Construction industry worries about skyrocketing liability claims

see page 19

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February 17, 1969

Probes eye high fire rates and FAIR plans

CHICAGO—Investigations on Federal, state and local levels have been demanded to examine the imposition of double-and-more rates for fire coverage written in 51 urban areas by property insurers and the Illinois FAIR plan.

Among those asking for investigations were 20 state representatives, one U.S. Congressman, a Housing and Urban Development Department insurance administrator, and the state's director of insurance. Some investigations are already underway.

Though industry spokesmen generally called the FAIR complaints "untrue" or "misleading," some consumer spokesmen said it hadn't "scratched the surface."

ELMER F. Reske, director of this state's FAIR plan (called the Illinois Property Insurance Placement Facility), admitted to *Business Insurance* that in many instances rates are double or more for FAIR plan coverage. But, he added, they were increased because inspection revealed substandard conditions.

"The facility provides a market," Mr. Reske said. "It takes property on an as-is bais."

The Urban Property Protection and Insurance Act, passed last May by Congress and signed into law requires that each state develop legislation following Federal guidelines.

A PROPERTY expert for the

Continued on page 42

'Free market' panel at ASIM

NEW YORK—Members of the American Society of Insurance Management will gather in the Statler-Hilton Hotel here this week to consider such important matters as a free market for major insurance buyers and the election of new ASIM officers.

The group will press its demand for an industrial insured exclusion in a model bill regulating nonadmitted insurers to obtain greater freedom for corporate insurance buyers in an insurance market beset by capacity problems. An official of ASIM said the group's board of directors would take up "family problems" at a meeting scheduled for yesterday (Sunday).

Proposed new president of ASIM is William S. Mortimer, director of insurance of Norton Simon Inc., Fullerton, Calif., suc-

Continued on page 42

While work crews clean up Santa Barbara harbor, polluted by an off-shore oil well leak, President Nixon ordered a group of scientists to recommend ways to prevent such a disaster from happening again.

—Wide World photo

Oil leak brings huge suit; liability confused

SANTA BARBARA, Cal.—Insurance coverages that apply to the massive oil spill on the Pacific Ocean here were described as "very confused," involving a number of potentially liable insured and a number of primary and excess insurers.

In the wake of the spill, a $1.8 billion "class action" suit has been filed here in county superior court naming Union Oil Co. and its three partners—Texaco, Gulf and Mobil—as defendants after their runaway undersea well covered 800 square miles of ocean surface with crude oil.

A spokesman for Schramm, Raddue and Seed, attorneys for the plaintiffs, told *Business Insurance* that the "class action" suit was for all persons who suffered damage because of the 12-day-long oil leak.

Among those named as plaintiffs were representatives for fishermen, boaters, property owners, swimmers and those who suffered aesthetic loss.

THE SUIT charges that the companies "carelessly, recklessly and negligently" carried on drilling activities, causing the oil leak.

In Los Angeles, Union Oil's insurance manager, Homer Rathbum, said the insurance situation is a "very confused thing." He explained that each of the four oil companies has a 25% interest in the venture, and that the only common insurance in the operation is workmen's compensation.

Union Oil's primary coverage is with Aetna, and its excess is mainly in the London market. Gulf and Texaco have primary coverage with Travelers, while

Continued on page 42

(Mailing label here)

Suit charges Curtis Co. execs misappropriated pension fund's money

PHILADELPHIA—A suit filed by employes of Curtis Publishing Co. against its president, Martin S. Ackerman, and two others in the company has charged that $6,000,000 of the company's pension plan have been "misappropriated."

The suit is one of several—six at last count—involving Mr. Ackerman and Curtis arising from financial dealings in an attempt to save the company. Mr. Ackerman has reorganized the company, formed the Saturday Evening Post Co. to publish several magazines, sold two magazines, ended publication of the Saturday Evening Post and sold subsidiary operations which distributed magazines and solicited subscriptions.

Mr. Ackerman was brought in last April by Curtis and remains as president and chief executive officer of Perfect Film and Chemical Corp.

THE SUIT, filed in Philadelphia's common pleas court, was brought by 1,700 workers at a Curtis printing plant near here. In a press conference, Mr. Ackerman denied the charges.

It is known that other groups of former Curtis employes are negotiating with Mr. Ackerman over benefits from the pension fund.

The fund, initiated in 1945, had grown to $53,000,000 in 1961; since that time five annuity purchases were made from the fund so that by 1968 the fund had book value assets of approximately $28,000,000.

Mr. Ackerman said that Curtis used $1,000,000 of the $6,000,000 taken from the fund as working capital and the remainder was used to finance the Saturday Evening Post Publishing Co.

Actuaries described the money taken from the pension fund as a recapture of surplus from the fund. The surplus came from fewer numbers covered in the plan and because the plan was expected to change to a fully-insured program.

Other companies have used their pension funds to invest in their own stock, it was pointed out. For example, Sears Roebuck & Co. has, over the years, invested heavily in Sears shares and Textron has used its pension fund to acquire new companies.

A SPOKESMAN for former Curtis employes told *Business Insurance* that "implied contractual obligations" contained in a qualified pension program prohibit "in good conscience" an employer from using these funds for employer's benefit. The fund

Continued on page 42

Late news

Labor quits states' workmen's comp group

WASHINGTON—The AFL-CIO has cancelled its long-time membership in the International Assn. of Industrial Accidents Boards and Commissions. Bert Seidman, social security director of AFL-CIO, told *Business Insurance* that IAIABC "has made little effort to improve the lot of organized labor, especially on the national level. There is no reason to continue the window dressing of labor support for the workmen's compensation administrators' organization."

J&H sets up payroll plan subsidiary

NEW YORK—Johnson & Higgins has set up J & H Equity Corp. principally to market variable annuities and mutual funds on a payroll-deduction basis. So far, J & H hasn't signed up any clients with the new entity but is holding "preliminary discussions" with four or five corporations.

Missouri attorney general checks statutes

JEFFERSON CITY, Mo.—Missouri Atty. Gen. John C. Danforth is "reviewing statutory law regulating farm mutual insurance companies" in response to charges by *Business Insurance* that some unregulated farm mutual companies have violated their charters by writing out-of-state business insurance coverages. Mr. Danforth's review began after news articles and editorials in this magazine pointed out that companies—supposedly limited to writing fire and lightning coverages in a restricted number of counties—were actually soliciting and writing complex coverages in places as far distant as Ethiopia. See related story on page 44.

U.K. revised benefits meet European standards

LONDON—Great Britain's proposed switch from flat-rate social security benefits to a wage-related scheme will bring the country into line with most other major European nations.

The government's program, outlined in a "white paper" last month, calls for a maximum pension of 60% of the workers with the lowest annual salaries and minimum benefits of 36⅔% for the highest paid employes.

The new benefits, which would go into effect in April of 1972, are based on an employe contribution for both men and women of 6¾% of a salary up to 1.5 times the average wage level for manual workers (about $80 a week). Employer contributions would also be 6¾%, but of total wages.

The British Government would continue to chip in another 18% of the total cost of the pensions, which would be funded on a pay-as-you-go basis.

RETIRED WORKERS would receive 60% of the first $26.40 of his weekly earnings and 25% of the remainder for most workers. This would work out to a pension of about half the average national wage.

Benefits are based on the employe's "career average" earnings. But the government said it would update the past year's earnings at least every two years, based on cost-of-living increases. This plan would be similar to the Canadian social security scheme, and would bring benefits "almost to a 'final pay' setup—but not quite," said a U.S. pension expert.

The proposed scheme would still allow employers to partially "contract out"—to buy an equivalent pension for employes from the private sector—but will most likely call for complete vesting of the private plans, based on an as yet unspecified minimum requirement.

Mrs. Margaret Thatcher, conservative "shadow" minister of transportation and a former parliamentary secretary to the ministry of pensions and national insurance, charged that the government was "passing the buck" to employers in order to finance a large part of the proposed social security program.

THE INCREASED costs would be a heavy imposition on companies—particularly in the service industries—which already have been seriously hit by the selective employment tax, she said.

Mrs. Thatcher said it would be "distressing" if the state scheme led to a reduction in the growing number of private pensions which provide more generous benefits.

Richard Crossman, secretary for social services, said that the plan's success relied on the big corporations and the life insurers giving their support. He said he expected that some large companies, such as those in the automotive industry, would "contract out."

Initial reaction to the proposed government program from the life insurance industry was favorable. G. V. Bayley, chairman of the Life Offices Assn., said that the plan steers "a pretty good path through the jungle. The level of benefits seems reasonable and leaves scope for expansion in the occupational schemes."

Although the proposed pension scheme would bring Britain into line with other major industrialized countries, as far as having a wage-related plan, it would not put the country ahead in benefit levels.

IN BELGIUM, for example, the state pension is 75% of average earnings based on a salary limit of $3,370 a year. In Italy, government benefits are 65% of salary in the last three years, up to a limit of over $22,000. In West Germany, state payments are 75% of lifetime salary, up to $4,836.

The Spanish government pays pensioners a flat-rate pension of $1,580 plus a wage-related pension of 60% of the average salary between $1,100 and $8,330 during the last 15 years. Holland is one of the few advanced countries which provides only a flat-rate pension, but at $1,335 a year it compares favorably with the average benefits likely to be available under the proposed British plan.

Maximum payments possible under the new rules, for a man who earns an average of $80 or more weekly throughout his career, would be higher—at $1,500—than the benefits in Holland, but the figure would only be equal to just over a third of his earnings.

The relatively low-paying state pension benefits have given rise to a thriving system of private pension plans in Great Britain. Latest estimates put the number of retired employes covered by such plans at about 2,500,000, drawing a total of about $1.4 billion. This means that private pension plans now account for about one quarter of total pensions.

According to the latest survey by the government actuary, about 12.2 million workers in Britain are covered under some form of private pension plan—slightly over half the total working population. ■

Campbell joins broker

W. Donald Campbell, formerly with Aetna Life & Casualty, has joined Boit, Dalton & Church, Boston, as vp and account manager. Mr. Campbell was supervisor of national accounts at Aetna.

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Defense lawyer warns that we are approaching 'socialized law'

CHICAGO—In an address entitled, A Good Product Can Be Defended, James W. Kissel, an attorney here, told the Illinois Defense Council that "we are coming closer and closer to socialized law."

The attorney opposed what he called "free thinkers" and those who propose no-fault compensation schemes and an end to the trial jury adversary system. He also differed with many recent court decisions and deplored the consequences they will have on defendants in products liability suits.

While admitting that some courts have held otherwise recently, Mr. Kissel maintained that "contributory negligence is a defense to strict liability claims."

THE CHICAGO lawyer advised his colleagues that "the defense may as well accept strict liability" instead of fighting it. And, while accepting that, defense lawyers should work to preserve the concept of contributory negligence in all courts.

Citing *Post* vs. *American Cleaning Equipment Corporation*, Mr. Kissell described a Kentucky court of appeals award to a plaintiff who had ignored a warning sign on a vacuum. The sign cautioned users to plug the machine into 115-volt outlets only, but the plaintiff used a 220-volt outlet, causing the machine to burn up and injury to himself.

The court ruled, Mr. Kissel said, that "plaintiff didn't know the real consequence of not following the instructions." The lawyer called this opinion "another step down the road to socialized law."

Part of the defense problem in many of the recent, liberal court decisions, Mr. Kissel observed, is what he described as "nice plaintiffs." He said it is difficult to "get someone to contradict a plaintiff's story" when a plaintiff is "nice."

TO COUNTERACT court and jury sympathy, the lawyer suggested to his colleagues that more expert witnesses be used. But, he added, they should be limited to "talking in simple terms."

Mr. Kissel contended that some products, "such as dynamite," are expected to be dangerous. "To provide strict liability, there must be something unusual to make the product 'unreasonably dangerous' when defendant parted with it."

In another, two-man address by Kenneth F. Packer, an engineer with a Ph.D., and Ron Andersen, a defense expert in the use of photographs, Mr. Packer attributed expanded liability to "our expanding technology" and "industry's ability to apply" such technology to the creation of products.

One defense in products liability suits the engineer offered the lawyers, "comes from the ability to apply the same techniques and technology that created the products to the defense."

MR. PACKER said that it is common for lawyers to make two mistakes in hiring and using expert witnesses: Calling an expert the night before he is to testify and putting him on the witness stand "cold," and calling the expert when the case is filed and asking the expert to "prove a point" when the case comes to trial.

Mr. Andersen, the photographic expert, agreed with Mr. Packer's estimate of the role of an expert witness. "We're really not interested in what side of the case our lawyer is," he said. It is the expert witness' job to present the facts; the lawyers, he felt, must then use the facts to their advantage. ■

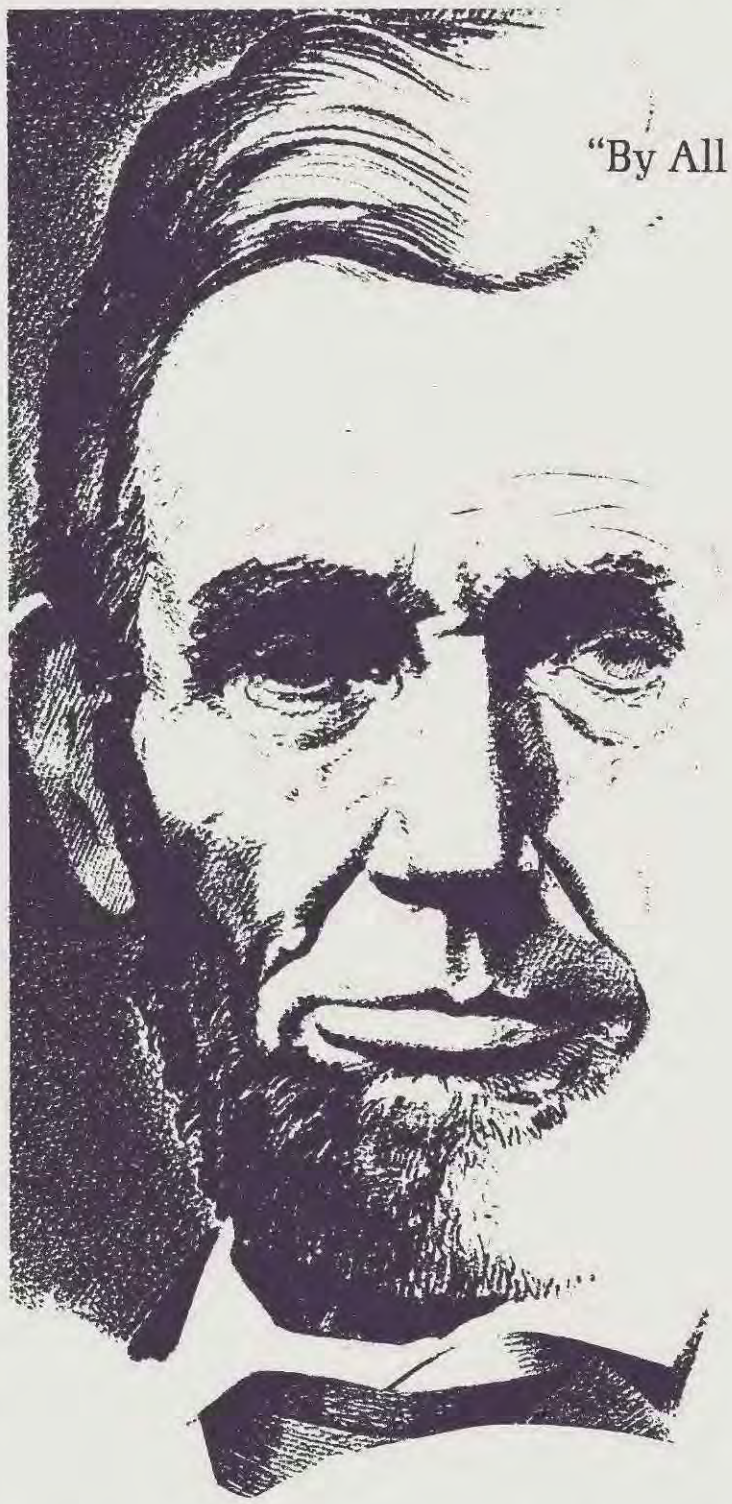
Representatives of the American Society of Insurance Management discuss corporate insurance buyers' problems with Pennsylvania Insurance Commissioner David O. Maxwell in Harrisburg. From left, they are A. Gordon Hanau, manager of the system insurance department, Consolidated Natural Gas Service Co., Pittsburgh and New York; Commissioner Maxwell; George F. Reed, chief counsel, Pennsylvania insurance department; James E. Bailey, ASIM legislative counsel, Washington, and (seated) Kenneth R. Huston, ASIM president and insurance manager, A.M.P. Inc., Harrisburg. The society is attempting to obtain enactment of the industrial insured exemption in all states.

Company thankful for paying taxes

SAN FRANCISCO—Not a lot of companies these days put ads in their local newspapers thanking public servants and asking, "Isn't this largely what taxes are all about?".

But Borden Decal Co. did. Under a bold face headline, "The Spectacular Fire," the ad said: " . . . on Thursday, Jan. 16, at 11th & Howard Sts., destroyed the glass company on the street level. Few realized that Borden Decal Co. occupies the basement of that building—but the San Francisco Fire Department knew! And while they were effectively controlling the fire above, they were heroically engaged below in saving, almost intact, the records and equipment of this old San Francisco business.

"Thus they preserved 24 jobs and a $210,000.00 payroll for the City of San Francisco. Isn't this largely what taxes are all about?



"By All Means, Don't Say 'If I Can,' Say 'I Will'"

Abraham Lincoln

Lincoln lived in a log cabin, went to school for twelve months and by today's standards might have been declared culturally deprived, poverty stricken, oppressed and a victim of his environment. However, being part of a free society, he worked hard, studied and became President of the greatest country on earth.

He believed in private property and said, "Let not him who is houseless pull down the house of another, but let him work diligently and build one for himself, thus by example assuring that his own shall be safe from violence."

Regarding laws he counseled, "Bad laws, if they exist, should be repealed as soon as possible; still, while they continue in force . . . they should be religiously observed."

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

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washington watch

Trend, test sites and new study augur Federal insurance control

WASHINGTON—The insurance industry's immunity from Federal regulation has been eroding away ever since it was granted by the McCarran-Ferguson Act in 1945. Most sophisticated observers predict that in just a few years the act will have almost no practical meaning. By that time, it is felt, state insurance regulations will be required to meet certain Federal standards in almost every area.

This type of forecasting always raises the question of what these Federal standards will be. Recently in Washington a document was made public that probably comes as close as any could to outlining what provisions Congress will be requiring in state insurance codes. And some of these provisions raise some very interesting points from the corporate insurance manager's standpoint.

The document in question is a study prepared by Herbert Denenberg, Loman professor of insurance at the Wharton school of finance and commerce, outlining for Washington D.C.'s Mayor Walter Washington the changes Mr. Denenberg feels are necessary to make the District's insurance laws into a model code.

IN THE LAST ISSUE of *Business Insurance*, "Washington Watch" discussed the national implications of a move by Washington's insurance commissioner Albert Jordan to force insurance firms to begin writing the so-called crime lines in the capitol city's ghettos under the District's Congressionally approved FAIR plan. It was pointed out that there is a strong feeling that in this case the District is only the testing ground for a long-range plan to require ghetto crime coverage nationwide.

The feeling is widespread that the District is going to be used as the testing site for a number of new insurance regulations, slated eventually for the national scene. There seems to be a genuine desire by both Mayor Washington and Congress to revamp the District's code and if Congress once acts on the matter, it is only a step away for it to decide that what is good for the District on this score is good for the nation. And, herein lies the importance of the Denenberg report.

Mr. Denenberg was instrumental in drawing up both the Federal riot insurance bill and the District's FAIR plan, which contained the loophole needed to provide Commissioner Jordan the power to make his move regarding the crime lines. He is a frequent and respected advisor to the government on insurance matters and there is little question that his suggestion will provide the basis for a revamp in the District's insurance laws, if such a revamp is made.

A number of Mr. Denenberg's suggestions for changes in the District's code are of particular interest to corporate insurance managers. For one thing, he proposes that all impediments in the code to mass merchandising of insurance be eliminated.

GROUP property and liability insurance is a promising development that should be expressly authorized and encouraged, he suggests, and classifications eligible for group life and health insurance should be expanded. Also, he says, all limitations on the amount of group insurance that may be written should be eliminated.

Mr. Denenberg calls for immediate action on what he terms "the holding company problem." Among abuses he cites as being brought on by the proliferation of non-insurance firms controlling insurance companies is that these holding companies may subordinate insurance to other business objectives, and may shift resources away from insurance, thus further restricting an already inadequate market.

In the absence of Federal action to check this trend, Mr. Denenberg suggests that the District prohibit the control of insurers domiciled in the District by non-insurance interests. The District should also, he says, be given further authority to control potential abuses by noninsurance interests controlling insurers doing business in the District, but domiciled elsewhere.

In the areas of auto insurance, Mr. Denenberg admits that it may be wise to await the outcome of a number of ongoing studies in this area. But, he says, some problem areas require immediate attention. Furthermore, he adds, some jurisdictions, like the District, may wish to fashion their own programs and he makes the following suggestions for the District's self-fashioned program:

STATUTORY authority must be created for the automobile assigned-risk plan. The plan should provide the full range of auto protection—not only liability but also physical damage (comprehensive and collision), uninsured motorists coverage and medical pay coverage. Coverage in amounts beyond basic liability limits should also be provided.

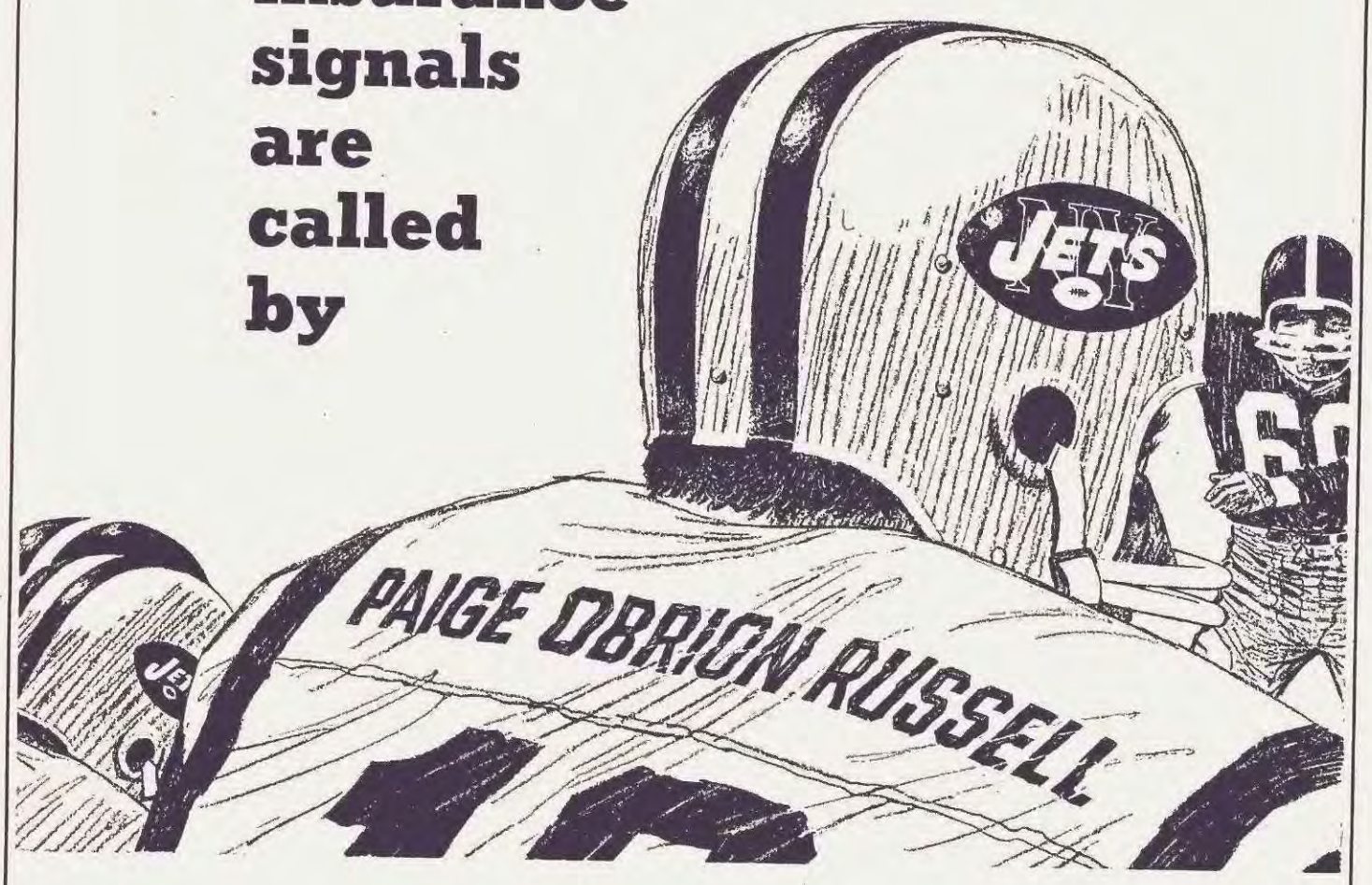
A compulsory automobile insurance law must be enacted and the tort law be amended so as to replace the doctrine of contributory negligence with that of comparative negligence. Uninsured motorists coverage must be extended to include property damage as well as personal injury. And, the coverage must be in amounts in excess of basic limits and be made compulsory.

Medical pay protection must be made compulsory. Insurers must be encouraged by the insurance department to offer medical pay coverages that would extend benefits to all persons injured by an insured automobile and must be encouraged to market more vigorously and distribute adequately the so-called three-d policy and related coverages to provide death, disability and dismemberment benefits for automobile victims.

Other suggestions by Mr. Den-

Continued on page 43

the N.Y. *JETS'* insurance signals are called by



The *New York Jets*, champions of the American Football League, capped their climb to professional football supremacy with a spectacular upset in the Super Bowl extravaganza. Now astride the football world, the Jets know the value of imaginative quarterbacking by a team of knowledgeable and experienced insurance professionals. We call the Jets' signals. Shouldn't we be preparing your game plan?

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That's really what business insurance is all about.

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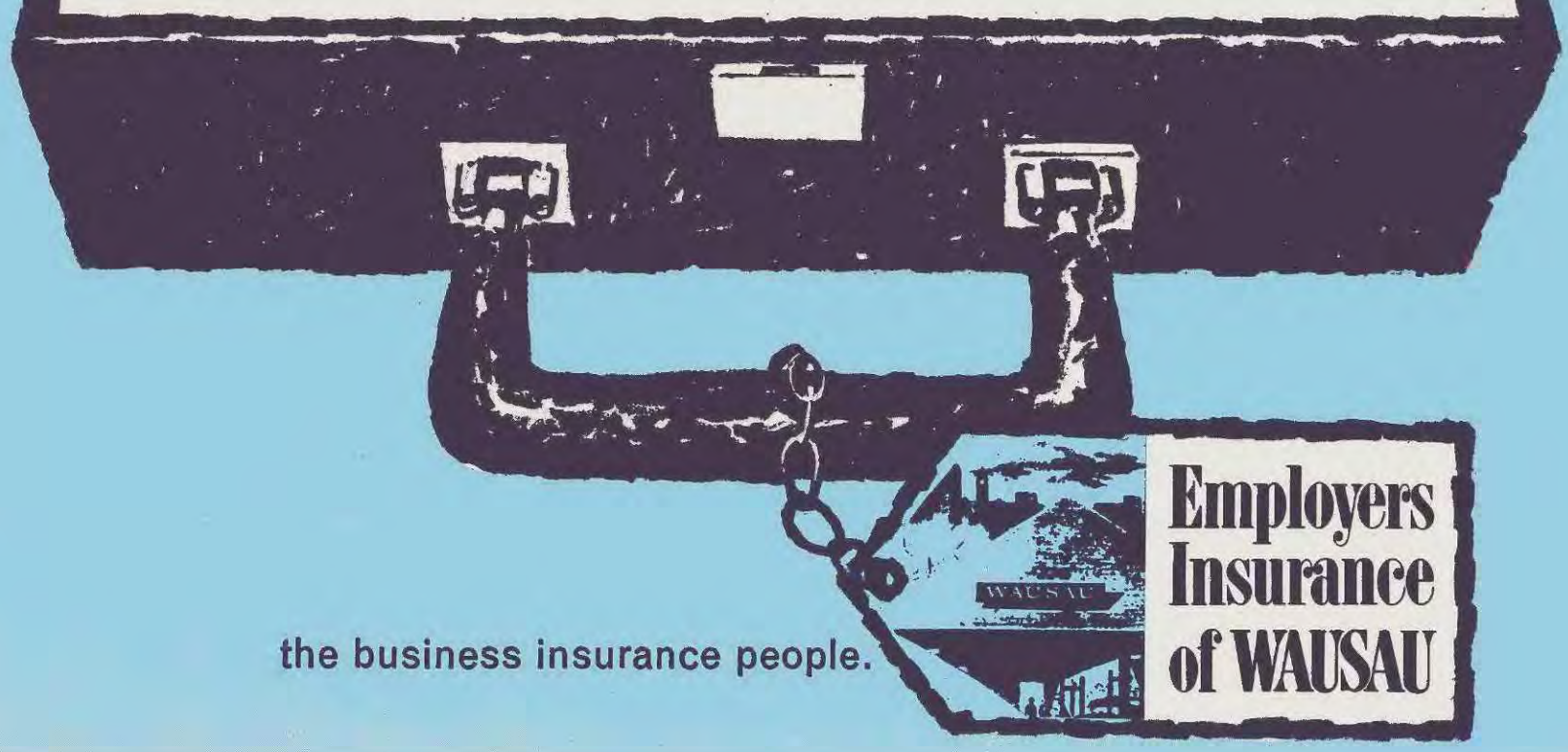
Get the full story from your Employers Insurance man. And have your business life insurance handled in a business-like way . . . by the people who know business insurance like nobody else in the business.



the business insurance people.

