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U.S. dollar devaluation will affect coverages

CHICAGO—Watch, wait and check your insured values is the message for risk managers of international corporations in light of the recent U.S. dollar devaluation. And benefits managers might well keep an eye on the third country national situation.

"I don't think our advice will change much from the advice we gave during the last devaluation," said one Johnson & Higgins spokesman. "It's just as essential for this devaluation as for the last one that any buyer concerned with overseas risks carefully check the values he's insured."

"Devaluation," he continued, "can result in either underinsurance on the one hand or overinsurance on the other, and the risk manager must watch how currency rates settle and adjust his coverage accordingly."

He mentioned that J&H had advised that "with U.S. dollar devaluation, where insurance is

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The Manhattan skyline peers down on the ruins of a Texas Eastern Transmission Corp. gas tank (foreground). —Wide World photo

Gas tank disaster takes heavy work comp, property toll

By PATRICK THOMAS

STATEN ISLAND, N.Y.—Insurance Co. of North America expects to pay out close to \$2.8 million in workmen's compensation death benefits to the survivors of the majority of the 40 persons killed here earlier this month when a liquefied natural gas storage tank caught fire, exploded and collapsed with the men inside it.

Property coverage on the tank, which is owned by Texas Eastern Transmission Corp., Houston, Tx., is written by the Oil Insurance Assn., Chicago. *Business Insurance* has learned. The exact amount of the property loss to the \$31 million structure has not yet been ascertained, but it is expected to be substantial.

INA will supply benefits for the families of 37 Sinapp Co. (a local contracting firm) employees who were repairing the tank's

Mylar lining at the time of the explosion. The survivors will be eligible for New York state workmen's compensation death benefits amounting to a percentage of the deceased's salary up to a maximum of \$48 a week for a sole surviving widow and \$36 for a child.

However, the maximum under the law allowed for a widow with children is \$80 weekly. The benefits will continue for the life of the widow unless she remarries and for the children until the age of 18. The coverage also provides for funeral expenses of up to \$750.

THREE other men killed in the explosion were Texas Eastern-employed safety inspectors who may also, according to a New York workmen's compensation board attorney, be eligible for New York's comparatively liberal benefits.

"If they were working in New York, as they were, and if the accident occurs in New York, which it did, claims can be filed for New York benefits," explained Martin Bergman. "Two of these men were from Louisiana and one from Pennsylvania, so claims can also be filed in those states. There is dual coverage, yes, but New York would offset any payments received in another state."

The Sinapp employees who were killed were members of Local 731 of the Building Concrete, Excavation & Common Laborers. A spokesman for the union welfare fund said the families would receive "everything they're due," which included life insurance benefits written by Union Labor Life Insurance Co., New York.

Oil insurance industry sources pointed out that Texas Eastern has a manuscript policy with the Oil Insurance Assn. that covers facilities all across the country. This particular storage tank is covered for a limit of \$40 million with a deductible "so low as to be non-existent."

THE COMPANY'S policy is divided into two different sections, according to one source close to the situation. The first section, he reported, provided coverage on a named peril basis for certain facilities. However, the LNG

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Schlitz plant closes; pension benefits in doubt

By MARIE KRAKOWIECKI

NEW YORK—When you're out of Schlitz, you're out of work, not just out of beer. Such is the story, at least for some 450 brewery workers here who will lose their jobs and possibly some pension benefits when the Joseph Schlitz Brewing Co. closes its Brooklyn plant March 15.

According to a spokesman for Locals 3 and 46 of the International Brotherhood of Teamsters, the affected workers had been participants in an industry-wide pension plan, the Brewery Industry Fund of New York City. The fund was supported, he said, by equal contributions from two unions and four breweries, including Schlitz. What Schlitz's pull-out will do to the pensions is still unknown, but the Teamsters have filed an unfair labor practice complaint against the Milwaukee-based brewer in anticipation of the worst.

Schlitz's vp of industrial relations, Eldon Scoutten, gave *Business Insurance* a different picture of the pension situation. He claimed that although Schlitz had made "substantial allowances" into

the workers pension fund, the pension fund was administered solely by the teamsters. Schlitz, he said, would have nothing to do with the pensions once the plant is shut down.

"There's no leeway for us to do anything," he asserted. "We can't do anything about the pensions. It's up to the union—it's their plan."

MR. SCOUTTEN did say that pension participants "of a certain age will receive whatever benefits are prescribed by the plan." He did not elaborate upon what those benefits would be, however.

The ousted brewery workers will receive wages and fringe benefits from Schlitz until May 31 when their contract expires. Mr. Scoutten said that the benefits would include earned vacation pay, holiday pay, health, medical and welfare coverage. Individual workers who wish to convert their coverages after May 31 can opt to get Blue Cross-Blue Shield plans, the Schlitz representative said.

Schlitz has not made any moves to place the soon-to-be-unemployed brewery workers in other jobs within the company. Mr. Scoutten pinned the blame for this on the union, charging that they refused to discuss such a plan in their insistence to push contract talks.

The union spokesman countercharged that Schlitz shortchanged the workers

by notifying them of the plant shutdown only by means of a mimeographed memo, and by refusing discussion and negotiation of pension benefits.

"The fringe benefits offered by Schlitz until May 31 don't deal with the broader issue of pension benefits, but take care only of the company's contractual obligations for weekly contributions," the union asserted.

Considerable controversy was aroused when news of the scheduled brewery shutdown was released. Within the last few decades a number of well-known breweries in the New York area have ceased operations, and battle lines are still being drawn over some of the lost-pension implications.

In nearby Newark, N.J., for instance, the fight over pension benefits for workers who lost their jobs when the P. Balantine & Sons brewers went out of business in 1971 is still unresolved.

Schlitz had originally planned to close its Brooklyn facility in December, 1971, but was forced by an arbitration ruling to keep it open until union contracts expired. Profits were not being lost at the plant, which has a capacity of less than one million barrels annually, but Schlitz reported that it could make more money with a brewery in another location. Eight other Schlitz breweries are in operation throughout the United States. ■



Proxmire attacks delays in pension contributions

WASHINGTON—Private pension reform legislation is moving along without much overt controversy in the Senate; it's reform involving pension funds and public money that's currently the subject of loud dispute.

While the Williams-Javits reform bill for private retirement plans went quietly (opponents submitted cost-based objections on paper only) through what is believed to be final hearings, Sen. William Proxmire (D.-Wi.) called on Secretary of Defense Elliott Richardson to halt alleged long delays by defense contractors in placing government pension contributions into pension funds.

Sen. Proxmire said the money—part of the government's pay-

ment to contractors for their work and estimated at more than \$400 million a year for all government contracts—is being used by contractor companies for other-than-pension purposes for as much as 21 months before it is put into retirement funds.

Sen. Proxmire said General Accounting Office data showed misuse of the funds by Lockheed, Boeing, North American Rockwell, General Dynamics and Aerojet-General. He said he is requesting defense department information on the 100 largest defense contractors who have withheld government reimbursements for more than 10 days and added that he is asking the heads of the Atomic Energy Commis-

sion, National Aeronautics and Space Administration and General Services Administration if their contractors have been using the funds for other purposes.

Sen. Proxmire said that in addition to "depriving the retirement funds of money that could be invested profitably," the practice inflates the amount the government pays for contractor retirement programs "because withholding reduces the level of plan assets, requiring increased contributions and higher government reimbursements."

Boeing and Lockheed denied any wrongdoing, the former contending its timing of payments into funds complies with government rules and regulations and has been followed for 30 years. Boeing said it puts the money into accounts that are "entirely removed" from company control.

While Sen. Proxmire stopped short of charging that the delaying practice is illegal—and a GAO official stated that "we just haven't been able to get a handle on whether it is or not"—Senate labor committee staff members say the practice would be illegal if the defense department was tough in interpreting its own regulations. "It's just a lack of enforcement," said one.

Explosion . . .

Continued from page 1

tank here was protected by an "installation floater with all-risk coverage."

While Texas Eastern's liability insurance is written on several layers by several carriers, the oil insurance men did not think any claims would go beyond the second layer, which is written by Lloyd's of London. The primary liability layer, which is reportedly small, is written by the Continental Insurance Co.

Insurance adjustors had a difficult time doing their jobs because it took more than a week for crews to get all of the workers' bodies out of the wreckage. The known costs—the tank's dome was gone, the insulation and liner had been destroyed and debris removal—were expected to be high but most sources surveyed felt that the tank would not be a total loss.

The tank had not held any gas for close to a year, according to Texas Eastern, and safety precautions had been exhaustive, two points which have made determining the cause of the blast that much more difficult. One theory, that of the city's chief fire marshal, is that the normal repair process for Mylar, heat-sealing, caused the polyurethane foam insulation behind the lining to catch fire.

