept of insurance—that it is a limited and private covenant between a company and its policyholder, that the right of contract, so far as the purchaser was concerned, was only the right to sign on the dotted line. No one, I am sure, appreciates this better than you who deal directly with or are charged with representing the consumer.

"I urge that in whatever capacity you act you become the eyes and ears of the insurance industry—that you become its critic where criticism is justified, that you become its public relations arm where its praise has been earned. Both of these are of the greatest importance, I believe, in reaching that goal in which each of us has a personal interest and stake—to reestablish the confidence of the public in insurance, the industry, its product and regulation."

Mr. Baylor's statement, we believe, is a laudable credo not only for insurance industry representatives but also for insurance regulators. Just as the insurance industry and corporate insurance buyers must adjust to the era of consumerism, so too must insurance regulators. They must become, like Mr. Baylor, representatives of insurance consumers rather than of insurance purveyors. And we are happy to note that this spirit already infects a number of forward-looking insurance commissioners, including Russell E. Van Hooser of Michigan, Richard E. Stewart of New York, Karl V. Herrmann of Washington, William Cotter of Connecticut, Mr. Baylor himself, and others.

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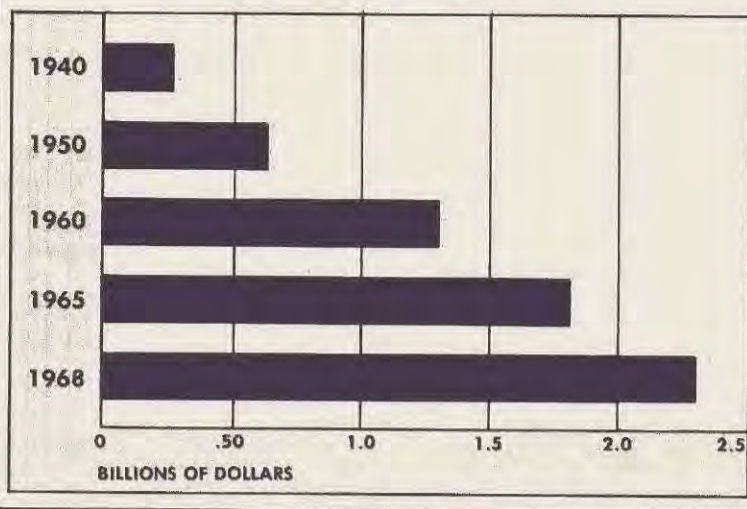
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## WORKMEN'S COMPENSATION BENEFITS



Workmen's compensation benefits paid by private insurance carriers, state funds and self-insurers reached \$2.3 billion in 1968. Payments of \$820 million were made for medical costs and hospitalization; \$1.5 billion was paid in compensation. In the period since 1940, the scope of workmen's compensation coverage has burgeoned from 25 million workers to about 56.7 million workers. The cost of workmen's compensation as a percentage of payroll was 1.07% in 1968 as against 1.00% in 1965 and .93% in 1960.

Source: Social Security Administration,  
U. S. Department of Health, Education, and Welfare

## Fun for a change

People in the insurance and publishing businesses, unhappily, have too little time to enjoy themselves by taking a step or two backward to get a laugh out of what they're doing. Not so with our friends in the academic world, however. Take Dr. Herbert S. Denenberg, for example. Even though Dr. Denenberg is Loman professor of insurance at the University of Pennsylvania and a columnist this week in the *Business Insurance* Perspective section, he finds time to have fun.

Dr. Denenberg's friend, Stanley C. DuRose, has the unenviable job of regulating insurance in Wisconsin, a job that sometimes requires him to listen to the threats and imprecations of lobbyists for insurance companies. To help the new commissioner handle his assignment, Dr. Denenberg authored a special report that, he says, "should be taken in jest by those who do not take themselves too seriously (although it has a deadly serious message)."

The report recommends that lobbyists threatening the commissioner with Federal insurance regulation, if their demands are not forthcoming, shall be subjected to "a series of cruel and unusual punishments, including actual subjection to Federal regulation."

The rule provides that the commissioner may consider a list of aggravating factors justifying more severe punishment. For example, one aggravating factor is as follows: "If the person who has complained about state regulation has had no experience with the FCC, FTC, ICC, SEC, CAB, FAA, FPC, Spiro T. Agnew or Dean Sharp."

Other aggravating factors arise if the person complaining about state regulation has consistently failed to make workmanlike legislative proposals to improve state regulation or if he threatens Federal regulation in a state like Wisconsin, which has had a tradition of state government and insurance regulation that compares favorably with the performance of any Federal agency or branch of government.

We trust that Commissioner DuRose will not have to impose any cruel punishments, at least until we hear from the committee on Federal insurance regulation of the American Risk and Insurance Assn. appointed by—you guessed it—Dr. Denenberg.

## Mr. Nixon makes a point

Robert M. Powell, president of CNA Investor Services Inc., recently told an American Management Assn. seminar that "variable annuities and variable insurance will be the products of the '70s—or definitely the '80s—because they fill the consumer's need to keep his benefits up with the rising cost of living, provided he assumes the investment risk involved. He's not buying on the price of today or tomorrow, but he is buying a long-term investment."

In making his case for the sale by insurance companies of equity products, variable annuities, mutual funds or simultaneous sales of life insurance and mutual funds, Mr. Powell quoted President Nixon as saying "many of the policies of the '60s are now out of date with the times." While the President probably wasn't thinking of insurance policies, his message makes a point.

Inflation over the past decade, as Mr. Nixon himself pointed out, has increased the cost of living to the extent that every deferred compensation program funded by conventional insurance is now out of date. There must be a new breed of employe compensation programs that meets the test of keeping up with the inflationary spiral. No American who has lived through the post-World War II era can seriously believe that some economic elixir will be found to end inflation. Thus, Mr. Nixon make a point when he says that the "policies of the '60s"—insurance and otherwise—are out of date with the times.

# letters

## First . . . the people

To the Editor: I had the opportunity to read your article concerning Joe B. Hunt, insurance commissioner of the State of Oklahoma, in your Jan. 19 edition.

If there was ever an insurance commissioner who looked out for all the people, it is our commissioner, Joe B. Hunt. Commissioner Hunt's first thought is always the people of Oklahoma and to protect them against the wrongdoings of insurance companies.

As to the Community National Life Insurance Co. problem, as soon as the information was available there was positive action taken and I think you should retract the statement made that possibly there was some dereliction on his part.

In reference to the information he puts out each year regarding taxes collected, it is true information and any department in state government reports the revenue that comes through their department.

The people in Oklahoma know who their insurance commissioner is but many do not know who their governor is; and, they also know he will take up for them.

Bob C. Lamirand

Oklahoma City, Okla.

## Group dental plan

To the Editor: In your publication of Dec. 8 on page 50, I noticed an article pertaining to a new group dental plan that has been written for the Associated Home Builders of Greater East Bay in Oakland, Cal.

Would you kindly give me the address of this concern so that I might write to Mr. William Leonard, executive president, and receive his thoughts on this program?

Apparently this is a program that will have some interest in the future for all companies providing any type group fringe benefits to their employes and I would like to investigate the matter.

R. K. Rudicil

Assistant Treasurer, The Berkshire Corp., Morristown, Tenn.

Editor's Note: The address is 31 Geavy St., San Francisco, Cal.

## Expertise

To the Editor: I noted when your reporter interviewed Jim Attwood and me that he was quite expert in the group insurance field. That expertise came through nicely in the article that appeared in the Jan. 5 issue of *Business Insurance*. I would like to compliment you on it and express appreciation for your interesting piece.

J. Henry Smith

President, Equitable Life Assurance Society, New York, N.Y.

## IIT scholarship

To the Editor: I was most interested in the editorial headed "Worthy objective" that appeared in your Dec. 8 issue. In that editorial you applauded the establishment by Marsh & McLennan of two scholarships in fire protection engineering at the Illinois Institute of Technology.

We are delighted at this show of interest in this increasingly important subject by an outstanding insurance organization. Kemper Insurance has long recognized the need for a demonstration of interest on the part of the insurance industry in moti-

Continued on page 28



Zurich is the only company I know that has evidenced any desire or willingness to talk over our mutual problems and negotiate our differences.

I am once again reminded by your actions that Zurich, world wide and large an organization as it is, still has much interest in the individual policyholder.

I was totally at my wit's end on this account and it's been a long time since I talked to an underwriter who seemed truthfully concerned about us as individuals.

May I compliment you on your positive attitude and prompt response regarding the [redacted] re-serve and the medical claim on [redacted]. I've been impressed by Zurich over recent years and am more pleased as time goes by.

Your marvelous efforts in assisting us in the submission of our proposal were as usual outstanding.

Our grateful thanks to you for the prompt handling of the robbery loss suffered by our assured... He is in business for himself and was in dire financial straits. Due to your rapid efforts the loss was minimized.

...has given us efficient, quick and accurate service in processing our DBL claims.

I want to thank you for the wonderful way you have responded to our request for a hurry-up quote. As a result we have a fine account that is increasing approximately 20% a year in sales.

I take this opportunity to express our appreciation of the service of your large lines department. They are second to none. Their work is timely, accurate and speedy. It isn't often that we write a letter like this.

I have never had a company I hold in such high regard as Zurich - we sort of had a wedding 10 years ago this month.

■ The above quotations are from unsolicited letters in our files. The writers range from an individual policy holder to small agencies to one of America's largest brokers.

If you have never had the occasion to talk to your present companies like this, maybe you should talk to us.



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# Emergency system fails in midst of disastrous California Earthquake

SANTA ROSA, Cal.—The blinking lights didn't blink during this area's somewhat disastrous series of earthquakes and as a result an emergency power supply didn't come into use at police headquarters in Santa Rosa.

"The phones were being rung madly," explained Mayor Jack Ryersen, "but because the lights that tell which line is ringing weren't connected to the emergency power supply, policemen could not establish which phones were ringing.

"We had a \$20,000 system that proved ineffective all because the silly little lights wouldn't work," Mr. Ryersen told the California legislature's joint committee on seismic safety.

**THE COMMITTEE** met to consider problems California may face if, as geologists are predicting, a major earthquake of the 1906 San Francisco intensity can be expected before the end of the 1970's.

Mr. Ryersen reported that extensive damage to downtown Santa Rosa buildings by the October quakes amounted to about \$5 million.

In the central area, he said, 21 buildings were damaged beyond repair and must be demolished. Another 35 can be repaired sufficiently for reasonably safe interim use but ultimately must be torn down because they cannot be economically brought up to the city building code standards.

An additional 18 buildings were damaged but can be so repaired as to meet all requirements.

"**AFTER THE** quake," Mr. Ryersen told the committee, "we found that the city building inspection department just didn't have enough manpower to inspect all of the damaged buildings to certify them as safe.

"This was particularly the case," he added, "because of the aftershocks that struck. The previously inspected buildings had to be gone over again." He recommended that building departments of various cities "work out mutual assistance agreements," such as those made by police and fire departments, for

## London air carriers face stiff U.S. bid

LONDON—Aviation underwriters in London face hard competition from the American market, declared L. R. Johnson, chairman of Lloyd's Aviation Underwriters' Assn.

This is based on the fact that in recent months an increasing amount of insurance covering small aircraft in the U.S. has been cancelled, and has been insured in the domestic market instead.

He warned that there are signs that fiercer competition is coming from the U.S. market than has been experienced for the last year or two. Insurance rates generally for aviation business have hardened, and conditions of insurance are moving in underwriters' favour, he declared.

Definition of hi-jacking risks so as to provide cover at special rates is now being studied, as it could be hard to determine the point at which all-risk cover is resumed after a hi-jacked aircraft is released.

such earthquake emergencies.

"One problem that could have been serious but didn't turn out

that way," he said, "was that the elevators in a number of multi-story buildings came untracked. ■

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# Clothing workers union's captive still going strong after 25 years

NEW YORK—While private industry looks interestedly toward captive insurance companies, a labor union quietly continues its operation of one of the oldest, most successful "captives" in the U.S.

Like the United Mine Workers and the Teamsters, the Amalgamated Clothing Workers Union maintains strict control over the administration of their members' health and welfare benefits. However, unlike the miners who distribute these benefits from a central fund, and the teamsters who utilize regional boards for benefits disbursement, ACWU operates its own insurance company which supplies these needs for its union members.

Started in 1944, Amalgamated Clothier Workers Union's Amalgamated Life Insurance Co., Inc. now handles between 150,000 and 175,000 claims yearly, according to James Shoaff, the assistant secretary and treasurer of the

company.

"OUR OPERATION is governed by its own board of directors," said Mr. Shoaff. He explained that the insurance company was operated on a nonprofit basis. "None of the executives of the company receives any money. I'm really the only salaried officer of the insurance company, and it is fixed by the board of directors," he said.

The insurance company offers a \$5,000 life insurance policy to the 382,000 union members. In addition, the captive provides coverage for loss of weekly compensation, and basic hospitalization and surgical benefits, Mr.

Shoaff stated.

"We pay for semi-private room and board in full without any time limit," he said. "Also, we have no limitation with respect to in-hospital diagnostic and therapeutic care, he said, noting that the company provided liberal maximum limits for incidental hospital charges (\$1,000 for clothing workers). "We provide a schedule of coverage for emergency care only on an out-patient basis," he said, explaining that most member locals operated their own out-patient ambulatory care centers.

"WE COVER compensation loss with a schedule which allows half

a man's pay for a period of 18 weeks, with an upset of \$60 a week," Mr. Shoaff said. The company makes allowances in accordance with the laws of those states (such as New Jersey) which impose a different schedule for loss of compensation insurance, he added.