Employers Insurance of WAUSAU

Negro businessman 'scared,' but agent says he has adequate cover

DAYTON, O.—Full coverage business insurance still is hard to come by in certain areas of Dayton, particularly West Dayton.

That, at least, is the opinion of Lorenzo (Ren) Harris, Negro owner of two supermarkets in West Dayton.

"I'm scared all the time," said Mr. Harris. "I can hardly sleep at night."

One thing Mr. Harris has done has been to put a sign on the side of one of his markets proclaiming black ownership and asking for community respect for the property.

MR. HARRIS PLACES his insurance through the Sanders Stone agency. One of his complaints, although not with Stone, is that he can't get plate glass insurance. "I've got $900 worth of glass here," he said of his newest market.

Sanders Stone, Negro owner of an independent insurance firm that places insurance with underwriting companies, said no one gets plate glass insurance and hasn't for years.

"It has nothing to do with riots," said Mr. Stone. "It [plate glass insurance] is a loser. Glass cracks as buildings settle. You have losses all the time." He said he has obtained such coverage for some customers in the past and wishes he hadn't.

Mr. Harris is also concerned because his fire coverage is spread with several underwriting firms, rather than being placed with one firm.

To Mr. Stone, this is just good business. "You spread the risk," he said, indicating that firms are willing to take part of a fire policy so they won't have to absorb the entire loss themselves if there is a fire.

Mr. Harris said to his knowledge his problems in getting insurance stem more from the location of his new store than from the fact that a fire closed his first market for several months a few years ago.

ON ONE POINT, Mr. Stone and William L. Jackson, an agent for the Stone agency, say Mr. Harris is just wrong.

Mr. Harris contends he has no riot and business interruption insurance. Mr. Stone and Mr. Jackson contend he has.

The riot (extended coverage) and business interruption insurance are included in the fire insurance policy, according to Mr. Stone and Mr. Jackson.

The merchant also believes he has no burglary insurance to cover thefts and armed robberies, always possible in a retail operation.

MR. JACKSON SAID an application for such insurance has been filed and that Mr. Harris is covered until and unless the Stone agency is notified to the contrary by the insurance underwriter.

"I know there is a problem," said Mr. Harris. "I've talked to other men and I know. It is a problem over here."

Mr. Jackson did concede that some underwriting companies are not particularly eager to issue insurance for companies in West Dayton but rejected the theory that there is a large-scale problem.

"He [Mr. Harris] has a problem because of his location," said Mr. Jackson. "I don't see where he has a big problem. He is not in bad shape at all."

"I'M FRIGHTENED all the time," said Mr. Harris. "I'm insecure. I'm speaking out because it is true and it might help someone else."

Mr. Harris said he is much more afraid of the possibility of burglary or an armed robbery than of a riot. He believes the day of destructive disturbances is past in West Dayton.

Mr. Stone was one of a number of Negro insurance men who complained last year to state officials of the difficulties involved in obtaining business insurance for Negro customers in negro areas.

According to Mr. Stone, the situation has improved substantially since that time. ▪

Webster joins hospital group

AUSTIN, Tex.—Claude L. Webster, formerly with the Texas Assn. of Insurance Agents, has joined the Texas Hospital Assn. staff as director of insurance programs.

In the newly created position, Mr. Webster's duties will be devoted primarily to the group's insurance programs such as fire and liability insurance for hospitals, and group health, life and pension retirement plans for hospital employes at the request of member hospitals.

Mr. Webster has spent 22 years in the insurance field, 11 of these with the TAIA, the largest state association of independent insurance agents. ▪

If you don't have the right amount of insurance, it can hit you right in the profits.

Johnson & Higgins helps protect your profits in many ways. By helping you eliminate risks. By keeping your coverage on target—you pay for no more, you get no less than you need. And by doing our best in today's tight insurance market to buy you the right amount of coverage at realistic prices.

A new problem has arisen in the insurance business: the problem of capacity. Without quoting reams of statistics and reasons why, it boils down to the fact that insurance companies are being asked to write an unprecedented volume of business at a time of heavy losses and limited new capitalization. Consequently, some commercial and industrial customers are finding it hard to get the amount of insurance they need.

As brokers, Johnson & Higgins has been buying insurance for clients since 1845. We work with reputable insurance companies all over the world. And if the coverage you need can be found anywhere, Johnson & Higgins will find it for you.

In addition to our brokerage experience and knowledge, Johnson & Higgins offers services that are aimed at improving your profits. We have a staff of experts to help you eliminate operational risks and reduce expenses. This can reduce your premiums as well.

J & H can help solve other insurance problems profitably, too.

Employee benefits plans pay off better for you with Johnson & Higgins. Our methods for developing or revising a benefits program are unique. We set up a systems approach that can handle plans in a single plant or for a company with operations all over the globe. We call it coordinated consulting.

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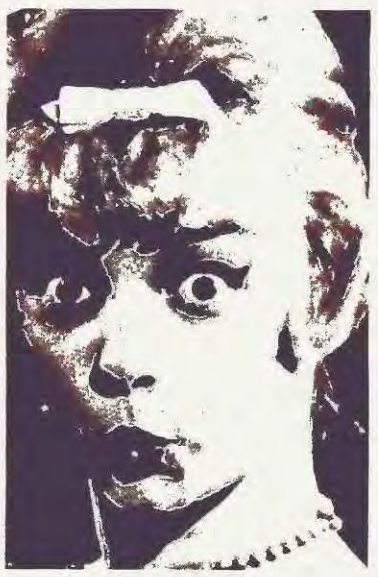

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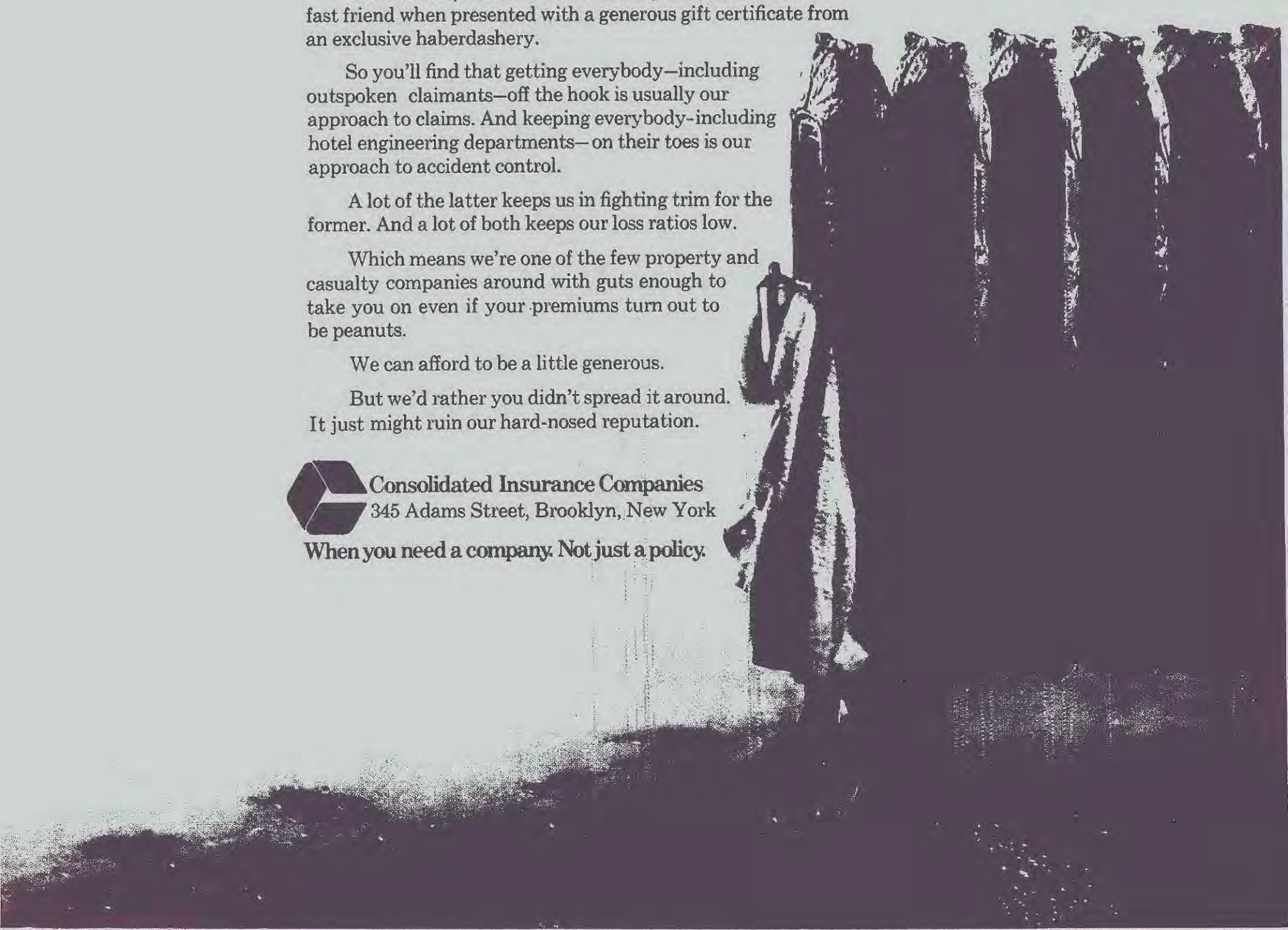

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If an employee has ever asked you, "What's left for me after paying premiums all these years?" – group ordinary life insurance provides an answer to his objection of getting "nothing for something."

In its simplest form group ordinary is nothing more than a permanent substitute for group term insurance. And once you add a group ordinary rider to your standard Group Life insurance contract, you give your employees a choice between term and permanent insurance or a combination of both. Because you normally pay a level term premium for each employee in place of an increasing yearly renewable premium, you can stabilize your future group insurance costs.

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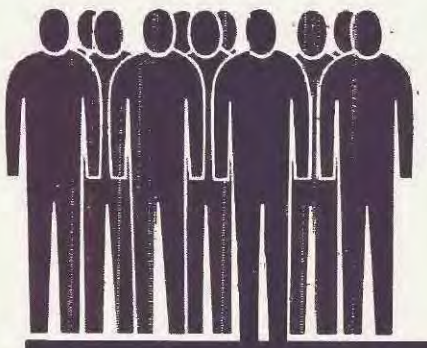

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info for buyers

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

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

• **Restore** is a four-page pamphlet explaining Continental National American's comprehensive rehabilitation program. The goal of Restore is to help the individual achieve maximum effectiveness permitted by the existing handicap. The program, the booklet states, was designed for use on all types of claims involving bodily injury. For a free copy write CNA Insurance, Advertising, 18-W, 310 S. Michigan Ave., Chicago, Ill. 60604.

• A free 12-page booklet, **FLEXI-GUARD—A Breakthrough in Group Ordinary Protection,** is offered by the Michigan Life Insurance Co. Flexi-Guard gives the employe the opportunity to purchase permanent life insurance at rates well below those of privately purchased policies and still enjoy equivalent cash and other permanent values. It also guarantees the employer his cost will never be more than is normally paid for group life insurance coverage. Write to Lawrence Z. Weston, Director of Sales, Michigan Life Insurance Co., Box 391, Royal Oak, Mich. 48068.

• Computer work in the area of safety is illustrated in a free brochure from the Honeywell computer control division. **What's a Honeywell Computer Doing to Help People Get a Grip on Things?** tells of Case Institute of Technology, which uses remote control manipulators designed to take the place of human hands for dangerous or superhuman tasks. For a copy of the literature, write Honeywell Inc., Computer Control Div., Old Connecticut Path, Framingham, Mass. 01701.

• Produced by the Fire Protection Assn. London, **The Nature of Fire** provides basic facts about fire and its control. Behind the film is the idea that if people know what fire is, they will more readily know how to avoid the acts which lead to fire. Dramatized situations and laboratory demonstrations illustrate the points made. To purchase the 19-minute film (cost is $140) write Publications Dept., National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110. Checks should be made payable to NFPA. For information on rentals, contact the association.

• The engineering and safety department of the American Insurance Assn. has published an eight-page brochure entitled **Riots.** The item points out that: at present the normal means for protecting life and property are rendered ineffectual during civil disorders; an occupied premise is less apt to be attacked, and a definite order of looting targets exists, among other things. To obtain a copy write the association at 85 John St., New York, N.Y. 10038.

• The Council of Profit Sharing Industries has released a 158-page, hard-bound book, **Successful Profit-Sharing Plans, Theory and Practice.** Material is presented from the point of view of existing theory and management objectives, and a review of current practices and actual plans of the Council's 1,500 member companies are presented. The book is designed to be used by those concerned with management and operation of profit-sharing plans and for those considering installation of a profit-sharing plan. It sells for $6.00. Write the Council at 29 W. Wacker Dr., Chicago 60606.

• **Five to Drive By** is a brief, illustrated pamphlet released by the National Safety Council to discuss the five features of the professional driving job. When requesting the booklet, ask for #294.05. The council is located at 425 N. Michigan Ave., Chicago, Ill. 60611.

• **Your Insurance Program: An Impartial View** is an explanatory brochure put out by Corporate Policyholders Counsel, Inc. Reasons for using an insurance consultant are detailed and objectives of the CPC team approach to developing a property and casualty program are listed. Employe benefit programs are also discussed. For a free copy write Mr. R. Maynard Toelle at the counsel, 20 N. Wacker Dr., Chicago, Ill. 60606.

• **The Story behind Underwriters' Laboratories Inc.** discusses the background and facilities of the organization and steps in testing for public safety and follow-up services. This booklet and a smaller one, **Facts about Underwriters' Laboratories Inc.,** are free by writing Public Information & Education Services, Underwriters' Laboratories Inc., 207 E. Ohio St., Chicago 60611.

• **Riots—Potential and Preparedness** is an illustrated paper released by the Kemper Insurance combined property department. It defines an emergency program as one which will "establish procedures to insure an orderly transition from a state of normality to one of readiness, with a minimum of confusion, when confronting emergency situations." Topics covered include starting points, riot potentials, local emergency plans and drills. For a free copy write Mr. Walter White, commercial lines sales manager at the company, at 4750 N. Sheridan Rd., Chicago, Ill.

• **The General Fire Extinguisher Selection Chart** categorizes 13 types of extinguishers, their operating principles and the classes of fires for which they are suitable. This color-coded flier is available free by writing the General Fire Extinguishers Corp., 1685 Shermer Rd., Northbrook, Ill. 60662. Categories are based on the basic recommendations of Underwriters' Laboratories, Inc., Factory Mutual, and National Fire Protection Assn.

• **Living Insurance for Business from Equitable** is a 20-page leaflet which discusses key-man insurance, employe benefits, the family business and fifth dividend option. Copies are free from Sidney H. Brandt, representative of Equitable Life Assurance Society, 401 N. Michigan Ave., Suite 505, Chicago, Ill. 60611.

• Employe saving plans and the integral role they play in building and maintaining a work force with high morale and productivity are explored in a book, to be released on February 20. **Employe Savings Plans—The Coming Trend in Retirement Planning** is written by Bion Francis, manager of benefits and planning at Colt Industries, Inc., and a regular *Business Insurance* columnist. The 320 page book covers topics such as: retirement plans and inflation, encouraging individual initiative, employe planning before and after retirement and a draft of a model saving plan for tomorrow. The book, at $12.95 per copy, may be purchased by writing: Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

• Arizona's newly revised workmen's compensation act, which became law Jan. 1, may have national significance in similar legislation being considered by other states. A digest, compiled by Employers Insurance of Wausau, highlights important points and emphasizes changes which form an emerging national pattern. **Changes in Arizona Workmen's Compensation,** nine pages, is free to Arizona companies by writing to Employers at 4502 N. Central Ave., Phoenix, Ariz. 85012. Interested firms and individuals in other states may contact the insurance company at its national headquarters, 2000 Westwood Dr., Wausau, Wis. 54401.

• The National Fire Protection Assoc. has published the **Life Safety Code 1967,** dealing with life safety from fire and like emergencies. The booklet is available from National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110, for $1.50.

• A 20-page bulletin on press and press brake safety is available free by writing, on your company letterhead, to: Dreis & Krump Manufacturing Co., Safety Dept., 7400 S. Loomis Blvd., Chicago, Ill. 60636. **Before It's Too Late . . .** embodies much of the safety experience and many safety precedents as established by major metalforming manufacturers and universally recognized safety-minded organizations. Common hazardous practices are specifically mentioned and the latest safety controls are shown or indicated in the bulletin.

• **Sourcebook of International Insurance and Employe Benefit Management,** published by the American Management Assn., describes social security programs, insurance laws, customs, regulations and practices of various countries. The publication costs $7 for AMA members and $10.50 for nonmembers. Write American Management Assn. Inc., 135 W. 150th St., New York, N.Y. 10020.

• **Split Dollar—Simple and Useful** is an article reprinted from the Journal of the American Society of Chartered Life Underwriters. The split-dollar concept and revenue rulings pertaining to it are reviewed, and illustrated with tables, in the 15-page item. The concept of the split-dollar plan is usually that the insured is a key business employe who is helped by the employer to insure his life by "splitting" the cost of the premium. This is done in accordance with a formula by which the employer will make some recovery if the employe dies or terminates employment. The reprint is free by writing Vincent G. Mercer, Director of Advance Sales Marketing, Continental Assurance Co., Chicago, Ill. 60604.

Merger ruling pleases buyers, SEC

WASHINGTON—Buyers who fear that insurance mergers have resulted in a shrinkage of underwriting capacity were generally cheered by a Supreme Court ruling that the Federal government can block insurance company mergers under some circumstances.

One insurance manager of a major corporation contended that insurers have made themselves "so damned attractive" to conglomerates by letting their capital build up over the years when the money should have been plowed back into increased underwriting capacity.

The high court's decision held that the McCarran Act does not protect insurance company mergers if the prospective partners have given out untrue information to shareholders in proxy statements.

SOME LEGAL experts think that the ruling could also apply to other types of fraudulent acts, such as corporate officers and others acting on "insider" information to buy or sell company stock.

The six-to-three decision overturned a lower court ruling which held that two Arizona insurance companies — National Life & Casualty and Producers Life—were free to merge because the Securities & Exchange Commission lacked jurisdiction over them.

Justice Marshall, in the majority opinion, argued that the SEC was free to move against fraudulent practices involved in mergers because the Arizona insurance department's okay of the merger was not "insurance regulation, but securities regulation."

Thus, the court held that the SEC did not interfere with the state's regulation of insurance (protected by the McCarran act) when it took action in the case.

In other activity, the Supreme Court agreed to review two railroad liability cases. One, involving the Cedar Rapids & Iowa Railway, pivots on whether the defense of contributory negligence is available against an injured employe who sues for violation of the federal safety appliance act.

The other, concerning the Missouri-Kansas Railroad, will decide whether an injured plaintiff who is an employe of a wholly owned subsidiary corporation (and not the defendant railroad) is entitled to benefits under the federal employers liability act.

The Missouri Supreme Court ruled that the plaintiff should not get such benefits. ▪

Copeland named to Renault post

Robert C. Copeland has been appointed assistant legal and assistant insurance manager for Renault Inc., Englewood Cliffs, N.J. Mr. Copeland previously served as senior contracts administrator for the engineering firm of Parsons-Jurden, New York, and as New York Legal advisor for the engineering firm of Bechtel Associates, New York.

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It lets you put premium payments on the installment plan. Like any other bill.

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

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benefit tax slants

Company needn't give newly hired oldsters same benefits as others

By JOSEPH S. ROBINSON

NEW YORK—We now have an Age Discrimination Employment Act, which makes it unlawful to refuse to hire individuals because of age.

Does this suggest that a company—compelled to hire older workers—must provide the same pension and insurance benefits to such newly hired people as it gives to its younger workers—or those who have been with the company for some time?

No, says the Wage Hour Administration in an opinion letter dated Dec. 11, 1968. These benefits may be withheld from employes in the 40-to-65 age group so long as any differential between them is in accordance with the terms of a bona fide benefit plan. In other words, identical pension or insurance benefits are not required for both older and younger workers under the age discrimination law. (Technical Reference: Age Discrimination Employment Act, Sec. 4 (f)(2).)

INSURANCE IN qualified plans is found in ever-increasing numbers. *Reason:* Extra benefits are derived from insurance funding. Here are just some of the advantages to the employe through an insurance-funded qualified plan:

- The employe incurs virtually no current tax liability on company contributions; he pays only a small tax on the pure term cost. (See Treasury's P.S. 58 Table.)
- Big benefits are guaranteed even if the employe dies before his interest in the plan is built up to any sizeable portion. In other words, through insurance, a large preretirement death benefit is provided.
- Substantial estate tax savings can be effected through the creation of a trust to receive the proceeds.
- The employe may select an annuity upon retirement in which case he gets the benefit of the annuity tax rules.

LIFE INSURANCE plays a role in connection with deferred compensation incentive arrangements. Here, the company contracts to pay a key employe a specified sum each month—for a period of years—starting with his retirement.

In such a set-up, insurance funding has a dual purpose. During the employe's working years, it indemnifies the company in the event of his unexpected death. At the same time, a cash reserve is built up within the insurance policy to help cover the deferred compensation payments when the employe retires. (Technical Reference: Rev. Rul. 68-99.)

Splitting insurance premiums is still another financial aid which companies often provide young key employes. Many family men feel the urge to protect their wives and youngsters but simply can't afford to pay the whole tab. Split-dollar is the answer.

UNDER THIS arrangement, the company pays that part of the premium equal to each year's increase in the cash value and the employe pays the balance. If the employe dies, the company gets back what it put in and the beneficiary gets the rest.

The tax consequences are extremely favorable. The company pays no income tax when it recovers its contributions, the beneficiary receives the proceeds completely free of income tax liability and the employe is currently taxable only on the nominal cost of the pure term insurance protection he receives less his contributions. (Technical Reference: Rev. Rul. 64-328.) ▪

Herb's group major medical plan has a $20,000 maximum. He just collected $35,629 on it.

Good news for June and Eric. And a good thing Herb's company had Mass Mutual Family Monthly Deductible. Because its $20,000 maximum benefit applies separately to each illness-and each member of Herb's family.

So when Herb's wife June and his son Eric both required major surgery at about the same time, both were covered up to the limit. And Herb collected a total of $35,629 on both illnesses.

The plan's so simple we can explain it in two sentences. After the family's $25 monthly deductible, it pays 80% of all expenses the policy covers for each illness of each family member. And once a family's expenses go over $4,000, Mass Mutual pays 100% for the rest of that year.

And if you think a plan this rich in benefits must cost a lot, you're wrong. The truth is Family Monthly Deductible would probably cost you less than your present Major Medical. Call us on it. It's your chance to improve your group plan at a very reasonable price.

And get a $20,000 plan that doesn't stop at $20,000.

Massachusetts Mutual Life Insurance Company
Springfield, Massachusetts. Organized 1851

Country club liable in auto death case

NEW HAVEN, Conn.—A New Haven superior court jury has awarded $165,000 to the widow of a Wallingford Steel Co. executive who died in 1964 as the result of injuries suffered in an automobile mishap on a golf course.

The sum went to Mrs. Ruth H. Mitchell, Wallingford, Conn., whose husband, Wallingford Steel Co. sales manager Burnell Mitchell, 60, died when a car rolled over him at the Wallingford Country Club in August, 1964.

MR. MITCHELL was killed, according to the suit, while playing golf at the club.

A car parked at the club by Mrs. Nancy Backman of Hartford rolled down an embankment and crushed Mr. Mitchell fatally while he was standing on the fairway.

Named defendant in the action, in addition to Mrs. Backman, was the Wallingford Country Club, which was allegedly responsible for failure to fence in the parking area of its property. ▪

No deduction for income cover: IRS

WASHINGTON—The Internal Revenue Service has ruled that premiums paid for hospital income protection are not deductible.

The ruling said that no portion of premiums paid for hospital income may be deducted for premiums paid on a hospitalization insurance policy guaranteeing a specified weekly payment while the insured was hospitalized.

The IRS said that hospital income does not provide direct payment for hospital care. Employe benefits managers who administer hospitalization coverages with such income provisions may want to inform employes what portion of the premium is used for this benefit and that this portion is no longer tax deductible. ▪

Bull market for thievery abounds on Wall St.

By PATTI ROSENFELD

NEW YORK—Record stock market sales volume and active trading over the past two years have resulted in an expensive side effect for Wall Street insurance underwriting firms: The bull market is also a bull market for thievery.

Tens of millions of dollars in stocks and bonds—some put losses as high as $20,000,000—have been stolen from back offices of brokerage houses. Stocks and bonds have been disappearing mysteriously from back rooms of brokerage firms and have "gotten lost" en route from one location to another.

And who pays? The insurance underwriting firms, who are paying out increasing amounts in settlement of claims precipitated by the certificate losses.

THE SURETY ASSN. of America, a trade organization which acts as a rating bureau for all types of fidelity bonds, reports that between 1961 and 1966 the loss ratio of underwriting firms was 62.5%. During the past two years, the loss ratio has been exceeding itself at extremely unprofitable levels.

The average permissible loss ratio for such insurance business is 47.8%. That means that the break-even point of 47.8¢ paid in claims for every $1 in premiums has been exceeded for the past two years by an average of at least 14¢.

The insurance companies are, naturally enough, greatly disturbed by this problem and are, in growing forces, beginning to question the rating of their customers, the premium rates and the breadth and scope of the coverage they now offer.

Insurance companies offer several types of security bonds to brokerage firms for protection against loss, embezzlement and mysterious disappearance of stocks and bonds, with many firms underwriting security through package policies including blanket bonds.

ALTHOUGH THE Surety Assn. has been serving as the rating bureau, several of the larger insurance firms are now considering breaking away from the group rating. They are thinking of limiting their coverage and raising rates in order to curtail their own losses.

Wall Street is the only place where crime does not have to be reported to the police in order to collect from the insurance companies, which very often are the only ones with any knowledge of the theft or "disappearance."

That Wall Street is well aware of the securities problem is evidenced by the fact that the Assn. of Stock Exchange Firms is sponsoring an in-depth review of the insurance situation over the last two years. Also, the College of Insurance, a fully accredited educational institution under the auspices of the Insurance Society of New York, will conduct a six-month-long study of the problems of security insurance.

MATTHEW LENZ JR., chairman of the college's property-liability insurance division, will head the review, which will analyze the situation and hopefully develop workable solutions.

As required by the New York Stock Exchange, brokerage firms cover their thefts and other losses with a brokers blanket bond. This is a package policy covering theft, infidelity of employes, burglary, theft and the catch-all mysterious disappearances.

The bond, guaranteeing indemnification, is bought by any firm losing stocks or bonds, so that the firm may get duplicates. If stock is lost in transit, its duplication is insured under the blanket bond held by whatever house owned the stocks at the time of the loss.

Negotiable public bonds or private corporation bonds or coupons are effective on delivery and payable to bearer. Registered stock bonds, however, are transferrable only after assignment on the books of the obligor.

THIS DOES NOT preclude "misdelivery," and subsequent negotiability on the part of a (proven) innocent bona fide purchaser. Under the Uniform Negotiable Instruments Act, there is a duty of inquiry as to title and validity of any bond. While the purchaser must conduct reasonable inquiry, he is *not* held responsible for knowledge such inquiry would not have revealed.

Therefore, it is very possible for stolen securities to move through channels into the eventual possession of a non-suspecting buyer. It is quite difficult in these Wall Street theft cases to prove bad faith dealings, because of the manner in which the disappearances and subsequent channelings are handled. Professionals are dealing with other professionals.

Premium rates for the blanket bonds vary enormously from house to house, depending on several calculated factors. The rating bureaus of the insurance companies investigate the firms and establish an annual premium on the basis of previous yearly losses, number of branches and employes, facilities, safeguards in use, physical location and volume of business transacted.

The New York state insurance department files the rates of all brokerage houses, and the Surety Assn. maintains similar rat-

Continued on page 38

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As individual businesses these firms are the outstanding sources of insurance in their respective areas.

Collectively they form Insurance Service Associates—the world's most knowledgeable network of independent brokers.

A network that can serve you with on-the-spot insurance representation virtually anywhere, any time . . . that can also provide influential contacts wherever you choose to grow, or sources of information, or ease you through language barriers.

Clearly, those who insure through I.S.A. members get the attention they deserve. They also get broader protection and more attractive rates. (I.S.A. has a combined purchasing power approaching $250,000,000.00 in annual premiums.)