However, John T. O'Hagan, fire chief, felt that gas trapped for a long period of time behind the insulation had caused the tragedy.

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U.S. dollar . . .

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arranged on a dollar, non-admitted basis, there is a definite risk of underinsurance if the insured amounts are not increased to reflect the loss of value of the dollar vis-a-vis the local currency." Both the J&H man and a Marsh & McLennan spokesman noted that, in this instance, particular care be taken in re-evaluating possible equipment losses where replacement would be on a local basis.

IN EVALUATING over-insurance, the Johnson & Higgins spokesman noted, the problem might not seem as grave, but could lead to unnecessary premium payments. One example of overinsurance he cited was the possibility of replacement machinery being imported from the United States where replacement cover is written in local currency.

Both men further agreed that risk managers should check coverage other than property, particularly difference in condition, builder's risk and comprehensive general liability when written in the U.S. on a non-admitted basis. Review of umbrella liability was advised in case of fluctuating local limits and the Johnson & Higgins man urged caution in reviewing "deductible amounts under worldwide or local currency policies."

"The best thing to do is watch carefully. It will take at least two or three weeks for the currency situation to straighten out," the

Marsh & McLennan spokesman commented.

"Unfortunately," he added, "I've seen situations where a company hasn't checked its overseas insured values for years and years and then finds out, usually too late, that its overseas assets are worth a fortune."

"It's just plain good business practice to check on values periodically, whether or not we've gone through a devaluation," he said.

On the benefits side, John Abel, vp of Towers, Perrin, Foster & Crosby, noted that third country nationals and Americans living in Europe on fixed pension incomes would be most affected by devaluation.

HE SAID people retired abroad "are in serious trouble" not only because their American dollar checks are worth 10% less, but because "the terrific rate of inflation in Europe in the past two or three years has given them a double-edged problem." Most expatriots, he explained, are living abroad with dollar-based benefit plans and "are usually expecting to live and retire in the U.S." Most of their benefits, then, would not be affected, though their pay may be.

The third country national problem, Mr. Abel commented, has its roots in the third country national being promised his pension in American dollars (or, as he put it, "the gratuitous Ugly American expression of 'real money'"). "Now," he noted, "that 'real money' pension has just gone down in value substantially."



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With an access terminal for risk men?

Kemperco planning era of computerized wonder

By TOM WALSH

LONG GROVE, IL.—Out beyond Chicago's suburban sprawl, tucked between barns and beanfields, enclosed in poured concrete and locked behind bullet-proof glass rest the brains behind the Kemperco insurance empire.

\$12 million worth of IBM's finest technological wonders, every need tended to 24 hours a day by a staff of 120, provides the instant data needed by men who have made a science out of taking risks off other people's hands.

"The computer is a power tool," says Frank Hoffman, the flesh and bone mind behind Kemperco Inc.'s computer operations division. "Computers are power tools which make more things more accurate and make information gathering more prompt."

"They do mechanical things that a roomful of well-trained monkeys could do," says Joseph Luecke, a vp and the corporation's assistant underwriting manager.

"That," says Mr. Hoffman, "is assuming you had enough monkeys. But there are also creative uses which couldn't be possible no matter how many monkeys—or people—you had to work with."

THE KEMPERCO computers every day review one million auto, home, health and life insurance policies to sort those which require any action, and the system is now being adapted to provide the same super-scanning of giant corporation's commercial lines.



Frank Hoffman, the human mind behind Kemperco Inc.'s mechanical mind, checks the computer's data.

"When we began our computer operation 12 or 13 years ago we applied it to the statistical areas," Mr. Hoffman said. "These are the decision-making areas, and we began by concentrating on our personal lines where the most numbers are involved. The machines provide experience reports far more detailed than humanly possible, prepare coverage documents and maintain those documents, letting us know when billing, collection or cancellation is in order. Now we're adapting the system to our bigger commercial lines, and we're fairly well along the way of establishing an integrated data base for all our commercial business."

The day will come, Mr. Hoffman predicts, when a risk manager can walk into an agent's office, explain his insurance problems and coverage needs and watch the agent punch his problem into the computer through a telecommunications access terminal. Minutes later, the computer will respond with printed quotations for a variety of different solutions to the buyer's demands.

"In buying corporate insurance, there are many ways you can cover your needs," Mr. Luecke said. "The computers will be able to give a proper display of the options available and quotations for each option. If what comes out doesn't suit the buyer's

fancy, the underwriter can pop in a new set of parameters and instantly look at a wide variety of alternatives."

The day may even come when our larger commercial buyers could have their own access terminals and have direct access to our data base right from their office," Mr. Hoffman added. "Of course, there would have to be some built-in restrictions."

The advantages of this super-technology is not readily measured by dollar and cents savings, these experts say, but rather by its preciseness.

"What's being affected is not so much the cost of the coverage we provide," Mr. Hoffman said,

"but the ability of the insurance company to correctly price its product. It gives us more accurate and timely analysis and, rather than allowing us to charge lower prices, it allows us to charge the right price."

"Our computers allow us to separate national commercial accounts and helps assure that each line only influences itself and doesn't affect lower lines," he said. "Consequently, we don't react to many lines based on the experience we've had with one. Ten years ago, we might have been forced to close off a state area for a particular line. Now we can react on a much more localized basis. This not only allows for more opportunities on our part, but aids in taking corrective action only where it is needed."

COMPUTER technology will also help to clear the logjam of renewals which face both buyers and sellers at the ends of fiscal years.

"To show how this might work," Mr. Hoffman said, "let's look at what happens with auto renewals in Massachusetts which come up now every Jan. 1. We have 170,000 personal auto policies subject to renewal on Jan. 1, and, done manually by a clerical staff, it's a job that can continue for weeks on end. With sophisticated equipment, we can cut the time by four-fifths, making us better able to deal with the peaks. The same thing will be true with commercial lines once an integrated data base is established."

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Vastness of Hart Schaffner & Marx challenges first full-time risk man

CHICAGO—With 36 manufacturing plants, almost 70 retail outlets and some 5,000 non-union employees to keep track of, Harold P. Knapp, risk manager of Hart Schaffner & Marx, a kingpin firm of the men's fashion industry, would seemingly have more risks to contemplate than time and human limitations would allow.

"Communications, I'd say, is probably the biggest problem I have," he said. "Keeping track of all our subsidiaries is not an easy thing to do, just because of the numbers involved. Right now I'm trying to get them each to send in copies of their insurance plans so that I can review them all for duplications and ways to cut costs. We allow some of our subsidiaries to handle some of their own coverage, but if I can find better coverage for them, we'll switch them over."

A risk manager for "16-going-on-17 years," Mr. Knapp joined HS&M in October of 1968, leaving the risk management post he had held at Montgomery Ward here for 12 years.

"I'm the first full-time insurance manager this company has had," he said. "The job used to be handled by two vice-presidents, one handling the manufacturing end of the business and the other watching over the retail division. When they decided they needed someone to handle it full-time, they asked the advice of a broker who knew of my experience, and we worked out a

deal. My first job was to bring everything under one head."

In the employee benefits area, HS&M provides group life and accidental death insurance, a retirement income plan, a savings investment program, health insurance, a long-term disability plan and a travel/accident policy.

The non-contributory group life insurance provides benefits equal to an employee's salary, with a \$40,000 limit. The policy is written by the Lincoln National Life Insurance Co., which also writes the company's health insurance. Health coverage is based on three rates—one for the employee, another for the employee and his or her spouse and a third for the

now contributes \$4.85 for every dollar the employee contributes. Chicago's First National Bank is the program's trustee, and it is administered by the Equitable Life Assurance Co.

Employees participating in the savings investment program can choose to contribute one or two percent of their annual salary and can invest their money in one of three ways. Mr. Knapp will, per an employee's instructions, instruct the plan's trustee—Continental Illinois National Bank—to invest the money in HS&M stock, government bonds or 50% in each area. An employee's investment instructions can be changed annually, Mr. Knapp said. For every employee dollar invested in the program, the company contributes 25 cents which is invested in HS&M stock. The earnings from the program can be drawn on anytime, but the employee is only entitled to the company's contributions after five years of service, upon retirement or in the event of his or her death, when the money will be paid to survivors.

LONG-TERM disability coverage is limited to persons earning \$10,000 or more. The contributory plan pays 60% of wage at the time of the disability and is integrated with any Social Security benefits received. Maximum benefits under the plan are \$500 a week.

Employees injured while traveling for the company are covered for \$50,000 on a policy written by



With warehouses filled with expensive clothing, smoke is the biggest worry of Hart Schaffner & Marx's risk manager Harold P. Knapp.

Insurance Co. of North America through Johnson & Higgins. Key man coverage is written as part of this plan, with executives covered 24 hours a day for \$100,000.