Amalgamated first got into the insurance business in 1940 when the Amalgamated Life & Health Insurance Co. was founded, Mr. Shoaff remarked. The Chicago-based company initially offered supplemental union benefits (e.g., registered nurse care) which the primary policy covering a member did not include. "The Chicago company still markets such supplemental coverage to our policyholders," Mr. Shoaff revealed.

While many unions expressed a keen interest in the project, none of them has followed the path pioneered by Amalgamated Clothing Workers Union, Mr.

Shoaff said. He noted that at one time several officers of one union pooled their investments in an attempt to start a private insurance company. However, its purpose was profit. "The miners directly administer benefits but they don't run this kind of an operation," Mr. Shoaff said.

THE UNION started its own insurance company in order to "make sure the members get equitable treatment. The union wanted to make sure that these benefits are handled at arm's length," Mr. Shoaff declared, explaining this as a means of avoiding company "paternalism."

Union personnel handle claims and other administrative tasks without any added charge to the policy holder, Mr. Shoaff remarked. The entire operation of the insurance company is maintained from employer contributions.

# Cyanamid ups retirees' benefits

WAYNE, N. J.—About 3,000 American Cyanamid Co. retirees or their beneficiaries have received increases of 5% to 15% in their monthly pension checks beginning this month.

According to G. W. Coulthart, manager of personnel relations, the increases are a result of an awareness on the part of American Cyanamid "that pensioners haven't seen any improvements in their income for some time."

Affected by the increase are all employees who retired from Cyanamid prior to May 31, 1967, when the company made some "significant improvements" in its retirement plan.

THE PENSION increases depend on how long ago an employee had left the company. Retirees with less than 10 years of service receive a minimum monthly addition of \$5, and those who had been with Cyanamid longer receive a minimum increase of \$10 per month.

For active employees or those who retired after May 31, 1967, Cyanamid now uses a career average pension formula which is integrated with Social Security.

For those employees in lower income brackets the formula is 1 1/4% of the first \$7,800 and 1 1/4% of the excess in an annual earnings. Thus, an employee earning \$9,800 annually at retirement would receive about \$128 per month in addition to Social Security benefits.

Employees in the higher earnings bracket, however, have their retirement benefit based on a different formula. For them it is 1 1/2% of the average annual earnings (based on five out of the last 10 years before retirement) times years of service, not to exceed 30, and less the Social Security benefit. An employee whose average was \$20,000 with 30 years of service, for instance, would receive \$9,000 annually less the Social Security benefit.

## Named by N. E. Mutual

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# london line

## Claims on British car steering fault to be argued in seven-week hearing

LONDON—Plans have been completed for a seven-week court hearing in Britain's supreme court to argue a contested claim that steering defects in the British Motor Corporation's 1100-type automobile caused severe crashes from 1962 onwards.

The car industry consortium, one of Britain's biggest industrial groups, denies there is any foundation for the allegations that it allowed 1.5 million of its autos to get on the road in a dangerous condition.

But lawyers for a London diplomat, Kenneth Sydney Blakeborough, assert that he was seriously hurt because his car had a defective wheel and tyre, and a steering design fault, when it crashed in Spain in 1962, while he was driving with his family.

They claim to have received complaints from nearly sixty other people to support their view that there was a "common pattern" in such crashes.

The British Motor Corporation and the Dunlop Co., both deny involvement. They blame the diplomat's fast driving on a bad road for the crash, and say there is no ground for suggesting any negligence in the manufacture or sale of the car, or its tyres.

Efforts by Lloyd's to attract world membership, and so build up its capacity resources, are still actively in progress.

But though some advance has been made in this direction, there are still problems ahead in the way of its expansion policy.

A major defect from the viewpoint of many American businessmen is its historic insistence on the principle of unlimited liability.

Members pledge all their personal money to meet any claims their syndicates may have to face. They rarely lose all their resources but this traditional promise of unlimited liability is felt to be rather out of keeping with the vast demands of modern commercial life.

AMONG U.S. businessmen who share this view is Philip Berman, of Allentown, Pa., department

## Safety pays in Oregon

PORTLAND—The Oregon State Accident Insurance Fund (SAIF) has mailed to more than 24,000 Oregon employers checks totaling \$8,871,402 for payment of workmen's compensation dividends.

Charles B. Gill Jr., general manager, said the record dividend resulted from aggressive safety programs, coupled with low administrative costs and high investment yields.

To be eligible for a dividend, an employer must have been insured with SAIF during the 1967-68 fiscal year.

Individual checks range from \$5 to \$266,632. The distribution totaled \$2,604,486 in the tri-county Portland metropolitan area. Checks for \$2,137,051 are being mailed to 6,265 employers in Multnomah County; \$334,948 to 1,167 employers in Clackamas County; and \$132,487 to 947 employers in Washington County. ■

store chairman who was among the first of six Americans to be elected to Lloyd's last spring.

When he was here recently, to meet fellow-members, he told the London Sunday Times of his experiences.

He was reported as claiming that he had had to tie up \$250,000 in becoming a member, as in order to comply with Lloyd's financial rules he had found it necessary to buy \$100,000 worth of British securities, and had put a

lot more American stock on deposit with a bank in U.S.A.

Comments a business writer in the Sunday Times: "Lloyd's does a lot of business in the U.S. If it is going to take its share of the enormous figures that U.S. risks now total, it can only do so by attracting some of America's wealth on to the other side of the balance sheet. But as long as unlimited liability remains, this will be impossible."

Moves are in fact now on foot

to review this problem, because many Lloyd's leaders realize it can deprive them of substantial foreign membership. But there is no sign yet what the solution will be.

\* \* \*

S. J. Charlton, new chairman of the Institute of London Underwriters, has urged members to contemplate halting cover on supertankers until the cause of recent explosions is found.

He warned them at their annual meeting that there may have to be a further upward move in premium rates because of losses.

Some underwriters are likely to make tanker owners pay the first \$600,000 of any claim in future business, or to insure their vessels for total loss only.

But until more is known about the circumstances of tanker disasters, it is premature to speculate what action they will finally take, as they naturally want to

retain the business if possible.

\* \* \*

Brokers at Lloyd's claim that they have just survived the worst year in their history, according to an account of their experiences given to Lloyd's List.

Reviewing their position, a writer says: "The traditional role of producing and servicing business has not only had to be maintained at a much greater cost, but brokers have been faced in many cases by lack of capacity to complete an order, difficulty in negotiating terms, and the extreme difficulty of explaining to an assured why his order cannot be completed when he has been in the London market for many years."

Brokers hope to handle claims much more speedily in the future in nonmarine business through the formation of the new Lloyd's Underwriters Nonmarine Claims Office. ■



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## benefit tax slants

# New Federal tax law takes some glamor out of restricted stock deals

By JOSEPH S. ROBINSON

NEW YORK—Restricted stock is a popular type of deferred pay plan which permits an employe to buy stock at a bargain rate, subject to forfeiture if certain conditions are violated—e.g., leaving the company before a certain date. Under the old Federal tax law, no tax was paid until the restriction lapsed—and then at favorable capital gains rates.

But the new rules have taken some of the glamor out of re-

stricted stock deals. They hit the employe with an immediate tax at ordinary income rates upon the receipt of the stock unless at the time of such receipt, it is subject to substantial forfeitability. Yet, despite the fact that the advantages of restricted stock plans are not quite the same as before, there are still some plus factors.

For example, the employe retains the advantage of tax deferral if the stock is forfeitable. When the forfeitability ceases,

while the employe pays tax at ordinary income rates (instead of capital gains rates), he may be in a lower tax bracket at the time. What's more, he gets the benefit of appreciation in value during the period of deferral.

**THERE'S** yet another option given the employe:

He can choose to pay the income tax in the year he gets the stock—even though substantial restrictions remain. This means that practically all increase in

stock value is taxed at the more favorable capital gains rates. Of course, if the employe has to forfeit his stock because he didn't abide by the conditions, he gets no refund or deduction for any taxes he has already paid.

\* \* \*

**A LAWYER'S** participation knocked out an employe retirement plan under the following circumstances.

The attorney had a separate office on the corporation's premises with his name appearing over the door and on the building directory. He performed legal services for the company on an annual fee basis; but he also handled other clients as well. The lawyer was not subject to the direction and control of the corporation in carrying out his legal activities—including company business.

Held: There was no true em-

ployer-employe relationship . . . the company had no say over the lawyer's day-to-day activities. Therefore, the pension was not set up for the exclusive benefit of employes within the meaning of Code Sec. 401 (a) (See Rev. Rul. 70-29).

**HOWEVER**, Internal Revenue is quick to point out that here are circumstances where an attorney can be an employe.

For instance, a company may have its own legal department and employe house counsel. Here, the attorney is normally employed on a full-time basis. But this does not mean that he should devote every minute of every working day to company business. An arrangement may be entered into under which the lawyer is allowed to spend some time on other matters and he will still be considered an employe for purposes of pension participation. (See Rev. Rul. 69-569).

\* \* \*

**RETIRED EMPLOYEES** may continue as part-time consultants with their former employer without losing the capital gains treatment on lump-sum pension distribution. So says Internal Revenue providing two conditions are met—namely—(a) no supervision of work, and (b) no fixed time schedule of work. (See Rev. Rul. 69-647).

\* \* \*

**A PENSION PLAN** provided that all compensated employes with three years of service who were employed for more than 20 hours a week for at least five months per year were eligible to participate. In actual count, the corporation had ten employes—but only three were so-called full-time employes.

Two of the three eligible employes were eliminated from the plan because they were not on the payroll . . . in other words, they received no compensation. The other employe—and the sole participant—had a half interest in the business.

Held: Since the pension plan did not include the two uncompensated employes who met the other requirements—i.e. three years of service, 20 hours a week for more than five months a year—it failed to meet the percentage-of-employe coverage test. So the plan failed to qualify. (See Rev. Rul. 70-2).


\* \* \*

**AN INCENTIVE** bonus arrangement can be worked up with favorable tax angles and still win Internal Revenue approval.

For instance, a company's board of directors decides which employe is to receive bonuses and also specifies what future date the cash should be handed out. Under the arrangement, the employer cannot get his hands on the cash until the designated date. Also, while the company contractually agrees to the deal, it does not maintain a separate fund to hold the bonus money until payout time. Under these circumstances, IRS says the company may deduct and the employe should pay tax in the year of payout. (See Rev. Rul. 69-649).

\* \* \*

**A DEFERRED** pay deal specified that each December, an employe can decide how much of next year's earnings he wants his employer to salt away for him. Where the arrangement provided that the employe will not be permitted to claim this money until he retires, quits, becomes disabled or dies, he is not taxed until actual payment of the deferred amount is made. (See Rev. Rul. 69-650). ■



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# Massive health study to comb 650,000 cases

SAN FRANCISCO—A \$180,000 "health care study" will be conducted for the California State Fund, largest compensation carrier in the state and fourth largest in the nation, with a data bank on the history of more than 650,000 cases in which the fund paid insurance benefits to injured workmen.

R. A. Young, general manager of the fund, said a first phase contract has been signed with Teknekron Inc., a consortium of university scientists and engineers, to study and institute a "scientific disability management program."

"The pilot plant," Mr. Young explained, "will consist of the installation of the program within the next year in a major district office of the state fund and the

study will apply operations research techniques used in the U.S. space program."

The study will embrace "a total approach" to all health care problems, including social, psychological, financial, operational, mechanical and medical influences.

**OBJECTIVES**, according to Mr. Young, will include "the development of methods for the early identification of problem cases, as well as efforts to improve rehabilitation techniques and case planning systems."

"The study," he continued, "will also attempt to develop methods for measuring performance in the delivery of medical care."

"The results of this study," Mr. Young added, "will be made

available to the compensation insurance industry in California and to others who may be concerned with or who might benefit from such a review of medical care problems."

Mr. Young's announcement came just as California's labor leaders, embittered by "more than two years of futile efforts" to improve medical care and lower costs, decided to "fight to put hospitals under tight state regulations."

**THE "FIGHT"** was disclosed at a San Mateo meeting of labor's California Council for Health Plan Alternatives which, in large measure, represents the state's two million union members.

"These constitute the bulk of those of our citizens who get in-

surance prepaid medical care at the hospitals," council spokesmen declared.

The council said it would draft legislation to "tighten state regulation of hospitals and hospital care" and would invite consumer groups to "join with us in this fight for lower costs and improved care."

The council has spent two years working with insurance carriers, health plan officials, groups of hospitals, physicians and others to seek "voluntary" action.

"**THEY GAVE** us a sympathetic ear but nothing ever really happened," declared Einar Mohn, chairman of the council and director of the Western Conference of the Teamster Union.

"The era of self-regulation and

irresponsibility of the health industry," Mr. Mohn declared, "must be brought to a close. Voluntarism is bankrupt. The health needs of the people of California are not being met."

"**WE CAN** no longer tolerate steadily rising costs that stand between the public and the health services they need. We will not accept the bland assurances of the health industry that they need more and more money, when they give us no guarantee of quality or appropriateness of care."

Mr. Mohn added that the unions "finally were moved to go after state regulation after the Kaiser Foundation announced that in April it will raise its health plan rates an average of 7.5%."

"This," Mr. Mohn said, "will mean their rates will have risen more than 35% over the past three years."