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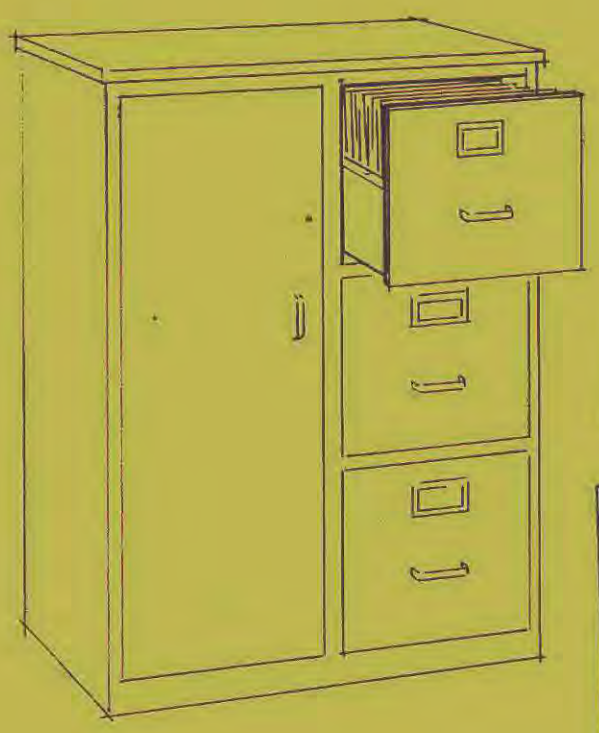

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INSURANCE SERVICE ASSOCIATES

Forces take sides on 'no fault' schemes, laws requesting action

CHICAGO—The house of delegates of the American Bar Assn. has voted here to oppose any no-fault system for compensating auto accident victims. Elsewhere the Connecticut state insurance commissioner and two Wisconsin legislators have moved to put such plans into law.

ABA's house of delegates bypassed a recommendation that they postpone taking a stand until the ABA annual meeting in Dallas next August. They approved a report of special committee that postponed retaining the present system of reparations as "the basic legal structure for dealing with such cases."

The ABA action answers a stand taken by the American Insurance Assn. favoring adoption of a no-fault system of compensation. Various formulas have been offered for assessing insurance premiums of motor fleets under the no-fault plan.

In presenting the recommendations, committee chairman George B. Powers of Wichita, Kan., said that, in the light of current Federal and state studies and the prospect of legislative action in the states in the next few months, "the ABA must take a position on the fault system."

President William T. Gossett, of Detroit, spoke in favor of giving the report further study. Noting the proliferation of automobile accidents and the clogged court calendars which result from litigating these cases, Gossett said the public is asking for a better system. "The American people," he said, "are looking to the ABA for guidance in this area and we must provide it."

Connecticut State insurance commissioner William R. Cotter believes that his department's proposed automobile insurance reforms—introduced in the current session of the state legislature—are the most comprehensive in the U.S.

The ten-point package, he said, could break "a crippling stalemate" over how to halt escalating costs for automobile owners.

Savings of 10% to 15% for buyers of car insurance in connecticut could be achieved, he said, if the legislators approve the bulk of the proposals.

The Cotter plan encompasses a no-fault system of payments for damages in automobile accidents and a proposed comparative negligence system of paying claims.

His department has recommented a "blend" of the principles of no-fault, leaving the door open, in effect, for the right to recover damages under the fault system in some situations.

At the same time, he remarked that he realizes the recommendations will not please all concerned with claims settlements. The plan, designed by his department, is geared to function as "an accommodation" for all concerned.

These proposed reforms would mean early payments for basic losses instead of costly delays through determination of blame by the courts.

THE FAULT concept is inherent now in arriving at the settlements in automobile accidents in Connecticut. The key parts of Mr. Cotter's approach are:

- Creation of a mandatory small claims arbitration system (for cases under $3,000).
- Inclusion in every automobile owner's liability policy provision for at least $2,000 medical payment protection and 52 weeks of disability benefits.
- Adoption of standards for allowing payment of damages for pain and suffering when hospital and medical bills are below $500. (In that case, the allowance would be up to 50% of that amount for additional general damages. If the total bill were over $500, the allowance would be up to 100%.
- Regulation of attorney's contingency fees as recommended by the state legislature's interim judiciary committee. (That proposal is to trim the contingency fee from the present one-third to one-quarter.)
- Imposition of a more severe penalty for fraudulent claims and for withholding of information deemed necessary for prompt claim settlement.

MR. COTTER added that his department has been weighing changes in the automobile insurance field since the last session of the state legislature in 1967.

The bills, he said, should be acceptable to the insurance industry and to the bar.

The major benefits, he continued, in the event of legislative adoption of the no-fault principle, is a speed-up in the claims settlement process, at present considered one of the main contributing factors in booming insurance costs.

Two Democrats—veterans in the state legislature—have introduced a bill in the Wisconsin senate that would put the state in the automobile insurance business by requiring motorists to buy a minimum amount of insurance from the state.

Senator Norman Sussman, of Milwaukee, and Assemblyman George Molinaro, of Kenosha, submitted the proposed legisla-

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British Columbia agents nix no-fault auto victim plan

VICTORIA, B.C.—The Insurance Agents' Assn. of British Columbia, in a brief distributed to members of the legislative assembly, supported the compulsory automobile insurance recommended by the recent British Columbia royal commission but opposed any no-fault system.

The lengthy report submitted by commission chairman, Mr. Justice R.A.B. Wooton, proposed that proof of fault in auto accidents be eliminated with each driver obliged to carry his own insurance out of which injuries to himself or passengers would be paid.

The scheme would bar all civil legal actions and any coverage above a basic $20,000 for death or $50 a month for life for disability would have to be bought as extras.

Agents said the compulsory provision should be introduced after study, according to The Vancouver Sun.

"The association . . . is unanimously opposed to the royal commission's recommendation for total abolition of the tort system, and to the no-fault accident insurance which the commission proposes," the brief stated.

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Ski areas get package coverge— for mishaps on and off the slopes

NEW YORK—Ski area owners and managers, who traditionally worry about snow, weather and ski conditions, have one less thing to worry about these days —liability threats.

The National Ski Area Assn., a trade group representing 90% of U.S. ski areas, sponsors an extensive insurance plan engineered to provide skiing resorts with specialized, custom-styled insurance.

PRIOR TO institution of the NSAA plan, local brokers constructed individual and often insufficient policies for ski mountains. The areas weathered law suits and liabilities independently, some of which were unnecessarily expensive.

Since 1963, however, when Rufus Barringer, of Morrissey & Cheney, a Hartford insurance agency, conceived the idea in collaboration with the NSAA, the plan has become increasingly popular, with 128 state and private areas currently enjoying benefits of the policy.

The NSAA program offers small and large ski operations an integrated insurance program administered by Morrissey & Cheney and underwritten by the American Home Assurance Co. here.

The annual premium is determined almost entirely in ratio to the gross income of the area, at the rate of approximately $2.28 per $1,000. The NSAA audits the company books yearly to establish the base income. Several of the major ski areas are seeking reevaluation of the premium standard, contending that higher lift rates deceptively increase gross income.

SKI RESORT managements agree that a fairer and more accurate measurement of premiums is possible. Suggested bases for determining premium cost include extent of operations, evaluation of number and type of lifts, inspection tours and recommendations and the recovery experiences of the particular area.

Those with busier facilities or a prohibitively large backlog of suits or settlements (indicative of either poorly kept premises or bad luck) would naturally pay a higher premium at the onset.

Regardless of how the premium is set, the insurance plan offers an uncomplicated means of insuring a multi-faceted operation at low rates. It also assures that the participating ski facilities meet NSAA safety margins.

The setting is idyllic, but ski lodge operators know that faulty lifts and unsafe conditions can result in expensive liability suits.

THE INSURANCE PLAN and its various extensions cover accidents occuring during actual skiing, apres ski and during non-ski activities, since ski resorts have for the last few years heavily increased their range of extra-ski amusements.

The comprehensive general liability policy (1967 edition) provides extensions into all possible arenas in addition to the basic personal and public liability on the mountain, in the lodge or on the surrounding grounds, and parking lots.

Malpractice, liquor law and products liability coverage fall within the scope of the program. Such breadth is necessary because most areas boast several peripheral comforts and entertainments which would be extremely vulnerable without insurance.

WHAT MOST SKI area owners fear most, aside from fatalities, are law suits. Juries, usually sympathetic to accident victims, tend to award injured skiers on a generous scale. Because of this, and because of the dangers inherent in maintaining skiable mountains, safe lifts and walkable grounds, operators worry though they revel in heavy snowstorms and brisk cold.

The NSAA insurance plan assumes all liabilities arising from accidents, suits and settlements. Relatively few injured skiers actually do sue an area, partly because of the legal technicalities and difficulties in proving negligence, and partly because of the NSAA practice of settlement in some cases.

In a simple downhill skiing accident, in which a skier falls into trouble, the mountain ordinarily is not liable. Courts recognize the assumption of risk on the part of the sportsman, and if he hits a natural obstacle like a tree on the side of the trail or an ice clump on the slope, there is little for which he can hold the area responsible.

IN CASES OF gross negligence, however, an injured skier has a potential case. A shovel left on the trail might be considered evidence of wanton disregard for human safety.

A current matter of contention is whether ski lifts should be considered a mode of transportation. The class lifts are put into affects policy and practice in issues of lift-involved injuries.

In Vermont, lifts are common carriers, and thus subject to suit for ordinary negligence should an accident occur. Wisconsin, however, evaluates ski lifts as amusements, resulting in lift liability only in cases in which amusements are liable in comparable accidents.

In New Hampshire, lifts are legally accountable as ski lifts.

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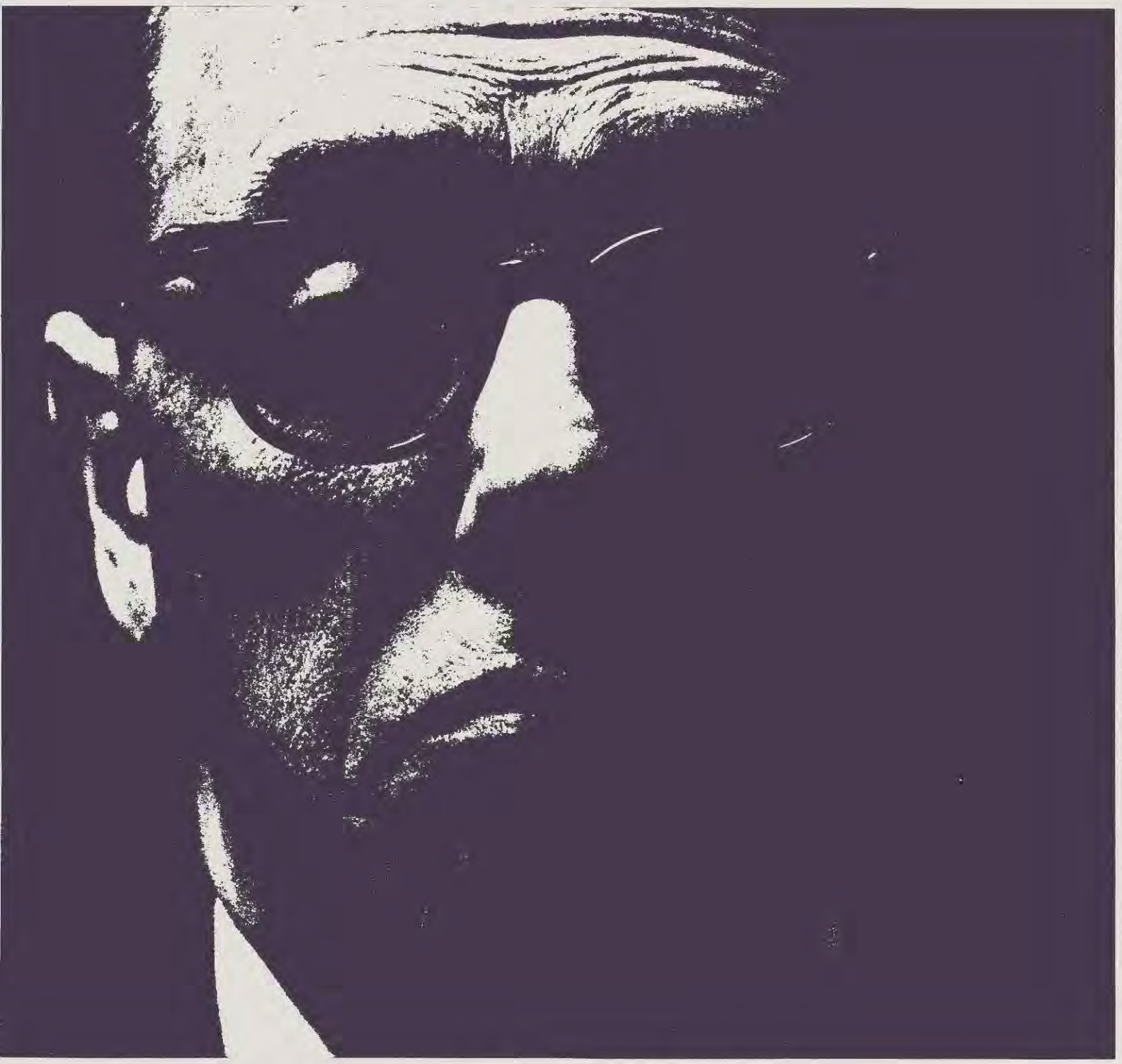

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Underwriters agree: Containers not 'cure-all' for property losses

By KAREN LeSHUFY

NEW YORK—Underwriters warned that the use of containers is not a "cure-all" for all damage problems at an American Management Assn. conference on international corporate insurance management here.

William F. Warm, secretary and head of the engineering and surveying department of the Marine Office of America, discussed the use of surveyors and containers. He stressed that the surveyor is trying to reduce loss and that he is "acting as the eyes and ears of the underwriter and adjuster."

The surveyor, Mr. Warm explained, must approach each risk from "the prevention of loss standpoint." He must start with plant handling to make sure that goods are not damaged before they are shipped and move on to see that the goods are properly packed.

MR. WARM contended that "containerization is not a cure-all." Containers can reduce loss through handling, he conceded, but when containers are being used, surveyors must check to see that they are properly packed and seaworthy to prevent damage to the goods.

John A. Muir, superintendent of ocean marine claims for Aetna Insurance, also noted that "containerization is not the answer to a maiden's prayer."

He pointed out that a container traveling by land, sea and land again from the U.S. to Europe might arrive in "tip-top condition but upon opening it, the merchandise contained therein is seriously damaged as a result of perhaps poor packing or rough handling."

Upon payment of the claim, it is turned over to an attorney for recovery against the responsible carrier. But how can it be determined who was responsible, Mr. Muir asked: The vessel which carried it across the Atlantic, the ship that unloaded it for inland passage or the truck that delivered it to its final destination?

MR. MUIR SAID that with containers, "it is an utter impossibility to affix the responsibility for damages and it must also be borne in mind that marine insurance rates are predicated to a certain extent upon the ability to make recovery." Packing is one of the great deterrents to profits," he said.

William Marks, assistant vp of Talbot, Bird & Co., explained how claims should be filed. Marine insurance is unique because there is a universal form of documentation for settlement regardless of product, Mr. Marks said.

For cargo with no proof of loss, shippers must present a claims form showing the original insurance certificate which has been properly endorsed, the original on-board bill of lading, a copy of the original invoice covering the goods and a complete packing list that was shipped with the receipt.

One speaker stressed the importance of knowing where containers were being stored—on or under the ship's deck. There is a higher risk of loss for containers stored on deck, he said, and added that some policies will not cover on-deck losses. ▪

Broker says: Customers are 'sophisticated'

FRESNO, Calif.—Thomas J. Ryan, exec vp in charge of West Coast operations of Fred S. James & Co., maintained to the San Joaquin Valley Fieldmen's Assn. that insurance carriers and producers are not keeping up with their customers.

"Customers," Mr. Ryan said, "are outstripping the insurance brokers and agents. They are growing; they are risktaking, and they are expanding and exploring new fields.

"The broker finds himself faced with an insurance account that is really becoming much more sophisticated than he is and his customers are demanding that he be someplace that he is not.

"Insurance problems are more complicated than they used to be," Mr. Ryan pointed out, "and many are beyond the technical know-how of the local agent or local broker."

He added, "The chief reason for so many mergers in the insurance field seems to be that insurance companies are making it more difficult for insurance brokers and agents to place lines.

"Some brokers," he continued, "believe largeness creates jamming power with the insurance companies. This is not the solution and is short-sighted. You just don't get so big that you can force underwriters to take lines from you." ▪

No-fault . . .

Continued from page 12

tion. It also would compensate traffic accident victims without regard as to who was at fault.

Based on a plan that has been in operation in Saskatchewan, Canada, since 1946, the proposal is certain to bring howls of opposition from private insurance companies.

Mr. Molinaro estimated that the plan would take away 15% or 20% of the business now being written by private insurers.

The bill would establish a special state agency to sell automobile insurance, set premium rates and administer the program.

Wisconsin residents would have to buy a minimum amount of auto insurance from the state before they could get license plates for their vehicles.

Mr. Molinaro said that because the bill provided only for a minimum amount of insurance, most motorists would turn to private companies for additional insurance.

ONE FEATURE of the bill is a provision that compensation would be paid regardless of who was at fault in an accident and regardless of whether the driver causing the injury was insured.

Regarding the bill's chances of passage, Mr. Molinaro said: "It's like introducing socialized medicine and the medical society fights it to a standstill. Then, all of a sudden, they come up with something that goes one-third of the way." ▪

Kaiser Promotion

Herbert L. Cunningham has been promoted to real estate and insurance manager for Kaiser Steel Corp., Tulsa, Okla.

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SIZE AND SPEED of modern aircraft place increasing demands on landing gear systems, and raise new hazards in production and testing. Clearly, a safe product and a safe working environment require major team effort. Menasco emphasizes "defense" in preventing injury-causing accidents.

IN THE LINE UP as an Argonaut assured for many years, Menasco initiated a self-insurance program in 1961. However, four years of self-insurance proved highly uneconomical, and Menasco decided to place their insurance once more. Marsh and McLennan's Paul Schaffner and Frank Warner again recommended Argonaut. In just one year, Menasco's safety record reflected considerable improvement. Their loss ratio dropped to 42%. And claims were no longer a problem.

Mr. John Jackson, Menasco's Vice President-Finance, sums it up this way: "The service we've received, and the safety record we have developed, has been outstanding. Recently we renewed our insurance with Argonaut. Incidentally, we've always enjoyed getting our dividend!"

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Calif. unions join forces to cut health care costs, improve plans

SAN FRANCISCO—A new California Council for Health Plan Alternatives has been organized by a combination of California unions in a major drive to try to reduce the cost and improve the quality of health care programs.

Objective will be direct bargaining with doctors, hospitals and others who provide care, including insurance companies that offer coverages in the area of medical care.

Thomas G. Moore, Jr., most recently director of legislation, U. S. Surgeon General's office, Washington, D.C., has been named as executive director of the new council.

"THIS," he said, "will carry out a well financed and aggressive campaign to win a strong voice for labor in operation of health care programs which cost members and employers some $700 million a year."

Mr. Moore added that "virtually every time unions win an increase in employer contributions granted in lieu of wage boosts, the costs—but not always the scope and quality of medical care provided California union members—are unilaterally raised by those who operate the programs."

A total of 112 local unions and labor councils have already affiliated with the union health plan council and have agreed to pay about $4,100 a month to finance it.

Council membership, Mr. Moore said, is growing at the rate of three to four a day. It now includes the state AFL-CIO, its labor councils here and in Los Angeles, the Western Conference of Teamsters and the International Longshoremen's and Warehousemen's Union.

MR. MOORE, at one time, was director of the California State Department of Social Welfare.

The new organization he will head has been developing for more than two years under guidance of Einar Mohn, directer and secretary treasurer of the Teamsters' Western Conference and secretary-treasurer of the ILWU, Louis Goldblatt and Sigmund Arywitz, secretaries of the Los Angeles County AFL-CIO.

The three also will be principal officers in the incorporated council, which will have headquarters at the Teamster offices in Burlingame as well as at Los Angeles.

"The vast sums put into health programs for union members," Mr. Goldblatt said, "are second only to amounts spent by government. Yet they pay only about two-thirds of the actual medical costs of union members.

"Unions," Mr. Goldblatt added, "have become little more than transmission lines for conveying money from employers to the dispensers of health care. We've not been getting our money's worth." ■

U. of Cal. policy pays half of loss

BERKELEY, Cal.—A $250,000 deductible insurance policy will pay half the $500,000 fire damage to Wheeler Hall on the campus here of the University of California.

University officials report the policy covers losses of more than $250,000 from fires on all of the campuses throughout the state. UC, however, will have to pay the first $250,000.

The fire department is now waiting results of laboratory tests to determine whether a disastrous fire in mid-January was arson. The stone-faced campus landmark opened in 1918.

The $750,000 building, named for the late Benjamin Ide Wheeler, university president from 1889 to 1919, had 936 seats in its auditorium, 62 classrooms, 47 offices and accommodated 4,894 students. ■

Unauthorized strike costs union $18,000

WASHINGTON—The Supreme Court has affirmed that a union is liable for losses to an employer when union members participate in an unauthorized strike.

The high court refused to review a lower court decision that held that the United Steelworkers of America must pay CCI Corp., Tulsa, $18,824 for expenses and lost time profit suffered because of the union's violation of a no-strike agreement.

A federal district court ruled that the no-strike agreement was valid and binding on the morning that some steel workers refused to cross a picket line set up by another union, even though the pact was not officially signed until that afternoon.

The court said the union officials made no effort to get workers back to work.

london line

Higher British marine rates predicted by institute chairman

LONDON — Substantial increases in marine insurance rates can be expected within the next few months from Lloyd's and member-companies of the Institute of London Underwriters. The larger tankers are likely to be the first affected.

At the annual meeting of the institute, G. Donald Taylor, chairman of the institute, said detailed evidence was being collected and collated to see what "adjustments" to the rates could be justified. Mr. Taylor also hinted that the contemplated increases would have to be substantial.

In his speech Mr. Taylor spoke of the difficulties of members, especially in the field of hull insurance and the unknown factors which the "mammoth" tankers and super-sized bulk carriers brought with them for the underwriters.

HE MENTIONED that the technological capabilities of these big ships were still open to doubt and gave the case of one ship of 50,000 tons which broke in half in a gale off the coast of Japan. She would normally be expected to combat far more severe conditions.

The total of world tonnage lost had risen from 350,000 tons in 1959 to 835,000 tons in 1966. The figures for 1967 and the latest available for last year were a little lower, but still far too high. Mr. Taylor told members: "So many factors are operating to our disadvantage that every step forward seems to be accompanied by half a step backwards."

Mr. Taylor continued: "A very disturbing feature of the present high level of major casualties is that so many of them are due to carelessness of one kind or another and not to stress of weather. Another complaint I have to make is that ships are not being crewed by officers with sufficient experience. The French tanker Sivella grounded outside Cape Town last February. She was carrying more oil than the now notorious Torrey Canyon. How a ship can get on the rocks outside Cape Town is incredible."

MR. TAYLOR ALSO voiced the fears of many underwriters that the large supertankers would expose "in a dramatic way, inaccuracies in coastal navigation charts which may have escaped notice before ships of such size were sailing the high seas.

"There is no doubt," he went on, "that for at least three years we have been over-generous to our clients, the shipowners and the merchants, and this is mainly due to intense competition in markets which have been overcrowded. Since larger tonnage is under construction, the problems were bound to increase and raise the whole question of the adequacy of the rates now being charged.

"IT WILL BE a very serious situation if our assessment of rating for super-tankers or for bulk carriers, or for the ships being built for the new container services proves to be substantially wrong." ▪

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Man sues over jail treatment

ALBION, N.Y.—Orleans County officials have received notice of a claim for $914,000 from a former Clarendon man who underwent partial amputations from both hands and legs after being jailed here last Jan. 23 on a criminal trespass charge.

J. P. Holt, 47, a former beanpicker who now lives in Rochester, has filed a suit for the same amount against the state in the court of claims in Albany.

Mr. Holt charges that the governmental bodies were negligent in jailing him while he suffered from pneumonia and frostbite, conditions which forced doctors to amputate his left leg below the knee, all the toes on his right foot, two fingers of the left hand and three on the right.

MR. HOLT WAS arrested by state police after a woman accused him of gathering firewood on her property. His attorney, Robert Beck of Rochester, contends Mr. Holt, ill with pneumonia and thinly clad, had wandered out in freezing weather.

State police said Mr. Holt was examined at a hospital here and reported healthy before being taken to the Orleans County jail to serve a 15-day sentence. According to Holt, he served three days before being sent to Rochester for the amputations. ▪

Home wants relief from agent's error

FARGO, N.D.—A small error on the part of an insurance agency has cost an insurer $50,980.70.

As a result, Home Insurance Co. is seeking recovery of that claim which it paid for cattle losses following a blizzard in March, 1966.

An employe of the Newberry Insurance Co. orally told a client that a "freezing and smothering" clause would be included in a new policy which Newberry's firm was writing.

THE POLICY plan for the client had been submitted to the Home Insurance Co.'s regional office in Minneapolis for writing and approval.

However, the agency inadvertantly neglected to add the "freezing and smothering" clause on the application.

The Home Insurance Co. contended Newberry exceeded authority as an agent to bind the company to the extent of the losses and that such a policy would not have been written. ▪

Mortimer advocates fee system to gain efficiency, proper control

SAN FRANCISCO—"It is the risk managers' fault that the insurance commission system has stood as long as it has," according to William S. Mortimer, director of insurance for Norton Simon, Inc. Advocating the fee system, he said the commission system "will die and become history very soon."

Mr. Mortimer's remarks were made during a debate on the merits of the fee and commission systems before the Northern California chapter of the American Society of Insurance Management.

"Risk managers," Mortimer said, "now assume many functions formerly handled only by producers.

"In so doing," Mr. Mortimer continued, "risk managers learn that efficiency reduces commissions and carelessness tends to improve commissions. Much opposition to fees is rooted in fear of the unknown.

"Insurance," he said, "is, after all, only one of many methods a company uses to take care of risks. More and more insurance services are being built into a company organization and the commission system becomes less and less compatible with true risk management."

MR. MORTIMER SAID he finds a "continuing trend" away from the use of brokers toward placement of insurance by company risk managers, who do not have proper control in the commission system.

"Additionally," he declared, "brokers often duplicate much of the service that actually should be provided by the insurance company. More and more risk managers look for the company that provides the service."

The commission system, Mr. Mortimer told ASIM members "is not logical . . . and it breeds conflict of interest. Brokers, in effect," he declared, "are for people who do not really know what they are talking about in the buying of insurance."

Mr. Mortimer also attributed much of the reduction of market capacity to "excessive competition and competition that tries to chisel prices downward.

"The commission system eliminates, for the buyer, a substantial expense for what would have to be an elaborate and cumbersome cost-accounting system that brokers would need on a fee basis," Richard A. Archer, Allen T. Archer Co., Los Angeles, told the audience. "Additionally, reduced premiums develop a lower dollar commission. This obviously benefits the buyer in a twofold manner.

"ALSO IMPORTANT to the buyer is availability of many services and facilities of a broker without concern for additional cost. At the time many policies are written it is difficult to predict services a buyer will need from a broker," Mr. Archer said.

"The commission system," he continued, "also eliminates the problem of determining which client should incur the cost for any given broker activity and spreads this base of cost over a larger segment."

Mr. Archer cited "sales incentive" as another advantage of the commission system.

"This," he said, "is an important ingredient to development of new products and new insurance markets, all of which benefit the insurance buyer.

"Many buyers," Mr. Archer concluded, "have expressed the desire to buy their insurance on a pure net cost basis. Except at the pure retail level, this is difficult to accomplish as long as we have general agents, underwriting managers, surplus line brokers, Lloyd's brokers and reinsurance brokers . . . all of whom continue to be paid on a commission basis."

Nearly 100 of Northern California's top insurance industry executives gathered at the Hilton Hotel here for the 5th Annual Insurance Day Conference sponsored by ASIM.

R. E. Roth, assistant treasurer, East Bay Municipal Utility District, served as a conference chairman for ASIM.

A program, on the emergence of group-type auto and other personal forms of insurance into fringe benefit programs, was moderated by Ted Akin. Speaker was Michael Philbin, manager, western region, personal security plan, Continental National American Group, Los Angeles.

MR. PHILBIN DEFINED auto group plans as "individual auto insurance contracts, individually rated and individually underwritten" but available to members of groups.