General liability and worker's compensation are carried on blanket, retrospective rated policies written through Associated Agencies brokers by Continental Casualty Co., which also writes auto cover for the company. Twenty of the major subsidiaries are re-rated annually, the others rated on a group basis. Johnson & Higgins are the brokers for the firm's boiler insurance, Travelers Insurance Cos. writing it both for the retail and manufacturing ends of the business. Fire and business

interruption coverage for manufacturing subsidiaries are written by the Factory Insurance Assn. (FIA). Through Marsh & McLennan Lloyd's of London carries business interruption coverage on the retail outlets, and the Appalachian Insurance Co. carries the retail fire policies.

"By far the greatest risk to Hart Schaffner & Marx is smoke," Mr. Knapp said. "Our warehouses can contain as much as \$15 million in inventories, and, as our products are clothing, a little fire might contaminate the entire stock. You just can't get smoke out of clothing."

After consultation with FIA fire experts, the company is re-

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corporate profile



washington watch

Mine deaths blamed on employer and deficiencies in federal laws

By JOHN REVETT
Washington editor

WASHINGTON—Last year's Sunshine mine disaster that killed 91 men in Kellogg, Id. has been blamed in part on a "pedestrian" approach to safety by the employer and "obvious deficiencies" in federal mine safety rules.

A final investigative report by the interior department's bureau of mines said the probable immediate cause of the disaster was

spontaneous combustion of mine refuse.

Smoke from the fire was first noticed around noon on May 2, 1972, said the report, adding that 20 minutes were lost "in a vain attempt to locate the fire before evacuation began." It said that after less than an hour of evacuation only 80 of the 173 miners on various levels had escaped, and rescuers were being driven back by smoke, heat and carbon monoxide.

The lower levels of the mine still couldn't be reached after six days of attempts. Finally, on May 9, said the report, rescuers broke through with a ventilation bore and brought up two men who were still alive. There were no other survivors.

BUREAU OF mines director Elburt F. Osborn said that in addition to failure to remove scrap timber and refuse from the mine regularly, there were many fac-

tors that "contributed to the severity of the disaster." He said there was "failure of all concerned to think deeply enough about fire hazards . . . The company must bear a large share of the responsibility. We also found obvious deficiencies in federal safety rules."

What Mr. Osborn called a "pedestrian approach to safety on the company's part" included inadequacy of the mine's emergency fire plan and escapeway system; failure to monitor the mine atmosphere to ensure early detection of fires; failure to conduct survival training for underground workers; failure to maintain self-rescuer breathing devices in "usable condition" and failure to put someone in charge of the entire mine operation when top officials were absent. The company was also cited for the evacuation delay.

Mr. Osborn said many of the failings were not covered by fed-

eral regulations under the Mine Safety Act—regulations that are set by the interior department and enforced by the bureau of mines. The bureau has proposed several new safety rules as a result of the Sunshine disaster and has a number of others under consideration. These include new requirements on emergency breathing equipment, safety training, emergency evacuation plans, and increased frequency of inspections.

However, some of the proposed rules are being resisted by the mine owner trade association, the American Mining Congress, which has requested hearings on the measure.

In accord with a bureau of mines order issued last December permitting the mine to be reopened, Sunshine Mining Co. already has undertaken many safety measures. Among these, the company says, are greatly intensified safety training for miners and improvement of escape routes.

The final bureau report concludes a major part of the investigation into the mine disaster, but the case will remain open before the interior department's office of hearings and appeals. That office must still deliver its own report to Rogers C. B. Morton, interior secretary. ■

35 states to go.

Most of our nation's drunken drivers, habitual speeders, and hit-and-run offenders are free to drive on our highways whenever they like. These people are involved in more than half the traffic deaths and injuries which occur each year, yet they continue to hold valid licenses to operate a motor vehicle.

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five states.

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The Independent Insurance Agents in Indiana, for example, spear-headed a successful effort to mobilize the public to take action. They used local radio, newspapers and television. They talked at social functions and mass meetings wherever they could get anyone to listen. They outlined the problem and the solution again and again.

Finally, they submitted peti-

tions, bearing more than 150,000 signatures and demanding action, to the state legislature. This excellent and well-run campaign has resulted in new strict laws removing the habitual traffic offender from the roads in Indiana. In our judgment, such a campaign can and should be run in all states.

If your state is one of the 35 still to go, call the independent insurance agent in your town. He has the campaign package and the know how.

Just tell him you want to help put your state on the map.

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Insurance aids listed for fair managers

LAS VEGAS—Jimmy Drew III, general manager of the James H. Drew Exposition, listed 10 items that fair managers should check on concerning their insurance coverage. Mr. Drew spoke at an insurance seminar at the Assn. of Fairs Convention here.

The 10 items are:

- Do not rely on the carnival's management for full coverage, they will only cover their own area.
- Do not consider yourself immune to liability because you are an agricultural fair or a non-profit organization.
- Make sure that not only you, as a fair, but the carnival as well, is covered for punitive damages.
- If you have first aid stations or Red Cross units on your fairgrounds, make sure that they are operated by licensed personnel. Instruct them to never advise anyone that they are fully well.
- See to it that you have product liability coverage for any goods that may be sold on your fairgrounds.
- You should have general liability insurance and umbrella coverage for at least \$500,000. Also, the umbrella coverage should cover unexpected incidents.
- Make sure that everyone connected with the fair, including carnivals, free acts, thrill shows, rodeos, independent concessions, etc., have their own workmen's compensation insurance. Also, have workmen's compensation insurance for employees working directly under you.
- Be certain that the carnival's liability policy also has umbrella coverage with high limits of at least \$500,000.
- Be sure to obtain an insurance certificate from your carnival or thrill show, or whatever, with at least a 10-day cancellation clause.
- Know an insurance specialist in your city that you can consult in any areas where you may have doubts. ■

OSHA
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The Wausau Story.

If you run a business, coping with the new Occupational Safety and Health Act is a formidable, even frightening task.

You have only to review the Act and its requirements, standards, guidelines and record-keeping procedures to know that you're in for a mind-boggling experience.

The language, itself, can be distressing. Here's just one paragraph from just one bulletin—an excerpt from *Guidelines to the Department of Labor's Occupational Noise Standards*

(Bulletin 334), Revised 1971.

"(1) *Test Facilities and Procedures*—The test booth or room shall meet criteria of ANSI standard S3.1-1960 (or latest), *Standard for Background Noise in Audiometric Rooms* for testing to a minimum level of 10 dB on the ISO 1964 audiometric scale."

Even the best brains in the business world needn't be ashamed to call for help when confronted with something like that.

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compensation, you're already getting help. Chances are, you're well on your way to complying with OSHA requirements for your industry by carrying out our safety recommendations.

It's not likely you've got anyone on your staff with the technical experience to stay on top of the OSHA situation.

But we've got people like that. And if you're one of our policyholders, that makes you one of our partners. So what we know about OSHA, you know.

That's what partners are for.



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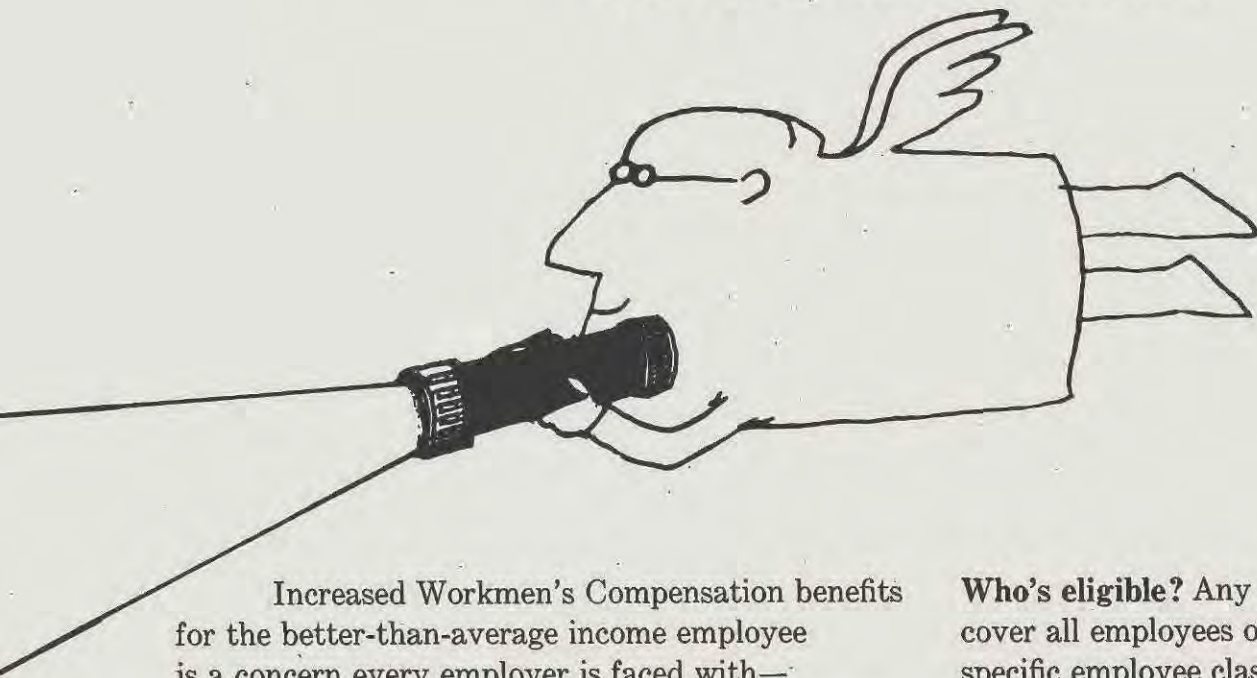
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Increased Workmen's Compensation benefits for the better-than-average income employee is a concern every employer is faced with—especially now that federal standards are going up.