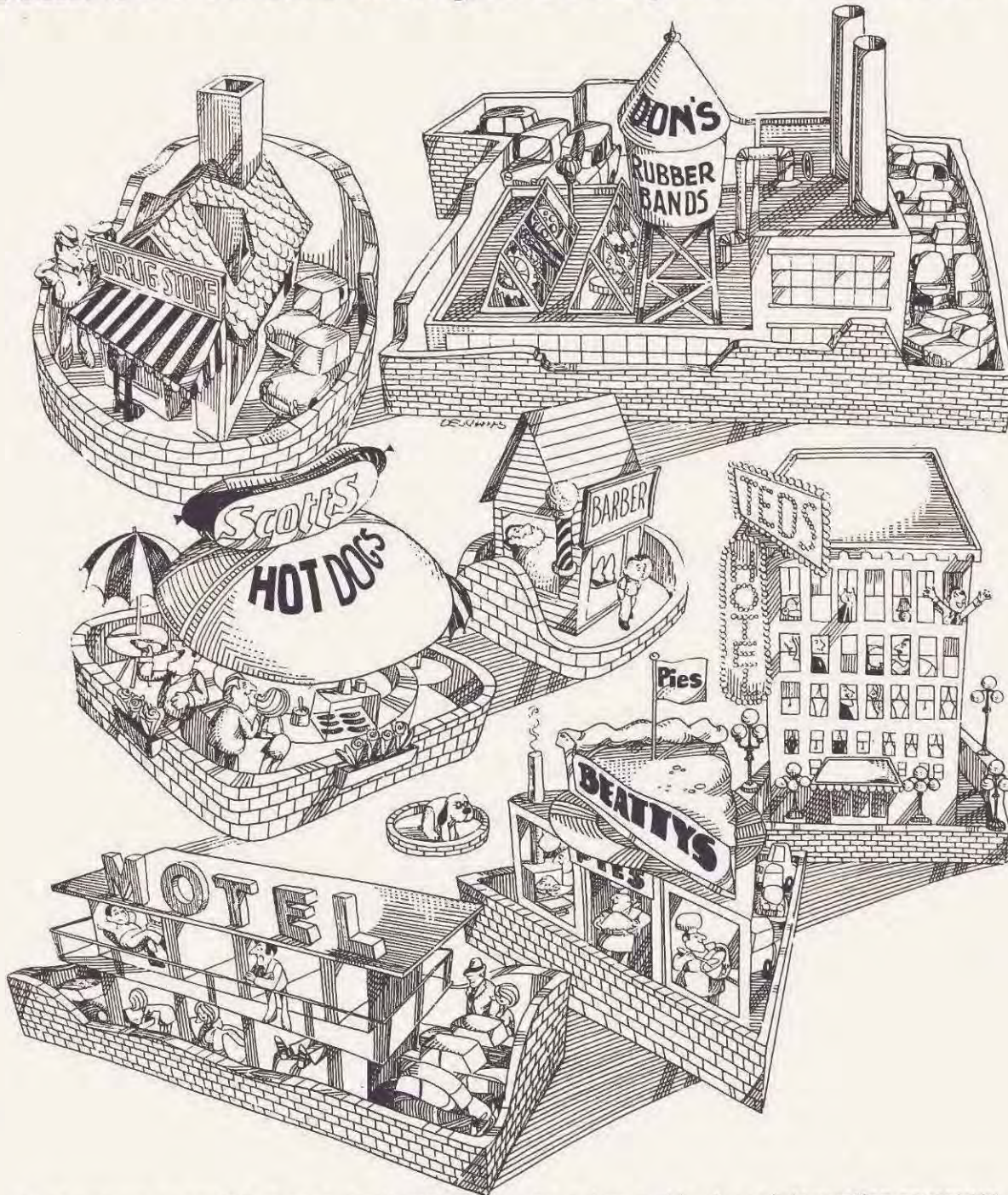
**PROPOSED** legislation would establish a regulatory system under the State Health Planning Council, which was established with Federal legislation in 1966.

The council now consists of state officials. The labor organization wants it to be composed essentially of consumer representatives who would be appointed by the governor.

The state council then would establish local councils. These would hold hearings and act on proposed rate increases. The council would be authorized to require hospitals to disclose all details of their costs and operations.

The proposed legislation also would authorize state government planning commissions to approve plans to develop, expand or modernize any health facility in their areas and to require the provision of out-patient and preventive medical care.

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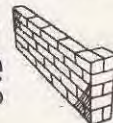
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## Insurance executive pleads guilty

TUCSON, Ariz.—Sol Ahee, former state senator and insurance executive here, was placed on probation for three years Jan. 19 for obtaining money by false pretenses.

Mr. Ahee had pleaded guilty to the charge, which stemmed from the forged signature of special insurance agent George Mitchell on a letter stating that a \$350,000 insurance policy had been issued on a Tucson restaurant, now defunct.

Superior Court Judge Estes D. McBryde made it a condition of probation that Mr. Ahee repay \$24,000 loaned by the Southern Arizona Bank on the strength of the letter signed by Mr. Mitchell to the owners of the restaurant.

**MR. AHEE** reportedly repaid some \$7,000 of the money before he was indicted by a secret grand jury in March, 1969.

Defense Attorney John J. Flynn argued that, although his client pleaded guilty, the offense last Feb. 24 was "only a business transaction."

An additional charge of forgery was dropped after the court accepted Mr. Ahee's guilty plea.

Attorney Flynn insisted Mr. Mitchell might have signed the letter to the bank himself if he had been in town at the time his signature was needed.



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# Mavis Walters: Miniskirted actuary for IRB

By SUSAN TRAUSCH

NEW YORK—You want to be a star, kid. Be an insurance actuary. (That's a rate maker.)

Glamour. Thrills. See the world. And if you don't believe it go to the Insurance Rating Board and talk with Mavis the Miniskirt. You'll find her in a colorful 10th floor office sitting under a Mad River Glen ski trail map and a "Curse you, Red Baron" sign.

"When I first started making business trips, insurance commissioners would look at me and say, 'You're an actuary?' I think they were waiting for a little old man to walk in," Mavis Walters told *Business Insurance*. She is a tall, 26-year-old brunette with hazel eyes. "That's when the miniskirt nickname started. I suppose I'm

stuck with it, but it'll sound ridiculous when I'm 40."

**ACTUALLY**, Miss Walters' skirts are average-short by New York standards, but outside of Fun City it's a different story, especially at state insurance departments where officials are expecting to see baggy grey trousers instead of knees.

They loved her in Kentucky. She was given an aide de camp certificate from the Kentucky insurance commissioner in 1966 for her participation in public hearings. Miss Walters explained that a state is required by law to hold a public hearing when insurance rates are raised. State attorneys and interest groups opposing the rate hikes question a representative of the rating board. That year when Kentucky auto insurance



Mavis Walters is an actuary with the Insurance Rating Board.

rates increased \$22.22, Miss Walters was on the stand.

The day after the hearing, Kentucky papers all had "Miniskirted

Actuary" in their headlines and reported that for the first time a three-hour hearing wasn't dull.

"**THE AIDE** de camp award sort of made me a Kentucky colonel," Miss Walters said indicating the plaque on her wall. "It's not any kind of official document, but it was fun receiving it."

She said that testifying at hearings is rough and that the rating board was reluctant to let a woman try it.

"I had been working there two years and had accompanied other actuaries to hearings," she said. "The board decided to let me testify, but they weren't sure what would happen. There is heavy press coverage at these hearings and attorneys really fire the questions at you. You can't bungle. If I had cracked it would have been bad news."

**SHE SAID** she usually feels confident at hearings because she tries to review all the statistics on the case. This statistics gathering is part of her job, even when a trial isn't coming up.

"Actuaries determine rates and to do this they look at losses to see if insurance companies can make a profit with the present premium rates," she explained. "I work primarily with auto insurance rates. They have gone up tremendously, especially in New York, because of theft. Insurance is like any other business. The people in it have to be able to make a profit."

Miss Walters helps prepare statistical reports for each state and visits state commissioners when they have questions.

"**IT'S NOT** easy for insurance commissioners to raise rates," she noted. "They're bombarded with complaints and questions when there's a rate hike and they have to have the answers. There are often political problems. If they are voted into office they could be out of a job in the next election."

Miss Walters goes over rate tables with commissioners and explains the math and the logic.

"It's not just a matter of numbers," she said. "I try to be aware of past and future trends and make sense out of numbers. I like to talk to people and had originally wanted to be a math teacher."

**MAVIS WALTERS** has a degree in mathematics from Fordham University. When she was president of the school math club she invited an actuary to speak to the members and decided the insurance career sounded more challenging than teaching.

Miss Walters is one of about a dozen women accepted by the 432-member Casualty Actuarial Society. She has passed five of the society's nine examinations to qualify her for the title of actuarial fellow.

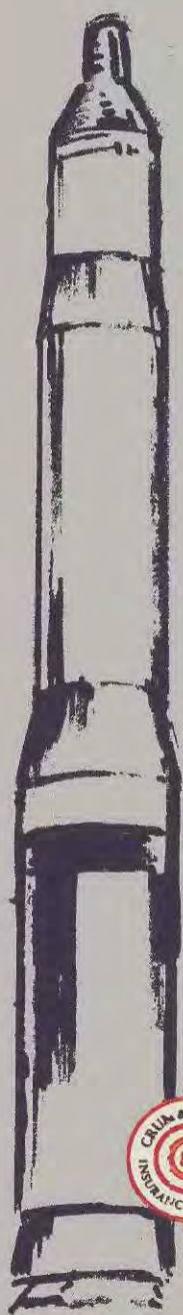
Most sharp, bright-eyed New York City girls don't seem to be lining up to be insurance actuaries, and according to Mavis Walters, that's where they're making their big mistake.

"There's lots of travel and fun and interesting people," she said. "And most everyone in insurance is a man. What better place is there for a single girl." ■

## Starts rehab program

Fireman's Fund American, San Francisco, has started development of a formal full-scale rehabilitation program, with a series of seminars for the company's seven rehabilitation nurses. The nurses help with the rehabilitation of injured people insured by the company primarily under workmen's compensation

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# business insurance/perspective

## Reciprocity and insurance: 'You buy from me and I'll buy from you'

by Herbert S. Denenberg,  
Loman Professor of Insurance,  
Wharton School of Finance  
and Commerce,  
Philadelphia, Pa.



Herbert S. Denenberg

Reciprocity means "you buy from me and I'll buy from you." More formally, the term has been defined as the "use of one's purchasing power to obtain sales and the practice of preferring one's customers in purchasing." Less formally, in Hawaii, its called "Hoomalemale"—"You tickle me and I'll tickle you."

Sometimes the practice of reciprocity is called "trade relations" or "complementary purchasing." The practice may be formal or informal, systematic or sporadic, contractual or noncontractual, obvious or subtle.

Reciprocity may take place even in the absence of any conscious scheme by the corporation that may profit from it. Company A may make substantial sales to Company B. In turn, it may use a product that Company B produces. Company A may decide that it had better keep Company B happy, and one way to do so is by making purchases from it. This tendency to practice reciprocity, even in the absence of solicitation, is called the "reciprocity effect."

**RECIPROCITY DOES** not have the ugly connotations of, say, boycott, coercion or

intimidation. It is carried on in the name of accommodation. I asked the president of a large manufacturer listed on the American Stock Exchange if he would practice reciprocity. He replied, "I'll do anything to accommodate a customer." Reciprocity has even been described as a moral imperative.

One advocate and practitioner justified reciprocity as follows: "We are morally obligated to consider those people who have befriended us in the matter of purchases. Conversely we feel it just as important to emphasize the fact that when we need help we should feel free to call upon our commercial friends to help us in the matter of our sales, just as we have helped them." He touchingly entitled an address on the subject of reciprocity as "Creating Commercial Friendship Through Trade Relations."

Willard Mueller, the leading authority on the subject, has recently indicated that reciprocity is widely and commonly practiced. He found no reason to reverse a conclusion he had reached earlier: "Many firms have resorted to reciprocal dealing in trying to advance their business inter-

ests." A Harvard Business Review article concluded that reciprocity is commonly practiced although only superficially treated in business literature.

Purchasing magazine conducted a survey of 300 purchasing agents to test the extent of the practice of reciprocity. It found that 51% of the purchasing agents concluded that reciprocity was a factor in buyer-seller relations in their companies. A textbook on procurement concludes that "the use of reciprocity as a basis for obtaining sales is a practice of long standing, the essential soundness of which has been argued pro and con at great length."

**RECIPROCITY IS** no stranger to insurance. It is most apparent in the case of small businessmen. The owner of a small shoe store is likely to buy his insurance from an agent who patronizes his establishment. And a small agent is likely to buy his shoes from a merchant that needs and buys insurance from him. Reciprocity has been described as almost a conditioned reflex in both insurance and banking.

Nor is reciprocity confined to the small transaction. Perhaps the most obvious kind of reciprocity involves the governmental risk in which insurance business is parcelled out to political favorites with a cozy reciprocal "you tickle me and I'll tickle you agreement." Part of the commissions may come back in the form of political contributions, thus mixing reciprocity and rebating in a grand design. Another obvious kind of high level reciprocity is the bank that spreads its insurance around in return for deposits.

Insurance is ideal for the practice of reciprocity for a number of reasons. Of course, every insurance transaction is not necessarily ideal, but there are a variety of factors that make insurance reciprocity-prone. The insurance possibilities of reciprocity will be illustrated by property and liability insurance offered by a leading  
*Continued on following page*

## A new view of the 'capacity crisis'

by Robert E. Abrahamson,  
Corporate insurance manager,  
Control Data Corp.,  
Minneapolis, Minn.

Corporate insurance managers, as a group, like to sit back and reminisce about what they once considered a prudent purchase of planned protection for the physical properties of their respective employers. In recent years, however, the emergence of increasingly capacity problems has evolved into corporate policies of assiduous vigilance in place of past complacency.