"Today," he claimed, "almost no one has adequate car insurance. Conditions and coverages have changed. Economies produced by computers should be

Continued on page 32

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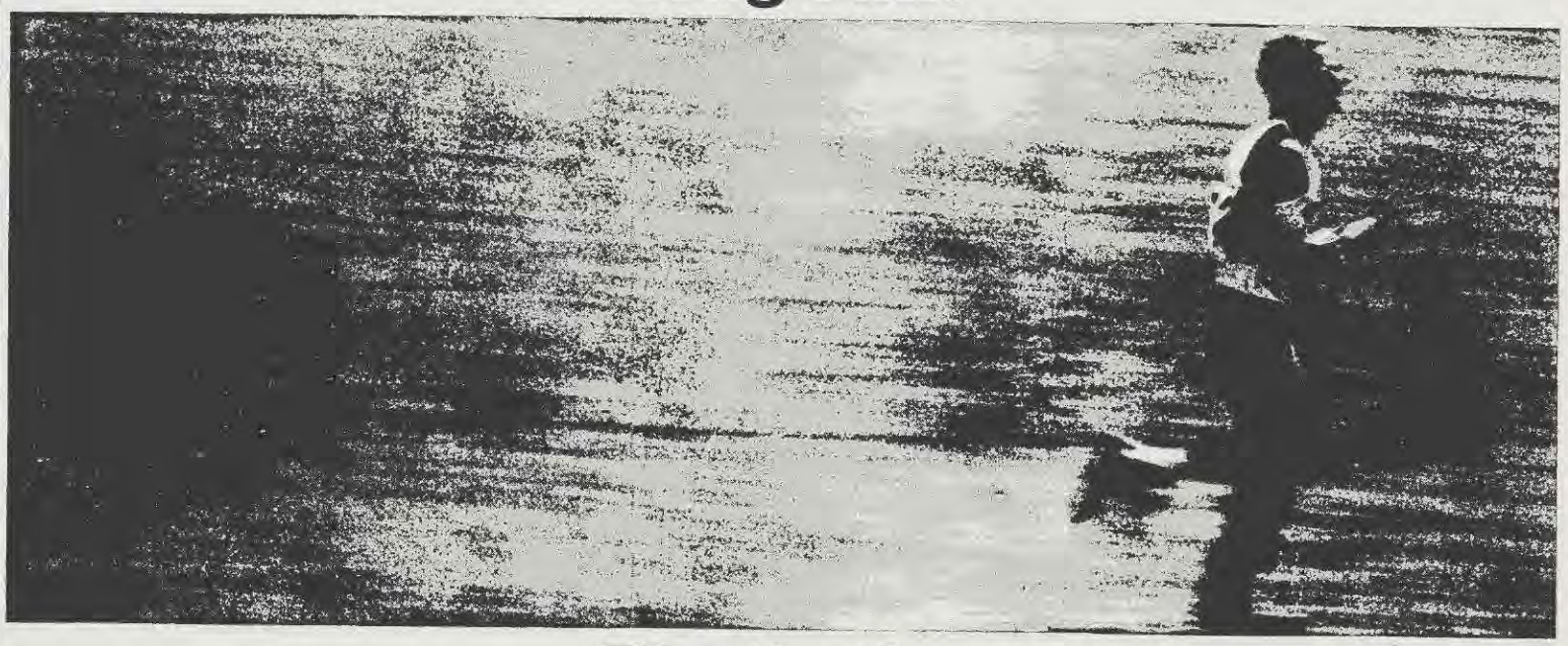

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Harvard's prepaid medical plan stresses diagnostic techniques

By ALLEN M. WIDEM

CAMBRIDGE, Mass.—Harvard University believes it has a plan that will help overcome the problem of millions of Americans prevented from seeking medical care and treatment until it is almost too late because of escalating costs.

The newly-developed Harvard Community Health Plan is in experimental phases, but its proponents believe some 30,000 residents of metropolitan Boston (which includes Cambridge) will receive almost total coverage of health expenses.

The HCHP plan is hoped to be extended on a nationwide basis.

First university-sponsored, prepaid medical care program in the U.S., HCHP covers these benefits:

DOCTORS' VISITS (both at home and at the office), complete hospitalization, complete physicians' and surgeons' services, obstetric and maternity care, psychiatric care, eye care, complete laboratory and X-ray service.

Moreover, HCHP provides a continuous coverage before, during and after illness—in the doctor's office, in the hospital and in the home—while most of the present-day health insurance plans are applicable only to hospital care itself.

Premiums under HCHP, however, will be more expensive than traditional health care insurance—the figure of $15-plus per month is quoted.

But, it is argued, total expenses for a family coping with medical emergencies should be considerably lower. Most of what a family has to pay now above and beyond that covered by present insurance plans will be covered by HCHP.

It is emphasized by Prof. Jerome Pollack, Harvard Medical School associate dean and HCHP executive director, that HCHP is not to be regarded as competitive with existing insurance plans, such as Blue Cross and commercial firms in the health insurance field. They will be used, in a sense, as HCHP's agent.

HCHP participation initially will be available through group Blue Cross and insurance company plans, the enrollment to be completely voluntary. For example, Blue Cross and other participating carriers are to offer subscribers a choice to elect the HCHP or to maintain present medical arrangements.

PROF. POLLACK said that the benefit of cooperating with existing health insurance plans is to take advantage of their long experience.

HCHP is to function independently of Harvard and the aim is to be self-sustaining once full operations are under way.

Prof. Pollack commented that there is more to HCHP than just offering full medical care to metropolitan Boston.

For one thing, the sponsors want to learn how the medical profession and the insurance industry can best work together in providing comprehensive care to the U.S.

PREVENTIVE medicine will be emphasized in the pilot health insurance care project.

An annual checkup will be necessary. It is noted that many persons overlook such matters simply because of the cost involved. They go in time, only because they happen to be ill. Hospitalization may result and that in itself, of course, involves money, even under existing insurance plans.

Some 6,000 HCHP subscribers are expected to fall into the low-income category.

Prof. Pollack believes that many low-income families could be covered under HCHP through Medicare and Medicaid, which would pay insurance premiums. ▪

Parke-Davis pays portion of drug award

BRIDGEPORT, Conn.—A settlement, reportedly in the amount of $60,000, has been reached in a $1,000,000 law suit brought by the parents of a child who allegedly was made fatally ill by a "wonder drug" prescribed by a local physician and dispensed by a Bridgeport pharmacy.

The Fairfield county superior court action was brought by Robert Verilli of Bridgeport, against Dr. Robert W. Doering, Sol Rome (doing business as the McKinley Pharmacy), and the Parke-Davis Drug Co.

The plaintiff charged that in 1964 and 1965, his daughter, Lisa Verilli, 3, was treated for an upper respiratory infection with the drug chloromycetin and "in direct consequence" developed aplastic anemia, a disease that terminated fatally.

Lisa died last summer. She was kept alive by transfusions of A-positive blood administered on a biweekly basis.

Her parents contended that the defendants should have known that the drug, which was warranted "reasonably safe," was inherently dangerous. ▪

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THE HOME TAKES THE "BUNCHING" OUT

Construction industry grapples with escalating liability claims

By THOMAS E. WILSON

NEW YORK—Key construction industry officials gathered in a series of meetings during February to take both long- and short-term steps aimed at easing a growing crisis in the professional liability insurance field.

On one hand, the American Institute of Architects is bringing together representatives of every major segment of the construction Feb. 27-28 to continue organization of a construction industry foundation aimed at eliminating inequities within the industry.

This organization, to be financed with a $500,000-a-year budget, would concentrate a major portion of its energies toward solving the legal-insurance problems which appear to be growing at an accelerating rate.

MEANWHILE, THE AIA'S insurance committee met with its counterparts from the National Society of Professional Engineers-Professional Engineers in Private Practice to decide how they can maintain their professional liability insurance program at equitable rates.

Continental Casualty provides professional liability protection to architects and members of NSPE-PEPP on a nationwide basis. Administered by V. O. Shinnerer Co., the program has faced consistent problems of losses exceeding reasonable expectations.

Today, Continental Casualty remains the only carrier willing to offer them professional liability protection on a nationwide basis. Because of growing claims and the difficulty in estimating the probable settlement amounts, Continental instituted major rate increases last fall.

AIA AND NSPE-PEPP responded by jointly hiring Woodward and Fondiller here to make an independent study to determine whether losses reported by Continental Casualty were valid.

Results of the study, presented to the winter meeting of NSPE-PEPP in Las Vegas, are also expected to aid in selecting one of several alternate programs suggested by Continental Casualty.

Robert G. Cerny, chairman of the board of the Cerny Associates Minneapolis, is scheduled to solicit funds for the Construction Industry Foundation.

AN ARCHITECT, Mr. Cerny outlined the history leading up to the decision to organize a foundation. Today, there are 10,000 lawsuits pending against architects in the U.S. Continental Casualty has 6,000 real and authentic claims. Some 3,568 claims settled by Continental Casualty amounted to $18,700,000, roughly an average of $5,000 per claim.

If the average holds true, Mr. Cerny noted, architects are faced with a total of $50 million in lawsuit settlements. No wonder, Mr. Cerny found, two professional liability carriers are withdrawing from the field.

The disorder in the construction industry has reached a point where the National Assn. of Credit Managers, representing more than 40,000 subcontractors and suppliers, issued this warning in a guide for its members:

"IT IS PROBABLY safe to say that 90% of such contracts offered by general contractors to subcontractors should not be signed by the subcontractors in that they are written so as to give the general contractor unnecessary legal advantages, create unsuspected liabilities on the part of subcontractor . . ."

In a detailed proposal calling for creation of the foundation, Mr. Cerny declared the chaos in the construction industry came about in part because it operates within a Victorian framework of documents and traditions.

Aggravating the situation has been competition within the bonding industry which gradually reduced contractor qualifications for bonding to a point where there is little relationship between assets of a builder and the amount of bond offered him, Mr. Cerny said.

AT THE SAME time, the industry has become mechanized, impersonalized and has tended toward management by brokers with little experience or pride in craft.

The high rises, high speed construction techniques and mechanized tools have widely increased hazards. Added to this have been the implicit risks of electronic mechanisms and esoteric chemical compounds with untried technology that has been ill defined by architects, Mr. Cerny wrote in his proposal.

After hearing these problems during several conferences, the faculty of the law school of the University of Minnesota unanimously concluded:

- The construction industry no longer follows established and valid rules; it is floundering about, wastefully trying to adjust to new situations.
- There is no treatise on construction law, no collection of precedent, no textbook and no

Continued on page 24

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opinions

A cautious view of a 'happy marriage'

We think there are some compelling reasons why insurance buyers —especially employe benefits men—should carefully evaluate the trend toward bank holding companies buying into insurance firms.

It can be argued, of course, that the two are natural allies, since they both deal in protection and both offer a growing list of other financial services. Also, since the two institutions have no "manufacturing" costs, their cash positions are unrivaled in any other industry.

Although banks have got the jump on insurers in attracting pension and profit-sharing business (their trust departments managed more than $70 billion of the $100 billion in pension fund assets at the end of 1967), insurers have stolen the march in the equity field by offering mutual funds.

So the fact that banks and insurance companies want to get together probably makes good sense from their point of view, since their services are so interrelated.

But it's just this interrelationship that has thoughtful employe benefits men—and Washington legislators—feeling somewhat uneasy.

Before the trend for one-bank holding companies to acquire insurers even got started, Washington was calling attention to the growing economic power being placed in the hands of banks by private pension plans.

And these same legislators indicated to *Business Insurance* that they are not unmindful of the even greater concentration of wealth resulting from amalgamations of banks and life insurance firms, both with bulging portfolios of pension business.

The phenomenon of the one-bank holding company will get scrutiny at a hearing of the powerful House banking and currency committee later this spring, and the move of the bank holding companies to move into the insurance area promises to grab the spotlight.

We think employe benefits men and other financial executives should give serious attention to the possibility that banks and insurance companies, working together, could eventually exert major influence over the ups and downs of the stock market and of American business.

This role, we submit, would not necessarily be in keeping with the original function of pension and profit-sharing plans to provide a steady and equitable return for their beneficiaries—and in some cases could work at cross purposes.

What might be best for the blue-chip companies represented in a pension trust's portfolio might not be best for the employe who derives the benefits of the plan.

Mr. Wirtz may be right

After a distinguished term of service to this country and to its working men and women, retiring Secretary of Labor W. Willard Wirtz recommended adoption of a national workmen's compensation system that would uniformly apply Federal standards of coverage and compensation. In making his suggestion, Mr. Wirtz noted that workmen's compensation benefits in many states are below poverty level and that more than 20% of the nation's work force is still not covered by workmen's compensation.

Mr. Wirtz's proposal will stir opposition from conservative elements in the insurance industry and from some shortsighted employers who expect to continue to do business as usual with their cronies in the state legislatures and agencies. But responsible citizens outside the insurance industry view with increasing concern the wide gaps in workmen's compensation coverage and the depressed level of benefits that denies dignity and proper care to those who are injured on the job. Among those who are concerned are thinking corporate workmen's compensation administrators and risk managers who must face, first hand, the tragic consequences of a state system of workmen's compensation that fell behind the time after World War II.

It is the special responsibility of corporate executives concerned about insurance and social security to take an active part in revitalizing the state system of workmen's compensation. Some states have set up formal labor-management committees to consider ways of bringing compensation to acceptable levels and of closing coverage gaps. Such committees should be actively at work in every state that does not measure up to Federal standards for workmen's compensation. We must promptly improve our standards of state workmen's compensation. The penalty for failure would be the certain adoption of Federal standards that might place an initial compliance burden on states and some individual employers. But we must concede that Mr. Wirtz may be right. Our state system of workmen's compensation is perhaps so completely out of date that its replacement by a Federal-state system with Federal standards is the only answer.

Protection against income loss

(Amounts in millions)

	Income loss	Protection provided	Protection as percent of loss
1948	$ 4,568	$ 757	16.6%
1950	$ 4,795	$ 939	19.6
1955	$ 6,546	$1,615	24.7
1960	$ 8,555	$2,422	28.3
1965	$11,278	$3,313	29.4
1967	$12,583	$3,751	29.8

Nearly twice as much U.S. wage income is protected against income loss for short-term occupational disabilities now as was protected 20 years ago. Protection was provided by sick leave, private insurance and publicly operated plans. During 1967, 45.3 million workers — or two out of three in government and private industry — were covered through their jobs by some kind of program. However, in states without temporary disability laws, income-loss protection covered 22.6 million wage and salary workers, about half of the workers in private employment.

Source: Social Security Administration

Buyers bypassed again

Corporate insurance buyers were overlooked by former Secretary of Transportation Alan S. Boyd when he appointed four committees to advise the department on the conduct of its study of the motor vehicle accident compensation system. Advisory committees appointed were titled consumer, economic regulation, industry and legal, but not a single corporate insurance buyer is on any of the committees, not even the consumer group.

This oversight should be promptly corrected by Secretary of Transportation John A. Volpe, who must recognize the importance of having on the consumer group a representative of those who each year spend more than $2 billion on auto insurance or about 20% of the nation's outlay for auto coverage. Buyers of fleet auto insurance have a vital stake in the determination of the formula under which fleet operators would pay for insurance under any modification of the fault system that is eventually adopted. They ought to have a voice in national and state discussions of new systems of compensating motor vehicle victims.

Ex-secretary Boyd's failure to name a corporate insurance buyer to the advisory committee is not surprising because few national or local officials have been made aware of the magnitude of corporate insurance purchases. It is up to the American Society of Insurance Management, through its chapters and through its new legislative representative, James Bailey, to make officials on all levels of government keenly aware that there are concerned corporate insurance buyers. These buyers must show that they mean to be heard on vital issues affecting their operations and their companies' profits. One ASIM chapter makes itself heard by sponsoring subscriptions to *Business Insurance* for key legislators in two states. Perhaps more officials should see this magazine.

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letters

John nettles Bill

To the Editor: The attitude and philosophy expressed by your correspondent—my "namesake"—John Street, have finally caused me to write.

Scott Fitzgerald's Zelda said of her first year of marriage, "It was always tea-time or very late at night." There is some reason to feel that your Mr. Street (with whom I share only one crossing of paths) has progressed from tea to mainlining.

His attitudes are polarized around fading light and darkest night and must of necessity shrivel when viewed in the cold light of day which, in this case, can be called reality.

Indeed, we need look no farther in Mr. Street's New Year's resolutions than his response to " . . . the chance to look, job-like, both forward and back" to find that his "resolutions" (for us—not him!) seek root in neither past experience nor expected future reality.

It is with due trepidation that I fly in the face of your correspondent's rabid romanticism by suggesting that he might consider such realities as:

It is inherently difficult to attract anybody, regardless of color, into low-paying trainee positions in a low-paying industry. His threat that " . . . the black community may well create its own insurance facilities . . . " flies in the face of the reality of recent experience and, indeed, might not be accomplished by anything short of a writ of mandamus.

A discussion of loss control and ghetto properties which stresses the weak points of the former and the necessity for insuring the latter, without relating the two, accomplishes little. Would it not make more sense to restructure rating practices to adequately reflect an insured's loss prevention practices in industry, buying habits in automobiles or maintenance programs in ghetto properties?

His comments on insurance distribution, capacity and "image" problems must take into account the structural and environmental realities in which our industry functions: Legislation builds unnecessary walls between the life insurance, banking, general insurance and investment services functions. Loss experience (much of it the product of unrealistic rate regulation) is not good. Mergers, and the threat thereof, work to restrict management initiative. The actuality of mass merchandising in solving distribution problems in the broad area of integrated financial services includes, but is not limited to, insurance.

Finally, he says brokers should help to form new pools to alleviate the capacity problem. Haven't we had enough of these conspiracies in restraint of trade?

William Street

Block repair fraud

To the Editor: From time to time one hears or reads about the adverse loss experience of automobile physical damages coverages and the efforts made by individual companies to improve it. These actions, by the companies, generally lay down underwriting rules concerned with (a) actual value vs. stated amount; (b) whether or not car is garaged: (c) territory and neighborhood; (d) occupation of

Continued on page 28

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Buyers and sellers disgruntled about progress in riot insurance

SAN FRANCISCO—Insurance buyers, along with brokers and agents, are not "completely satisfied" with the industry's progress in meeting the challenges posed to risk managers by riots and civil commotions.

In 1968, it was reported here at an evening meeting of the Insurance Forum, insurance losses resulting from "riot and civil commotion" exceeded $100,000,000.

The pro and the con of methods developed to protect buyers against potential catastrophe losses from such perils were presented the Forum by W. V. Slevin, manager, American Insurance Assn., and Fred. G. Dupuis, executive manager, Independent Insurance Agents' Assn. of California.

George C. Morris, Johnson & Higgins of California, presided over the dinner meeting at the Engineers Club, along with Fred Brenlin, Forum president.

Mr. Slevin, active in helping to establish the California FAIR plan, in describing the plan and its method of operation, said that insurance companies had been "pushed into such programs" by "staggering losses sustained as a result of the riots of the past few years.

"Admittedly," he declared, "such plans represent compromise and are far from perfect. However, with Federal government back-up, they may well represent the only method of keeping insurance companies out of bankruptcy!"

"Obviously," Mr. Slevin pointed out, "the Federal government is the only available source of funding sufficient to permit insurance companies to offer the absolutely necessary coverage against such risks and still remain in business when riot losses occur."

MR. SLEVIN REVIEWED the Hughes Commission Report as well as the HUD-drafted legislation now in effect. He pointed out that riots struck 150 cities following assassination of Dr. Martin Luther King and that the 1968 loss "resulted from what was considered to be a 'cool' summer."

Under California FAIR plan, which "really ended up as a crash program," all risks are now eligible for coverage throughout California's "urban areas" which still remain to be clearly defined.

"As uncertain as may be the future of our FAIR plan," Mr. Slevin added, "and as frustrating as may be the problems developing during the testing of the plan, risk managers must remember that without the plan, mandatory programs would have been legislated."

Colorado, he pointed out, is now facing just such a "mandatory" program which "also will produce complaints."

California's FAIR plan involves a "syndicate-type" operation, with no single individual insurance company writing policies.

UNDER THE PLAN, companies having signed the current contract, which expires April 1, pay a premium of 1.25% of total earned premiums. Losses must exceed a 2% retention, or $425,000,000 in premiums. The state will reimburse the Federal government for 5% or $21,000,000.

The Federal government, in turn, will assess up to 2% if losses in any given year exceed $8,000,000, and if all funds are exhausted, HUD has power to borrow from the Treasury up to $250,000,000 without seeking Congressional approval.

"Of course," Mr. Slevin explained, "insurance companies must repay the government, with interest. But ample time for repayment has been provided and the money would be recovered on the broadest possible basis."

Major complaints against California's FAIR plan, as presented by Mr. Dupuis, are that "such plans provide coverage for many risks which have been arbitrarily removed from the normal market" and that "commissions have turned out to be somewhat less than normal."

"Early experience with the plan," he said, "has shown clearly that an extraordinary amount of business already on the books has been cancelled and shifted to the FAIR plan!"

BASIC PURPOSE of the plan, Mr. Dupuis contended, was to "provide a market for people who could not get insurance for the risks they faced by going after such insurance in the regular open market.

"This purpose is now being subverted in large measure," he continued, "and additionally there has been a considerable drop in income for agents. Some companies are now even refusing to insure homes valued at less than $10,000 and are referring such risks to the pooled plan."

Mr. Dupuis referred to a recent report by California Insurance Commissioner Richards Barger that "there has developed a heavy volume of cancellations and refusals by insurers to renew fire and related insurance on risks handled through the FAIR plan.

"As a result," Commissioner Barger said a month ago, "many people are being left without necessary insurance, inasmuch as facilities for actually obtaining insurance through the FAIR plan are not yet realistically available."

MR. DUPUIS ADDED, "I've become convinced that the producers, almost to a man, believe they were not permitted to really participate in setting up the FAIR plans.

"In addition," he warned, "our members see the possibility of the creation of what may become the biggest insurance company the world has ever seen."

Mr. Dupuis concluded, however, that "everyone in the industry has an obligation to see that the needs are met. Our members, of course, want to help in working the rough spots out of the plan."

During the meeting it was disclosed that New York had established a record number of applications to the FAIR plan, reaching 1,000 a day, and that the California plan received 131 applications in its first day of operation at Los Angeles. ▪

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Times Mirror Co. votes fund payment

Directors of the Times Mirror Co., Los Angeles, have voted a $1,300,000 contribution to the employe trust fund for 1968.

The fund, begun in 1945, now totals $11,881,000. This is the fourth consecutive year the publisher of the *Los Angeles Times* has contributed more than $1,000,000 to the fund.

Giles on the Law

Exclusion fails to prevent claims payment under 'all risk' policy

By JOHN W. GILES
Attorney-at-law

WASHINGTON — Exclusion clauses do not always defeat your claim. In a recent case a store was tricked out of cameras by an impersonator of a regular customer's messenger.

It was held that the store could recover from an "all risk" insurer in spite of the policy's exclusion of losses "by dishonest act of insured or others to whom property may be entrusted."

The term "others" does not include those whose status is self-generated. The court noted that viewing the clause "other persons to whom the property may be entrusted" etc. in the context of the case, it would appear to apply to persons whose status is created or accepted by the insured, the result of a consensual relationship between the parties, but it is not applicable to persons whose status is solely self-generated.

It was the former risk which was intended to be excluded, not the latter. (N.Y. Civ Ct N.Y. City, *Camera Mart Inc.* v. *Lumberman's Mutual Casualty Co.* 11/18/68.)

PENNSYLVANIA HAS joined the ranks of those states holding manufacturers strictly liable for the quality and effectivness of their products.

The suit here was against a feed supplement manufacturer and a distributor, and the plaintiffs claimed that their herd was damaged because the manufacturer's supplement contained a synthetic hormone, stilbestrol, which allegedly caused the plaintiff's cows to abort and their bull to become sterile.

There was no privity of contract between the plaintiffs and the defendants. The supreme court said that the trial court's finding that the feed contained the hormone stilbestrol amounted to a finding that there was a breach of warranty of merchantability and of fitness.

In addition, the plaintiffs should have been allowed to prove as an element of damages that the value of their herd had been seriously affected because of the knowledge of the cattle-buying community that the animals had eaten tainted feed. (Pennsylvania Supreme Court. *Kassaf* v. *Central Soya.* 10/11/68.)

THE DOCTRINE OF absolute liability without regard to negligence has received another endorsement by a Kentucky court.

The case involved a vacuum cleaner manufacturer's alleged failure to give adequate warning of danger if a vacuum cleaner were plugged into a high voltage power line.

The buyer, in ignorance of the danger, plugged the cleaner into a 220-volt outlet and was injured when the fan disintegrated.

THE COURT pointed out that the basis of these absolute liability decisions is the failure of the manufacturer to give both adequate directions for use and adequate warning of potential danger.

What is adequate warning? The court illustrates its conclusion by doubting that a sign reading "Keep off the grass" could be sufficient to apprise a reasonable person that the grass was infested with deadly snakes.

In some circumstances a reasonable man might well risk the penalty of not keeping off the grass, although he would hardly be so daring if he actually knew the real consequences of his failure to observe the warning sign.

RAILROAD COMPANIES are usually held strictly liable for damages as the result of fires set by sparks from a passing train.

But a recent U.S. court of appeals case makes the burden slightly heavier.

Here a farm wife and her husband recovered judgment for back injuries she received when she slipped off a tractor and fell over a limb while fighting a fire that she claimed had been caused by sparks from a passing train adjacent to the farm.

There was a severe conflict of testimony as to whether the sparks from the train caused the fire, but the jury verdict in favor of the plaintiff was sustained. The Oklahoma Prairie Fire Statute imposes strict liability for all consequent damages. This seems a far cry from "consequent." (*Chicago, Rock Island and Pacific Railway Co.* v. *Howell et al.* U.S. Court of Appeals. Tenth Circuit. 10/2/68.) ■

Schukal to Wilkes

Frederick C. Schukal has joined the staff of F. J. Wilkes & Co. Inc., New York.

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Construction...

Continued from page 19

segment of legal education devoted to construction law.

THE LAW FACULTY recommended an industry-wide review of problems and equitable division of responsibilities. The new relationships should be tested by appropriate legal research and reduced to contracts endorsed and ratified by the entire construction industry.

Five years after the recommendations, the construction industry foundation idea was developed and the American Institute of Architects agreed to sponsor it. Thus far, the response has been almost wholly positive with almost every branch of the construction industry endorsing the foundation concept.

For instance, the construction group of the national association endorsed the foundation during its February convention in Cincinnati last year. The group represents credit managers of more than 60 major construction industry suppliers including Aluminum Co. of America, Carrier Corp., Crane Co., Honeywell Inc. and Pittsburgh Plate Glass.

Roger W. Loveless, chairman of the NSPE-PEPP's professional liability, spelled out problems facing engineers in private practice.

Increasing the cost of protection in the professional liability field, Mr. Loveless said, has been increased construction volume, more errors and omissions by engineers and "sociological trends."

Writing in the December issue of Consulting Engineer, Mr. Loveless cited a "social trend to sue," legal trend to pursue more claims and economic trend in which inflation escalates settlements during "dragged-out" lawsuits.

Insurance companies feel the last is the most damaging, Mr. Loveless said, since they collect "the premium dollar now and pay out the settled claims at inflated prices."

"Too many owners and members of the construction team want to write an indemnification clause which exculpates them and leaves the liability to others," Mr. Loveless continued.

Other aggravating factors cited by Mr. Loveless were:

- The trend to "sue everybody."
- Signing contracts holding engineers responsible for things outside their control.
- Use of untested or untried products.

Mr. Loveless declared: "Certainly the solution to this problem cannot always be progressive rate increases. There are some who say the loss is comparatively low in relation to the insured construction values. In 1967, the loss was about $29,801 per $100 million of construction."

THE LIABILITY insurance committee chairman called for "a united effort" by the "construction industry team to solve problems of liability and overlapping liability among team members."

Within the engineering profession, Mr. Loveless called for an educational program to assist in reduction of errors and omissions along with completion of a loss control manual by PEPP.

The February meetings were not expected to be decisive. The gathering of architects, bankers, credit managers, contractors, manufacturers, insurers, professional engineers, subcontractors and builders representing building interests to discuss a construction industry foundation was convened on the premise participants would not be making a 'binding commitment."

And, the joint meeting of architectural and professional engineering liability insurance committees represented but another in a long series of steps aimed at obtaining adequate, economical coverage for those professions.

Nevertheless, a specific direction has been chosen and is being pursued. ▪

CG studies mass selling

HARTFORD — Mass marketing of pensions, life insurance and property and liability insurance may come about as a result of a year-long study just begun by Connecticut General Life Insurance Co. to develop a special marketing department.

The insurer is researching a project which would offer specially designed products to such groups as associations, franchises and employes of businesses. First order of business for the project is staffing the department and working out a budget.

Then, according to the insurer, the department will work with existing product areas to determine which products would lend themselves to mass marketing.

"There's a whole range of possibilities available," CG said.

Robert E. Hyatt has been appointed second vp in charge of the department; E. Edward Clarke and William G. Muir Jr. have been named directors of special marketing. ▪

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We decided to run this in Business Insurance for those of you who might have missed it in Business Week.

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Business Week 1969

Moves afoot to give insurance market new capacity transfusion

NEW YORK—Moves are being made on both sides of the Atlantic to pump up deflated insurance capacity.

Lloyd's of London announced it would allow investors to switch their deposits from British government bonds to British equity shares, effective March 1, and the committee of Lloyd's said it is toying with the idea of setting up a mutual fund in which deposits could be invested.

The action was seen by insurance experts both here and in London as an effort to improve the rate of return on the deposits and hence help Lloyd's attract more well-heeled investors who presumably would be willing to infuse Lloyd's with new underwriting capacity.

ALTHOUGH investors can't touch the deposits themselves, which are held as security against claims, they can rake off the money earned on the deposits—providing there have been no outstanding claims against them.

On this side of the Atlantic a new reinsurance group, which says it won't reinsure any business outside the U.S., has opened its doors. The idea is to develop reinsurance capacity in this country at a time when the London market is fizzling.

The group, called the American Accident Reinsurance Group, has some $3,000,000 "net line" capacity at its disposal, according to its backers, which means that it will not "lay off" any business elsewhere, including London.

The group bills itself as a "free market" and will take business from all comers, not just member companies.

ALSO, according to J. William Holt, vp of Duncanson & Holt, operators of the group, the 18 member insurance companies will have "hands off as far as indicating what business we will accept."

SIGNIFICANCE of the group's formation for buyers is that backers hope that it will supplement the capacity of London, where the situation has deteriorated to the point where corporate insurance programs are falling apart because the carriers can't line up adequate reinsurance.

U.S. insurers, Mr. Holt told *Business Insurance,* "are only beginning to see what risk taking means." He said insurers in this country traditionally have been "very cautious" about the amount of insurance and reinsurance they keep themselves. "They take a fantastically small amount and lay off the rest to someone else."

Members of the new reinsurance group will take a pro rata share of every piece of business the group participates in—including their own. Participation of members ranges from $25,000 on a $3,000,000 book of business to a 10% participation.