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The St. Paul now offers a Contractual Liability Policy for Increased Workmen's Compensation Benefits—the first policy that allows you to add increased indemnity benefits to your employee's current benefit program.

Tailor our benefits. Increased indemnity benefits can be purchased in amounts of 25-50-75 or 100 per cent of the maximum Workmen's Compensation allowed in individual states. However, total indemnity payments cannot exceed two-thirds of the employee's actual salary in most states.

The premium is based on a nominal percentage of your current Workmen's Compensation premium.

Who's eligible? Any and all employees. You may cover all employees or limit your coverage to a specific employee classification. The choice is yours.

Overwrite any policy. Handling Workmen's Compensation through another insurance company? No problem. Our Increased Workmen's Compensation policy can be written on top of any insurance company's policy.

Efficient service. The St. Paul is always ready to give the best, most efficient service possible. In fact, 88.3% of our agents tell us we give service equal to or better than their major company.

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Find out how The St. Paul's Increased Workmen's Compensation works for you when the employee can't.

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Rail union pension talks in final stage

CHICAGO—Officials of the Brotherhood of Railway and Airline Clerks say that negotiations with rail carriers over a new pension program for rail workers are "in the final negotiation state," but refuse to disclose just how the talks are coming.

Congress has given the 21 unions involved and the carriers until March 1 to come up with a report on the progress of the negotiations. The unions are seeking an additional pension separate from the Railroad Retirement System now covering them paid for entirely by the carriers. The carriers, most of whom haven't seen black ink in a long time, want no part of it and estimate such a pension would cost the industry a half-billion dollars. The present negotiations, according to sources, center on just what degree of

pension absorption the carriers can survive.

Aside from the new pension, the railroad workers are seeking the lower taxes of the Social Security System, but wish to retain the higher-yield benefits of the Railroad Retirement System.

Some 100,000 railroad workers are involved and have vowed to strike July 1 unless the pension negotiations are quickly settled.

The railroad workers received a 20 percent hike in Railroad Retirement System benefits effective last Oct. 1, but it and two earlier increases expire July 1. ■

info for buyers

To receive literature listed in Info for Buyers write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*. Readers are welcome to submit items for possible inclusion in the column. A sample of your literature should be sent to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

• Executive & Employee Benefit Plans Inc. has published **LTD—Pure Insurance or Insurance Extravagance?** The brochure deals with the potential advantages to a major company by self insuring long term disability benefits through the use of a 501 (C) (9) Trust. The brochure is available without charge by writing to E&E Benefit Plans, P.O. Box 4626, Columbus, Oh. 43212.

• A new series of occupational fire safety posters has been issued by the National Fire Protection Association. The posters focus attention on high-frequency and critical hazard areas such as electrical care, fire extinguisher usage, smoking restrictions, flammable liquid precautions, emergency evacuation, and general fire prevention awareness. A brochure illustrating the posters and including price information is available from the NFPA Publications Service Dept., 60 Battery-march St., Boston, Ma. 02110.

• A 16-page color brochure, **Uniformed Guard Services**, has been published by Burns International Security Services Inc. The booklet covers the history of the company and describes the services of its uniformed guards. For a free copy write, Ashley W. Burner, P.O. Box 400, Briarcliff Manor, N.Y. 10510.

• A two-part chart analyzing state laws requiring uninsured motorist coverage, and the unsatisfied judgement funds in Maryland, Michigan, New Jersey, New York and North Dakota, has been updated by the American Insurance Association. The chart is available at \$1.00 a copy from the Publications Dept., American Insurance Assoc., 85 John St., New York, N.Y. 10038.

• **Super Major Medical**, a brochure available from Northwestern National, describes the company's new group major medical plan. The plan is designed to be superimposed over ordinary group plans to provide true catastrophic coverage with 100% reimbursement of eligible expenses. For copies contact Joseph Marcille, NN Insurance Co., 731 N. Jackson St., Milwaukee, Wi. 53202.

• The Metropolitan Life Insurance Co. is offering a free booklet entitled **Deferred Compensation—An Electronically Prepared Personal Illustration**. The publication illustrates and explains the cash flow to employers through a deferred compensation program funded with life insurance. For a copy, write Donald Shapiro, Metropolitan Life Insurance Co., 90 Park Ave., New York, N.Y., 10016.

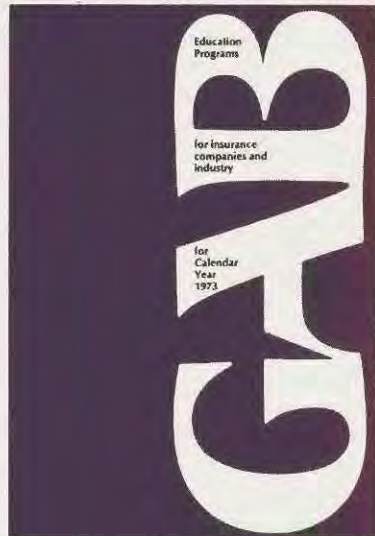
• **Currency Crisis and Insured Values**, a bulletin free from Johnson & Higgins, discusses how the successive currency revaluations of the German mark, the unpegging of the dollar from gold and the floating dollar and official dollar evaluation have affected the adequacy of insurance values. For your copy, write Production & Coordination Dept., Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

• Information concerning a **Turn-key and/or Build & Design Error & Omission** policy has been made available by Illinois R. B. Jones Inc. The policy covers a contractor for hired architects or engineers error or omission, has been endorsed by Associated General Contractors and underwritten by Lloyd's. For your free copy write Mr. Richard Oldani, Illinois R. B. Jones Inc., 175 W. Jackson Blvd., Chicago, Ill. 60604.

• Gulf Life Insurance Co. has released a series of six brochures describing the company's regular group coverage. Coverages included are: Long term disability income, major medical, term life, group dental, sales and service and basic health. For free copies contact Gene B. Vaden, Gulf Life Insurance Co., 1301 Gulf Life Dr., Jacksonville, Fl. 32207.

• The Federal Highway Administration's Bureau of Motor Carrier Safety has released a new publication, **BMCS**. The pamphlet provides descriptions of the bureau's safety activities, responsibilities and scope of authority, and details the methods it uses to provide safety in interstate truck and bus operations. Free copies of the pamphlet may be obtained from the bureau, U.S. Dept. of Transportation, 400 Seventh St., S.W., Washington, D.C. 20590.

• **GAB Education Programs for Insurance Companies and Industry**, a new brochure from General Adjustment Bureau, offers detailed information about the company's new instructional complex located outside Denver, Colorado. The brochure includes a schedule