The omnipresent term "capacity" may have different meanings depending on the context of its use. For our definitive purposes here, it is simply the relationship between rating structures and the insurance coverages available to meet the specific requirements of the buyer of insurance. For each contractual obligation to assume a risk, the individual insurance or reinsurance market, of course, must commit a part of its capital or surplus. The amount of this commitment is normally contingent upon the evaluation made of the risk, together with the expectation of an underwriting profit.

It is the noted absence of profitability in recent years, particularly at Lloyd's of

London, that has precipitated the current capacity problems. Lloyd's has candidly told us that over the years competitive forces have forced rates down to unrealistically low levels, with the direct benefit being reaped in the form of premium reductions to the ultimate buyer. This, combined with catastrophic losses and the subsequent lack of new capital investment in insurance, they say has had a continu-

limits are being imposed, sometimes in excess of surcharged rates for what is termed inadequate fire protection for the exposure at risk. Then as the MFL's (maximum foreseeable loss) grow in excess of the scheduled limits, the risk manager has to seek the needed capacity in the available excess markets, or else self-insure.

You cannot buy the necessary "sleep insurance" here, as is the case with cer-

**'Until profitability is brought back . . . we, as buyers, can expect no easing of our plight, restricted markets and high rates.'**

ing, far reaching effect on all segments of the insurance industry. Until profitability is brought back, which will encourage investors and the much needed cash flow, we, as buyers, can expect no easing of our plight, restricted markets and high rates.

**THE COMPREHENSIVE** blanket property insurance programs of many corporate buyers seem to be disintegrating, at least to some extent. Those facilities which merit a "highly protected risk" designation by the underwriter, are in the "blanket" programs today, but what about tomorrow? Coverage is being terminated, at the insurers request and restrictive

tain liability exposures. The procuring of the necessary excess coverage is at times becoming an increasingly difficult undertaking. The task as it is, however, is not yet an insurmountable one.

It is here, where the need for capacity exists, that the role of the professional broker becomes a most important one, in his relationship with his corporate client. The broker's general expertise, his knowledge of and access to the various property insurance markets, are prime factors in the arranging of the necessary excess coverages, at rates consistent with the existing exposures. We have to keep in mind however that as in excess liability cover-

ages, rate making for excess property cover is an inexact science and manual rates are at best underlying considerations in the overall rate promulgation.

**THE OLD LATIN** phrase, "caveat emptor" (Let the buyer beware) seems to have some application here. As we hear so often, "it is no longer a buyers, but rather a sellers' market." Here is where the astute broker can display his expertise or lack of it. For it takes daily exposure to capacity problems over an extended period of time to acquire an in-depth knowledge in the excess property insurance field. The performance of the broker, of course, is contingent in part on the timely underwriting data furnished by the buyer. We all expect the broker to respond with alacrity when we have a real problem risk, regardless of the input we give them, but yet we are no longer too surprised when the overnight miracle does not happen.

Most of us are aware that property insurance carriers and their reinsurers have been financially hurt by catastrophic losses in recent years, the nature of which does not bear repetition here. We also know that some of the insurance companies are having their cash reserves consumed, resultant of conglomerate takeovers and formation of holding companies. Their investment portfolios are also being purportedly affected by what some people term "inflationary action." All of this then also has had its impact on the capacity crisis, a problem which seemingly will be with the insurance industry and the ultimate buyer of insurance for some time to come.

Continued from preceding page carrier, but the analysis is applicable to life insurance as well and is not totally dependent on the stature of the practicing carrier.

A company that is to take advantage of reciprocity needs a product to sell that their suppliers need. Insurance is ideal because everyone needs insurance. Every business must buy a substantial amount of insurance. This includes all kinds of property and liability insurance—fire insurance, automobile insurance, workmen's compensation insurance. In addition, businesses buy group life and health insurance for their employees.

**NOW THERE IS** a new addition to the insurance needs of business. This is group property and liability insurance. More and more businesses are initiating payroll deduction programs to provide their employees with group property and liability insurance. Under these programs, an employee can buy auto insurance, homeowners insurance and other kinds of coverage through the same kind of arrangements now used to market group life and health insurance. Many feel this is the wave of the future and will add substantially to the amount of property and liability insurance that business buys.

An insurance company only doing an insurance business, unlike an industrial company, has little purchasing power for use in reciprocity. It simply doesn't buy very much. In 1967, property and liability insurers had premium and investment income of over \$25 billion, but made purchases from other firms of somewhat over \$1 billion. So an insurance company by itself can barely scratch the surface of reciprocity opened up to an insurance company merged with an industrial giant.

The advent of the conglomerate and the holding company with insurance subsidiaries has opened up new vistas for the use of insurance in reciprocity arrangements. For the conglomerate now has insurance, the universal necessity, to sell; and it has pur-

chasing power to favor those who buy insurance from it. Thus, the conglomerate will be in a position to get the insurance business it wants, massively across the board, or on a selective basis of "cream- ing." As one article on reciprocity has noted, "suppliers may be chosen for their desirability as customers and their susceptibility to reciprocity."

If you are going to engage in reciprocity you need a product acceptable to your customers. The product of a leading property and liability insurer would be acceptable to most businessmen. There are four aspects to this acceptability: solvency, contract, service and price.

**Solvency Considerations.** As far as solvency goes, all the leading insurers would be acceptable to most businesses. They are all considered to be of unquestioned financial stability. They are all given the highest ratings by financial services. They are virtually universally acceptable to the sophisticated and unsophisticated insurance buyer alike.

**Contract Considerations.** All the leading property and liability insurers offer all essential lines of coverage. In addition, they can offer pretty much the same contractual terms that other companies offer. Sometimes by law, the contract is standardized. In other cases, contracts may be varied by insurance companies. But insurance contracts cannot be copyrighted. If one leading insurer can live with a special contractual adjustment, in most cases so can another. Then too, the insurance buyer as well as the company is often willing to adjust the terms of the contract if it is advantageous to do so.

**Service Considerations.** The contract must also be acceptable as far as insurer services go. This refers to claims adjustments, engineering, and other services that may go along with insurance. Most leading companies are capable of duplicating the services of another. They all have nation-

wide facilities; they all have engineering, claims and other service facilities. In most cases, the services of one leading insurer would be as acceptable as another.

**Price Considerations.** Insurance prices are often the same or are very close together. On some kinds of insurance there is virtually no price competition. On many lines there is rate regulation which can have an inhibiting effect on competition. The tradition of rate making in concert has a long history in insurance and it undoubtedly affects the competitive climate of the business.

When there is price competition, there are still factors that keep prices within a reasonable range; on any given risk the companies would be looking at the same individual loss experience. They would consider the same underwriting factors. They may be using the same rating plans. If they both want the business, they are likely to come up with prices within a reasonable range.

In those cases where price differentials are limited, reciprocity is, of course, facilitated. In those cases where regulatory or other forces do not prevent price differentials, reciprocity also may be facilitated, as an insurer would not need to disturb its overall pricing structure to authorize price variations needed to effectuate reciprocity.

**Impact of Centralization.** Reciprocity is easiest to administer if the buying function is centralized and controlled at a high level. Insurance is ideal from this point of view, as it is one of the most centralized of business functions. There is good reason for this. By centralizing the insurance function, economies can be achieved and dangers of gaps and duplications eliminated.

Reciprocity is also easiest to administer if the function is controlled at a high level. Insurance is typically handled at a high level, thus making reciprocity easier.

**Impact of Agents and Brokers.** Most

large insurance buyers utilize brokers and independent agents. This also facilitates reciprocity, as insurance companies can be changed without disrupting the buyer's relationship with his broker. The buyer can instruct his broker or agent to change companies whenever it is advantageous to do so. Thus, the insurance buyer can switch to the desired insurance company and still use the same broker or independent agent.

**Change of Companies.** Insurance buyers often do change companies, and for a variety of reasons. As already noted, these shifts are simplified by the existence of brokers. These changes are also simplified by the fact that insurance changes in a corporation involve fewer individuals, less direct contact with management by outsiders, and there is less need to get approval from various segments of the corporation. Insurance changes generally involve no disruption of the production line, the companies' product, its marketing methods, and the like.

Change is also facilitated by the fact that most businessmen view one leading property and liability company pretty much like any other. In addition, businessmen have become used to changing insurance carriers, due to the erratic and fickle behavior of many insurers in recent years.

Of course, a businessman will not change for the sake of change. There can be limitations on change. On some occasions, for example, it will be wise to wait till the end of the term of the contract. But insurance can be changed and is often changed when there is good reason to do so.

The full impact of reciprocity on insurance has never been carefully studied. But the advent of the conglomerate and holding company with insurance subsidiaries will undoubtedly create new opportunities for and dangers from reciprocity. Recent developments relating to insurance company acquisitions by noninsurers will open up a host of new issues and problems, and reciprocity will be among them.

# Risk management notes

Prepared by Warren, McVeigh & Assoc., San Francisco, Cal.

## Administration

Ask any risk manager at random what his most serious problem is and the chances are good that he will reply: "communications." Everyone has his own technique for communicating laterally and down—to accounting, engineering, field forces, legal, labor relations, research, etc. But what about communicating up—to management?

If management is not keenly aware of what the risk manager is doing and why he is doing it, his stature and effectiveness will suffer. One effective means of developing a dialog and rapport with management is by a regular report—monthly in large companies to annually in small ones—outlining exactly what is being done, why, and what results are expected. It should be well written, imbued with thought and effort. If so, it will be read.

The risk manager deals with problems fraught with both human and financial interest. Anyone should be able to make a chair-grIPPING report from this raw material. It should include status of pending claims, loss prevention activity and safety records, market negotiations, products liability exposures and legal climate, D&O cases, summary of "planned-no-insurance program" savings, and you name it. Reference should also be made, from time to time, to major uninsured exposures and, of course, the need for a larger budget for the Risk Management Department.

The risk manager cannot rely on techni-

cians or others to read his policy forms and advise whether or not they are adequate. This is something he must do himself if he expects to have a thoroughly coordinated and complete program. He also must do his own field inspection work because knowledge of company conditions and knowledge of policy coverage must be related. As a "for instance," most business interruption forms for manufacturers exclude coverage for wind or hail damage to metal smokestacks. Metal smokestacks are often found on boilers, furnaces, and other essential cogs in the production sequence.

**'The risk manager cannot rely on technicians or others to read his policy forms and advise whether or not they are adequate. This is something he must do himself. . . .'**

Thus, unless the risk manager is personally aware of both the policy restriction and the existence of all important metal smokestacks, he could be faced with a crippling, uninsured loss.

It should be noted, however, that this emphasis on the significance of first-hand knowledge by the risk manager does not mitigate the importance of securing information and advice from specialists of all kinds.

## Taxes

When negotiating a large property loss settlement, don't overlook the possibility of negotiating the time of payment. Though tax deduction is usually made in

the year of the loss, if the exact amount is undetermined, it can be put off to the following year when the claim is settled. Remember that insurance proceeds in excess of book value are taxed as ordinary income unless reinvested in similar property.

If an employe steals property, consider tax consequences if you choose not to prosecute. In the absence of prosecution, a tax deduction may be denied on the basis that you abandoned your claim of theft. It may also be denied on the grounds that you were concerned about your own contribu-

• Is rent abated in proportion to amount of physical damage to the premises?

• Is each party responsible for his own sole negligence?

Coverage under most liability policies will pay for property damage occurrences that take place over time intervals of days or weeks or even more. However, coverage applies only to property damage occurring during the policy period. Consider what would happen from an occurrence that persists after the policy expires or is cancelled, costs extend into the Umbrella, and different expiration dates apply. This would make the claim virtually impossible to adjust. The claim may also be jeopardized if different policy wording is used in the Umbrella and primary contracts. It is therefore essential that the Umbrella be written with the same expiration date as the primary policy and that all policies be carefully checked for comparable wording. Failures along these lines are common.

ctory negligence.

## Liability

Some questions to ask when developing insurance and liability clauses in lease agreements are these:

- Who is responsible for carrying building insurance?
- Does the wording specify precisely who carries what insurance?
- Are vague terms such as "fire and related perils" avoided?
- Is subrogation waived by the owner?
- In the event of building destruction from any cause, is the contract terminated?

## Workmen's Compensation

Many firms who self-insure their workmen's compensation exposure use a service firm to handle claims. One point that is often overlooked when entering into a contract with these firms is how the contract will be terminated if some other firm or some other method of handling claims is desired. Details to be considered are: what is done with active claim files? To what extent will the man handling the account with the service organization carry on to help close it out, since personal knowledge often cannot be translated to writing?

He's been there five months. With no end in sight.

It may look like a bed of roses. But he knows better. And so does the company.

They're paying double salaries. To the guy in bed. To his replacement at the office.

Long term disabilities have made a mess of more than one company's finances. Not to mention their employee relations.

Yet over half of American businesses ignore the simple alternative.

CNA's Salary Continuance Plan. The kind of comprehensive coverage that's

needed in business today. With benefits available to age 65.

CNA's Salary Continuance Plan covers all accidents, diseases and pre-existing conditions. It pays during rehabilitation.

It even covers the sticky medical problems of modern businessmen. Alcoholism.

Nervous disorders. Mental problems.

And our CNA Plan encourages employees to pay the premiums. They're payroll deductible, and average less than 1% of salary. So employees can insure their own usefulness, and the company doesn't

feel a financial pinch.

Contact your agent. Or write to us. Talk to us about our Salary Continuance Program.

Like all our employee benefits, CNA's Plan reassures people they're being kept in good faith.