SO IF a member insurer normally keeps 5% of any risk, the firm would still keep the 5% retention perhaps slightly less and take another 5% as a member of the group, Mr. Holt explained to *Business Insurance.*

The group initially will limit itself to accident and health coverages, but Mr. Holt said he hopes to move into other classes of the insurance business in six months or so.

Members are Aetna Life, American General, American Home, Constellation Reinsurance, Employers Mutual Liability, Federal, Great Southern Life, Guardian Life, INA, Life Insurance Co. of California, Monarch Life, Occidental, Paul Revere Life, Provident Life & Accident, Travelers and U.S. Fidelity & Guaranty. ■

Jazz it up. Add a few frills. Change the name.

Sound familiar?

It should. Change for change's sake is no stranger to most of us. The "far-out" art may be a bit farfetched, but even the Group Insurance business has plenty of "newness" which is really new to no one.

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Yes, we're always searching for change. In coverages. In administration. In underwriting. In claims. But before we buy it, or ask you to, the change must have meaning.

This approach made us a leader in Group Long Term Disability Insurance, today's fastest growing employee benefit. We predict similar success for our new Major Medicare. With first dollar coverage, maximum benefits and unique options, it faces up to today's cost of hospital and medical expense. We designed it from scratch to put a smile on your employee's face when he needs it most.

Our approach to Group Insurance has also earned us a nickname in the trade. They call us the "Up Group", because of the innovations we've come up with and because our business is up — way up — a billion dollar in-force increase in a little under four years.

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Business Week 1969

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speaking of security

Prejob checks, debriefings viewed as ways to halt trade secret thefts

By ROBIN MENZ

NEW YORK—Preemployment checks and thorough debriefing before an employe quits his job can help relieve a major headache for many employers—theft of trade secrets.

"In many instances," said Sanford Dean Kaufman, assistant district attorney for Queens County, "failure to receive a promotion, job recognition or salary increases, together with fringe benefits, may lead an employe to attempt to harm his employer."

Mr. Kaufman, speaking at a seminar on industrial espionage, trade secrets and property protection, sponsored by J. J. Berliner and staff, warned that this intention might range from the theft of tangible items to the theft of the "method of operation" which could literally cost his employer its entire business.

HE SUGGESTED termination interviews as a means of letting the employe know what would happen if trade secrets were divulged. Mr. Kaufman advised records should be kept of conversations with terminating employes and that the employe should sign special forms which in effect say that he understands the penalties for divulging trade secrets.

He said that the termination interview should advise the employe of his contractual obligations, if any, and the employe should also be advised of the specific material that he has worked on that is considered to be a trade secret.

Also, Mr. Kaufman continued, "a new employer should be advised in writing of the general area in which your former employe has acquired confidential information and of said employe's obligation not to disclose that information to his new employer or to anyone else."

The preemployment check, which in many cases is handled by a private investigating firm, is also of great value, he said. Mr. Kaufman urged his audience to pin down whether or not the employe is selling his own personal know-how or is attempting to obtain a new position by the use of trade secrets of his former employer.

AND HE WARNED that low echelon employes should not be overlooked. A copying machine operator can transmit a trade secret as easily—sometimes more easily—than a key management executive, Mr. Kaufman warned.

Copying machines, he said, are also a good means for an employe to take vital information out of the office. He advised that the use of office duplicating machines should be limited only to qualified operators who should be required to keep a log of every document that is copied. The name of the person requesting the copying and the use for which it was intended should be noted, together with the number of copies made.

J. P. McAward, president of McAward Associates Inc., advised employers to verify a prospective employe's statements about his former employment, schooling, organizations, etc. He warned that letters usually receive bland replies because people don't like to put anything derogatory in letters. He suggested the best way to check out a prospective employe is by using an outside investigative agency, which can be objective and can sit down with a former employer face to face.

THE OUTSIDE investigation usually comes after a person has had his application reviewed, resume checked and psychological tests administered. Still, "one out of five of these we check will turn up with some derogatory statements about them or something hidden."

Often, an investigation might turn up arrest records, bad credit, false information about past employment or education, etc. In addition, he said, a prospective employe can also have a firm investigated.

"An industrial spy can easily infiltrate a company if you take everything he says at face value," Mr. McAward said. "Preemployment checks on every employe are so important to the well being of an organization."

Mr. Kaufman advised that supervisory personnel at all levels should be made aware of the constant need to protect secret information for the welfare of the company and should transmit this need to the employes under their control.

TECHNICAL NOTEBOOKS, he suggested, should be used and all information of a secret nature should be recorded in these notebooks. These books should be locked up when not being used and signed for by the employe who is authorized to use them.

Employes, he said, should be warned against discussing items that have been patented. Salesmen, he further suggested, should be cautioned about disclosing to potential customers new developments that have not been approved by the management for discussion.

Mr. Kaufman also warned that press releases should be reviewed very thoroughly. "After a press release has been distributed great care should be taken in answering questions of reporters, such as at a press conference," he said.

The district attorney suggested that important business conferences not be conducted in public places. At confidential meetings, proper security precautions should be taken and "would include a possible searching of the room for hidden eavesdropping devices."

During the daylong meeting, Mr. Kaufman illustrated his remarks with cases involving the theft of trade secrets and outlined how they were handled in the courts. ■

Bill would add psychological costs

Among legislative measures introduced in the California Assembly is a bill to authorize inclusion in disability insurance policies for payment of expenses for psychological treatment.

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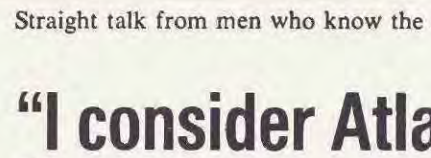

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Mennen baby lotion with bacteria recalled

MORRISTOWN, N.J.—The Mennen Co., producer of baby products, announced here that it is recalling 12,000 bottles of Baby Magic lotion. According to the company, the lotion was found to contain bacteria that "could cause serious infection."

Robert Wright, treasurer, told *Business Insurance* that the company did not have products recall insurance, but that it did have products liability coverage with Atlantic Mutual Insurance Co. No details about the liability policy were revealed.

Mr. Wright said that the "bacteria involved is what you'd normally have on your skin." He said it would probably "make it [the lotion] go stale."

ANOTHER SOURCE said that the "serious infection" could come about if the bacteria in the lotion came in contact with an open cut.

A promotional statement on the back of the Baby Magic lotion bottles says, "Carefully formulated to give longer, soothing protection against skin bacteria, irritants."

"The potential danger was uncovered in the firm's research laboratories and no complaints or reports of any injuries have been reported," the company said.

The recall began, however, after notification from the Food & Drug Administration that bacteria may be present in the lotion, and it is being made in accordance with the FDA request.

One lot of Baby Magic lotion involved was produced before last March and has a number and a letter stamped on the bottom of the bottles. Another lot, manufactured later last year, has the number "219" stamped on the bottom of the bottles, according to the company.

LAST NOVEMBER, Mennen asked customers to return all bottles of another product, Baby Magic bath. Mr. Wright described the units involved as "actually all our production" for a four-month period. He said that his company had "got most of it back."

The bacteria involved in the Baby Magic bath, according to Mr. Wright, was "potentially more of an irritant" than the bacteria contained in the Baby Magic lotion.

Mr. Wright said the company has "never had any claims" against it. Defective batches of the Baby Magic lotion, he said, are now coming back to the company. ■

Canadians mount drive on fraudulent unemployment claims

OTTAWA, Ont.—Implementing its program to cut fraudulently claimed benefits, the Canadian unemployment insurance commission said its investigators in December, 1968, took a close look at twice as many claims as in December, 1967, and found more than twice as many frauds.

The commission has built up its benefit control force to 184 men from 148 as part of its previously announced program. It found 5,709 people falsely claiming $269,200, compared with the 2,603 people claiming $136,700 a year earlier.

The commission program is designed to recover $5 million a year, in overpayments, up from $2 million last year.

No haircut, no jobless pay

HARTFORD—Refusal to cut his shoulder-length hair has cost an 18-year-old Connecticut boy unemployment compensation benefits.

State Unemployment Compensation Commission Mitchel W. Garber disagreed with the youth's claim that he had a constitutional right to wear his hair as he wished.

The boy had worked as a cook for two years, then quit his job, Commissioner Garber said, to seek better employment.

A representative of a supermarket chain offered the 18-year-old several jobs.

However, Mr. Garber said, the offers were contingent on the boy's cutting his shoulder-length hair.

The youth refused and, as a result, he did not get the position. He then applied for jobless pay benefits and was turned down on the grounds that he had refused to accept suitable work and, therefore, was disqualified from collecting unemployment compensation.

He appealed to Commissioner Garber, who ruled that the prospective employer's request that the boy subject himself to a haircut was a reasonable one.

By refusing to cut his hair, the youth, in effect, refused suitable work without sufficient cause, the commissioner said in denying

by workmen's comp benefits Work-related travel covered

SAN FRANCISCO—The California state supreme court here, by a 4 to 3 majority, has ruled that a man required to use his car in his work, or injured in transit to his job, can collect workmen's compensation insurance benefits.

The court ruled that the widow of Charles Smith, a Ventura County social worker in Southern California, is entitled to a death benefit under California's unemployment insurance program.

MR. SMITH was fatally injured in December, 1965, in a one-car accident that occurred while he was on his way to work. Co-workers testified Smith was required to bring his car to work so that he could visit his clients during the working day.

JUSTICE MATHEW O. Tobriner, in his opinion, said that an employe "who is bringing to work a car required in that work engages in conduct reasonably directed toward the fulfillment of his employer's requirements, performed for the benefit and advantages of the employer."

A 1934 decision by the same court, which had gone the other way, was thus overruled.

The earlier case had risen from a suit brought by a motorcycle messenger injured while enroute to work. The court then held that although the messenger was required to have his motorcycle at his employer's office at 8 am, he was not obligated to drive it there. ■

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California appeals court imposes added liability on home builders

SAN FRANCISCO—The state court of appeals here has imposed increased liability on home builders and tract home developers.

The court, in a precedent-setting ruling, has applied the theory of strict liability to real estate. Previously the theory held only with respect to movable products, such as autos, appliances, clothing and the like.

The decision will permit David Kriegler of Palo Alto to collect $5,100 from Eichler Homes Inc. for damage caused by a faulty heating system installed in the home Mr. Kriegler bought from the Eichler company.

The theory of strict liability, which has opened a vast and profitable market for insurance carriers, holds that if the buyer of a defective product is injured while using it in the way it was intended to be used, the manufacturer can be sued.

THE BUYER DOES not have to prove that the manufacturer was negligent in making the product.

Before the rule gained court approval, one had to prove negligence, a difficult process with mass-produced products assembled miles away from the point of purchase and by a big corporation.

"We think," wrote Justice Wakefield Taylor in the Kriegler ruling, "that in terms of today's society there are no meaningful distinctions between Eichler's mass production and sale of homes and the mass production and sale of automobiles.

"The buyer of a tract house," Justice Taylor continued, "has no architect of his own, is not competent to inspect the house on his own, and has to rely on the builder's representations that the house is sound, just as the average car buyer has to rely on the representations of the dealer and auto manufacturer."

MR. KRIGELER'S house had a radiant heating system. Steel pipes were laid on the foundation, cement was poured over them and the pipes were lifted by hooks so they would rest in the center of the concrete floor slab.

Mr. Kriegler noticed moisture on his floor, investigated and discovered the pipes had corroded. The floor had to be removed so that new pipes could be installed.

His attorneys had contended the pipes had not been placed high enough in the floor slab and thus were exposed to outside moisture, permitting the corrosion. Eichler Homes' attorneys had claimed the pipes had been installed correctly.

The court ruled this did not matter and that if the heating system was defective, Eichler Homes was liable regardless of the firm's negligence. ▪

Newspaper retirement fund hits new high

The Times Herald employes' retirement pension fund, in Dallas, has reached $5.6 million in value as of the end of 1968.

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letters

Continued from page 20

insured; (e) special rules for convertibles, sports cars, high-value cars and the like.

In my opinion they miss one of the most important causes of the adverse loss ratio—that is, the two separate insuring agreements, (a) comprehensive physical damage excluding collision and (b) collision. When these two coverages are both included, but with different deductibles, or when the comprehensive, excluding collision is covered, the companies are inviting fraudulent claims.

My suggestion is a single comprehensive physical damage insuring agreement, but without the exclusion of collision, so that a single deductible would apply to each claim, regardless of its nature.

It does not take long for an insured to learn that when he has full or $50 deductible comprehensive, excluding collision, and $100 deductible or no collision, that he will be better off with a vandalism or theft damage claim than a claim for collision; and if the insured does not know how to go about it, there are repair shops which are not above making an honest living. If the rating bureaus would come up with a policy containing such a single physical insuring agreement and rates, I am sure there would be many agents and brokers who would sell the idea to their policy holders, and I am equally certain that the experience would be more favorable than present methods.

This would not only eliminate one of the temptations for fraud, but it would also remove one of the misunderstandings which is a cause of friction between the public and the insurance industry. Many people including brokers, agents and attorneys are annoyed when they are told that a claim is collision and not comprehensive. This is particularly true when a car is damaged while parked and the insured insists it was vandalism damage, and the appraiser judges it to be collision. The appraiser is usually correct, but when there are no witnesses it does not make the insured happy.

Any procedure that simplifies a policy, leads to a better understanding on the part of the public and a healthier atmosphere for the companies.

On another subject, when are we going to get rid of the three separate liability limits? There are two for bodily injury (per person and per occurrence) and one for property damage.

Harold L. Nisinson
Insurance Service Management Co., New York, N.Y.

More on benefits

To the Editor: Just a note to let you know that I have been very appreciative of you and your organization's efforts in putting together your newsmagazine *Business Insurance*.

Your magazine has been of great benefit to me in improving my comprehension of current developments in the benefits, administrative and insurance areas. I can only make one suggestion, which would be to increase the number of thought-provoking, in-depth articles on the many developments which currently affect employe benefit programs.

A. O. Helland
Assistant Cashier, National Bank of Detroit, Detroit, Mich.

business insurance/perspective

Levinson suggests solution to liability coverage need of 747 jumbo jets

by Charles F. Levinson,
insurance manager,
Port of New York Authority

Charles F. Levinson

The 747 airplane liability exposure has been conservatively estimated at from $150,000,000 to $300,000,000 potential damage to lives and property. This is based on a collision of two $40,000,000 aircrafts containing more than 700 passengers over a congested area where more damage to lives and property would occur on the ground.

The hull coverage itself seems to offer no insurmountable problem to the insurance industry but they are the first to admit they are not prepared to offer complete liability protection to anyone at this time.

FIRST, LET US SEE if we really have a problem. The present liability market for aviation exposure tops out at about $100,000,000. This is based on a probable amount subject to loss of less than 50% of the probable amount that will be subject with the 747 in service. In theory, present carriers on a $100,000,000 risk might cut their participation in half if the airline they cover converted to 747 operation. So that in reality, on the line now able to obtain limits of $100,000,000, the existing capacity could shrink to half or $50,000,000.

While this is probably an exaggeration there surely would be some carriers presently furnishing upper layer capacity of the $100,000,000 who would drop out of the market or reduce their participation. So for 747 operation today we probably could not guarantee the continuation of the $100,000,000 limits presently available.

NOW, WHO MIGHT NEED the $150,000,000 to $300,000,000 coverage on 747 operations? There is an amazingly long list of potential purchasers any of whom might be charged as a negligent party. A few of these would include:

- The suppliers of products that go into the components.
- The component manufacturer of the various major sections of the aircraft.
- The assembler manufacturer who sells the aircraft.
- The airline that flies the aircraft.
- The firm that might use it for a charter flight.
- Any owner, operator or character of an industrial aircraft that might be the cause of a collision with a 747.
- The fueling operator who might furnish improper or dirty fuel.
- The airport operators.
- The concern that furnishes radio repair or other electronic services from time to time.
- The FAA.

Under the present system, except for the FAA, each one goes out into the market to protect his legal or contractual liability. Each one must pay a high premium to, in most cases, different underwriters for the same potential loss almost as though no other insurance existed. Many cannot, even at any price, buy the limit now available.

SURELY SOME METHOD must be available to cover all these exposures under one policy that would be written to cover the plane, its components and all operations for a period of five or ten years from date of construction depending on the useful life. The manufacturer would pay the premium and include most of it in his sales price to the airline. He could recoup some of his premium from the suppliers of parts and components in the way of reduced billing price, since they would not need products coverage.

The airlines would benefit because the insurance portion of the sales price should be less than their own liability insurance costs for that plane plus the hidden charges for insurance inherent in airport operators and servicing charges.

THERE ARE MANY efficiencies in this method of operation that should allow the underwriters to furnish this cover at a lesser cost than the combination of premiums paid to several underwriters. The insurer should be able to furnish regular inspection service on the unit insured to supplement any governmental or operators' own service. The public would be protected at all times to the high limit wherever the plane might be. There is also the possibility that a full capacity pool in the U.S., getting an adequate premium with a chance to practice safety engineering, might be much more interested than they indicate they are now.

The insureds could be listed much as they are on the current nuclear pool liability policy. The listing would begin with the principal insured and continue as follows: Boeing Aircraft Co., their suppliers and sub-manufacturers, the airline and all suppliers of services involving the named specific airplane.

SUCH A PLAN LENDS itself to the use of a government excess insurance plan such as in the Price-Anderson Nuclear Act and the recent flood and riot area plans if market capacity does not develop to the extent needed.

On the surface it looks like the airline would pay the entire bill for everyone's insurance cost, but in reality this is what is happening now. An integral part of the cost of the plane is the insurance cost of the component suppliers. The operator of the aircraft also finds the suppliers or maintainers of service or landing fields putting the cost of their insurance in the price of their services to him. While his segregated insurance cost would be higher his total insurance cost would not be as great.

Admittedly there are many additional details that would have to be worked out to make the plan a practical one. One obvious liability coverage that might be included is that of grounding of aircraft loss of revenue claims. This coverage traditionally is written separately to protect suppliers of essential parts and services. Packaging this together with all other liability for one total premium certainly should make this coverage more attractive to insurers.

The major problem is to convince the insurance underwriters to change their traditional thinking and method of operation. The savings over the old method of insuring everyone's needs on plane coverage should be considerable. A split could be made of the savings with more dollars to the insurer and less overall cost to the various insureds.

With the cooperation of the insurance industry and those interested in the aviation field, I'm sure some positive adaptation of this plan can be achieved in the near future. ■

The effect of containerization: A buyer's view

by Paul C. Johnson,
insurance manager,
Sea-Land Service Inc.,
Elizabeth, N.J.

(In the past two issues Business Insurance has presented a two-part series on containerization from the viewpoint of an underwriter—Dale E. Taylor, exec vp of Atlantic Mutual Insurance Co. and chairman of the American Institute of Marine Underwriters' container committee. We now give equal time to an insurance manager whose company operates a fleet of 31 containerships).

Although strictly speaking "containerization" must mean the placing of already packed goods into larger lot boxes called "containers," it doesn't appear to make any difference to entirely too many people that some "containers" are loaded at the port, or in the interior, or by innocent shippers or by professional packers.

It doesn't appear important to some to segregate large integrated operations with specially designed terminals, vessels and interchange arrangements from any old rust bucket piling up containers on deck after loading down to her marks with break-bulk cargo. It's all "containereye-zation."

A leasing firm that has the greatest maintenance problem imaginable is equated to carriers with controlled maintenance programs. Firms in the business for many years with millions of dollars of investment are hardly differentiated from fly-by-night operators who have not as much as a permanent office.

Surely, there must by now exist sufficient observations to permit the conclusion that transportation utilizing the unit load principle is not a homogeneous mass subject to generalization but a continuum ranging from the crudest partial application of the unit load principle to the vast integrated land-sea and air systems. It would indeed be helpful if some of the more garrulous spokesmen began to differentiate.

Early in 1967, there occurred the first sea disaster involving a container vessel. Having recently departed from shipyard, she lost her rudder and as a consequence a considerable portion of her deck containers were damaged or lost in heavy seas off Hatteras.

In a short time, there began a campaign by underwriters which caused considerable activity in the ensuing months.

Cargo policies traditionally made several distinctions between cargo-laden, on-deck versus under-deck stow.

The first of these occurs in the "average terms" which might now be described as an extension of the perils clause but originally was intended to describe the terms under which losses caused by the perils named in the perils clause would be paid.

The almost universally used average terms clause paraphrases, in part, about as follows: "If cargo is stowed on-deck, and is subject to an on-deck bill of lading, coverage will be limited to the following: . . ." Of course, what is not mentioned is that an on-deck bill of lading usually provided an added stipulation, i.e., "at shipper's risk" and was intended for special circumstances. Although such bills of

(Continued on following page)

perspective

(Continued from preceding page)
lading are in common use in certain trades, they are rarely if ever used for general merchandise.

THE NEXT DISTINCTION in the policy, which was to be more important for a few hapless shippers involved in the disaster referred to, appears in the limits clause.

It was probably a universal practice in this clause to always include in the blank space for "on-deck" shipments a figure equal to 10% of the normal per-vessel limit required by the assured. Since it was rarely foreseen that shipments would deliberately be made on deck, the assured as well as the insurer treated this entry without any great concern.

Yet, there are shippers whose claims are said to have been paid short by a (fortunately) few underwriters who availed themselves of this lower on-deck limit as a defense, even though any reasonable person must conclude that this limit of 10% was intended to refer only to shipments which would be deliberately shipped on deck and subject to an on-deck bill of lading.

This treatment was peculiarly harsh since container vessel shipments had been in use on or under deck for some ten years with a good loss record.

THE LAST PLACE FOR treating with on-deck shipment in the cargo policy occurs in rate schedule which may have two limitations. At the head of the schedule may appear the words "under-deck—direct." At the end of the schedule may appear the phrase "rates for shipments on deck at additional rates to be named."

Paul C. Johnson

Some container carriers have a clause in their bill of lading in which shipper agrees that his shipment may be stowed on or under deck at the option of the carrier. After the disaster, underwriters felt they were dealing with a legal problem and instead of adjusting the standard form of cargo policy to meet the physical problem, insisted that shippers demand that their cargo be shipped under-deck.

Such demands were firmly but courteously declined. Unless cargo policies were at that point reformed, as implied above, it appears to the writer that shipper could still be left holding an empty bag in the event of a recurrence of an on-deck loss.

Shippers would be well advised to check their policies and request endorsements treating container shipments by container vessels as if such shipments were under-deck shipments.

Once when a cargo was transshipped, it created a considerable additional hazard to an already hazardous transit. To refresh our memory the picture is drawn of the "breaking" of the stow—that is the unbuilding of the fortress of dunnage which was meant to keep the cargo from moving about in the ship's hold.

Heavy pieces of cargo are "swung" into the square of the hatch, lighter pieces are thrown with long acquired skill from the wings to the center or brought there by conveyor, rollers or whatever to be loaded in pallets, nets, rope slings, platforms and removed in many sling loads to the edge of the pier, occasionally glancing off the hatch coamings en route.

Certainly, from time to time a box or a bag was lost into the water, slings bounced against the ship's side on the way down, crates wracked and broached by unequal stresses in wire slings.

THE CARGO WOULD THEN be received on the string piece and transported to the warehouse—if any—or into the go-down or into open storage where it would await the on-carrying ship into which it would be reloaded in reverse manner to the above.

During all of this time, the cargo is being handled, strained, pilfered, stolen, and occasionally totally lost in fire or flood.

Today a properly designed containership system shuttles a long-run vessel between two points. Feeder vessels, relay vessels, truck or rail continue the transit. The big difference between old and new is that a 20 to 30 ton container is removed from the arriving vessel in the space of a minute, deposited onto a trailer chassis and parked in an adjacent marshalling yard to await the on-carrying vessel.

When the feeder or the relay vessel arrives, the container is reloaded onto the vessel. During this time, the cargo is not subject to any of the traditional hazards of transshipments, except possibly water damage caused by a poorly maintained container.

Transshipment—once a source of loss and damage—is now a routine function adding no measurable hazard to the transit. ▪

Let's make Social Security contributions deductible

by Joseph Zink,
pension consultant,
New York

With a new administration now in office, it may well be time to suggest that a good bit of fresh thinking is in order in the area of the government's approach to private pension plans.

We have been told that we are not funding our plans rapidly enough on the one hand and told that no funding is required on the other hand. One agency criticizes private pensions for not providing broad enough coverage while another agency prevents the establishment of plans for certain salaried groups of employes. Private plans of all sizes are increasingly burdened with the expense of complicated reports to catch the errant few.

One place to start a fresh look at private retirement plans is with the fundamental premise that an individual's retirement income will generally consist of his Social Security benefits, retirement benefits available from an employer-sponsored retirement plan, and any income available to him from his own savings. Let us begin with Social Security benefits.

IS IT NOT TIME that we stopped the game of political football that is played every election year with increases in Social Security benefits? If, in fact, increases in Social Security benefits are required to adjust them for increases in the cost of living, why can't this be accomplished on a regular formula basis as is the case in various governmental and industrial retirement plans?

Something should be done about the ridiculous situation under which individuals claim Social Security retirement benefits when their own contributions will be recovered by a few monthly payments. This arrangement is not objectionable when real need is involved but is difficult to justify in other instances.

Why don't we consider making Social Security contributions deductible for federal income tax and tax Social Security payments fully as they are received? Not only would this correct the situation referred to, but would also ease the burden of rapidly increasing Social Security taxes on young participants with families to raise.

IS IT NOT ALSO time that we stop playing games with the integration of private plan benefits with Social Security benefits? Continuation of the present Internal Revenue Service approach to integration will lead to the ultimate elimination of integrated plans. It would seem to make much more sense to establish a policy under which Social Security benefits can be supplemented by private retirement plan benefits to the best advantage of all concerned.

Private retirement plans could benefit in other areas from a discontinuance of the negative attitude that has prevailed. What efforts can be made to expand and strengthen private retirement plans? There may be several:

- A more positive attitude toward plans for salaried employes (particularly in those cases where hourly employes are covered by a union contract) would help to get such plans out of "foggy bottom."
- Elimination of the ridiculous efforts made to coordinate salaried plan benefits and contributions with union plan benefits and contributions. It would seem that most unions are well able to take care of the needs of their members in this area.
- Simplifying Internal Revenue Service approval procedures and deduction requirements would make the installation and maintenance of smaller retirement plans more feasible.
- Reporting requirements should be established to require reporting of the exceptional situation that may cause later difficulties rather than to burden all plans with unnecessarily complicated reports.
- The elimination of the requirement of a trust agreement for profit-sharing plans would help to facilitate the direct use of pension contracts issued by insurance companies for these plans.
- If faster funding is desired, why can't the Internal Revenue Service limitations be reviewed to determine if speedier funding can be encouraged? In many situations, particularly in smaller plans, a sizable portion of a past service liability or the entire liability would be funded promptly if such payments were allowable for tax deduction purposes in the year in which they were made.
- Improved retirement incomes and greater savings by employes can be encouraged by making employe contributions (within limits) deductible for income tax purposes. The self-employed and participants under Section 403(b) annuity plans now have this privilege.
- The time is over-due when efforts by the Internal Revenue Service to discourage professional partnerships being taxed as corporations should be abandoned. The government has yet to win a court case in this area and it would appear to make more sense to establish appropriate rules to be assured of employe participation in retirement plans established by such organizations.

IN THE AREA OF individual savings, efforts to protect these savings against inflation are the first order of business. Efforts then to encourage retirement savings should also be considered. Why shouldn't any individual be allowed to put aside retirement funds in a manner similar to that of the self-employed or school teacher.

Under a Section 403(b) annuity plan a teacher may elect to defer up to 20% or more of compensation if this amount is used to purchase an annuity. Is there any reason why a similar provision should not be made applicable to any individual who wishes to avail himself of the opportunity to save for retirement?

Whether you happen to agree with any or all of these suggestions, it is hard to conceive of any interested pension practitioner who would not agree with the need to end the present climate of confused, negative thinking with respect to private retirement plans. It is time for all interested parties to come forward with their ideas concerning those positive steps that can be taken to broaden and strengthen all provisions for retirement income. I have given you a few thoughts. Let us hear your suggestions. ▪

The answer man

This feature is designed to give *Business Insurance* readers an opportunity to get answers to questions related to risk management and employe benefits administration. Ask the Answer Man about sources of information, a special problem in your company, a market for a particular line of insurance. You may wish to ask for information on an insurance carrier or on particular facets of an employe benefits program. Send your questions to the Answer Man, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

Dear Answer Man:

Would you please send me one copy of "Risk Management in the Business Enterprise" referred to in your Oct. 7 issue. Thank you.

Louis K. Schwartz Jr.
Louis K. Schwartz Jr. Insurance,
Newark, N.J.

ANSWER MAN SAYS: This book, written by Professors Robert I. Mehr and Bob A. Hedges, is available for $12.35 a copy from Richard D. Irwin Inc., 1818 Ridge Rd., Homewood, Illinois 60430.

Books of interest to insurance buyers that are available from *Business Insurance* are "How 31 Top Corporations Run Their Insurance Programs," $3 a copy, and "Employe Savings Plans —The Coming Trend in Retirement Planning" by Bion Francis, $12.95 per copy. Both volumes may be ordered from *Business Insurance*, 740 Rush St., Chicago, Illinois 60611.

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Mortimer . . .

Continued from page 17

passed on to consumers and our distribution systems should be updated, the way supermarkets have been upgraded."

Group auto insurance has developed, according to Mr. Philbin, "in large measure as the result of tremendous changes in employer-employe relationships as well as increases in fringe benefit packages.