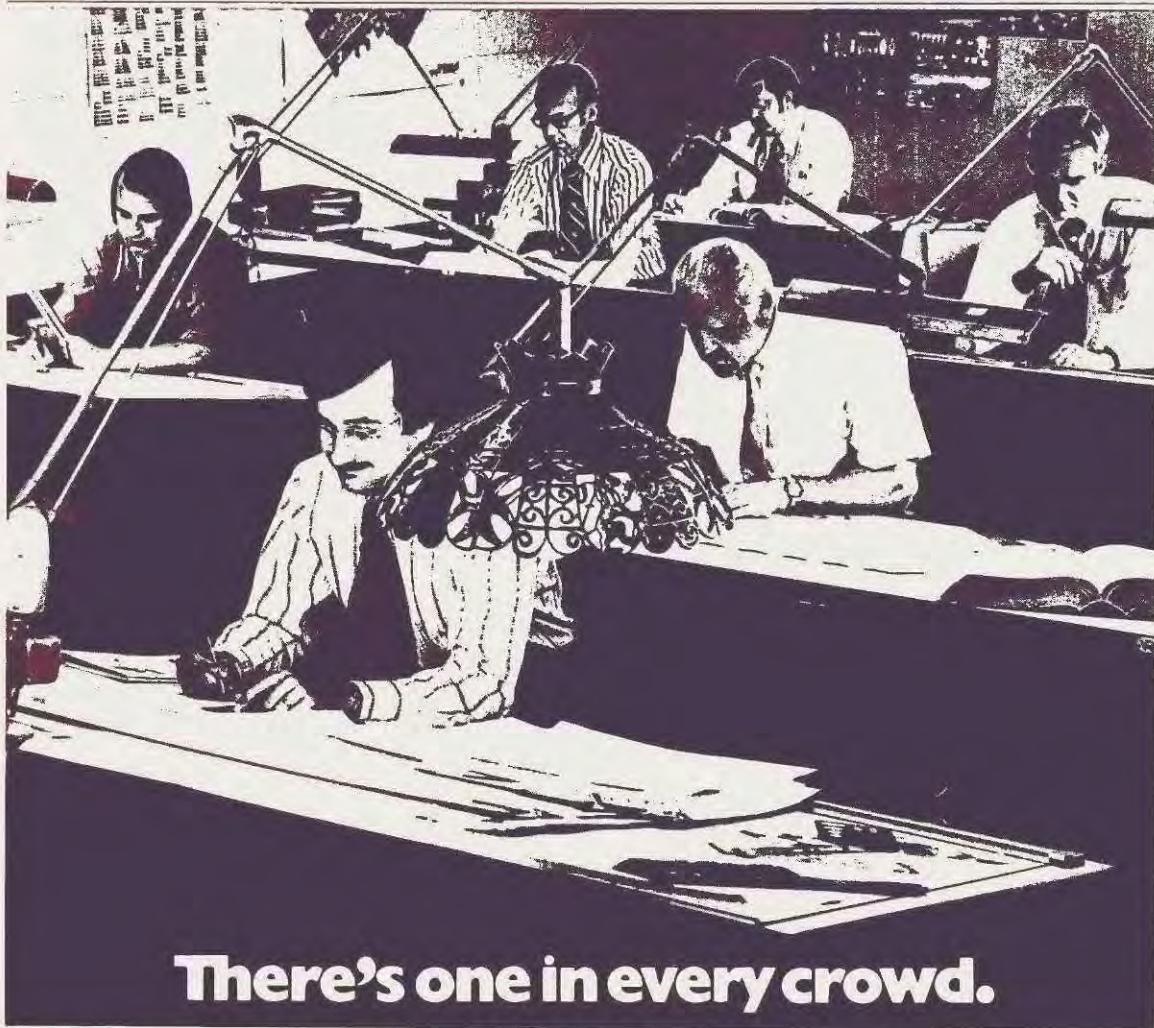
of courses on the agenda for 1973, plus starting dates, costs and other pertinent information. A topical listing of subjects covered under each course is also included. Copies can be obtained by writing GAB at 123 William St., New York, N.Y. 10038.

• Eagle Manufacturing Co. has released a safety can catalog featuring type 1 and type 2 safety cans, safety storage cabinets, laboratory cans, faucet safety cans, disposal oily waste, safety bench, safety plunger, drip, drain and daub cans. Also featured is a discussion of preventive safety and terms of the federal OSHA law. For copies contact James Paull, Jr., Eagle Mfg. Co., 24th & Charles Sts., Wellsburg, W.V. 26070.

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• **Pension Funding: A Nontechnical Explanation** discusses the various actuarial methods of calculating pension costs. Offered by Frank B. Hall & Co. Inc., it is available free to *Business Insurance* readers by writing Barnet N. Berin, vp, Benefit Consulting Div., Frank B. Hall & Co. Inc., 88 Pine St., New York, N.Y. 10005.

• Corroon & Black-Alexander & Co. has published an "exclusive letter" intended to summarize all the major facets of Automated Multiphasic Health Testing. The letter, called **Notes . . . for the Decision Maker**, may be obtained by writing Robert Wareham, Corroon & Black-Alexander & Co., 135 S. LaSalle St., Chicago, Ill. 60603.

• **Captives: Bermuda, Colorado, Taxes and Beyond**, an article by Marianne Burge originally appearing in *Business Insurance*, discusses captive insurance companies as one alternative for risk managers. Reprints are available at \$1 a copy by writing Reprint Manager, *Business Insurance*, 630 Third Ave., New York, N.Y. 10017.

• Corroon & Black has issued a new corporate brochure, **How Corroon & Black Helps You Manage the Risks of Running a Business**, enumerating the various services performed by the company. For your free copy write Corroon & Black Co. of New York Inc., 150 William St., New York, N.Y. 10038.

• **Residual Markets and Fire Insurance Rating**, an article by Warren G. Brockmeier which originally appeared in *CPCU Annuals*, has been made available by the risk management department of Ebasco Service Inc. The article discusses such topics as the public right to insurance, FAIR plans, federal involvement in insurance, causes of market restriction and recommendations for a new rating system. For your free copy write the company at 100 Church St., New York, N.Y. 10007.

• The Insurors Press has released its 1972/1973 catalogue of educational products, listing books and devices in the areas of audio-manual and audio-visual, continuing manuals and licensing, professional education and topical books. A 50¢ handling charge may be applied to a buyer's first catalogue purchase. Write Insurors Press, catalogue sales dept., P.O. Box 1430, Santa Monica, Ca. 90406.

• George B. Buck Consulting Actuaries Inc. has released **A Comparative Analysis of Employee Benefit Programs**. The booklet features analysis and comparison of employee benefit programs for salaried employees in the death, disability, basic and major medical profit-sharing and thrift plan benefit areas among more than 100 small and medium-sized corporations. For a free copy contact David Gravitz, George B. Buck Actuaries Inc., 2 Penn Plaza, New York, N.Y. 10001.

• The Chamber of Commerce of the United States has released a videotape presentation explaining employers' rights under OSHA. The program includes a panel of experts and discusses inspections and enforcement, management considerations and safety and health standards. Also available in videotape is **A Short Course on Job Safety**. For price information write the Chamber of Commerce of the United States, audio-visual department, 1615 H St., N.W., Washington, D.C. 20006.

• American Home Assurance Co. has released a series of informative brochures on property insurance. The brochures, reviewing specific industries and their particular insurance needs include: warehousemen's legal liability, radio & television, difference in conditions, all kinds of fire insurance, data processing insurance, pipelines coverage, broadcast equipment floater and utility insurance. For free copies write American Home, 102 Maiden Lane, New York, N.Y. 10005.

• **Employee Benefit Communication** is a brochure produced by Towers, Perrin, Forster & Crosby describing a comprehensive survey of employee benefit communications procedures in over 200 major American companies and other organizations. For your free copy write Joseph A. Banik, Principal, Towers, Perrin, Forster & Crosby, Three Penn Center, Philadelphia, Pa. 19102.

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labor beat

Profit-Sharing plans are the least of the UAW's bargaining worries

By TOM WALSH

DETROIT—Last year, America's auto makers sold more cars and made more money than ever before.

This year, the 1.4 million members of the United Auto Workers are threatening to take a piece of the action.

Whether he means it or not remains to be seen, but union president Leonard Woodcock, speaking recently at a convention of UAW skilled tradesmen, made it

perfectly clear that, if the car makers didn't reduce their profit goals and cut their prices, the union will demand some form of profit-sharing in upcoming contract negotiations.

"We must say to the companies, 'reduce your monstrously high profit target and reduce prices to the consumer, or we will insist that profits be shared on an equitable basis,'" Mr. Woodcock told the skilled workers, who later adopted an equally controversial resolution: urging

that the union strip auto management of its ability to assign overtime work.

Present contracts with the "Big Three" automotive manufacturers expire on midnight, Sept. 14, and the UAW brass has been hard at work jockeying for positions which will best allow them both to win significant improvements for their members and to avoid a beating from the big "stick in the closet" the federal government has threatened to use against any labor settlements

deemed inflationary by President Nixon's economic wizards. Some industry observers see the UAW's threatened profit-sharing adventure as nothing but a maneuver to prod Washington economists who believe that whatever is good for GM is good for the U.S. of A. into loosening present restraints. Mr. Woodcock has publicly praised Phase Three as "a step in the right direction," but he is also actively engaged in doing all he can to eliminate specified 5.5 percent wage guidelines from the nation's economic game plan.

Should profit-sharing emerge as something more than a thinly-veiled threat, it could come in a variety of forms. The UAW already has a profit-sharing agreement written into its contract with American Motors Corp. which injects a percentage of profits into employee health and life insurance and another percentage into AMC stock. The

plan was negotiated in 1961, but, due to some disastrous years, American Motors hasn't had any profits to share since 1965. The plan still remains in effect, though, and AMC's 1972 profits—\$12.7 million—are, as Mr. Woodcock put it, "perilously close" to reviving the profit-sharing plan. The existing UAW-AMC contract runs into 1974 and will not be affected by this year's negotiations.