**Have it your way.**

**CNA/insurance**

## Kept man.



# Low cost flame detector reduces risk of furnace, oven explosions

CLEVELAND—A new industrial safety system utilizes electronic components to provide low cost but effective protection against losses due to explosions in process heating equipment, according to the system's developers. The use of solid state, digital components puts the new Sens-A-Flame unit in a lower price bracket than other flame detection systems without sacrifice in protection. As many as 220 burners can be monitored from a single relay panel with the new unit, whereas present flame detection devices require a separate control box for each burner.

Sens-A-Flame, being introduced by Pyronics Inc. of Cleveland, a subsidiary of Alco Stand-

ard Corp., is designed specifically to warn of flame failures in industrial furnaces and ovens.

**WHEN AN UNDETECTED** outage occurs at low heat, escaping gas can accumulate in the chamber, causing an explosion when flame is again introduced. With Sens-A-Flame installed, a flame failure will trigger a warning response in just four seconds. This warning appears as a light signal on the control panel, but it also can be programmed as an audible alarm, a complete system shutdown, or a combination of these, depending on the application.

Initial response to Sens-A-Flame in the combustion indus-

try has been remarkable, according to John Sellors Jr., Pyronics president. "Although Sens-A-Flame has been on the market only a few months, the system is now monitoring more than 1,000 main burners and pilot lights on industrial equipment. And Factory Mutual, one of the important standard organizations for combustion equipment, has recently approved our system."

According to Mr. Sellors, Sens-A-Flame fills a large gap in combustion safety. "On one hand," he states, "we have effective burner controls, but these are very expensive when installed on furnaces with two or more burners. On the other hand, we have the safety cock system. This is not as

expensive, but it is far from a complete safety system."

Safety cocks provide no warning in case of flame outages. It is simply a check-off system in the piping which prevents the opening of the master electric gas valve until each burner cock is in a proven "off" position.

**MR. SELLORS POINTS** out that in the last 10 to 12 years, loss experience due to concussions in combustion equipment have dictated the need for a low cost flame detection device that is operable under all conditions, from start up, to high fire, and sudden turndown. He explains that flame outages in high temperature furnaces operating constantly at high fire create no hazard because the burner will relight itself from the hot refractory. "But many furnaces today, especially those for heat treating and drying, operate in wide temperature bands. Above 1400° F. a

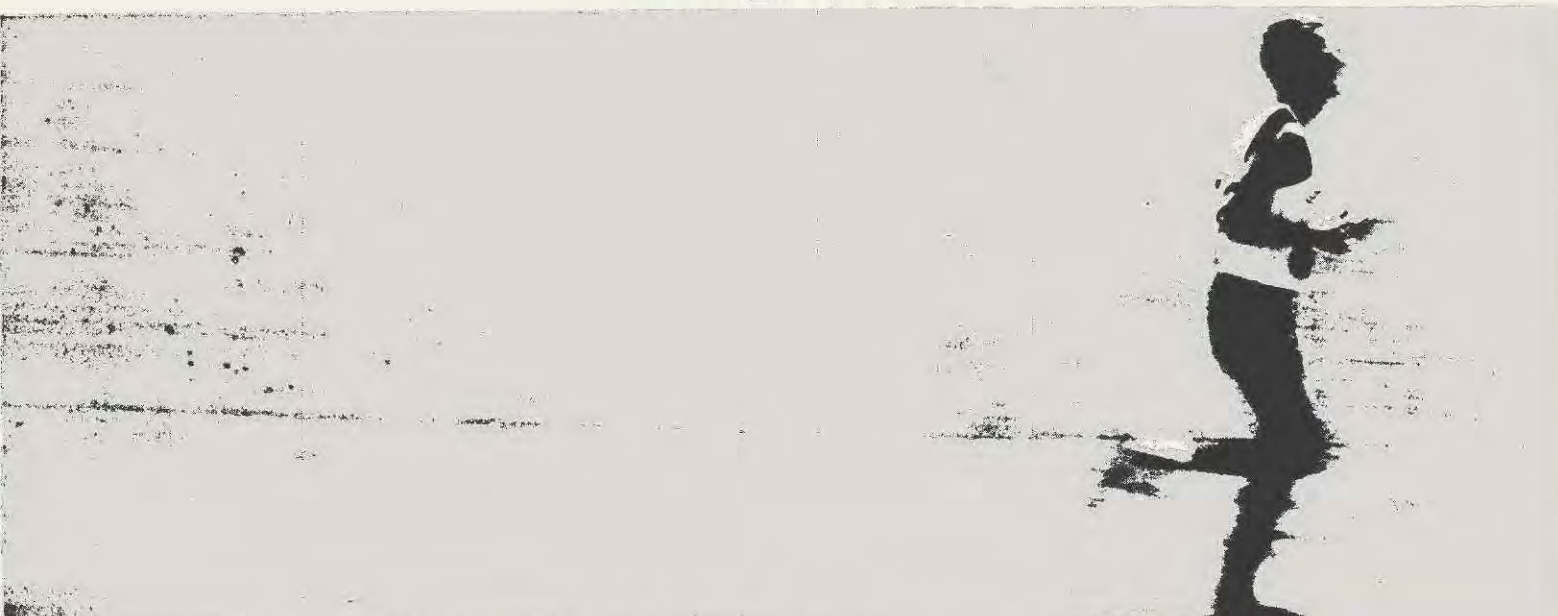
dead burner will generally relight without incident. But below that level, there is a good possibility that a flame-out will result in gas accumulation and eventually an explosion. Checking cocks offer no protection against this type of risk. Until now, the only safeguard was a burner-by-burner control system. Many of these systems are fine, but operators of multiple burner installations just aren't using them because of the expense."

The Sens-A-Flame control panel can be outfitted with up to 220 detectors, one for each burner, and monitoring is continuous. Plug-in relays eliminate the shock hazard present in wired controls. Flame surveillance is controlled by a rod which extends through the flame, establishing an electrical contact. When the flame is extinguished, the contact is broken and a warning results.

A typical cost, according to Mr. Sellors, is \$234 for a 12 burner system, and about \$330 for a 20 burner system. The greater the number of burners, the lower is the cost per burner.

Sens-A-Flame is a product innovation which grew out of Pyronics' experience in designing process heating systems for industry. The Ohio company manufactures combustion equipment and designs complete burner and burner control systems. ■

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## letters

Continued from page 16

vating students toward, and assisting them in, achievement of an education in this field. Starting in 1947 the James S. Kemper Foundation provided four scholarships each year to engineering students at the Illinois Institute of Technology. A Kemper scholarship not only provides tuition assistance but includes a planned on-the-job training program that provides practical insurance engineering experience and a well-paid summer job. Since 1947, 20 engineering students have participated in the Kemper scholarship and summer training program. Currently there are four engineering scholarships available at IIT.

You may also be interested to know that during the foundation's twenty-seventh year, 100 students in some 40 educational institutions were participating in its insurance careers program.

**Charles W. Webster**

Executive Director, James S. Kemper Foundation, Chicago, Ill.

### Article reprint

To the Editor: May we have your permission to reproduce the article on "City reviews hospital costs, what they mean" on page 14 of your Jan. 19 issue? We should like to distribute copies to the members of our Health Insurance Committee.

The copies would of course carry a notation that it was reproduced with the permission of *Business Insurance*, and two copies would be sent to you if desired.

**Mahlon Z. Eubank**

Director.—Social Insurance Dept. Commerce and Industry Assn. of New York, Inc., New York, N. Y.

Editor's note: Permission granted.

### Diemand is senior vp

John A. Diemand Jr. has been elected senior vp of Insurance Co. of North America, Philadelphia. Mr. Diemand, who joined INA in 1937, is in charge of the company's reinsurance and international activities.

# More U.S. mine safety funds

WASHINGTON—President Nixon's fiscal 1971 budget requests that Congress double the amount of funds available to the interior department's Bureau of Mines for enforcement and technological research under the new Federal Coal Mine Health and Safety Act. The proposed budget asks that \$54.4 million be allocated for this purpose, compared to an estimated \$27.3 million for mine health and safety functions in fiscal 1970 and \$27.3 million in fiscal 1969.

The budget for inspections, investigation and rescue work would receive the biggest boost, to \$33.6 million from slightly more than \$16 million in fiscal 1970 and \$8.9 million in fiscal 1969. This would allow the annual rate of mine inspections to increase to more than 40,000 by the end of fiscal 1971 from about 9,000 in 1969.

Expenditures for mine health and safety research by the Bureau of Mines would be increased to \$20.6 million in fiscal 1971 from about \$11 million in fiscal 1970 and \$2.3 million in fiscal 1969.

IN ADDITION, the Depart-

## GE pact ...

Continued from page 2.  
such a situation," he said.

The spokesman expressed satisfaction with the benefits portion of the contract, commenting that "the pension benefits certainly won't allow anyone to live 'high on the hog', but we feel that the increase is realistic and will provide a solid improvement."

Commenting on the overall settlement, the spokesman said that the union felt it had won a significant victory. "This is the largest contract ever won from GE, you know," he noted.

**OBVIOUSLY** the next question is when and where will GE's prices go up. Mr. Willis noted that "virtually every product line we produce is involved in intense competition. I don't know just where we can really raise any prices." He pointed out that since GE is the last company manufacturing radios within the U.S., the company may be forced to move its manufacturing operations overseas. Taiwan, Singapore, South Korea and Puerto Rico were mentioned. "Each of these governments offers a tax holiday for new businesses for the first 5 to 10 years," he remarked.

Meanwhile, in Pittsburgh, the Westinghouse negotiations are still dragging on. One union spokesman contacted by *Business Insurance* commented that the large GE competitor normally follows their rival's labor agreements. He said that now that GE had come to terms with the unions that Westinghouse would probably try to settle for similar raises in both wages and benefits.

Westinghouse had originally offered a three year contract with immediate pay increases ranging from 20 to 45 cents per hour. The company also offered to improve their pension benefits, maternity benefits and fully reimburse the employe for 365 days of semi-private hospital room and board (an item agreed to by GE), among other improvements.

## Heads group division

Guy L. Fairbanks Jr., has been named secretary, group division, Aetna Life & Casualty Insurance Co., Hartford.

ment of Health, Education and Welfare is to receive a boost in its budget for occupational health research and training to \$8.3 million from \$7.6 million, with the increase to be spent on "the development of criteria for standards to control health problems related to cotton dust, coal dust, uranium radiation and noise."

HEW will also receive \$150 million for estimated fiscal 1971 costs of benefit payments and administrative expenses of the black lung compensation provision of the new Coal Mine Health and Safety Act.

The Bureau of Labor Standards of the Labor Department would receive under the Nixon budget a boost in its funds for promoting occupational health and safety from \$4.9 million to

\$5.9 million, with much of the increase intended to help it implement the new Construction Safety Act.

The bureau assists and advises the states on labor standards and administers the safety provisions of the Maritime Safety Act, the Walsh-Healey Public Contracts Act and now the Construction Safety Act.

The Administration indicated in the budget it will propose only one new piece of occupational safety legislation. It said it will ask for amendments to the Federal Metal and Nonmetallic Mine Safety Act to eliminate provisions for a board of review, making appeal provisions in the act conform with similar provisions in the new coal mine safety legislation.

## \$150,000 awarded injured vocalists

CHICAGO—John Krotke, of Homewood, Ill., received \$150,000 in damages from the Chicago, Rock Island and Pacific Railroad Co. for an injury suffered on Dec. 9, 1952, when a protruding object from a train car struck Mr. Krotke on the head.

Mr. Krotke suffered a brain injury that resulted in a change in the quality of his singing voice. He is a machinist but was pursuing a vocal career at the time.

The jury and Judge Thomas H. Fitzgerald spent 30 minutes listening to records of Mr. Krotke's voice. James A. Dooley, attorney for the defendant, offered the recordings as evidence of the lost talent.

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# INA-Blyth . . .

Continued from page 1  
may be similarly marketed are personal and mortgage loans, mutual funds and other securities.

INA, Mr. Harrington said, hopes to file a registration statement for its own mutual fund, tentatively called INA Fund, in the next two or three months; in addition the company is also looking at mutual fund management companies. A year ago last fall the company announced that it had agreed in principle to acquire Winfield & Co., a San Francisco-based manager of mutual funds but the deal was called off 10 days later. INA already has a broker-dealer organization that is licensed to sell about 30 mutual funds through its agents.

The merger is viewed as "very significant" by the manager of

security and savings programs at a New York-based company that has been very aggressive in the area of offering financial services to its employees.

"INA," HE said, "is one of the most forward-thinking companies in the business. They're the only 'Hell-with-tradition, let's-do-what's-right' company in the country," he noted, adding that while it has been a long time coming some of the insurance giants are finally becoming believers in the future of overall, one-stop financial planning. A few years ago, he pointed out, Allstate became the first to rock the industry by offering one-stop insurance buying aggressively and said INA is simply carrying the concept a step further by extending its interests to the investment field. The size of the portfolio at INA coupled with the investment advice and facilities offered by

Blyth cannot be underrated, he said, adding that the investment banking firm will be able to "teach INA a thing or two."

The head of investors' services at another large insurance conglomerate also speculated on the merger.

"You wonder whether INA bought Blyth or whether Blyth bought INA," he noted privately. Blyth's investment group, he remarked, may become very powerful in the INA corporate structure.

"This whole business of wedding insurance companies to investment firms has the ultimate effect of teaching insurance companies how to better use their assets," he said, citing the industry's historically unimpressive record of using money to make money. He suggested the possibility that sharp use of INA's assets from an investment standpoint could even result in a polit-

ical power struggle within the parent company's management, although it is believed by others that the power struggle may have already occurred and that sights are now firmly set.