"Payroll deductions," he continued, "now include such a variety of items as savings, bonds, stock purchases, loans, health and death insurance. Why not car insurance next?"

Continental National American Group began group auto coverage in 1966 and today most companies have followed suit. More than 40 of California's largest employers now provide this kind of car insurance.

"The benefits are great," Mr. Philbin declared, "including reductions in cost as well as improved protection and better claims service."

During discussion it was disclosed that a number of labor organizations within California are now "aggressively promoting" the concept of employer contributions toward payment of car insurance premiums.

Mr. Philbin added that he foresees "the possibility" of large employers becoming self-insurers in this area, even with the addition of body repair shops to handle employe claim work.

Some insurance firms within the state are now offering group coverage in auto, homeowner and umbrella type policies but have not yet gone to life insurance.

TRENDS IN NO-FAULT liability and guaranteed benefit plans were reviewed by H. A. Lansman, executive vp of Kemper Insurance Co., Chicago, in a session moderated by Keith Brooks.

Mr. Lansman presented a series of slides to illustrate how current proposals, including the American Insurance Assn. plan, would work.

"None of the plans offered," he added, "will cure the accumulation of consumer grievances which plague our industry.

"Neither," he continued, "will they remove complaints and misunderstandings about the way we market our product or the underwriting we do to preserve a competitive rate for the majority who are good risks.

"NOR WILL THEY eliminate misunderstanding of the limitations of assigned risk plans, the territories and classifications we use, or the complaints of shoddy practices and financial collapse of a few fast-buck companies."

Mr. Lansman predicted that "even if they cost less at the start, these plans must pay skyrocketing hospital and medical expenses and will be subject to the same premium escalation as the present system.

"If such plans develop less in premium savings and less in benefits than they promise," he added, "they will generate even more consumer dissatisfaction."

In addition to the AIA plan, Mr. Lansman reviewed the so-called "basic protection plan" created by Professors Keeton and O'Connell and an experimental "guaranteed benefits" plan designed by the American Mutual Insurance Alliance.

MR. LANSMAN CITED workmen's compensation as a third-party coverage to emphasize his contention that "it is not true that a no-fault system must be on a first-party basis."

He added that "it is probable that the AIA proposal, if adopted, would result in premium increases for many if not most drivers. The AIA plan cannot deliver on its empty promise of costing less."

California's recently appointed insurance commissioner, Richards D. Barger, had been scheduled as the luncheon speaker but was called to a Sacramento meeting with Gov. Ronald Reagan.

In the commissioner's place, a review of the concept of liability without fault as related to workmen's compensation was presented by Roy C. Bell, administrative director of the California Division of Industrial Accidents, California Industrial Relations Dept.

"WITH ADEQUATE protection against unlimited liability suits," Mr. Bell pointed out, "employers can set aside reasonable sums for proper compensation.

"Our primary effort in California currently," he added, "is to reduce as much as possible unnecessary litigation over workmen's compensation insurance claims."

Mr. Bell declared the cost to California industry for the state's workmen's compensation program is now approximating $800,000,000 per year.

"A substantial reduction of litigation, or settlement without the filing of claims," he explained, "could not only speed payment of claims but help to reduce the rate employers pay for this insurance protection."

MR. BELL URGED expansion of programs of rehabilitation of workmen's compensation recipients. Insurance carriers, he added, have pioneered in rehabilitation in California.

John G. Spencer, president, Harbor Insurance Co., and Swett & Crawford, both Los Angeles, blamed the inability of buyers to obtain adequate coverage on the failure of worldwide markets to keep up with inflation and the inability to attract capital.

"Just one airplane valued at $25,000,000, with 400 passengers aboard," he said, "requires $150,000,000 to $200,000,000 in liability availability. Multiply the insurance dollar figure by the increase in tourism and the number of aircraft and the problem becomes visible.

"IN ADDITION," Mr. Spencer continued, "it must be equally obvious that as long as the insurance industry remains 59th among all industries, it is not attractive to new capital."

He contended, "There just aren't enough underwriters . . . and those we have want more money. Many feel rates are too low and that they must either drop business or reduce lines.

"Appointment by Lloyd's of a working party to examine the capacity of underwriting in relation to the world market," Mr. Spencer said, "has come some five years too late! With 6,000 members and a short life expectancy, Lloyd's had failed to increase capacity by opening membership to outsiders."

Commenting on mergers, he said "one rarely gets a line out of mergers which is equal to the original." ▪

Join AIM pool

Aviation Insurance Managers, Inc., an aviation insurance pool of American insurance companies, announced in New Orleans that the Argonaut Insurance Companies, Menlo Park, Calif., and Emmco Insurance Company, South Bend, Ind., became among AIM's principal policy-writing companies.

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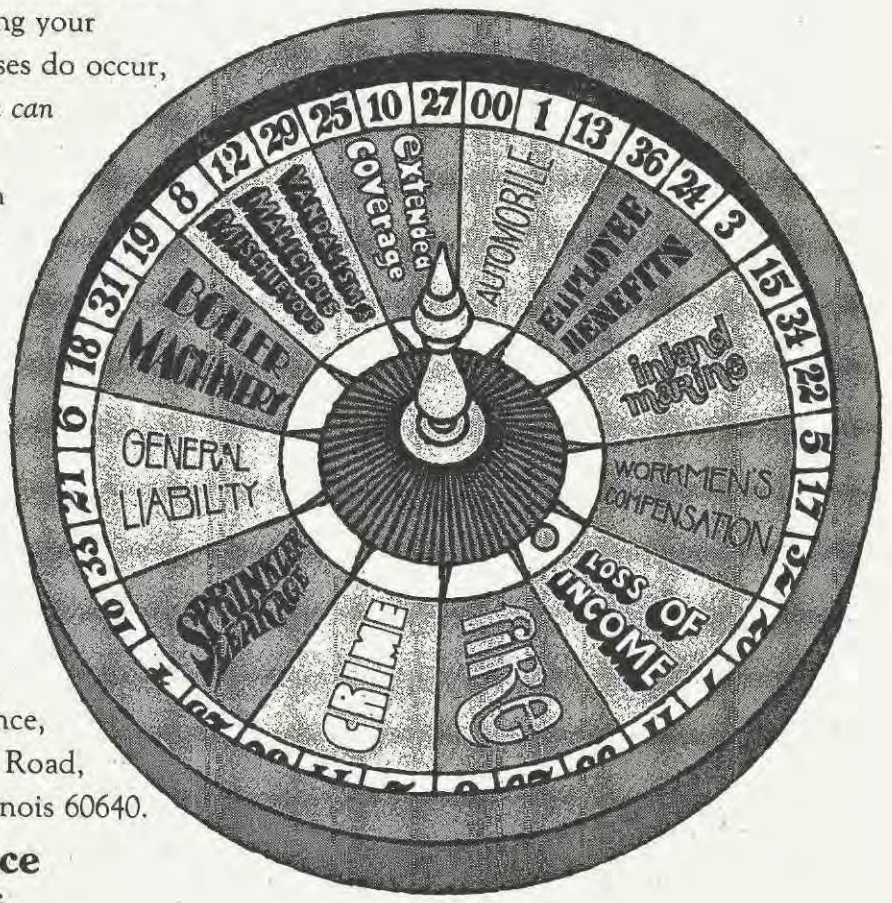

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Judge dismisses suit on hospital discounts

MADISON, WIS.—A suit against Blue Cross in Madison was dismissed by Dane County Circuit Court Judge W. L. Jackman on grounds there was no basis for the charges.

The suit, filed by Maurice J. Reese, an agent for Federal Mutual Insurance Co., charged that Blue Cross had improperly been given discounts by 154 hospitals.

Judge Jackman noted that there was no statute forbidding the seller of a service (a hospital, in this case) from making different charges for the same service to different persons.

Mr. Reese claimed that the 3% discount on bills paid by Blue Cross—granted by the hospitals—violated state law against price discrimination.

Saying there was no cause for action, Judge Jackman stated: "There is no claim that the purpose of the discount is to injure anyone. The contract does not deny to the hospitals the right to make whatever price contracts it wishes with others than Blue Cross.

"We know of no law which compels a doctor, dentist, lawyer or any of the skilled trades to charge the same prices for the same service to everyone.

"This is not a case in which price fixing is claimed and there is no price fixing here."

MR. REESE STARTED the suit last year. It names Associated Hospital Service Inc., Milwaukee (commonly known as Blue Cross), and 12 hospitals as defendants. The 12 were named as a representative group of the 154 in the state that hold the discount contracts with Blue Cross.

Because of the discounts and a $20,000,000 reserve built up by Blue Cross partly through the discounts, Blue Cross can quote "significantly lower premiums" than its competitors, Mr. Reese contended.

The hospitals must inflate their charges to others to offset the cost of the Blue Cross discounts, he charged.

ACCORDING TO Mr. Reese's suit, Blue Cross accounted for 46% of the $129,000,000 in group hospital insurance premiums collected in Wisconsin during 1967.

"The court can thus readily see that Blue Cross has evolved into a multi-million-dollar commercial operation quite capable of more than monopolizing the entire health insurance industry," Mr. Reese charged.

Blue Cross replied that the discount contracts merely have established a relationship between itself and the hospitals and did not control the hospitals' relationships with other insurance companies.

BLUE CROSS ALSO contended that the 1939 statute permitting the formation of nonprofit hospital insurance companies such as itself exempted such companies from provisions of the antitrust laws.

Blue Cross argued that there could be no conspiracy to restrain trade because it and the hospitals are "but one economic unit," thus incapable of conspiracy.

St. Mary's Hospital, Milwaukee, one of the 12, argued in a separate brief that the unfair trade law did not apply because it dealt with commodities and hospital insurance is a service, not a commodity. ■

'Junior' steel men get 'mini' vacations from 11 big companies

CHICAGO—"Junior" steelworkers, according to the contract negotiated by the AFL-CIO United Steelworkers of America with 11 major steel companies, are now entitled to what union officials call a "mini" vacation.

A forerunner plan to this latest steelworker benefit, negotiated in 1963, granted employes with 13 years' seniority a 13-week paid vacation once every five years.

The new plan allows "junior" seniority steelworkers—employes with less than 13 years' service—an extra three weeks' vaction added to their regular vacation once in a five-year period.

Oregon fire pool established to cool mortgage lenders' fears

PORTLAND—Oregon property owners previously unable to obtain fire insurance and extended coverage will be able to buy coverage through a new insurance industry pool facility, said James R. Faulstich, state insurance commissioner.

Membership in the pool, known as the Oregon Property Insurance Placement Facility, is mandatory for all companies writing fire insurance in the state.

Maximum limit of liability which may be placed through the association on any property at one location is $250,000.

THE COMMISSIONER SAID that under the pool arrangement, insurance is to be made available without regard to environmental hazards beyond the control of the applicant.

WHILE availability of fire insurance "has never been one of our most serious problems here," Mr. Faulstich said, the new program may generate more mortgage funds for deteriorating urban areas because mortgage lenders will be relieved of apprehension that the property they invest in will not be covered by insurance.

Unlike an auto risk pool in which the individual applicant is assigned to a company, the individual in the property pool arrangement will be free to choose the company he wants to write his insurance, and the company will reinsure the risk with other companies in the pool. ■

Lockheed C-5 Galaxy; U.S. Air Force

Group dental plans 'old hat'

SAN FRANCISCO—Dental health prepayment insurance plans similar to those announced by Blue Cross and Blue Shield of New York are "old hat" in the San Francisco Bay area.

George C. Lucia, vp of Blue Cross of Northern California, pointed out that "a number of local labor union groups" have had prepaid dental care as part of their contracts since July 1.

"Blue Cross, however, has not yet had enough experience in the dental field to be prepared to provide such insurance coverage for individual subscribers," Mr. Lucia added. ■

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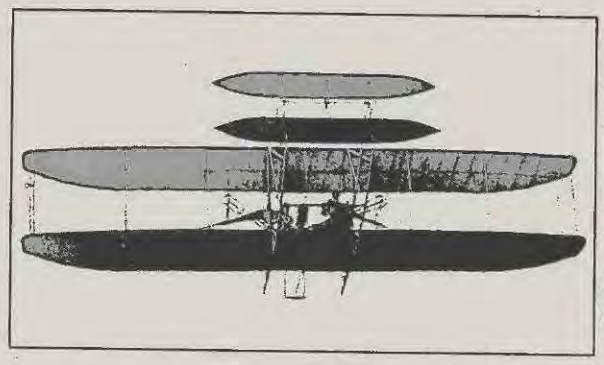

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Liability question open in silver bullion heist

NEW YORK—Tracking down the culprit in the mysterious disappearance of 242 bars of silver bullion from a U.S. Lines ship last fall has taken on all the trappings of a good, old fashioned cloak-and-dagger story. Not the least of the problems is determining who is liable for the heist.

When the silver bullion totaling $380,000 and weighing nearly five-and-a-half tons disappeared from its sealed container, the thieves left no clues as to when, where, why or how the bullion was taken.

"WE DON'T KNOW whether the bullion was taken away by car, truck or boat," said a spokesman for one of the underwriters involved in the silver incident.

He added that U.S. Lines as the transporter of the silver is the most obvious choice for liability. The loss comes under the cargo legal liability coverage handled by Frank B. Hall & Co., *Business Insurance* was told. But the adjuster said other parties who could be held liable are the stevedores, International Terminal Operating Co.; the warehouse, Held Warehouse and Transportation; and the truckers, U.S. Trucking Co.

It was learned that the Home Insurance Co. was the lead underwriter on the policy at the time of the loss. Although Home is no longer the underwriter for the coverage, which was cancelled by the insured Jan. 1, it is still responsible for the loss.

Home indicated that cancellation of the coverage was not a direct result of the September loss.

ONE BROKER remarked that "it's going to be a real tough job determining who's responsible in this case." One marine underwriter said that if it was his loss, he'd sue everyone who might have handled the silver bullion.

The 242 bars were part of a shipment worth $1,480,507 bound for London. The loss wasn't discovered until the consignee, Sharps Pixley & Co., broker in precious metals, counted the bars. The firm is insured through Lloyd's of London for such losses.

The bars had been sealed in containers, but the thieves were successful in opening the containers, removing 242 bars and then resealing them. A spokesman for Marine Office-Appleton & Cox, Inc., said he'd never yet encountered a seal that couldn't be broken and resealed.

Business Insurance was told that there might have been a tipoff to the thieves as to where the bullion would be and in what containers. Normally, an entire container could be hijacked from a vessel but the weight of the bullion made this prohibitive, it was explained.

A NEW CONTAINER seal on the drawing boards would change color if broken. For instance, the seal would turn green after the incident happened, then another color after two hours and so forth for a determined period of time. This method would give some idea as to the approximate time the seal was broken.

"There could also be some drastic improvements made in security, like more guards keeping track of containers," said a source close to the investigation. Graham Miller & Co., Ltd., New York, has just submitted a report of findings to its client.

The sources said that when they checked out the security of U.S. Lines, nobody bothered them and they drove right into the dock area. "That's absurd," they added.

A $50,000 reward for recovery of the bullion was offered on both sides of the Atlantic ocean; however, no claims to the reward were made, according to one of the underwriters.

INVESTIGATION FIRMS have received numerous letters and phone calls with leads to the recovery.

"We even had phone calls from people who said they'd be killed on the spot for giving us the information," another source said. "One call told us to go to a Camden, N.J., phone booth and pick up the silver."

He added that it was rather difficult to separate the good leads from the bad. "It's difficult to visualize that it's not an inside job," he said. ■

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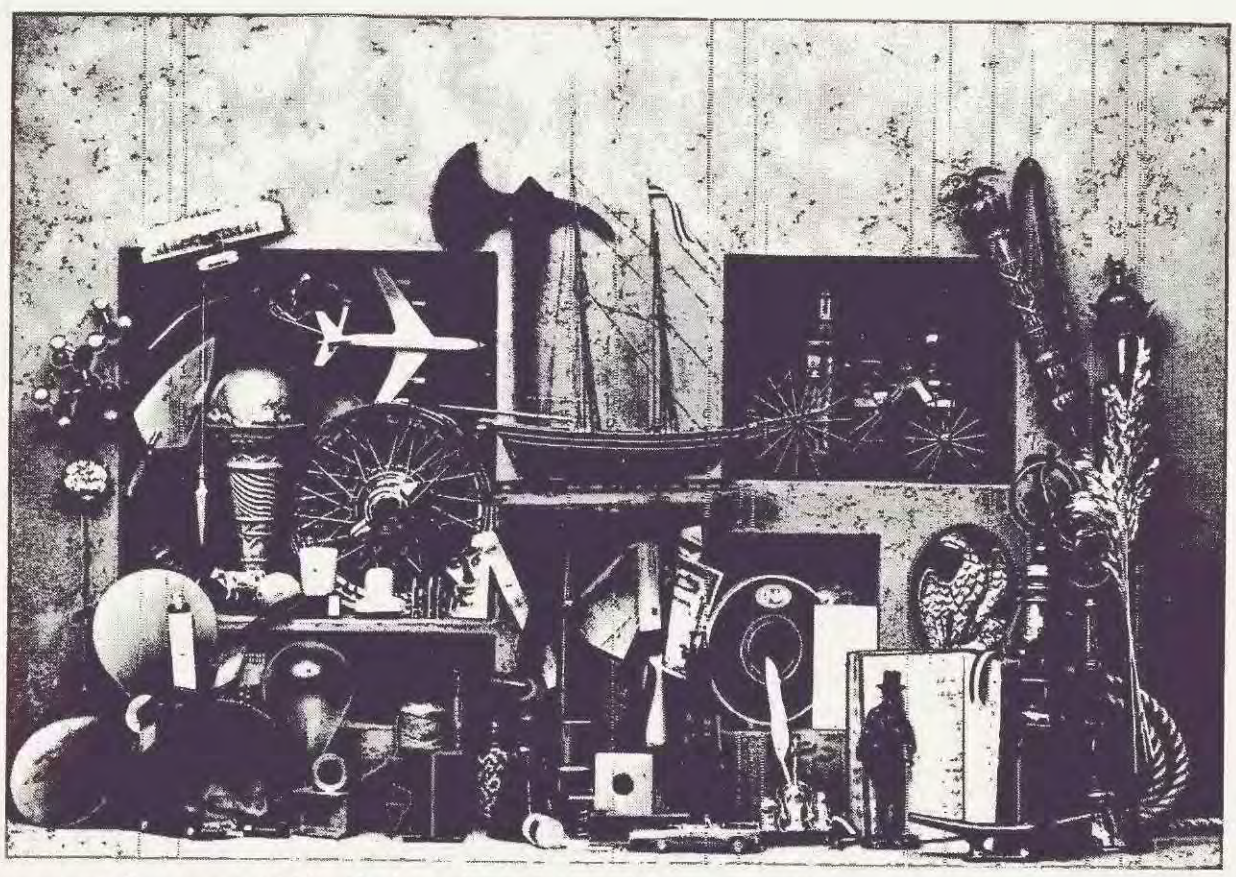

Insurance Company of North America, 16th and Parkway, Philadelphia, Pennsylvania 19101

Strike damage cover initiated by New York

ALBANY, N.Y.—New York state has come up with something new. It's strike damage insurance.

When the AFL-CIO State Employes Union, Council 50, struck four state mental hospitals recently, the Rockefeller administration quickly negotiated a special insurance policy to protect the employes who wanted to continue to work.

The policy ran for the duration of the strike and it protected working employes from "vandalism and malicious mischief." One part of the policy covered personal injury.

It was an important part of the effort by state mental hygiene department officials to keep the hospitals staffed.

THE PAYOFF period is coming up soon. Tires were slashed on more than 100 cars owned by state employes who worked during the strike. Sugar was dumped into the gas tanks of other cars and paint thrown on still other vehicles.

The damage done during this period on hospital grounds will be paid for under the strike damage insurance policy, supplemented by private insurance claims.

It's an unprecedented situation. The state taxpayers will foot the bill for the cost of the strike damage insurance but it isn't going to be too costly, according to the State Office of General Services, which negotiated the policy.

THE POLICY COST won't be known until later, however, since the contract hasn't actually been "finalized," according to an OGS spokesman.

During the strike, one woman's coat was torn when she walked across the picket line at one of the hospitals. The department says she'll get a new coat.

The State has never had to go to "strike insurance" before. It apparently is just a facet of the new Taylor law public employment era that seems to have stimulated strikes, not discouraged them. ■

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What's happening in the biggest of all "fringe" benefit areas—an authoritative look at "retirement dollars"—coming April 14th!

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- Bank vs. carrier vs. self administered pension plans—which one for you?
- Savings plans—a new trend?
- How unions manage pension and welfare funds.
- Contributory vs. employer-pay-all pensions and profit sharing funds—the trend?
- Vesting and funding practices in pension plans.
- Federal outlook on pension regulation.
- How investment returns in pension and profit sharing plans affect benefit levels.
- Final vs. career average pay in computing pension benefits—the trend?
- Cost-of-living adjustments in pension plans?
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The April 14th issue of *Business Insurance* affords a unique opportunity for banks, insurance carriers, financial consultants and other services to tell their "profit sharing and pension stories" to Business Insurance's over 35,000 readers who include the nation's most important management team executives responsible for the health and welfare of nearly 30,000,000 direct employes—almost 40% of the nation's entire work force!

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State's pension fund running out of money

HARTFORD—The pay-as-you-go retirement fund in effect for former Connecticut state employes has fallen on days of chaos and consternation.

State capitol observers remark that the only way the state can manage to keep pace with the obvious drain some 5,600 retirees are putting on the pension plan is to simply appropriate more money than present employes are contributing.

After looking over records for the State Employes Retirement Fund as of the end of the fiscal year on June 30, 1967, auditors said the fund was some $17 million behind.

THAT FIGURE COULD well be in the neighborhood of $20 million early this year.

State capitol observers comment that there is a question about whether to label this development a "deficit" or something else.

The so-called "fund" is not really a fund. More accurately, the $20 million reflects the imbalance between the equity the retired employes have in the fund and the actual, available resources.

WHAT HAS HAPPENED is this: The total in contributions made by retired state employes, plus the fund's investment earnings and other regular monies is sufficient only to cover possibly 25% of the retirement pensions.

It follows that the state, to make ends meet in a constantly losing fight, is contributing more each year, through direct appropriation. And operators of the fund must dip more and more into current contributions.

The percentage of backstopping by the state administration, through direct appropriation, goes up 5% each year, by action of the state legislature's 1965 session. It is 60% at the moment, will continue until reaching the 75% level, as provided in the same legislative action.

ELUSIVE, CERTAINLY, is the element of stability for the fund. Theorists maintain that the resources should be, roughly, equal to the vested interest members of the fund (retired employes) have because of their contributions.

At the same time, state capitol observers are emphatic in urging large-scale aid, through further appropriation. Under existing state law, the first $1.5 million of any surplus at the end of a fiscal biennium must be diverted into the State Employes Retirement Fund.

Come June 30 of this year, however, the present biennium will terminate and the fund can not expect much of a windfall.

IN THE HARSH reality of the state economy, the administration is envisioning a staggering deficit of some $120 million.

Consulting actuaries, Russell O. Hooker & Associates, of Hartford, sharply criticized the pay-as-you-go plan in a study two years ago.

The study was incorporated into a comprehensive survey of Connecticut's state personnel system by the J. L. Jacobs Co., Chicago. The latter firm was paid $200,000 for the survey.

The Hooker study commented that the retirement fund would be "exhausted" by the middle of 1976.

The day of truth will mean that all employe contributions to their own retirement income will be siphoned off directly to meet benefit payments to pensioners and the state will have to add annual amounts of sufficient strength to pay the balance.

The state's appropriation in the 1967-69 biennium out of its overburdened budget totals $13.9 million.

Retiring employes receive 40% of what they earned annually while in state employ.

Their retirement income is assured.

But, most markedly, the drain on state funds is escalating to all-time highs. ▪

Ski areas . . .

Continued from page 13

Separate and distinct precedents are then set for ski lift cases only. Because of the legal advantages, Vermont is attempting to pass a bill revising the status of the ski lift.

WHEN A SKIER does sue a recreation area, the insurance plan furnishes the area with an attorney to contest the suit and defend its interests. The resort is also free to hire a consulting lawyer. The potentially liable ski area, with an eye toward economies, precedent and notoriety, often prefers that the case never reach a jury. Rather, lawyers try to agree to a satisfactory settlement with the injured skier. The NSAA insurance plan assumes the payments.

Should two skiers collide and either sustain injuries, the ski management is not involved at all. One skier may sue the other, but not the ski corporation. Just as in non-team recreation sports, where individual participation implies assumption of risk, skiers understandibly assume the same risk, and rarely bother to sue anyone.

Statistically, more beginners get hurt than any other category of skiers. This is partly because of inexperience on skis and partly because of ineptness in falling. More agile skiers learn to follow their falls, tumbling rather than lurching.

Ski patrolmen report that deep snow is more hazardous than icy conditions. Falls on ice result primarily in bruises, while falls in deep snow are potentially more dangerous, often locking the ski abruptly and resulting in broken bones. But no matter how the skier falls, unless he can point to definite negligence and/or poor maintenance on the part of the area, he must accept the consequences of skiing at his own risk.

FORTUNATELY, THE issue of fault doesn't arise often. Thousands of skiers might use a large area's facilities safely during a weekend. Serious injuries are much less prevalent than skin bruises, cold feet and lost composure.

Most ski areas maintain their own safety regulations and inspections in addition to the annual inspection by the NSAA. The Sugarbush Valley Corp., a major ski area in Warren, Vt., conforms strictly to several self-imposed safety rules. According to Damon Gadd, president of the corporation, the NSAA plan together with Sugarbush's safety program has proved increasingly successful in terms of economy and safety each year.

All components—cables, grips, motor and brakes—on every lift undergo thorough testing. To assure safe operation throughout the winter season, designated lift operators inspect each lift daily. ▪

The typhoon struck Guam at 9:15 AM. Within minutes, buildings and lives crumbled. Guam was in a shambles. The local AIU representative's office in Guam was hit and hit hard. An employee later described the scene this way: "The first thing we did was make sure we were all alive. Then we started assessing the disaster. Requests went out for AIU adjusters to Tokyo, Manila, New York, Hong Kong and Paris. Within hours they arrived, and for countless days and nights without sleep, we processed claims and issued checks. $3,000,000 in checks were written in that little storm racked office in Guam."

Guam is a small island in the Pacific. But, the American International Underwriters was there within hours after disaster struck. This kind of insurance service is not unusual for AIU. We have offices and agencies in over 100 countries throughout the world. Our people speak the local language. They know the local laws, customs and business methods. They are at home anywhere.

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When a typhoon hit Guam, this little room suffered $3,000,000 in damages.

Pool player's costly miscue puts insurer behind the eight ball

HARTFORD — Travelers Insurance Cos. has delved into its liability insurance records for some wacky case histories.

Without citing location or principals involved, Travelers offered this sampling:

In one situation, a pool player miscued. His ball flew off the table, hit the floor, bounced out an open window, sailed across an alleyway and into the open window of a kitchen in an apartment next door.

THERE IT SCARED a cat, which leaped upon the kitchen table, upsetting a coffee percolator and causing the tablecloth to catch fire.

The apartment tenant, a woman with a weak heart, entered her kitchen to find the table ablaze, became so agitated that shortly thereafter she died of the excitement.

The pool parlor proprietor was found to be at fault. He was responsible for whatever happened in his commercial establishment.

In another case, a child on a farm set fire to a chicken's tail feathers. The chicken swooped across the yard and into a barn, where it set fire to a pile of hay, then the barn.

Sparks flew onto the house, which also began to burn. The fire brigade arrived. A fireman became caught beneath a falling beam. A fellow fireman, to protect him from the flames, played the hose on him. The sudden assault of the stream struck him so forcibly in the face that he lost the sight of one eye.

Who was to blame? The farmer. He was responsible for his child's behavior.

An engaged couple quarreled frequently, usually because of the man's quick temper. One evening while they were out driving the man's temper flared up and prompted him to drive the car into a tree. The girl was injured.

Later, they patched up their quarrel and were married, though before the marriage they made a contract stating that the marriage would in no way affect the wife's right to sue the husband for injuries. Her suit was not admitted to court.

At fault was the woman. By her marriage she became both claimant and defendant.

THREE MEN WENT to an amusement park for a dip in the swimming pool. One man was slower than the others in changing from street clothes to bathing suit.

The others saw an opportunity to play a trick on him. They squatted in the water so that they seemed, from the pier, to be standing in water up to their necks.

Their friend took a running dive from the pier. He struck bottom with such force that his back was injured.

The amusement park proprietor was found to be at fault; in conducting a commercial establishment, he was liable for what occurred there.

IN A FIFTH situation, a motorist drove up to a filling station, struck a gasoline pump and thus caused a fire. A woman living on the second floor of the house in the rear of the filling station heard the crash, looked out her front window and, fearing an explosion, started to flee.

There was so much smoke and flame between the front of her house and the filling station that she decided to go out a kitchen window. She went out the window and onto a slanting roof, with the intention of sliding down the drainpipe. The pipe broke, she fell to the ground and was injured.

The motorist was at fault; he operated his car improperly.

A woman bought a new television-phonograph, which was delivered in a large cardboard carton. She put the empty carton beside the garage, where it attracted the attention of children next door. They hauled the box out into her driveway and used it to play "house."

WHEN THEY went home for supper, they left the box in the driveway. When the woman discovered that she had to drive to the grocery store, she saw the box in the driveway and removed it.

When she returned from the store, she saw that the box had been dragged back onto her driveway. She ran over it, not knowing that inside the box was a little girl. The child was injured.