The UAW says it's not committed to the method of profit-sharing now written into the AMC contract. Other options might pay direct cash benefits or could invest employee earnings entirely in stock or entirely in insurance and pension programs.

"At this point we're busy considering this thing very seriously," Melvin Glasser, the UAW's Social Security chief, said. "Whatever form we decide upon hopefully won't be known until it's brought out during the bargaining."

Rank and file enthusiasm for the profit-sharing demand has been good, Mr. Glasser said, "especially since our members have read Ford's year-end report." The nation's second-largest car maker recorded after-tax profits of \$886 million—"a record," Mr. Glasser is quick to point out.

General Motors' 1972 purse, though, could probably provide all the worker incentive needed on its own. The world's largest car producer cleared \$2.1 billion in 1972. Chrysler—number three—finished the year with \$220.5 million after-tax dollars, its best year.

There's no doubt that there's plenty of money to be had should profit-sharing become reality, but even the best possible profit-sharing plan won't help solve the UAW's biggest dilemma: Avoiding Washington's big stick. The Teamsters Union, the Rubber Workers and the Electrical Workers—three of this country's largest unions—will all negotiate contracts before the UAW-Big Three agreements expire. Should their new settlements be deemed inflationary and incur the wrath of the Washington economists, a new set of restraints—maybe even a Phase Four—could precede the auto negotiations and shed a whole new and perhaps more restrictive light on this year's main bargaining event.

Profit-sharing dispute goes before court

WASHINGTON—The Supreme Court has agreed to decide whether former employees of a stock brokerage house in California have a right to sue the firm over a restrictive provision in the company's profit-sharing plan.

The case involves Merrill Lynch, Pierce, Fenner & Smith Inc., which has a provision in its profit-sharing plan that says an employee loses his vested interest in the plan when he goes to work for a competing brokerage house.

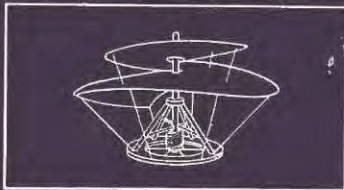
The provision was challenged by David Ware, a former Merrill Lynch employee, on behalf of himself and other employees of the broker in California. The provision, the suit charges, violates state anti-trust law, which bars any contract by which an individual is restrained from engaging in a lawful occupation.

California courts refused to recognize the arbitration requirement and held that Mr. Ware had a right to sue on behalf of all former employees of Merrill Lynch in California.

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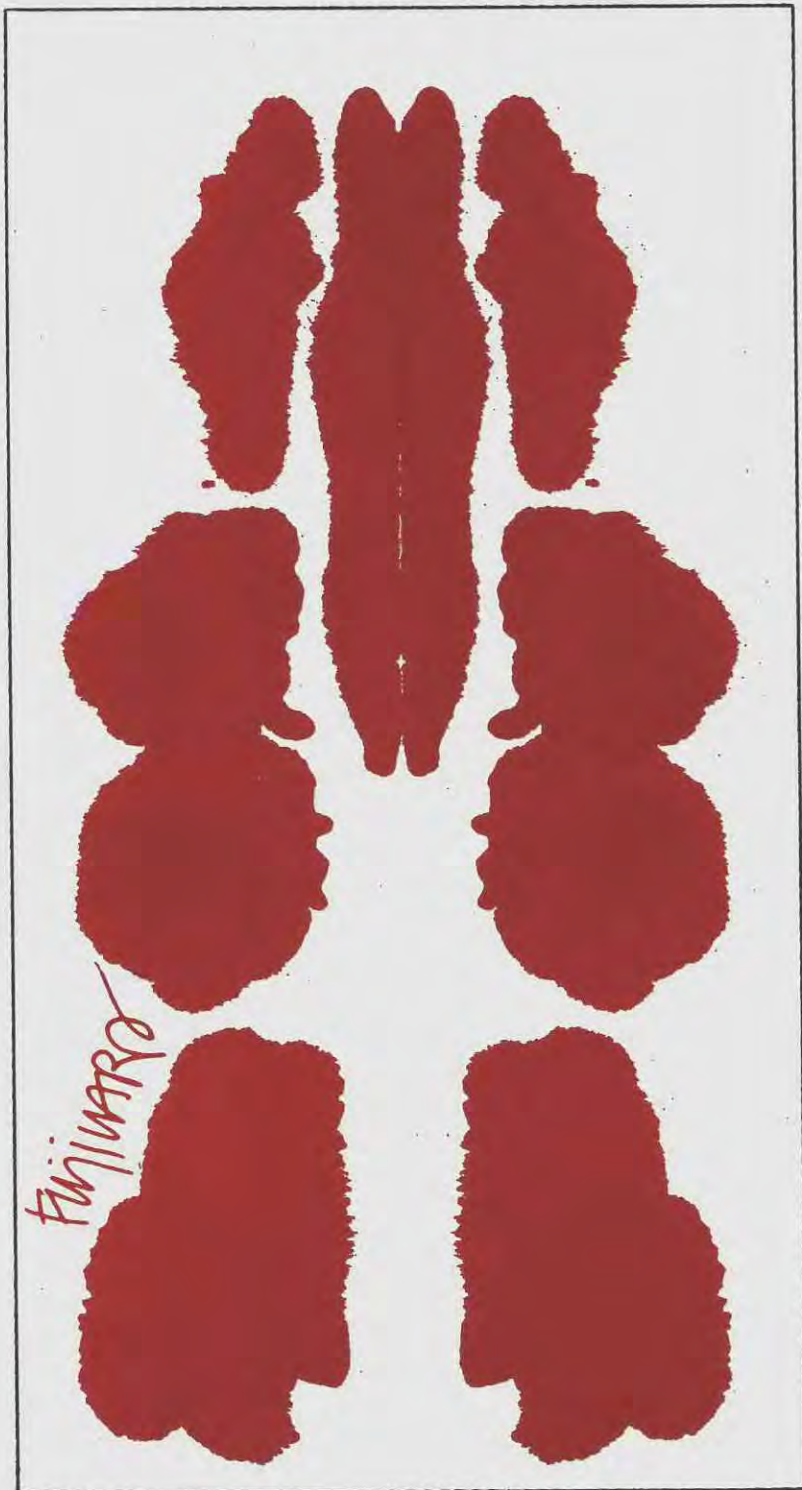
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There's an original way of looking at everything.

Rockefeller's signature makes it legal: New York now has no-fault

NEW YORK—No-fault auto insurance jumped the hurdle from proposal to enactment in New York state earlier this month, when Gov. Nelson Rockefeller signed into law the Republican compromise bill that was greeted by both jeers and cheers from lawmakers and industry sources.

The bill, which fanned furious debate prior to its passage, applies the same provisions to commercial and fleet vehicles as to private passenger vehicles. It is to take effect next February 1.

Hailed by the governor as "a triumph of good sense and a victory for the people," the new bill provides for an economic compensation package of up to

\$50,000 for medical expenses and loss of income.

Under the wing of the \$50,000 limit are formulas for income compensation and housekeeping expenses, as well as a stipulation that prevents court suits for any damages in which medical expenses were less than \$500.

LOSS-OF-INCOME payments would be made at the rate of 80% of salary up to a maximum of \$1,000 a month for three years, while the payments for housekeeping services are \$25 per day for one year (to be made if a housewife has been incapacitated).

The bill's sponsors contend that the \$500 threshold imposed

on court suits will keep roughly three-quarters of auto accident cases out of the courts. Compensation for these less-serious cases would instead be paid automatically by insurers, who are to ignore the question of culpability.

Premium rate savings are estimated at about 15% for persons who take the straight no-fault plan. And for those who opt an additional \$200 deductible, the premium drop will be about 20%.

One of the biggest bones of contention in the whole no-fault debate was consumerist, and centered around the role played by the state department of insurance in administering the bill.

Opponents charged that the state insurance department is the

"handmaiden" of the industry, and gives it carte blanche, while crash victims will figuratively get taken for a ride. Said one Long Island democrat: "How can no-fault succeed when the people who are governing the system are really the ones to watch?"

On the other hand, proponents claim that insurance company profits will be more closely monitored under the insurance department's scrutiny, and that insurers "no longer will be able to hide profits through bookkeeping stunts."

Other issues that were hotly argued while the bill was under examination were the access of the poor to costly medical care, and the concept of the citizen's right to sue.

Minority area lawmakers say the poor would suffer by not being able to afford the \$200 deductible option, and by getting less of a chance to sue because they have less access to costly

medical care.

The state trial lawyers, not surprisingly, have attacked the bill on the grounds that lawsuits have been barred for bodily injuries under \$500, thereby depriving accident victims of their right to sue.