**INSURANCE** brokers, on the other hand, are treating the merger with sort of a casual indifference.

The most enthusiastic reaction from a broker came from one who first admitted he was not the most qualified to react. "I think it's a good diversification," he declared. "It should help us as brokers, giving us a couple of extra tools to work with in across-the-board selling."

Asked for his reaction, the president of another large brokerage replied:

**"INDIFFERENCE,** really. The point is that the big insurance companies—and INA is certainly

one of these—have taken steps in diversifying; it's not going to mean anything to us as far as the insurance end of the business goes."

Commenting on the financial services potential the merger suggests, he said: "The industry—CNA in Chicago and the U. S. Life Insurance Co. here in New York, and even companies like Aetna and Travelers—has already taken that step." However, he felt that CNA and U. S. Life are the only companies that are developing a well-rounded financial service concept. "INA appears to have taken that step," he said. ■

# Health bill . . .

Continued from page 1  
a \$2 cost-sharing charge per visit after the first visit; preventive care and physical examinations; nursing home care as required and without limits; home health services subject to a \$2 charge per visit; and rehabilitation services.

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

Rep. Griffiths said her bill would not only pay for health services, but would help contain the rising costs of health care within the limits of the 6.7% of gross national product the country is now spending. The proposed plan has the potential of actually reducing this percentage, she added.

This cost control would be achieved by having the Federal government contract for health, hospital and dental services with organized groups of physicians, with hospitals and with groups of dentists, she said.

**"CONTRACTUAL** relations between free parties form a cornerstone of our private enterprise business and industrial system. It is a time-tested system in the health field as well," she said, pointing to the success of "mini-national" plans like the Kaiser Foundation's health insurance plan.

The Congresswoman explained that her proposal would not abolish the fee-for-service system of medical care, but specifically allows for it. This would be done by allowing the government to not only contract for medical services with organized medical groups, but with local, state and county medical societies as well.

Thus, she continued, when physicians in a county desire to be reimbursed on a fee-for-service basis, the medical society could contract with the Federal government to provide services. The physician-members of the medical society would, therefore, be assuming group responsibility for providing services within the terms of the contract. However, distribution of money among members could be determined by the group.

The Federal government would have no concern nor, in fact, would promulgate any regulations dealing with compensation of individual physicians, she continued.

The bill does, however, require that when a medical society assumes responsibility for delivering medical services, it must establish a system of peer review and administration procedures to assure beneficiaries that the care they receive is of optimal quality.

The medical society would receive a 5% bonus payment to cover their administrative expenses for providing this service. ■

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# California's Barger will manage Santa Ana malpractice insurer

SAN FRANCISCO—California Insurance Commissioner Richards D. Barger has been named by the Orange County superior court, in southern California, as conservator of Casualty Insurance Co. of California.

Mr. Barger thus takes over management of the company in the latest round of a running battle between his office and the Santa Ana firm that writes malpractice coverage for doctors.

The insurance commission had charged the company's parent, California Caduceus Co., with failing to pay back all of \$140,000 allegedly diverted from the subsidiary.

**RETURN OF** the money, according to Mr. Barger, had been part of an agreement between his department and the company. Court action in southern California followed charges by Mr. Barger that the "company is approaching a condition hazardous to policyholders.

"The parent company," Mr. Barger said, "still has not restored \$67,500 of the \$140,000 which was diverted. The company also has refused to allow my department's examiners to examine the firm and has sought to divert other funds in direct contradiction of an agreement."

## Insurance to replace death benefit

ALBANY—State Comptroller Arthur Levitt has put into effect a new group life insurance plan that, in effect, replaces the death benefit for public employees and removes the taxation on the first \$50,000 in benefits to beneficiaries of public employees.

Deputy Comptroller Leon Brown told *Business Insurance* that the new program "merely shifts funds being put into the retirement system to term insurance" which is self-insured by the state. Savings to beneficiaries, however, are expected to be "substantial," Mr. Brown said.

The ordinary death benefit is an amount payable to the beneficiary of a member of a state retirement system who dies while in service. The sum can reach a maximum of three years' salary for a member with 36 years of service.

**MR. LEVITT'S** new plan covers all public employees except school teachers and New York City employees. About 360,000 of these workers are members of the State Employees Retirement System. Another 40,000 belong to the Policemen's and Firemen's Retirement System.

The typical state employe who has passed the minimum retirement age in service has built up about \$60,000 in pension reserve. Of that amount, \$10,000 is his own contributions and about \$4,000 is in interest.

Under the old retirement plan, the tax treatment would be as follows: After deducting the \$10,000 contribution and the statutory exemption of \$5,000, the Internal Revenue Service would have treated the remaining \$59,000 as subject to a capital gains tax, including \$14,000 subject to an estate tax.

Under the new insurance concept, \$50,000 of the amount is considered untaxable, leaving only \$9,000 subject to the tax. ■

The company took a full-page ad in Los Angeles newspapers to charge the insurance commissioner with "refusing to let us write malpractice insurance."

The ad urged the public to "write, wire or visit your assemblyman, state senator, Mr. Barger or his chief deputy, Barry Bertram," deputy commissioner.

**PRIOR TO** appearance of the ad, Richard R. Murphy, president of the insurance company, had accused Barger's department of having "harassed, threatened and intimidated us.

"Deputy Commissioner Bertram," Mr. Murphy said, "utilized the courts, investigators, examiners and the full force of govern-

ment to stamp out the company which dares to break up the medical malpractice monopoly."

Mr. Murphy asserts his company has had a reinsurance agreement "with the largest domestic reinsurer in the country, to back up our malpractice coverage.

"Our firm," Mr. Murphy continued, "has been in business 25 years and has been allowed to write workman's compensation for itinerant oil field workers, Hell's Angel motorcyclists, teenage substandard car drivers, hazardous manufacturing and building liability risks.

**"BUT THE INSURANCE** commissioner," Mr. Murphy added, "won't permit us to write medi-

cal malpractice insurance."

Mr. Barger had charged that Casualty Insurance Company's financial condition "is such that it is imperative that its medical malpractice business be limited until the company has a complete picture of the results of this kind of coverage."

Mr. Barger also said that medical malpractice suits in California "have reached the crisis stage . . . but the problem will not be solved by a company that may prove to be in financial trouble."

**SAN FRANCISCO** attorney Mel Belli, internationally famed for the large settlements he has won for clients in medical malpractice suits, told *Business Insurance*, "I think the insurance commissioner has acted hastily and ill advisedly . . . but then, one rarely ever gets sound action out of state insurance commissioners anywhere."

Mr. Belli added, "This hasty takeover action plays right into the hands of the brokers who have a monopoly on medical malpractice insurance. Mr. Barger really should have gone into the basics of the problem and faced up to the anti-trust aspects, as our office has in our legal actions."

The San Francisco attorney has filed a number of law suits charging violations of the anti-trust laws in "making medical malpractice insurance difficult if not impossible to obtain."

"If the medical malpractice insurance business is such a lousy money maker," Mr. Belli said, "I've never seen so many people running to get onto a ship that's supposed to be sinking. Actually, this is one of the most profitable aspects of the insurance business—which is why so few people want to continue it as a monopoly." ■

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## speaking of safety

# Predicts 40 fatal jet accidents for U. S. airlines in next five years

NEW YORK—The 747 "jumbo jet" is the safest aircraft designed and built, according to the outgoing president of the Flight Safety Foundation who testified at a hearing on air trip insurance before the N. Y. State Insurance Board held here.

More experience in engineering as well as familiarity with the safety hazards it will face have gone into the development of this plane than in any other, declared Maj. Gen. Joseph D. Caldara, USAF (ret.), president

of the Flight Safety Foundation, Washington.

"The jumbo jet will have to face the same hazards as other new aircraft of the past," the general noted. "What is different is that we are taking the present number of people exposed to these hazards on any one plane (ranging from 126 to 162 people on today's big jets) and doubling, tripling or quadrupling it in this new plane," he declared. The maximum allowable passenger capacity for U. S.-operated jum-

bo jets is 358 people, while the European air carriers' maximum goes up to 450 passengers and Japan will allow 550 passengers to fly in any one aircraft, he said.

**WITH PROBABLY** 40 fatal jet accidents ahead in the next five years for U. S. carriers, "the risk is going quite high when you think in terms of even 350 people involved in any one crash," Gen. Caldara noted.

Flight Safety Foundation, Gen. Caldara's organization, is an in-

formation interchange agency that also conducts research in an international campaign to combat the multi-faceted safety problems that the aviation industry faces.

"We've improved our U. S. accident rate about 10% per year because we've increased our number of hours of flying experience," Gen. Caldara noted. This is true because a flight crew must learn how the aircraft behaves in all kinds of weather conditions and in all landing and take-off situations. In addition, he cited the excellence of U. S. ground support systems, terming them "the most sophisticated in the world."

Pilots face a number of diverse safety hazards in any given flight, he explained. The first, most obvious source of trouble is material failure. The pilot determines the height of his aircraft from an altimeter. In bad

weather he must depend on an instrument landing system to help get his plane back down to earth. Many of the sophisticated instruments and controls aboard a large jet airliner depend upon small but efficient power plants. The pilot must depend on runway lighting systems while taking off and landing at night or in situations where visibility is low. If any one of these systems or components failed, a serious accident might result.

**ASIDE FROM** material failure there are a number of pilot errors that could cause a serious accident. One such error, explained Gen. Caldara, is known as "ducking under." When a pilot is confronted with a very low cloud ceiling on a landing approach to an airport, he is sometimes tempted to drop his aircraft faster than the prescribed rate of descension in order to get under the cloud layer so that he can see the runway sooner. A cloud ceiling of 25 feet could cause serious trouble in such a case.

Flight Safety Foundation Inc., founded in 1946, has instituted research attempting to relate a pilot's flying time in a given aircraft to accidents in which the aircraft is involved, Gen. Caldara said.

Weather conditions also confront the aircraft with safety hazards. One example the general noted was "aircraft hydroplaning." "A small amount of water—as little as ¼" deep—standing on a runway when an aircraft is landing may support an aircraft, most of whose weight is shifting with its forward momentum while landing," he explained. "Even though the wheels are locked by the brakes, the aircraft may scoot along on top of the water at high speed and go out of control. Ribbed runways are being tested now as a possible answer to this problem," he noted.

Concerning fatal accidents, 57% occur during the approach and landing phase of an aircraft's flight, the general noted, citing this as the area under the most intense study. Take-offs tally the next highest number of accidents, while the cruising phase of a flight is the safest, he said.

**THE NATION'S** airways and terminal facilities are being overtaxed by the increase in general aviation air traffic—that is, privately and corporately owned aircraft, the general complained. Two mid-air collisions involving small private planes and commercial airliners marred 1969 safety statistics, he said. The most dangerous area for these collisions, he explained, is near airports where aircraft are operating on a "see-or-be-seen" basis.

The Civil Aeronautics Board has allowed commercial air carriers to use area navigation—whereby a pilot will navigate an alternate route to the prescribed airway between two points—as a means of curbing the overcrowding of the nation's airways.

Gen. Caldara cited the vast difference between the great safety record that U. S. air carriers have amassed and the inconsistent record of foreign airlines. He explained this with the fact that U. S. air crews have a much greater amount of experience in the air. He supported this contention by the 10-year statistics (1958-1968) on the number of hours flown by the two groups, in which U. S. air carriers logged 18.4 million hours as compared to all non-U. S. air carriers' combined flying time of only 12.3 million hours.

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# Staged movie explosions present problems of safety logistics, cover

LITTLE ROCK—Three booming explosions in the Ouachita National Forest near here reduced to firewood the \$150,000 hunting lodge built for the upcoming movie, "The Sporting Club," a Joseph E. Levine presentation.

In addition to the logistical problem of blowing up a three-story building, the safety of more than 200 persons who viewed the blasts was a big headache.

Ray Gosnell, production manager for Lorimar Productions, said that the company carried "two or three million dollars" of insurance. He said the firm, which is producing its first movie for \$2.5 million, insured "for everything that could happen. The only thing we're not insured for is rain."

He said the company had workmen's compensation coverage and insurance against illness of the stars, accidental injuries, civil suits, and a variety of other possi-

## Morton goes to Dresser

DALLAS—Dennis K. Morton, formerly assistant insurance manager for Texas Instruments Inc., Dallas, has been appointed manager of general insurance for Dresser Industries Inc., Dallas-based worldwide supplier of industrial engineered products and services to a wide range of basic industries.

Mr. Morton will assist in the administration of Dresser's corporate insurance program, including property and casualty insurance.

He is a graduate of Arlington State University and Southern Methodist University. He is currently serving as vp of the Dallas-Fort Worth chapter, American Society of Insurance Management, and is a member of the insurance committee of the Texas Manufacturers Assn. ■

## Ads outweigh policy's small print, N. J. court rules

TRENTON—New Jersey's high court has ruled that implications drawn from the advertising and application for an insurance policy sold through the mails outweigh what might be said in the fine print of the policy itself.

The case involved a policy issued by the American Home Assurance Co. through the Mobil Oil Co.'s credit card service. In a 7-0 decision, the state supreme court ruled in favor of the widow of Stanley Klos, who died at his home Oct. 25, 1964, three days after he had received the policy, but two weeks before the small print said it was to take effect.

The court noted that the insurance company had solicited Mr. Klos and that the advertising for it had said, "Easy application . . . fill in the enclosed application form . . . date and sign. Mail it in the enclosed envelope today."

In addition, the court continued, the brochure said coverage would become effective seven days before the customer's Mobil billing date. Mr. Klos' billing date was Oct. 16.

ble occurrences. To a movie company, time involved in other things besides movie making could spell financial ruin, he said.