The woman was found to be at fault; the box was called "an attractive nuisance" which invited the child.

In another case, during a spring freshet, a motorist was driving along the Chiswick Mall on the bank of the Thames River in London.

HE WAS PROCEEDING, as is proper in England, on the left side of the road. He came to a portion of the road which was flooded to a depth of about one foot. He decided that he could make it and drove on.

Approaching him was a man in a rowboat. To avoid collision, he passed on the rowboat's right. In so doing, he brought his car so close to the washed-out embankment that it slid into the river.

He was fortunate enough to escape drowning, but his car was badly damaged.

The motorist was proved wrong. International maritime regulations, it was noted, demand passing port to port, that is, left to left. ▪

City held liable for falling tree

MONTREAL—Superior court here awarded a total of $19,683 to parents of two 16-year-old majorettes who were killed by a falling tree as they marched in a Santa Claus parade in 1964.

Superior Court Justice Philippe Lamarre held that the City of Lachine was responsible under the law for the deaths, since the 70-year-old tree which went down in a 40-m.p.h. wind had rotted through two-thirds of its diameter near the hase.

He also held that the Canadian Shade Tree Service Ltd., employed by Lachine, was negligent in having failed to apply an adequate system of inspection for the aged poplar.

One girl was one of seven children and regularly employed; her parents were awarded $10,847. The other girl was one of four children and carried out domestic duties for her working mother; her parents were awarded $8,835. ▪

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Thievery . . .

Continued from page 11

ings of most firms. While the Surety Assn. traditionally has set the pace for rate determination, two of the larger insurance companies, (the Insurance Co. of North America and the Federal Insurance Company) together writing about one half of all brokers' blanket bonds, have broken away and are not using the normal blanket bond form.

THEIR OWN coverage is less encompassing than that of the Surety Assn. members generally. The two insurance giants are also discussing independent rate raises. Other insurance companies are withdrawing entirely from bondwriting because of the growing financial losses and excessive loss ratios.

Stock brokerage firms are having harder times, this year, in obtaining insurance. In light of the security problem, Wall Streeters agree that some new security measures are necessary.

The big question is why there has been such a rash of thefts and mysterious disappearances. Insiders point to Mafia infiltration into back office operations, but no one will really talk about it. Brokers will swallow hard and pay higher insurance rates if necessary, but they won't discuss the losses publicly. Rumors fly on Wall Street, but few hard facts emerge.

Certain informed sources acknowledge that "at least one man from organized crime is on the payroll of every large brokerage firm." If this is so, logical inquiry asks why these individuals are able to infiltrate Wall Street so successfully.

MOST INSIDE observers blame the enormous volume of paperwork resulting from such an active market in recent years. As early as last March, the New York Stock Exchange sent a memo to its member firms implying awareness of in-house embezzlement and bad-faith dealings.

"The Exchange is aware that a number of persons are seeking employment in the securities business, some of whom have very attractive securities experience, but who are not bondable because they have criminal records or histories of participation in securities frauds.

"Accepting the statement of such persons as to their previous business history at face value is obviously unwise."

Yet, with the amount of paper work which must be done on all levels, and with the constant need for messenger and delivery boys, Wall Street cannot afford too much investigation of prospective employes. With a 50% per year turnover rate in back offices of brokerage houses, it is difficult to thoroughly check up on all employes.

Wall Street, then, is vulnerable to crime efforts. With 15,000,000-share trading days becoming increasingly common, the accompanying paperwork is almost staggering. Knowledgeable persons hint that perhaps efficiency has been sacrificed for quantity, that the volumes of work which must be done result in sloppy handling, carelessness and confusion. Such hustle-bustle conditions leave the back office area susceptible to racketeers, professional or novice.

A RECENT MAILING loss is an example of how securities disappear. A large Wall Street area bank mailed $800,000 worth of negotiable securities via registered mail to a Boston bank last fall. Three months later the Boston bank notified New York that the securities were not received.

In the interim they were probably seized (in transit? at either end?) and, being negotiable, sold to an innocent buyer. Both banks slipped up—the New York bank by not checking returned receipts and the Boston bank for not noticing and acknowledging non-receipt much earlier.

If the voluminous work load in the brokerage houses continues, it is evident that Wall Street will have to come up with a new security system. The College of Insurance study will examine the problem and perhaps evolve a solution.

Meanwhile, stock brokerages employ former FBI agents in their back offices to curtail illegal in-house activities, insurance companies send out flyers listing "lost" securities and banks frequently check securities with transfer agents. ▪

N. Y. school decentralization won't affect group insurance

NEW YORK—The controversial decentralization of New York City's public schools probably will have little or no effect on the insurance policies currently offered to teachers and other school personnel.

Even when the decentralization plan is finalized—the projected date is March, 1969—and the city school system is divided into thirty-three districts, teachers will retain their status as city employes. All school personnel will continue to have their insurance premiums paid for by the city.

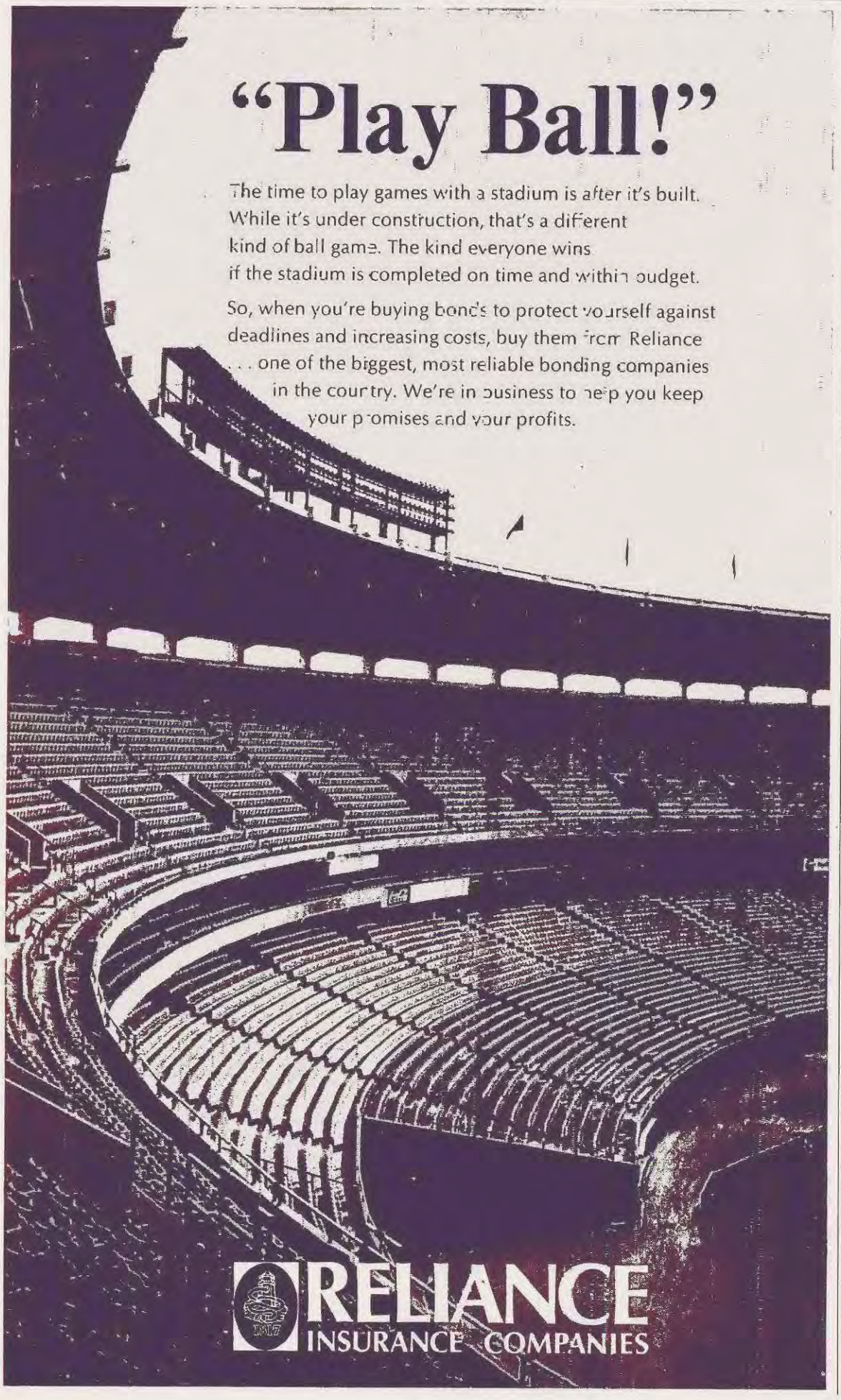
A choice of three health insurance plans is available to the teachers: Blue Shield and Metropolitan Major Medical; Group Health Insurance (GHI); and Health Insurance Plan (HIP). The plans differ in some respects, but all have two basic parts, one covering hospitalization, and the other medical care. Blue Cross covers hospitalization for all of the plans.

Full cost for basic coverage is paid for by the city for all city employes and their eligible dependents. Extended or additional benefits are optional. Depending upon which insurance plan is chosen, either the member or the teachers' union pays for these.

New staff benefits will be offered under all three plans in the near future. Teachers and other school employes will have the option of changing their current health insurance affiliations when the new benefits are made public.

Whatever additions and modifications in policy are offered by the three plans, the city of New York will continue to pay basic coverage for health insurance.

Decentralization will not alter teachers' status as city employes in the foreseeable future. In spite of the controversial changes being made within the city's school system now, it seems safe to predict that insurance plan policies will remain stable. ▪



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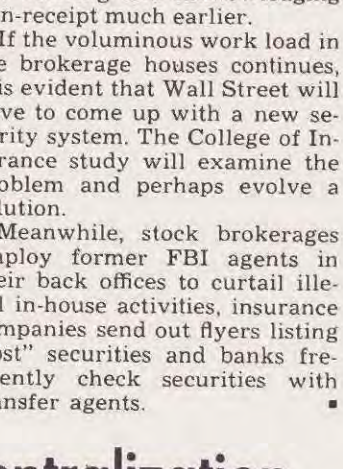

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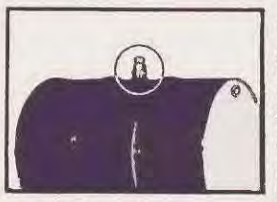

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Insurers asked to pay for people to free doctors of paperwork

HARTFORD—Both the quality and quantity of skilled care can be immeasurably improved if physicians are spared non-medical tasks in hospitals and offices, according to a panel discussion here by health experts.

The Connecticut chapter of the American College of Surgeons heard the suggestion that insurance companies should pay the cost of personnel needed to cut down on doctors' housekeeping and paperwork chores.

John Moss, director of the health systems research laboratory, Travelers Research Corp., remarked that doctors spend up to 15% of their working hours in non-patient care activity that could be performed by trained personnel without sacrificing patient care quality.

SOME 100,000 physician mandays a year, he asserted, are wasted in the U.S. because of duplication by doctors of work that others have attended to previously.

Mr. Moss added that if records were centralized through computer systems, many of the duplicated activities would cease since accurate, detailed records would be available to people treating the patient.

The need for centralized record keeping and modernized administrative techniques was emphasized by Joseph Duplinsky, president of Connecticut Blue Cross, health service plan.

Insurers, he said, can do much to keep patients out of hospital beds—such as additional coverage for out-patient clinics and ambulatory services, increased home care and neighborhood health services.

CLARENCE BUSHNELL, administrator of the Bridgeport Hospital, commented that hospitals will become the central coordinator of services, functioning as the hub from which various delivery systems—neighborhood clinics, doctors' offices, first aid stations and the like—will be worked into a common system. The hospital will provide the centralized services such as laboratory, records, advanced treatments.

Hospitals, Mr. Bushnell continued, should provide office buildings, enabling a doctor to practice next to the facility, thus implementing better quality coverage.

At the same time, hospitals should reduce doctor paperwork requirements, speed up laboratory and other processes. The end result would be a greater accent on individual patient care.

Dr. Daniel Mulvihill, assistant director of the American College of Surgeons, said that technicians and other paramedical people must also be used to relieve the doctor of a proliferation of present-day assignments.

Insurers, he said, should pay the cost of these workers who provide the physician with more time for actual application of professional chores. ■

Outcome of car crash case pivots on who was at wheel

HARTFORD—The Connecticut state supreme court has upheld a state superior court jury verdict rejecting a law suit against Guida-Seibert Dairy Co. of New Britain and one of its drivers.

The court unanimously rejected the court action brought by Mrs. Josephine Willametz, New Haven, in connection with an accident several years ago.

She claimed she had sustained numerous injuries when the milk truck, operated by Daniel J. Geary, struck the rear of her car.

COUNTERING, the dairy company said that the collision amounted only to a "tap" of bumpers. In addition, it was further charged that Mrs. Willametz's son, Earl, was driving, not his mother.

All-important to the case resolvement was the question of who was actually operating the Willametz vehicle. If the jury found the son was the driver, or if it found itself unable to determine who was driving, it was instructed by the presiding judge to return a verdict against Mrs. Willametz. Replying to an interrogatory, submitted by the presiding judge, the jury said it was unable to determine if the mother or the son was driving.

AT THE TIME, Earl Willametz had been suspended of the right to drive and had admitted that he had been convicted of perjury in another case.

The supreme court said that the judge was correct in his instructions because the driver's identity became the case's "decisive issue." ■

Stand-off decision in Umpqua case

PORTLAND, Ore.—Another "Oxbow Incident" has ended here in the U.S. district court of Judge Robert C. Belloni with a settlement leaving Signal Insurance Co. and Fireman's Fund American Insurance Cos., a bit less happy and a bit less rich.

This "incident" revolved around a 1966 Oxbow forest fire where 42,875 acres were damaged west of Cottage Grove, Ore.

International Paper Co. and four other plaintiffs had filed court action seeking $6,800,000 from Umpqua River Navigation Co. The federal government also had asked for $3,900,000 damages.

Umpqua workers, under a contract with the U.S. Bureau of Land Management, were using a diesel-powered roller to repair a logging road when "sparks emitted by the roller caused the forest fire."

Fireman's Fund had sought $139,527 for damage to equipment owned by International Paper Co. and insured by the San Francisco-based firm.

Signal had asked for $313,350 for burned logs owned by Timber Access Industries Co., one of its insureds.

In the settlement the government agreed to dismiss with prejudice its complaint against Umpqua. In turn, the plaintiffs agreed to dismiss with prejudice their complaints against the government.

The other plaintiffs refused to disclose terms of their settlement with Umpqua. ■

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Bank heist losses trigger tighter Federal security regulations in 1970

NEW YORK—The Federal government's recently issued security regulations affecting all federally insured banks and savings and loan associations reflects growing concern over the high incidence of robbery, forgery and embezzlement.

Government figures indicate an increase of 150% in bank robberies since 1960. Some 2,650 bank robberies in 1967 resulted in 23 deaths, 61 injuries and more than $15 million lost. Informed sources place the overall total from illegal losses at between $400 million and $1 billion.

The new rules, issued last month by the four Federal agencies with regulatory powers over banks and savings institutions, are designed to effect improved anti-robbery precautions and security systems.

THE FEDERAL Reserve Board and Federal Home Loan Bank Board collaborated on the new rules, which will become effective on or by Jan. 1, 1970.

All institutions are under orders to improve their security against robbery, burglary or other thefts, or face $100-a-day fines until they do. Banks must appoint a security officer by Feb. 15 of this year and report on both the status of security standards and plans for new protective devices.

Under the innovative regulations each institution must (1) increase its security forces; (2) install protection and alarm devices (cameras, lights, door and window bars, etc.) and (3) educate employes on behavior during robbery.

SPIRALING LOSSES from robberies and other thefts are arousing insurance companies covering banks. Professional check forgers operate with disturbing efficiency both in banks and at stores, and even amateur forgers seem to be on the increase. One New York bank claims its forgery losses rose over 40% last year. Another acknowledges a 25% increase.

In reaction to the current situation, the insurance companies are starting to either raise the premiums on blanket bonds or write in severe deductible clauses limiting their liability to losses above specified amounts.

Deductibles of $500 to $25,000 are becoming common. The policy of one unlucky bank bears a $1 million deductible clause. Because these clauses apply to the loss on any single forged check, and forgers rarely chance writing checks for more than $5,000 or $10,000, many banks must take the losses themselves.

INSURERS OF BANKS and savings and loan associations determine premiums for coverage on the basis of both the individual loss experience of each bank over a six-year period and the nationwide loss experience of all banks.

Banks are generally insured by blanket bonds, which cover all types of thefts and other losses, and by supplementary excess bank burglary and robbery policies. The basic blanket bond allows no discounted premiums, unlike the excess insurance, which pro-rates premium costs and then gives discounts for protective/detective devices approved and rated by Underwriters' Laboratory, Inc., Chicago.

The Underwriters' Laboratory operates as an independent tester and rater of potential and existing protective security and detection equipment for banks and other establishments. Systems now in use range from simple alarms to complete surveillance and detection operations.

SIMPLE DEVICES may merit 10% discounts on certain kinds of excess insurance, while partial systems get discounts ranging from 20% to 35%. A complete security system may save a bank over 50% in its excess policies.

Basic burglar alarm systems are local or central and either manual or semiautomatic. Local alarms operate via a tamper-protected noise device on an outside wall, while a central station system transmits signals to a central station where an attendant hears it immediately.

Banks generally prefer the silent alarms found in the semiautomatic centrally transmitted systems because of the minimized possibilities of frightened on-premises customers and/or bandit's cognizance of the early awareness of authorities.

SEVERAL NEW and often innovative devices are winning a growing market among concerned banks and saving and loan associations. Among these devices are vault and safe alarm systems, bullet resisting enclosures for interior areas, tear-gas reactors on safes and intrusion detection units which note movement on or near the premises by sounds picked up on electronic equipment or by vibrations. Underwriters' Laboratories has even approved and rated (for a 10% discount) a relocking device which relocks safes or vaults in the event of a burglary.

In answer to the rash of forgeries which have been hitting banks in recent years, institutions are catching on to the virtues of continuous surveillance cameras. One system, developed by Diebold Inc. in coordination with the Ampex Corp., is used by the First National City Bank, New York.

The closed circuit tv provides pictures instantaneously to identify bandits for later apprehension, to deter potential thefts and to thwart repeated forgeries or bad check passings. According to police records, 91% of such crimes committed in banks using photographic surveillance are solved.

EVEN BEFORE the government agencies issued their new stringent security regulations, banks were initiating tighter security. One bank doubled its guards and tripled its security budget in the last five years.

Some banks are extending themselves into the investigative field by trying to break professional counterfeiting rings, snare amateur forgers and solve thefts themselves.

Insurers, however, are doubtful that banks will be able to eliminate most forgeries. Records show, they claim, that turnover of bank tellers is too frequent to depend upon them for recognition of regular, legitimate customers or of repeat forgers.

It's hoped that the new surveillance systems, with memory banks of their own, will prove more dependable. ▪

Union ordered to pay for illegal picketing

The IAM (International Assn. of Machinists and Aerospace Workers) has indicated it will appeal a Connecticut superior court judge's award of more than $2,500,000 to United Aircraft Corp., East Hartford.

The award, based on increased costs and production days lost because of illegal picketing, includes more than $700,000 in interest over eight years.

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Grumann, Lockheed to offer 135,000 workers payroll plan

BETHPAGE, N.Y.—Grumann Aircraft Engineering Corp. has started offering some 1,000 employes at its Savannah, Ga., plant a package of insurance and financial services—which will eventually include mutual funds. The company also plans to broaden the scheme to another 30,000 workers at its headquarters here by the first of next year.

In addition, Lockheed Aircraft Corp., Burbank, Calif., will soon offer nearly 100,000 employes—the largest number of workers to come under a mass merchandising scheme—the same sort of payroll deduction program. The Lockheed plan, once it gets underway, will be available to workers at plants in Marietta, Ga., and Sunnyvale and Burbank, Calif.

Lockheed employes will be able to sign up for life insurance, auto insurance, disability income and accidental death and dismemberment coverage, but not for mutual funds.

BOTH THE GRUMANN and Lockheed deals will be underwritten by Travelers Insurance Co. Travelers has handled both companies' group life and health coverages for about 25 years, and the insurer also handles a year-old liability, boiler and machinery, manufacturers output and bond package for Grumann with $10,000,000 limits.

Grumann's aviation cover, through Travelers and the U.S. Aviation Insurance Group, has limits of $100,000,000.

The Grumann plan was written through Brown, Crosby & Co., New York, and the Lockheed deal through Marsh & McLennan of California.

Response to the Grumann payroll deduction was called "terrific, fantastic" by John Hahn, corporate insurance manager. Grumann received about 1,000 requests for information the first day the program was announced.

THERE ARE indications that Grumann won't push the Travelers mutual funds—at least at first—because the company already has a savings plan in which it matches 25% of employe contributions up to 4% of their salary.

In a foreword to the brochure distributed to Grumann employes at the Savannah plant, L. J. Evans, president of the company, said the payroll deduction plan "is the first to be made in the aerospace industry."

The booklet described some typical deductions for a 35-year-old male employe with two children, who owns his own $18,000 home in Savannah and has one car. His life insurance needs would be $5,000 family life and $15,000 25-year mortgage redemption life, for which he would pay $23.52 a month, the booklet explained.

HOMEOWNERS coverage would entail $15,000 on his house, $7,500 on personal property and $50,000 comprehensive liability. Monthly payroll deduction: $5.90. Auto insurance would include $50,000 single limit of liability, $1,000 medical payments, uninsured motorist coverage, full coverage comprehensive and $100 deductible for collision. Monthly payroll deduction for auto would be $8.10.

"If our typical employe were on payroll deduction his entire program would amount to $8.66 a week," the booklet stated.

While rates will vary by individual and place of residence, "we expect most of our employes and their families to benefit substantially from lower rates," the booklet said. Compared with five of the "leading" auto insurers in Georgia, Grumann rates—at $8.10—would be lowest while the others varied from $9.18 a month up to $10.29.

THE GRUMANN financial services plan, as it's called, also provides "on an individual and confidential basis" counseling for employes "on a course of action leading to personal financial security." The counseling involves a computerized picture of present and future financial needs, taking into consideration Grumann benefits as well as state and federal benefits.

"This service will be provided on a continuing basis. Your participation is entirely optional, with your choice of benefits depending upon your personal desires and needs," the booklet stated.

The booklet also promised that continuous coverage will be available to employes who retire or leave Grumann by converting former employes to policies with individual billings mailed directly to their homes.

Each brochure contained an "appointment request card" which gave employes an opportunity to indicate what coverages they were interested in, when their present policies expire and when they'd like to set up an appointment to get further information. ■

Bolton favors file-and-use rating system

CHICAGO—Retiring Illinois Insurance Director John F. Bolton Jr. has called for the adoption of a file-and-use "competitive" rating law in his state.

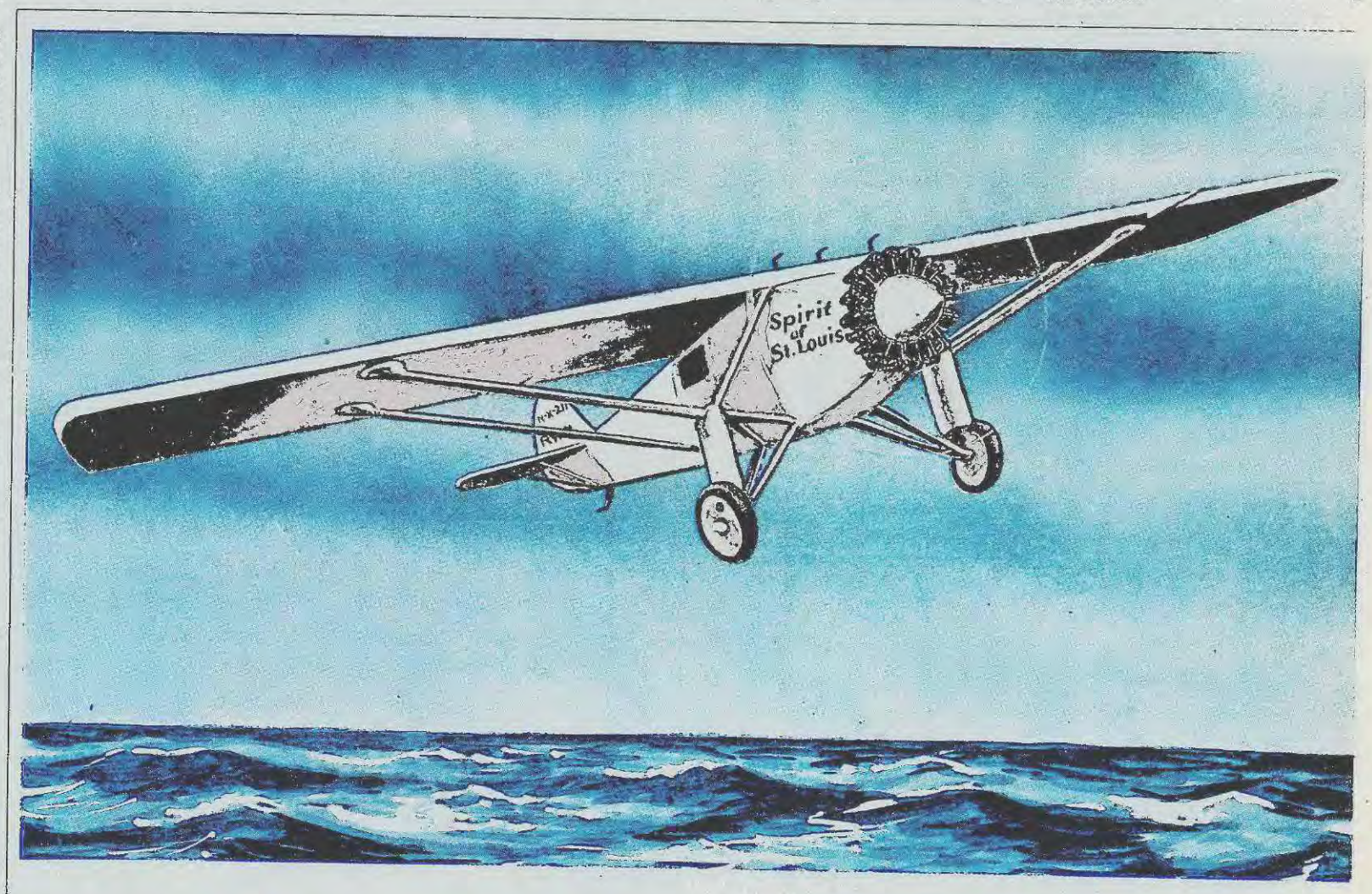
Speaking before the insurance group of the Union League club here, Mr. Bolton said, "My efforts to replace our archaic statute with a competitive system to bring Illinois once more into the vanguard of progressive regulation date from December, 1967, in my testimony before the Illinois legislative insurance study committee."

A competitive file-and-use regulatory system has been endorsed for all states by the American Society of Insurance Management.

Mr. Bolton added, "California, of course, has been the pioneer in enactment of a competitive rating statute which has established virtually beyond doubt the advantages of a competitive rating system." He noted that other states that have adopted the system include Florida, Georgia and Indiana.

"Now, only last month," Mr. Bolton went on, "Supt. Richard E. Stewart of New York submitted a program to the New York Assembly calling for repeal of the prior approval law and substitution of a no-filing rating act."

Mr. Bolton was introduced to the insurance group by Orville Tearney, manager of credit and corporate insurance, Inland Steel Co., Chicago. ■



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Curtis. . .

Continued from page 1

was never intended to revert to the employer, he said.

He did admit, however, that other employes who have been involved in losing pension benefits have not fared too well in the courts. He did say that he hoped for some sort of a settlement conceding that publicity surrounding this situation has probably hardened the line taken by both sides.

The Curtis pension fund had been with the Fidelity Bank of Philadelphia from its beginning until 1962, when a new management came in. The fund then moved to Old Colony Trust Co., Boston, as part of a loan agreement with that bank.

The fund was in Boston for five years, when it was moved to U.S. Trust of New York where it remained for six months before being transferred back to U.S. Fidelity Bank.

THE FUND is now moving to a fully-insured plan at the actuary's recommendation, and several insurance companies are understood to be bidding for the business.

It was reported that an insurance advisory service in Nashville, Tenn., had recommended an insurance annuity program. *Business Insurance* learned that Corson, Armistead, Bransford, Sharpe & Willis, an insurance agency in Nashville, handles various insurance programs including property, liability and employe benefits for Curtis and Perfect Film.

The suit brought by the Curtis Council of Unions contends that there is a danger that Curtis will take another $5,000,000 from the fund and that the company may declare bankruptcy.

The suit asks the court to appoint a trustee for the fund. ▪

ASIM. . .

Continued from page 1

ceeding Kenneth R. Huston, insurance manager of AMP, Inc. Other proposed new officers are: (first vp) Rollyn L. Storey, manager of insurance of SCM Corp., New York; and (vps) Hugh McCommon, supervisor of funds and insurance, Memphis Light, Gas & Water Division Memphis; Justin Crockwell, manager of insurance, Pacific Gas & Electric Co., San Francisco; Robert Rich, insurance manager, Cotton Producers Assn., Atlanta; and Douglas Barlow, general risk manager, corporate, Massey Ferguson Ltd., Toronto.

Robert McGowan, insurance manager of Rand-McNally & Co., Chicago, has been proposed as treasurer of ASIM for the next year; Willis Daniel, comptroller and purchasing agent for the Richmond-Petersburg Turnpike Authority, Richmond, Va., is scheduled to take over as secretary.