A guarded response to the bill has been offered by the American Insurance Assn., which stated: "Although it is not a bill our association could support, it does represent a major improvement over the present lawsuit system and it provides many benefits to New York motorists."

THE AIA listed five provisions it said were "inadequate." They are the 'low-level' \$500 lawsuit threshold, the mandatory offering of a \$200 deductible, the lack of coverage for out-of-state accidents, the transfer of costs between insurance companies on the basis of negligence and the provisions concerning the pricing of auto insurance policies.

Sponsoring Republicans admitted the bill was a compromise over earlier proposals. But they said, as one senator phrased it, "it is a slice and later we can get the whole loaf."

New York has become the eighth state in the nation to formally enact some form of no-fault auto insurance legislation for its citizens.

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Canadian pensions could rise

OTTAWA—Canadian Welfare Minister Marc Lalonde said proposed boosts in old-age pensions won't lift the maximum monthly benefit above the \$200 level. The federal cabinet is now considering the proposed increases.

It was pointed out that if the new maximum benefit went above \$200, it would produce a "very awkward situation" because current top payments under the Canada Pension Plan are only about \$115 a month.

However, Mr. Lalonde declined to disclose whether he planned recommending a boost in the basic old age security pension paid to all Canadians 65 and over (now \$82.88), or a hike in the present maximum guaranteed income supplement to \$67.12.

Government officials here admit privately that a big boost in the supplement would have major political ramifications because of the present low retirement pensions paid under the Canada Pension Plan.

It was pointed out that should the maximum available pension for needy individuals be pegged at \$200 a month through a \$50 boost in the income supplement, older people who had never paid into the Canada Pension Plan would be getting a larger government check than a person who paid into the Canada Pension Plan from the outset.

\$25 million in benefits

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

for the record

PBW sues SEC on its 80-20 institution rule

PHILADELPHIA—The PBW Stock Exchange has hurled a challenge at the recent Securities and Exchange Commission ruling on institutional stock exchange membership (*Business Insurance*, Jan. 29) by filing an action in the U.S. court of appeals here.

Long caught in the controversy of how institutional membership on exchanges should be regulated, the PBW is contesting a lack of procedural compromise in the latest SEC dictum.

While the exchange still opposes limitations on institutional membership as set forth in the "80-20" ruling (only institutions doing 80% public business may have exchange membership), PBW president Elkins Wetherill said that the point at issue in the suit is the SEC's lack of a compromise arrangement that would allow institutions which were members before Feb. 2, 1972, to continue to hold their seat for three years without having to declare their intent to comply with the 80-20 decision.

As the January ruling now stands, the SEC has ordered all institutions, regardless of when they became exchange members, to file a declaration of intent by mid-April of this year.

This time limit, according to J. G. Gordon Yocum, vp and general counsel of the PBW, "wouldn't give you much time to file a bona fide declaration of intent and a plan for carrying it out" if you were a big insurance company or a mutual fund.

Mr. Yocum said that the PBW will try to have the SEC ruling overturned on the grounds that it exceeds the commission's authority, that it is "unsupported by any record or evidence," that it was issued after the SEC denied the PBW a hearing to which it was entitled and that it violates anti-trust laws by constituting unjustified restraint of trade.

The PBW's move to take the SEC to task for its alleged anti-trust violations augments a threat by Connecticut, a new PBW member, to seek justice department aid in filing an anti-trust action against the SEC.

Denenberg's shoppers' guides to be published

WASHINGTON—Herbert Denenberg, the P.T. Barnum of insurance commissioners, has developed a new scheme to help protect Pennsylvania consumers:

Book royalties.

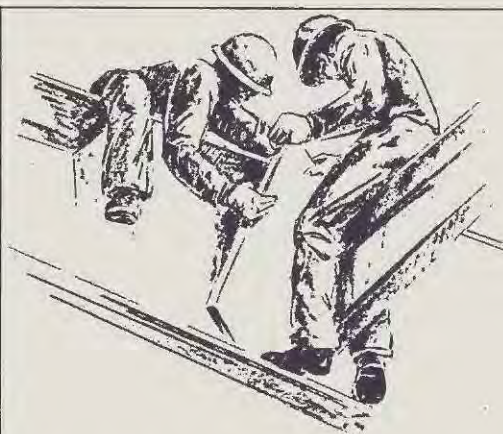
The outspoken consumer-crusader has made a deal with Consumer News Inc. here to publish and distribute his "Shoppers' Guides" to persons outside of Pennsylvania. In return the publisher will provide Denenberg's office with copies of the booklets for free distribution to state residents. Due to budgetary limitations, the Pennsylvania Insurance Department had been forced to end distribution of the booklets to outside residents and to Pennsylvanians who requested more than a single copy.

The three booklets, "A Shoppers' Guide to (Cash Value) Life Insurance," "A Shoppers' Guide to Term Life Insurance" and "A Shoppers' Guide to Surgery: 14 Rules on How to Avoid Unnecessary Surgery," will be published

by Consumer News for \$1 per copy postpaid on orders up to nine copies. Prices drop to 25 cents per copy for larger quantities.

The two insurance guides received wide-spread publicity because of their comparative cost figures showing substantial differences between companies on identical coverages. Denenberg's department has just published another "guide" on mobile home insurance and is preparing a fifth on dental care.

Continued on page 20



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Old Line Life now is a subsidiary of U.S. Life

MILWAUKEE—Old Line Life Insurance Co. of America ended its 62 years as an independent underwriter here when it became a subsidiary of U.S. Life Corp., New York.

Stockholders of the Milwaukee insurer, attending their first and only special meeting, voted to sell the company for an estimated \$77 million worth of U.S. Life stock.

Not a question was raised during the 20 minute meeting, despite the technicalities which delayed the acquisition for nearly three months.

Old Line Life's board of directors was dissolved and replaced by a seven member board of insiders consisting of Forrest D. Guynn, Franklin P. Graf and

Charles S. Lewis of Old Line Life and Gordon E. Crosby Jr., Leslie Copeland, Joseph Fafian Jr. and Samuel J. Giuliano of U.S. Life.

MR. GUINN, president of Old Line Life, and other officers of the Milwaukee company will retain their positions under the new ownership. Mr. Crosby, chairman and chief executive officer of U.S. Life, became chairman of Old Line Life.

According to the reorganization plan, Old Line Life was to be merged with NOL Life Insurance Co. of America, a subsidiary of U.S. Life.

If the acquisition had gone as scheduled, the exchange of stock would have been worth an esti-

mated \$60 million. But Stanley C. DuRose, Wisconsin insurance commissioner, withheld approval of the merger, expressing doubts of its legality.

Mr. DuRose was concerned about the relationship between Old Line Life and Life Insurance Investors, Inc., Nashville, Tn., an open end investment firm which owned 104,510, or 8%, of the 1,296,000 shares of Old Line Life common stock outstanding. He said the ownership of that much stock might place the relationship under the jurisdiction of the Securities and Exchange Commission.

According to the terms approved by the stockholders, about eight shares of U.S. Life will be exchanged for 10 shares of Old Line Life.

Before the vote was taken, Mr. Guynn reported that Old Line Life's 1972 net income would exceed \$3 million, topping the record \$2,417,111 posted in 1971 ■

Risk men told to avoid punitive damage suits

SAN FRANCISCO—Advice to corporate managers on how to avoid punitive damage suits has been presented by San Francisco insurance attorney Victor B. Levit to the Northern California Chapter, American Society of Insurance Managers.

"More punitive damage actions have been started in California in the past three years," Mr. Levit told the regular monthly meeting, "than in any other period in the state's history." His advice is for corporations to "avoid at all cost the time-is-on-our-side syndrome."

"Substantial losses have been suffered," he said, "by a few corporations which believed they could afford to sit-out the claim

until settled on corporate terms.

"Adamant refusal to pay claims without signed releases," Mr. Levit added, "is an invitation to punitive damages, as well as any refusal to pay undisputed amounts."

HE ALSO explained that U.S. courts are "about evenly divided" on whether punitive damages are insurable. The Arizona supreme court, Mr. Levit added, stated in an October, 1972 ruling that, "since the policy of a carrier did not specifically exclude punitive damages, such damages were covered."

In California, however, courts have not upheld the insurability of punitive damages. "Nevertheless," he said, "punitive damages are being included in many policies now being written, such as coverage for libel, false imprisonment, slander. In these instances, punitive damages are covered per se." ■

Insurance code revised in Nevada

LAS VEGAS—After a long wait Nevada's revised insurance code has finally taken effect. It was signed into law by Gov. Mike O'Callaghan in July 1971, but took six months from that date to become legal. After that delay, it was another year before the state's two insurance commission offices—here and Carson City, the state capital—became familiar with and started enforcing the new laws.

The insurance code had not been revised since 1951.