**THAT'S WHY** producer Lee Rich and director Larry Pearce, of "Goodby, Columbus," fame, were tense during the blowup of the lodge. Danny Lee, a 25-year veteran of special effects who engineered the explosions, and his expert crew took six days to saw through every other log—some as thick as 16-inches across—and drill holes for dynamite. Mr. Lee used 170 pounds of explosives to do the job.

Mr. Lee's safety record for this blowup was good: There were no injuries.

To assure safety, he never capped explosives until a particular section of the lodge was scheduled for filming. The three explosions took three hours to complete. In the film the action occurs in two minutes.

He also guarded against an unwanted fire by keeping a volunteer fire department from Hot Springs, Arkansas, at the scene. No fire started; but the department's siren was used to warn the assembly of watchers of an imminent explosion.

The "club," which is concerned with the families of Detroit's automobile dynasties, is being filmed entirely in Arkansas. It co-stars Jack Warden, Maggie Blye, Nicholas Coster and Robert S. Fields. ■



"Two or three million dollars" of insurance covered the set explosions of a hunting lodge called for in a scene from Lorimar Productions' new movie "The Sporting Club," said production manager Ray Gosnell.

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## following the funds

# Pension investors riled at Patman's plan for high housing investments

By GEORGE LANGWORTH

NEW YORK—The pension fund investment world is up in arms over Rep. Wright Patman's (D.-Texas) proposal to require pension funds to make a high level of fixed investment in housing.

(A description of the Patman measure appeared as a Following the Funds column in the last issue of *Business Insurance*.)

"This bill is a dreadful thing," declared the head of pension fund investment for a giant industrial

concern based here "It proposes to require investments that the last 20 years have proven to yield returns that are inadequate to meet the retirement benefits needs of the workers covered by a pension plan."

Terming Rep. Patman a "successful politician from way back," the investor stated flatly that "the whole idea of subsidizing someone (in this case, the housing industry) is a shop-worn political idea that people have continued to hang their hats on long after its viability has been discredited.

"PENSION FUNDS," he continued angrily, "have a responsibility that they must continually uphold in their investments. The annuity that we pay keeps rising in direct relation to the increase of wages. We can't afford to subsidize the housing industry and meet the spiraling demands that our retirement plan makes on us. If the housing industry needs money, they must pay the going price for money. If, in the interim, the lower- and middle-income man is priced out of a home (if housing is too expensive)

well, that's just too bad," he declared perfunctorily.

"Our policy has, for many years, consistently been that pension fund investments should not be diverted for social purpose investing," said an investment head at one of the nation's largest manufacturing firms. "We feel that this would be a direct conflict of interest for us," he said, echoing the other investor's feelings.

"We are averaging well over a 9% return in our fixed investments this year. A lot of our fixed investments are in the private placement areas—such as real estate. However, most of them have a built-in inflation protection as do our real estate ventures, in which we receive part of the revenue of the land."

In an inflationary "tight money market" such as business must deal in today, fixed investments hold only a shade of the attractiveness of short-term, high-yield invest-

ments to pension fund administrators, he told *Business Insurance*. One investment head admitted that "we haven't bought any purely fixed investments in several years."

**FIXED** investments have been returning as much as 9% this year. However, inflation is taking about 7% of this away. In addition, the cost of placing and servicing these investments is quite high. If pension funds are required to massively increase their fixed investments in housing in line with this bill, I believe they will start losing money in the second year," said a prominent Washington based actuary, in explaining his opposition to the bill.

The problem that Mr. Patman's bill addresses is very acute, however, The Congressman quoted George Romney, HUD director, in his introduction of the controversial bill on the House floor.

Mr. Romney "has declared that it is now impossible for half of the nation's population to afford a new home," declared Rep. Patman. "He has stated that the dimensions of the problem now translate into the need to create one new city of 250,000 people every month for the remainder of the century—360 such cities having a total population of 90 million people by the year 2000."

Taking a stance contrary to many of his colleagues' studied intransigence, one of the nation's largest pension fund's investment managers acknowledged the gravity of the housing problem.

"IT'S TRUE it presents quite a problem; and it's also true that it's going to get a lot worse if something is not done. But requiring a massive infusion of investments from private pension funds only hamstring the investor and jeopardizes the fund itself. A much more acceptable approach would be for the government to offer adequate tax incentives for such investments so that the investor could obtain a competitive rate of return more commensurate with his fund's growing needs," he said.

Unions perhaps are the most stalwart defenders of the approach inherent in Rep. Patman's proposed bill, according to one expert to whom *Business Insurance* talked. James Shoaff, assistant secretary and treasurer for the Amalgamated Life Insurance Co., the captive life insurer owned and operated by the Amalgamated Clothing Workers Union revealed that his union's eight funds (whose assets total more than \$250 million) have approximately 75% of their investment capital tied up in housing mortgages. He explained that most of his funds' fixed investments are under the Farmers' Home Administration loans.

This Federal agency underwrites loans made to small farmers, both for housing and farm improvement, usually averaging from \$20,000 to \$25,000 in size.

While a number of our older investments are maturing at 4.5%, we have just invested over \$1 million whose return will be at a rate of 8 7/8%, based on a ten-year period. In 1970 we expect to have a 6.5% overall yield from our fixed investments," he said.

### New brokerage

A new insurance brokerage has been started in Honolulu, Hawaii, under the name Miller & Ames-King & Neel. Harvey King and Ted Neel, who opened their agency here in 1967, associated themselves with Miller & Ames-Corroon & Black, the international brokerage firm. Frank Hagan is president of Miller & Ames, San Francisco affiliate of Corroon & Black.

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# Evaluate benefits before mergers, advisor says

NEW YORK—The whole is the sum of its parts and when faced with the problem of consolidating compensation plans after a merger it is very important to remember those parts.

Andrew Beattie, benefit plans advisor of R. J. Reynolds Tobacco Co., told the National Industrial Conference Board that dividing benefit plans into their various sections helps avoid excessive coverage in one area and a serious gap in another. The divisions he recommends include death, loss of income (disability), retirement, medical expenses and financial planning.

"The guide should not be," he said, "to have the best of all possible worlds by trying to incorporate the best features of all of the companies with which you will merge. It would, however, be a good idea to be on the high side so that you are faced as infrequently as possible with having subsidiaries with higher benefits than the master plan you have adopted."

Early in the merger negotiations there should be an evaluation and comparison of the benefit levels of the new company with the corporation program or master plan. Mr. Beattie cautioned against using the cost of benefits as a guide of comparison.

"We are interested in comparing the level of benefits, that is, the richness of benefits or the impact the benefits have on employees. . . ." By dividing the plans this impact is visible and it is possible to establish the relationship of each part of the subsidiary plan to its counterpart in the master plan.

With the corporation program or master plan set at 100% he suggested as a basis for comparison of the divisions:

- Death benefit or life insurance: Average amount of insurance or lump sum in force.
- Loss of income (disability): Average premium per employee at the gross manual rates of a selected insurance company (making sure it is the same company for both plans).
- Medical expenses: Same as loss of income formula.
- Pensions: Calculate four sample normal retirement pensions at various combinations of length of service and earnings (low length-low earnings, high-high, low-high, high-low).

After evaluating and identifying the differences in the benefit plans, he said, it is desirable to equate them between the two merging companies. The process, however, must not put the subsidiary out of line in its own industry or region. A balance between the benefits of hourly and salaried employees of the subsidiary must also be maintained and benefit trends of the future for the subsidiary's industry should

## Jury raises court award

WASHINGTON—A second trial of a negligence suit brought against Sibley Memorial Hospital here has resulted in an addition of \$100,000 to an original award, raising the total for which the hospital is liable to \$160,000.

The suit, brought by Mrs. Hilda J. Perotti, charged that the hospital was negligent in failing to protect William L. Perotti, the plaintiff's husband and a psychiatric patient at the hospital, from himself when he plunged to his death from a hospital window in 1964.

be kept in mind.

**IF SOMETHING** is taken away from an employee it should be for a good and saleable reason. "Even if you think the reason is good," Mr. Beattie said, "you have failed if each valued employee is not sold on it." If a benefit is to be terminated, he continued, "do it very fast, probably as of the very day of the merger." When increasing a benefit, he recommended taking time to study it carefully. "In either case, whatever is done should be communicated promptly, frankly and in a salesman-like manner."

Transfers between companies with differing benefits present a problem. Adjustments for differences in present benefits (contingencies that threaten the employee now) can be made through

salary, Mr. Beattie suggested. For instance, for a death benefit salary could be adjusted by the amount of the premium cost of a conversion policy for the amount gained or lost solely by reason of transfer. For accidental death and dismemberment the actual premium could be paid. Disability adjustment could be made on the basis of cost of coverage outside the company.

"For medical care," he said, "usually the medical care plans as written on a group basis are not available on an individual basis, so you would have to go by the difference in the group manual premium."

The ideal solution to the problem of transfers that result in pension plan changes, Mr. Beattie said, is to have future service

benefits identical for all pension plans. If there *must* be a reduction in benefits a written promise to make the transferred employee whole at the time he retires could be issued. "This promise," he emphasized, "need not specify the vehicle to be used, thus keeping some future flexibility."

**FOR A LARGE** corporation an insurance company is the most economic vehicle for coverages such as long-term disability, death benefits and high-limit, low-frequency coverages such as accidental death and dismemberment and business travel. The insurer's claim expertise, he noted, makes up for the "somewhat high net cost." He recommended that all group insurance, with the possible exception of medical

care, should be with one carrier and be combined for experience rating.

Self-insurance or noninsurance make sense, he said, for low-limit high-frequency coverages such as short-term disability and sick leave.

Future benefits, such as pensions and profit-sharing, are best handled by trust funds, which have a low net cost and a good probability of payment.

"As to administration," Mr. Beattie concluded, "I would suggest that corporate headquarters . . . do the administration, issuing of group certificates and payment of premiums, keeping track of who is insured and who isn't, but I would suggest that if there is an insurance company involved, let them pay the claims." ■



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# Zellmer seeks risk management coordination for bank company

MILWAUKEE—First Wisconsin Bankshares Corp., the largest bank holding company in Wisconsin, has named David G. Zellmer as insurance officer. The position was recently created to develop and coordinate the risk management function on the holding company level. Mr. Zellmer was formerly assistant manager in the insurance department.

"Until this time," he told *Business Insurance*, "we had no coordinated program. All our units were autonomous." Bankshares is now moving toward the central purchasing of insurance, he said, because of the inherent economy and convenience. A corporate policy statement defining the function of the risk manager is being drafted.

Bankshares is the holding company for 14 banks throughout the state, the largest of which is the

First Wisconsin National Bank of Milwaukee with 14 branches within the city. The First National Bank of Madison, with two branches, is the second largest bank in the group. The corporation is also holding company for the First Wisconsin Trust Co. (also a state bank) through which its pension program is handled. Consulting actuary for the pension plan is Arthur Stedry Hansen, Inc.



David G. Zellmer

their earnings and come up with reasonable deductibles for them."

He added, however, that the corporation may be leaning toward one large deductible and establishment of a reserve for the smaller banks.

MR. ZELLMER administers the employee benefit program for the corporation. Employees of all 14 banks participate in the same program. Prudential Insurance Co. of America writes the group life plan. The group health program is handled by Blue Cross and Blue Shield through Associated Hospital Services Inc. and Wisconsin Physicians' Service.

Bankshares' long-term disability program is underwritten by Equitable Life & Casualty Insurance Co.

Employers Insurance of Wausau underwrites the corporation's comprehensive general liability policy. A blanket fire policy, set up on a multiple location basis, is placed with seven different companies. "We have a small auto fleet," Mr. Zellmer said, "and Milwaukee Mutual handles that coverage."

Mr. Zellmer is a graduate of the University of Wisconsin at Madison, with a major in risk management and insurance. He is a member of the Wisconsin chapter of the American Society of Insurance Management and is currently studying for the risk management and Chartered Property and Casualty Underwriter designations.



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## Statistical analysis service to aid fleet safety directors

LEONIA, N. J.—According to Forrest K. Van Horn, who is starting a statistical analysis service for fleet safety directors, the key to improving accident records lies in grabbing hold of statistics, lining them up and making them talk.

"I've always been fascinated with organizing numbers and pushing on to see what kind of complete picture they make," Mr. Van Horn told *Business Insurance*. "But a fleet safety director just doesn't have time for this and so he often misses seeing important trends and areas that need improvement."

Mr. Van Horn has recently retired from his post as safety engineer with Alexander and Alexander, insurance brokers, to start his own business. During his 40 years in the field he has been doing accident analysis by hand on a small scale for policyholders. Now he hopes to computerize his efforts.

"**RIGHT NOW** I'm still organizing and printing up forms on my Addressograph," he said. "I've sent notices to all the insurance companies in the area and if the idea catches on I'll rent a computer."

He said the service, which will be offered either as part of an insurance policy or directly to fleet management, will provide a full outline of an accident and its ramifications instead of the usual thumb-nail sketch.

"Management makes broad general surveys," he said. "For example, they might know that in the last six months machines caused accidents in their plants. The analysis service would go deeper than that by telling them exactly which machines were problems, the time of breakdowns, the number of workers hurt, the parts of the body injured and what the impact of the dollar loss is."

Mr. Van Horn said highways would be covered in the same way, with reports keeping track of time and place of accidents. He noted that through his reports one firm was able to pinpoint the accident area as being on U.S. Route 1 between Princeton and Trenton and was then able to improve its record.

**HE EXPLAINED** that when an accident occurred, a safety director would make out a report and send it to the Van Horn service.

"These reports would take no extra work," he said. "It would simply be a matter of putting an 'X' in a box or a code number on a line."