Aroused over the failure of the National Assn. of Insurance Commissioners to approve a model bill, which in effect would allow corporations to buy insurance from nonadmitted carriers without restrictions, ASIM at the last minute scheduled a panel on the subject for Wednesday at 9 a.m.

To alert members the group sent out "conference grams" to insurance men at its 1,750 member corporations, stressing that the issue was "vital" to all ASIM members.

Members of the panel are Waller B. Smith, manager of corporate insurance and claims of United Air Lines; James Bailey, ASIM's legislative counsel, Washington; A. Gordon Hanau, insurance manager at Consolidated Gas Services Corp., Pittsburgh; and Mr. McCommon of Memphis Light, Gas & Water Division. ▪

Oil leak. . .

Continued from page 1

Mobil is covered through a captive.

Plaintiffs' attorney Ed Schramm said that while Union Oil and its partners may have a contract with the department of the interior, this contract does not release them from their liability to others.

Washington sources said the Federal government must prove "willful negligence" to hold such an oil driller responsible for the oil spillage.

Property insurance on Union Oil's rig is carried by the Oil Insurance Assn., Chicago, but direct property loss to the oil company is expected to be limited.

The driller on platform A, where the oil leak originated, may also figure into the liability, an insurance source involved in the operation said.

Union Oil was the "long term charterer" of the Torrey Canyon tanker that broke in two off the coast of England in 1967.

Damages and expenses for the Torrey Canyon oil spillage were put at $6,960,000 by the British government. ▪

FAIR. . .

Continued from page 1

insurance industry told *Business Insurance* that there is "nothing in the Federal law about rates." U.S. Congressman Frank Annunzio, State Rep. Anthony Scariano and others, however, hold that the Federal guidelines allow only "slight increases."

Under Illinois law rating penalties (surcharges) may be levied for such things as defective wiring, inadequate maintenance and poor housekeeping. Such surcharges have been made where substandard conditions have been found, Mr. Reske told *Business Insurance*.

Asked if insureds were notified about the reasons for the surcharges, Mr. Reske said, "Inspectors, when they are at the property, will point these out—if the man is interested." Often, he said, the owner is not at the location when the inspector calls to examine the property.

"You're dealing here with people who are rather disconcerting," Mr. Reske said.

JAMES H. Hunt, a Federal insurance administrator with the Department of Housing and Urban Development, contends that Federal guidelines require that when surcharges are added to basic premiums, the insured must receive a written explanation.

An insurance industry expert on the FAIR plan told *Business Insurance* that the Illinois law does not make this requirement.

Judson Miner, an attorney for the Mandel legal aid clinic at the University of Chicago, said that "all sorts of businessmen" are complaining to him about the FAIR plan and property insurance carriers.

Property underwriters, he said, notify insureds that their coverage will not be renewed and advise them to seek protection under the FAIR plan.

"WE'RE going to Washington to testify," Mr. Miner said. "And what I'd like to see them do is bring some neutral parties" into the FAIR plan. "The insurance industry makes all the decisions here. There are no independent, neutral sources in the facility." ▪

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Formerly Director of the Insurance Division of the American Institute for Economic Research; Head Economic Analyst of the Federal Home Loan Bank Board; Pension Consultant for the Savings Banks Association of Massachusetts, the Massachusetts Bankers Association, and the Savings Banks Association of New Hampshire; Insurance Manager of Wellington Sears Company, West Point Manufacturing Company (now West Point—Pepperell), Olin Industries, Inc., Olin Mathieson Chemical Corporation, Crucible Steel Company; Corporate Director of Employee Benefits of Crucible Steel Corporation; President, Insurance Buyers Association of Pittsburgh.

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Hospital to collect fees from cancer patients

BUFFALO, N.Y.—The state will begin collecting hospitalization fees for cancer patients at Roswell Park Memorial Institute sometime this spring—a policy that will net millions of dollars in revenue each year, paid mostly by insurance companies.

Dr. James Grace, director of the institute, said the State Health Department is working on the wording of the revision.

There is no question that the change will take place, Dr. Grace said. The effective date has not been established although a spring target date has been set.

"WE WANT TO make sure that no one will be denied care," Dr. Grace said. "The vast majority of our patients has third-party (insurance) coverage.

"But the state has never collected insurance payments to which it is legally entitled."

Since it began accepting patients in the early 1920s, the institute has not charged fees for hospitalization. The 300-bed facility has been operating at capacity with a long waiting list for some time.

Insurance companies will be affected most under the change. They will have to pay for hospitalization of their policyholders. Those patients who are not covered by insurance but are financially sound also will have to pay their hospitalization bills.

UNINSURED patients who are not financially able to pay for hospitalization will not be billed.

Dr. Grace said he does not know what formula the state will establish to cover all the situations.

"We want to stress that no system will be set up that will work a hardship on anyone," he said.

Money derived from the new policy will go into the state's general fund, Dr. Grace said. He concluded that the revenue would "certainly be in the millions each year." ■

Payment speed reports promised

PORTLAND, Oreg.—Effective July 1, the Oregon Workmen's Compensation Board will publish reports of the records of insurance carriers as to their promptness in making initial payments of temporary total disability benefits.

The reports will be published semi-annually. All self-insurers and carriers with 25 or more claims will be listed according to their record of promptness. Those with less than 25 claims will simply be listed alphabetically, with the promptness record shown.

N.C. work comp hospital rates 'unrealistically low,' suit says

RALEIGH, N.C.—The stage has been set here in Wake County superior court for a battle on the equity of workmen's compensation hospital reimbursement allowances in North Carolina. A similar battle has been waged in Ohio.

Two state hospitals have filed suit, alleging that the hospital rate maximums authorized by the N.C. Industrial Commission are unrealistically low and, in effect, penalize paying patients at the institutions.

Judge Leo Carr has set a hearing on the case for late Feburary. The outcome of the case could have a sharp effect on workmen's compensaton rules and insurance rates in North Carolina.

The plaintiffs, Wake County Hospital System Inc. and Forsyth Memorial Hospital of Winston-Salem, filed the suit seeking an order against enforcement of Industrial Commission rates hospitals can charge for patients covered by workmen's compensation.

They said the maximum hospital payments of $20, $18 and $16 per day authorized by the commission compare to charges of $28, $24 and $19 at Wake Hospital and $36-39, $32 and $27 at Forsyth for identical care of regular, paying patients.

The result is that non-workmen's compensation patients have to "underwrite the costs of hospital service to workmen's compensation cases to the extent of several thousands of dollars per year," the two hospitals contended. ■

Wash Watch...

Continued from page 4

enberg for other problem areas include the following:

THE DISTRICT insurance code must be revised to create appropriate limitations, standards and procedures for cancellation and nonrenewal of insurance.

The fire and casualty rating laws must be unified in a single law following the California "no-file" approach to rate regulation. And, aspects of existing rate laws that impede deviations and inhibit competition must be repealed.

A fund must be established to provide FDIC-type protection for all district policyholders. The fund should be financed by assessments against the insurance industry, periodic premiums from the industry and by appropriations.

Insurers, rating bureaus and statistical agencies must be required to report annually on their loss prevention programs, the loss implications of their statistics and claims files, and loss prevention statistics available for public scrutiny. And, consideration must be given to requiring loss prevention research by insurers, rating bureaus and statistical agencies.

FOUNDATION support should be found to finance a nonprofit insurance corporation to provide reinsurance to existing insurance companies in return for their providing bonds to small contractors who are ineligible for bonds in the present market, but who are capable of satisfactory performance of a construction contract. In the absence of foundation support, appropriate funds must be utilized by the District to establish such reinsurance organization as a government corporation. ■

Transit workers get big pension boost

The Rose City Transit Co., Portland, Ore., and Local 757 of the Amalgamated Transit Union have negotiated a new one-year contract, ending the city's first full-scale mass transit tieup. A major management concession was raising pension benefits from $65 to $150 per month, said Mel Schoppert, business agent.

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Ex-operator of 'mini-mutual' receives five-year jail sentence in fraud

ST. LOUIS—William M. Wider, 52-year-old former operator of an unregulated Missouri "mini-mutual" insurance company, was sentenced in U.S. district court here to serve four concurrent five-year terms for mail fraud in connection with his insurance agency operations.

Postal Inspector John Schicker, who conducted a four-year investigation of Mr. Wider's operations, said the fraud involved auto liability and fire insurance premiums that Mr. Wider converted to his own use.

Mr. Wider, who formerly operated Central Missouri Mutual Insurance Co., also wrote insurance through British Universal Assurance Ltd. and Buckingham Insurance Co., both domiciled in the Bahamas. He also owned Crest Insurance Co., formerly known as Old London Insurance Co., Jamaica, which specialized in writing substandard auto liability business in Texas, Tennessee, Oklahoma and Louisiana.

AT ONE TIME Mr. Wider attempted to trade Central Missouri Mutual Insurance Co. for another company but the insurance executive who considered acquiring the company turned the deal down when he discovered that the unregulated farm mutual could write fire and lightning coverage only in its home county and adjacent counties in Missouri.

Business Insurance has exposed operations of unregulated Missouri farm mutuals that extend to major business risks written in Washington State, Louisiana, Texas and even in Ethopia, far from Jackson and St. Louis counties where the companies are domiciled. In editorials this publication has called for revocation of the charter of companies that exceed their underwriting limitations and also for revision of Missouri insurance regulatory law to place the farm mutuals in that state under the jurisdiction of the state insurance department.

Missouri is the only state that does not require regulation of farm mutual companies. ■

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Southern N.E. Telephone Co. surveys benefits of 31 firms

HARTFORD—The personnel department of the Southern New England Telephone Co. has disclosed results of a survey of hospital and surgical plans of 31 major Connecticut businesses and industries, comparing them to those in effect for the public utility's working force.

The personnel department found that Southern New England's Blue Cross and Connecticut Medical Service plans are among the best in the state.

The survey covered four utilities, five insurance companies, six banks and 16 manufacturers.

HERE'S HOW the major provisions of plans caring for Southern New England employes stack up with those of workers in other walks of life throughout Connecticut:

- Daily hospital room allowance and duration of benefits—the best coverage offered is full semi-private room rate for 485 days. Nine out of the 31 companies surveyed have this provision, including Southern New England.
- Maternity allowance—best coverage offered is full semi-private room rate. Only three of the 31 companies have these benefits, including Southern New England.
- Special services—in this area, which covers such elements as operating and recovery room fees, drugs and anesthesia, best provision offered is full coverage. Thirteen of the 31 companies have this, including Southern New England.
- Out-patient treatment—the best provision is full coverage. Six of the 31 companies offer this; so does Southern New England.

IN SURGICAL plans:

- Maximum surgical allowance—Southern New England and three other companies offer best coverage, which is $5,000 annually.
- Maternity allowance—Southern New England and three other companies offer the maximum benefit ($90) through Connecticut Medical Service. Other plans offer coverage ranging from $75-$300, but in cases where the limit is higher than the $90 surgical allowance, the increased allotment is a flat rate for doctor and hospital.

Southern New England, however, provides not only the $90 surgical but also the full semi-private room rate, which the company believes makes its surgical program competitive.

AT SOUTHERN New England, the current cost to employes for these benefits is 25% of the total Blue Cross-CMS premiums.

The monthly portions paid by the employe and Southern New England break down like this:

Blue Cross - CMS Payments

	Employe	S.N.E. Tel.	Total
Individual	$1.88	$5.67	$7.55
Husband and wife	5.00	15.05	20.05
Family	5.36	16.09	21.45

Six of the surveyed companies which offer the full semi-private room rate for 485 days pay 100% of their employes' hospital-surgical premiums.

But none of these firms offers the semi-private rate for maternity cases.

Effective June 1, 1970, Southern New England will pay all hospitalization and surgical premiums for its employes and their families. ■

Ball playing just a game

CHICAGO—An employe who fractured a leg in a softball game cannot collect workmen's compensation for the injury even though the game was played, with permission, on company property, the Illinois Supreme Court ruled. The scope of employment cannot be "stretched" to cover such activities, Justice Kingbiel wrote for the court.

Noting that the game was not sponsored by the company nor played during working hours, the justice said, in part: "The ball game was solely for the recreation and personal diversion of the employes, without any substantial business advantage to the company. Whatever improvement may have resulted in morale or employe-employer relations is far too tenuous to provide a basis for saying the injury was sustained either out of or in the course of the employment.

"Nor is it of importance on this issue that the company acquiesced in the activities, provided the use of its land for the ball diamond, permitted the canteen machines to be located in the plant, and allowed employes to trade shifts in order to be able to play.

"ALL THE company did, in essence, is to cooperate in enabling employes to engage in social and recreational activities on their own time. To hold that such gratuitous contributions entail liability without fault for injuries to players penalizes the mere providing of benefits and will most certainly tend to discourage it.

"Facts such as those in this case are totally insufficient to convert this recreational activity into an incident of employment." ■

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Bethlehem Steel tells employes why pensions law isn't needed

BETHLEHEM, Pa.—For over 40 years now, since 1927, Bethlehem Steel Co. employes throughout their various and expanding complexes have been receiving their own individual annual reports to employes.

The report details such items as wages and benefits paid to, or into funds for, Bethlehem employes, pointing out current and long-range plant expansion programs, and an up-to-date discussion of overall company operations.

A Bethlehem spokesman said: "We firmly believe this special issue does give employes the information they should have about their corporation, and we feel that this annual review helps them understand and appreciate the corporation's financial and production situation."

THE ANNUAL REPORT to employes issue, as are all other issues of the review, is mailed to the home of each employe and pensioner of the corporation.

Though Bethlehem Review is published under the direct supervision of the vp industrial and public relations department, all departmental vps and top executives of the corporation have an opportunity to review the content of all issues prior to publication.

Size of the annual report to employes has remained constant over the years, and continues at an 8½ by 11 inch size. The first annual report to employes, contained a letter from the president, entitled The Human Side of Our Affairs. Other data included: Pension payments last year; operation of relief plan, employes' representation; savings and stock ownership; home ownership aid; medical service and first aid; accident prevention and other data.

THE ANNUAL REPORT to employes for 1967, inserted as part of the Bethlehem Review issue of April, 1968, points out that wages and other employment costs rose to new highs throughout Bethlehem Steel during 1967, but steel production and net income fell from 1966 levels.

In the same Bethlehem Review issue carrying the 1967 annual report to employes is a separate article in the review which ties in with the annual report. Entitled Why the Government Interest in Private Pension Plans?, part of the article says:

"In the annual report to employes section of this review, there are a couple of pension statistics which you may overlook. If you are in the "under 55" age group, you may skim over them with the thought 'in a few years I'll be interested, but not now.'

"THE FIGURES, however, are important to you today—though they possibly are of more interest to Bethlehem employes nearing the magic age of 65.

"Almost 2,400 employes retired from employment with Bethlehem during 1967, and are now receiving monthly Bethlehem pension checks. All told, over 22,000 former employes are receiving pension checks monthly through Bethlehem's pension plan. Last year those checks totaled nearly $38 million.

"Perhaps it is worth a few minutes to take a look at private pensions, such as Bethlehem's, for answers to some of the broadsides that have recently been leveled against private pension programs in general.

"THOUGH CORPORATE pension plans did not become widely established until the years immediately following World War II, Bethlehem Steel's plan was started back in 1923. In the 45 years since its establishment, almost 43,000 retired Bethlehem employes have benefited financially from the plan—benefited to an amount exceeding $297 million.

"Never have Bethlehem benefits been as good as they are now and the Bethlehem fund is in sound financial shape. The same surely holds true for the vast majority of private pension plans.

"Why, then, all the interest in Washington, D.C., over private pension plans?

"For a combination of reasons, we presume. Private pension plans have become big business. Today, over 25 million American working men and women are covered by some 70,000 private pension plans. About three million Americans drew over $3 billion in checks from such plans in 1967. Those same three million Americans paid income taxes on that portion of their pension checks provided by their employers."

THE ARTICLE POINTS out that by 1980, it is estimated that 42 million Americans will be covered by private pension programs—roughly three out of every five employed Americans—and in the neighborhood of 6.5 million Americans will be drawing many billions of benefits from them.

It tells employes that today, private pension plans have reserves of over $90 billion, holding about 10 per cent of the $550 billion market value of securities listed on the New York Stock Exchange. The remainder of the plans' funds are in government securities, bonds, and other investments.

In addition, readers are told, to "bigness," government interest probably stems from fears over the stability of some private pension plans. There have been collapses of a few plans, but failures have been the exception rather than the rule. Actually, two-thirds of the plans that failed in 1966 covered fewer than 25 employes each and over half of the failures covered six or fewer employes.

FROM THIS IT is obvious that fears over stability come not from large numbers of people whose pensions have evaporated, but rather from fear they *might* evaporate, employes are informed.

"We don't think the plans can afford further controls," the article says, pointing out that over $90 billion is invested to back the private pensions of some 25 million Americans, and the investments are increased each year. That is roughly $3,600 per potential pensioner.

On the other hand, in the Federal Social Security program, only $23 billion backs the future pensions of over 86 million working people—an average of only $267 per person covered, and even that money has been "borrowed" by the federal govern-

Continued on page 46

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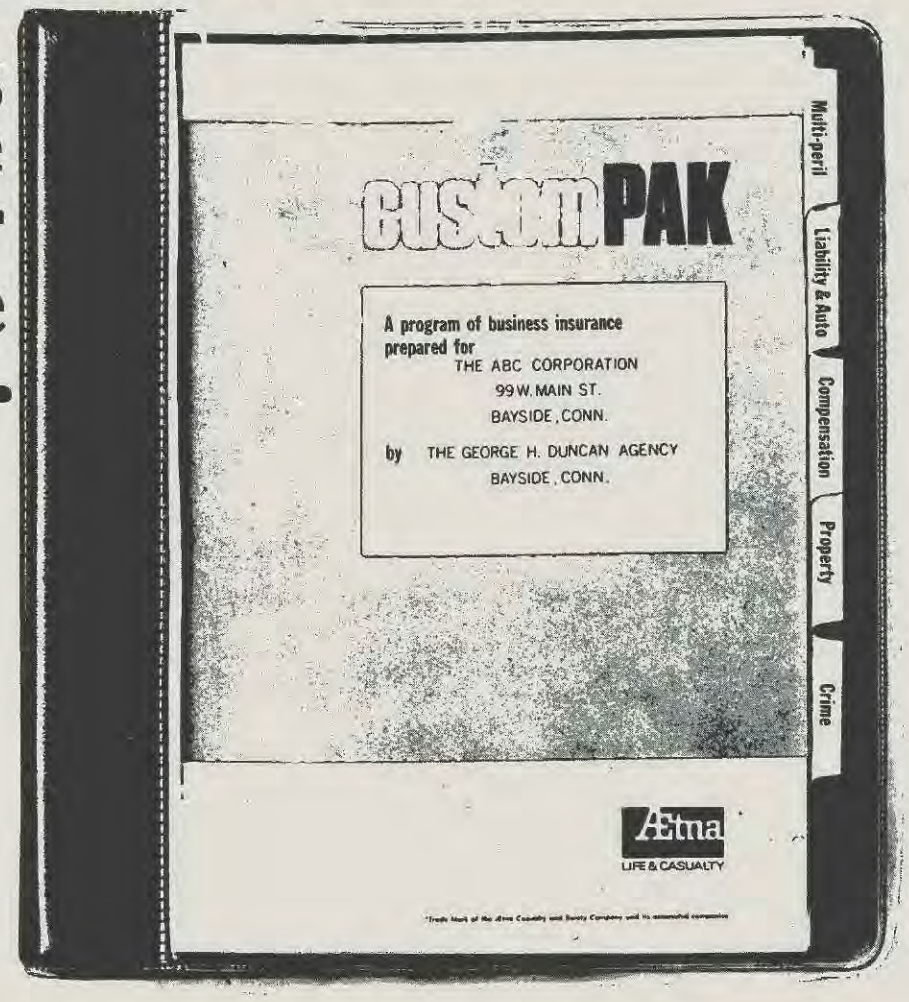

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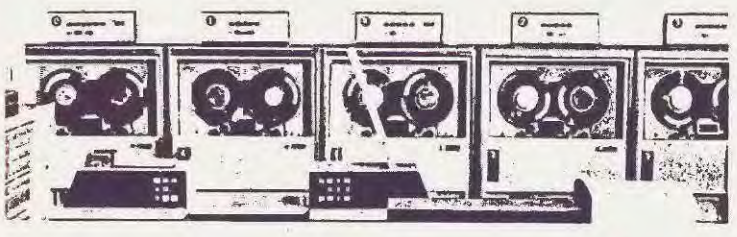

Gives AMA primer on marine risks

NEW YORK—A primer on marine insurance coverages was presented to the American Management Assn. conference on international corporate insurance management here.

Charles N. Shepherd, manager of the marine cargo department of Frank B. Hall & Co., explained the selection of insurance companies and types of marine coverage available.

In choosing an insurance company, he suggested that the businessman seek an underwriter with experience in handling his product and one who has as many international branches as possible.

THE UNDERWRITER should have sufficient financial strength to accommodate substantial exposures both on vessels and in warehouses and be able to sustain major losses, if necessary.

Mr. Shepherd outlined the different types of marine insurance coverages that are available. All risks policies are suggested when a manufacturer has total exposure of goods, but he said there are times when underwriters will not write such coverage.

Some forms of loss due to "all risks" perils are inevitable rather than fortuitous and underwriters will not assume the broad exposure of insuring such losses; steel, which rusts or discolors, is considered a poor risk from an "all risk" standpoint, Mr. Shepherd explained.

If a company can't obtain all risks insurance, it may take advantage of Free of Particular Average Coverage, he said. FPA-AC (American conditions) pays for partial losses only if there is a causal relationship between damage to cargo and a stranding, sinking, fire or collision.

THE LONDON causes (FPA-EC) provide for partial losses, as long as the vessel has encountered a stranding, sinking, fire or collision during the course of the voyage—even though the stranding, sinking, etc., did not cause the damage.

With Average (W.A.) is a limited, named-peril coverage, providing coverage for partial losses resulting from seawater, stranding, sinking, fire or collision of the carrying vessel.

Mr. Shepherd recommended that the large shippers carry their own Open Cargo policies to take advantage of the favorable premium and loss experience. For those who can gain no advantage because of favorable experience, use of Freight Forwarders' policies might be advisable.

"Ocean marine insurance, in addition to being 'experience rated,' enjoys rates determined by commodity, distance, port conditions (at destination), warehouse facilities (at destination) and customs efficiency," Mr. Shepherd said.

WITH SO much discontent in the world, Mr. Shepherd mentioned war risks and strikes and riots and civil commotion policies. War risk coverage is provided while merchandise is waterborne only. Once goods are removed from the vessel, and prior to loading onboard the vessel, they are no longer covered for war risks but are covered against the risks of strikes, riots and civil commotions.

War risk rates in some cases are revised daily. It is possible to obtain annual war risks policies, especially in the London market, on a "flat annual premium" basis at a considerable saving over the typical U.S. risks.

If a company feels its insurance premiums are too prohibitive to make coverage desirable, Mr. Shepherd suggested two choices: Increase your deductible or consider self-insurance. He warned that before undertaking a self-insurance plan make sure that your firm has reserves to cover large losses. ■

dates for buyers

Feb. 25, Society of CPCU, New York Chapter, Conglomerates and congenerics—their impact on the insurance industry, New York Hilton.

Feb. 26-28, American Management Assn., Financial Services: Insurance, lending, equities and money management, Roosevelt Hotel, New York.

March 10-12, AMA, Developing a modern employe benefit package, AMA Headquarters, New York.

March 10-14, AMA, Principals and practices of insurance buying, AMA Management Center, Chicago.

March 12-14, AMA, Self-insuring employe benefits, AMA Headquarters, New York.

March 12-14, AMA, Risk management seminar, AMA Headquarters, New York.

March 17-18, John Liner Associates, The difficult property insurance market and how to deal with it, Biltmore Hotel, New York.

March 17-19, Corporate Seminars Inc., Motivating employes with financial incentives, Waldorf-Astoria, New York.

March 17-19, AMA, Modernizing your approach to workmen's compensation costs and coverage, AMA Management Center, Chicago.

March 17-19, AMA, New trends in employe benefits programs, AMA Management Center, Chicago.

March 19-21, AMA, Risk retention—self-insurance via deductibles, excess covers and noninsurance, AMA Management Center, Chicago.

March 19-21, AMA, Mass merchandising in the insurance industry, AMA Management Center, Chicago.

May 8-9, Pension & Welfare News, Third annual conference on employe benefits, Statler-Hilton, New York.

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Tasty confections with the catchy names of "Poppycock" and "Ficdlefaddle" flow in a steacy stream at Ovaltine Division of Wander Corporation in Villa Park, Illinois. The heart of this operation is an array of poppers, a peanut cooker and conveyors which pour endless supplies of popcorn and peanuts into storage hoppers and packaging equipment, all automatically. But, what happens if highly combustible popcorn and cooking oil are ignited by malfunction of the basic heat source or its controls?

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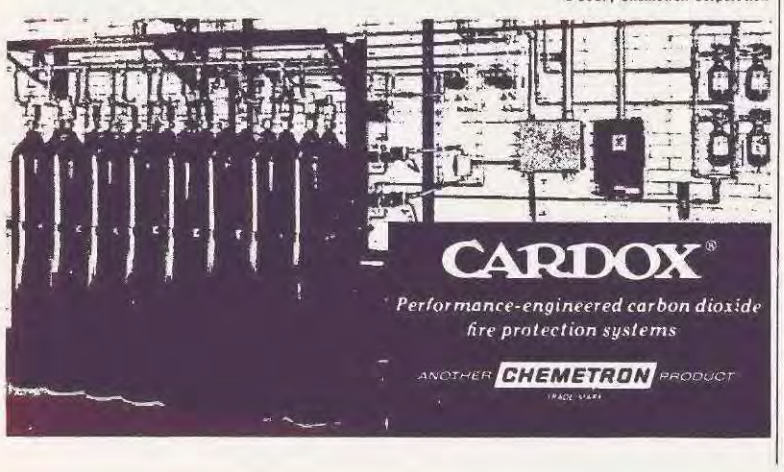

Bethlehem . . .

Continued from page 45

ment to pay for other government expenditures.

ANOTHER SET OF figures is interesting, employes are told. Since the inception of Social Security, the maximum employe-employer tax per employe has skyrocketed from $60 in 1937 to $580.80 a year in 1967; it will be $686.40 in 1968.

This rise in taxes is over 1,000%, while Social Security benefits have risen only 400%.

"No one questions the fact that Social Security benefits are a right of practically every U.S. citizen. The law says they are. Some people, however, seem to feel that private pensions are also a right of everyone. Not so! Private pensions are a form of deferred compensation paid after long service with an employer.

"PRIVATE PENSION plans are reviewed, tailored, and adjusted to suit the changing needs of the employes and the ability of the employer to provide the benefits. More government regulation will increase the cost of operating all pension plans—not just the weaker ones. This means less benefits per dollar invested and plans designed more with an eye to the rules than to the needs of employes." ■

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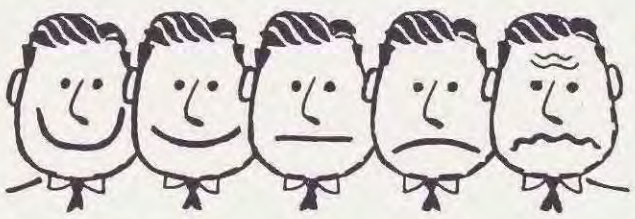

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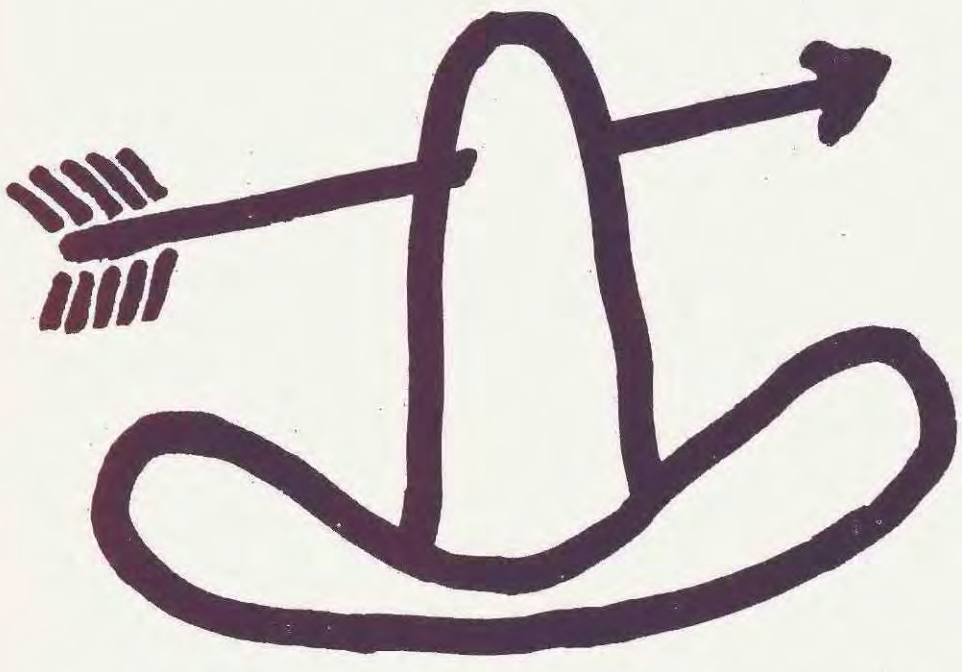

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