Mr. Van Horn would then process the information through the computer and report back to the companies annually, semi-annually or as often as they requested information.

"I could give them facts in five minutes if they needed them," he said. "After an accident, management might want to hold a meeting immediately to talk about it. I could give them a report on how many accidents they had to date, what type and how their record compares with other companies."

**HE BELIEVES** his service would be especially useful to

### Ward to J&H

Thomas W. Ward, formerly vp for group sales at Hartford Life Insurance Co., has joined Johnson & Higgins, New York, as a vp in the employe benefit plan department.

### Earthquake cover causes town rumble

GREECE, N. Y.—An insurance agent has told the Greece Town Board that it is a mistake to drop earthquake coverages the town had been carrying for years.

The rumble began when Greece's new town supervisor, Fred J. Eckert, learned while going over the town's insurance policies that Greece was paying \$2,398 a year for earthquake endorsements.

The agent, W. H. Kaiser, informed the town board via letter that Greece is in "a major damage potential area."

also noted that, as far as he knows, it would be the only service of its kind available to the fleet industry.

## Beer keg explosion brings \$1 million negligence suit

HARTFORD—A suit for \$1 million has been filed in Hartford County superior court on behalf of the estate of a 16-year-old Windsor Locks, Conn., youth instantly killed in an unusual accident involving a beer keg last summer.

Bruce Kane was standing next to the keg when it suddenly exploded, decapitating him.

The mishap occurred during a backyard party in Windsor Locks last July 5.

**THE ACTION** alleges that Leroy Swazey, also of Windsor Locks, turned a control valve to increase pressure in the keg and that this caused the explosion.

Defendants are the Narragan-

sett Brewing Co., Providence, R.I.; G. Krueger Brewing Co., Jersey City, N.J.; Rainbow Package Store, South Windsor, Conn.; Hannan Distributors, Inc., New Haven, and Mr. Swazey.

The suit is based on alleged breach of warranty and negligence.

**IT IS** claimed that the metal beer keg, made by Narragansett and Krueger and distributed by Hannan, was in a defective condition because of corrosion.

It is alleged, too, that the tapping assembly and carbon dioxide tank lacked a proper pressure gauge and a locking device for pre-setting maximum pressure. ■

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# Transit workers win pensions

NEW YORK—Transit Authority workers represented by two unions have won a pension plan paid in full in addition to increased wages and other fringe benefits.

The new pact will almost certainly have an impact on other negotiations with city employees when they come up, an aide to Mayor John Lindsay told *Business Insurance*, especially in the area of pensions since the transit workers become the first city employees to get a noncontributory plan.

In addition to an 18% wage increase spread over the two-year contract, employees also gained other fringes.

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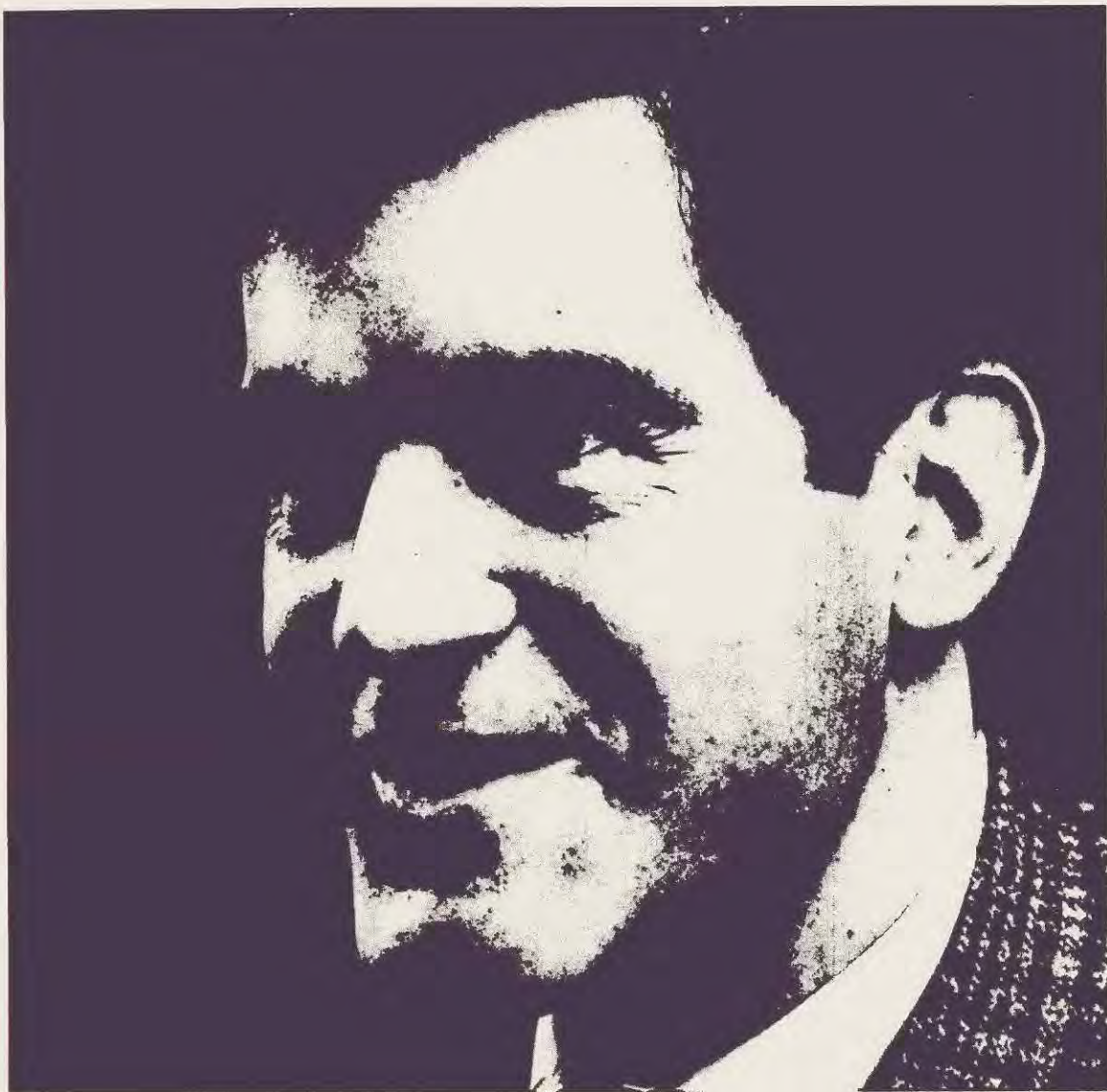
Until now employees with less than five years service lost a day's pay for each illness. Also included in the pact is a \$100-a-year increase in the contribution by the authority for employee health and welfare benefits. Employer contributions had been \$300 annually.

In addition, a further pension improvement was gained by the Transit Authority's subsidiary union, the Manhattan and Bronx Surface Transit Operating Authority (bus employees). They will now be eligible for a pension at age 55 rather than 60, but after 20 years of service rather than after 15. Transit Authority employees (the parent of the two unions) can retire at age 50 after 20 years of service. The subsidi-

ary union also won an additional \$500 retirement payment, distributed over a 12-month period, which brings them up to par with the parent union.

Until now transit workers here had contributed 25% to the New York City Retirement System. The improvement, according to estimates, will add an average of 6.1% to an employee's take home pay. Policemen, firemen and sanitationmen in the city also belong to the system but still on a contributory basis.

"I suspect a similar pension improvement will be a major objective of police, fire and sanitation workers when they next sit down at the bargaining table," a source in the Mayor's office said. ■



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## Managing your money

# Social Security hike coming with tax bite

NEW YORK—Social Security benefits have gone up 15%. Likewise, workers can look for a corresponding tax hike in the foreseeable future to finance the added benefits. It will mean a bigger slice taken out of paychecks.

With so much riding on your Social Security—both in terms of taxes and benefits—it becomes more important than ever to know just what you're paying for and what to do to protect your interests. Remember, too, that Social Security benefits are free of income and estate taxes. So the amount you and your family receive—it could be in the six figures—is well-worth protecting.

Let's take a typical case of Bill Butler, a 35-year-old copywriter with an advertising agency. Bill has a wife, a 3-year old son and a 3-month old daughter. If Bill dies, the family gets a lump-sum payment to cover some of the funeral expenses.

**IN ADDITION**, his children get monthly checks up to age 18 but can continue to age 22 if fulltime students. Bill's widow also collects a mother's allowance but her benefits are cut off when the younger child turns 18. Still, she can start collecting a widow's retirement benefit when she reaches age 60. Total benefits to the Butler family in this situation could easily go over the \$100,000 mark. Somewhat similar results would follow were Bill to become totally disabled.

If, as is most likely, Bill Butler stays healthy and keeps on working, he and his wife will be eligible for retirement benefits. They can retire anytime from age 62 on, but will get the maximum benefit only if both start drawing monthly payments at 65. Once again, total retirement benefits can easily reach \$50,000 to \$60,000—not to mention the value of medicare protection.

Note this well—There are still some gaps that every worker covered under Social Security ought to know:

- Medicare does not cover children or a wife until she reaches 65 and qualifies for such health insurance.
- Social Security does not cover expenses of final illness (except under Medicare). Maximum payment toward burial costs is only \$255.
- Social Security has no emergency allowance while you work and if you retire before age 62, provides no benefits.
- The widow's benefit is suspended when the youngest child reaches 18, even though the child might be a fulltime student and continues to get benefits. It is not resumed until the widow becomes 60, at which time she gets reduced benefits.
- A child can receive benefits until he reaches 22 if he is in college, but the amount would probably be inadequate to cover full schooling costs in most instances.

Keep in mind that personal life insurance coupled with company benefits can fill the Social Security gaps and supplement the valuable benefits derived therefrom.

\* \* \*

**WANT TO CLIMB** the executive ladder? Better lose some weight. That's the advice handed down by a well-known personnel agency.

A review of its files indicates that at least one in three middle-management executives—those in the \$10,000 to \$20,000 class—were more than 10 pounds overweight.

But only one in 10 of top management—men earning between \$25,000 and \$50,000 a year—were carrying an extra ten pounds or more. Conclusion: Losing the battle of the midriff bulge can cost you as much as \$1,000 per pound. Better slim down if you want that promotion.

\* \* \*

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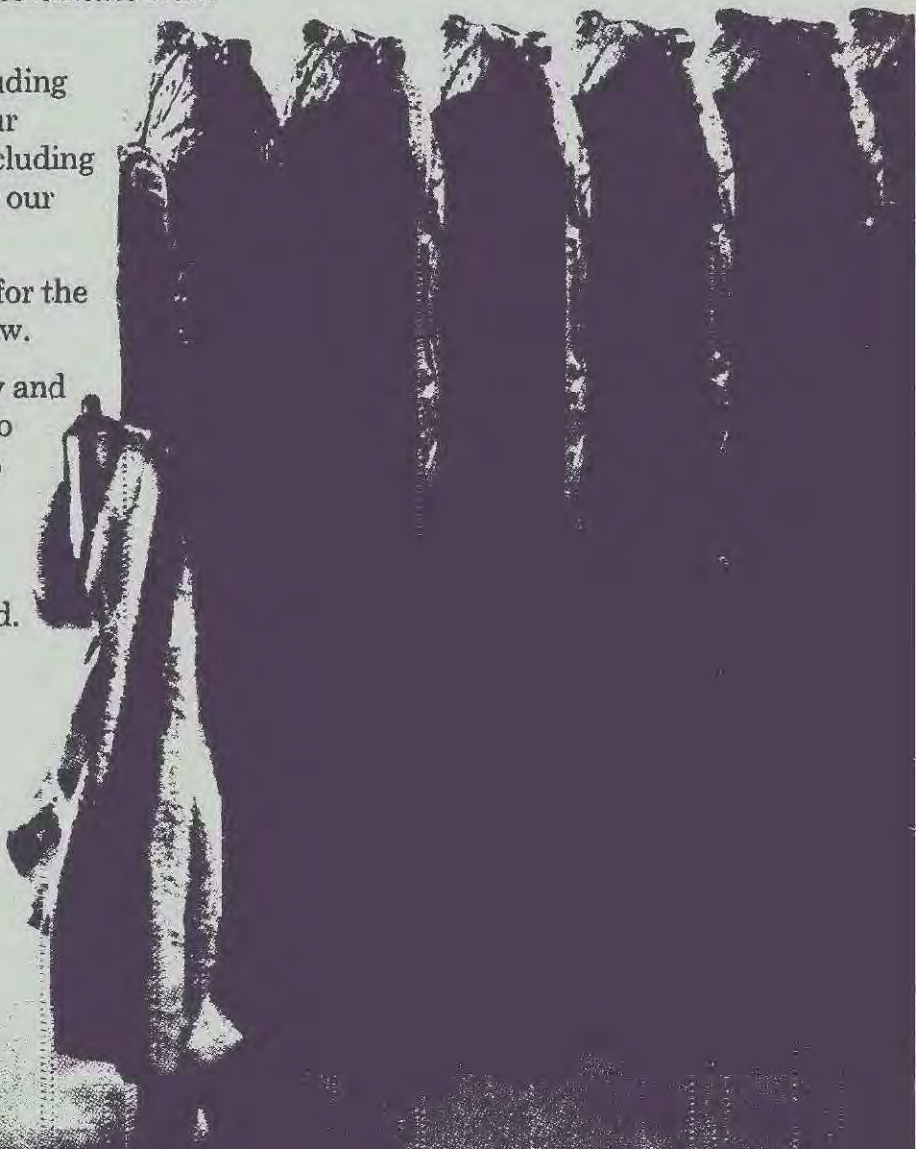
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