"There has been a tremendous amount of updating and changes, especially concerning cancellations," explained G. K. Ayers of the insurance commission's Las Vegas office. As for the delay in implementing the code's revisions, Mr. Ayers said, "It has taken this long for the National Insurance Law Service in New York, who publishes our code and distributes it across the United States, to complete the project."

"The updating of the code favors neither the public nor the insurance companies," stressed Mr. Ayers. "The public is the one that benefits from it in the long run, but you can't put the insurance companies out of business either. Nevada looked to see what other states had done and determined whether different programs might work for us."

MR. AYERS went on to point out, "The insurance companies are 100% cooperative with us. We discuss their position and their feelings about something—then our position. It's a two-way street."

Bert Leavitt, an insurance underwriter with offices in Nevada, California, Utah and Arizona, said, "The new insurance code is probably one of the finest insurance codes in the nation." He explained that the laws governing cancellation of a personal life insurance policy had been changed to prevent arbitrary cancellation by an insurance company.

Mr. Leavitt also said the minimum capital surplus that an insurance company must have in order to be admitted into Nevada had been raised, from \$800,000 to \$1.8 million. ■

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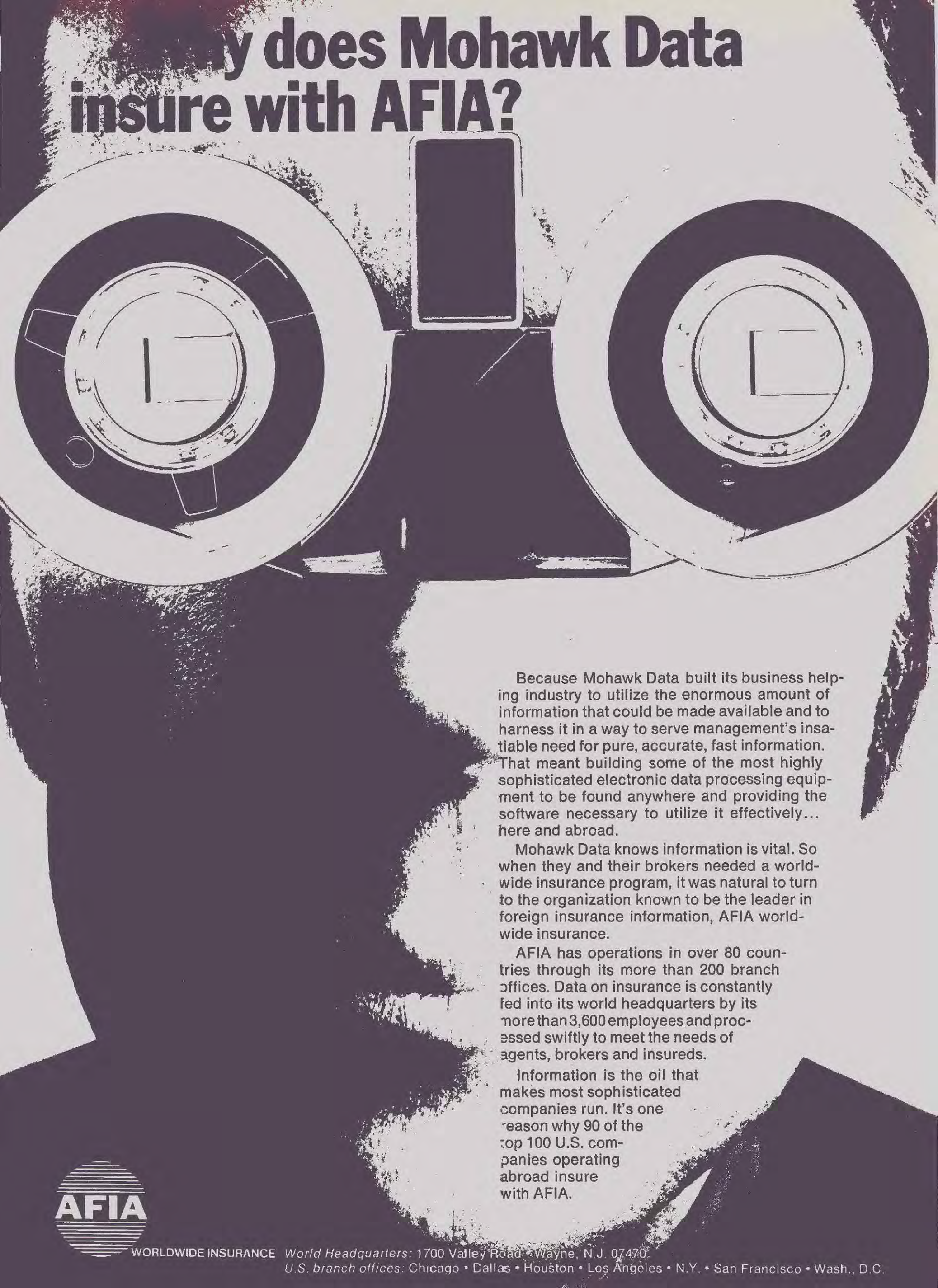
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editorial opinions

Compensation inequities

THE TRAGEDY THAT took the lives of 40 workers in a huge liquefied gas storage tank on Staten Island earlier this month is bound to create serious thoughts, investigations and all the other things attendant to an industrial disaster of this type.

Already the faster reacting forces are calling for "stricter enforcement" of the Occupational Safety & Health Act, the reasoning being that to-the-letter OSHA enforcement might prevent tragedies of this type that take the lives of thousands of U.S. workers annually. True, it might. Then again, there is ample reason to believe that industrial accidents similar to the one on Staten Island will continue to occur until human technology reaches a level far superior to that it has already achieved. This is no reason to stop sifting through the rubble, of course, for indeed something might be learned that might prevent similar losses in the future.

However, we do hope that those who make occupational safety hay out of this tragedy look beyond their noses to a related issue—workmen's compensation. The Occupational Safety and Health Act created two years ago by Congress also established a national commission to look into workmen's compensation inadequacies around the country. That commission delivered its report to President Nixon last summer and formally passed out of existence Oct. 29. One of the 80 recommendations the commission made to the President was that he establish a successor commission that would over-

see the progress (or lack of it) made by the states toward upgrading their workmen's compensation programs.

While President Nixon did have sufficient interest to send his new Secretary of Labor, Peter J. Brennan, to the site of the New York tragedy twice, he has not seen sufficient merit in his compensation commission's recommendation to appoint a successor body to help assure that when an industrial accident of this or any type does occur the victims' dependents are adequately compensated for financial losses. Instead, Mr. Nixon has apparently seen fit to let the many states with inadequate compensation schedules plod along and continue to make nickel and dime changes in their benefit plans.

New York, fortunately for those who lost a husband on Staten Island the other week, is not one of those states. Benefits in New York state are among the most liberal in the country and it is not one of the states to which the National Commission on State Workmen's Compensation Laws directed most of its recommendations.

Occasionally, though, we still think of the dependents of 29 workers who lost their lives in an explosion at a Thiokol Chemical Corp. plant in Georgia two years ago. For the most part, the wives and children of workers killed in that industrial accident must subsist on a maximum benefit level of just more than \$40 a week for 400 weeks, or a total benefit of \$17,000.

A starting point, at least

AFTER MONTHS OF STUDY, a permanent commission on public employe pension and retirement systems in New York has made a proposal that, it says, could save the nation's largest city from a financial stranglehold that has been created by past liberalities in the granting of pension benefits to city employes.

The commission recommended last month that a uniform pension plan for one million public employes in New York state be adopted for all new employes hired after July 1. The proposal would put all city pension plans under the strict control of the state. Furthermore, the uniform statewide plan would integrate pension and Social Security payments, enabling workers retiring at age 65 with 30 years' service to draw benefits that are about equal to their final take-home salary after taxes.

At present, city workers leaving the payroll upon retirement receive increments of 60%, 84%, and 90% of final average salary at the respective ages of 55, 62 and 65. Benefits, however, are not integrated with Social Security. It does not take an actuary to figure out that such a system begets skyrocketing pension liabilities that will cost present and future taxpayers dearly.

There is a problem with the commission's proposal, however. Under the state constitution it would have to exist along side the present pension systems until every worker now covered by those plans has retired, died or left employment. This, of course, would mean that for an entire generation employes would work side by side but have vastly different pension benefits ahead of them. This is problem number one. Problem number two is that the proposal would not really do anything to alleviate the financial pressures already on the city and its taxpayers as a result of generous benefits now going to retirees or assured to those who are participating in existing plans.

In its study, the commission also called for a ban on collective bargaining. We can see a lot of corporate employe benefit bargainers and their union adversaries rubbing their hands together over that one—for different reasons, of course.

In short, the study commission's basic proposal—that of a statewide system that gives workers benefits that are integrated with Social Security and roughly equal to final average take-home pay—appears to be a sound one. It is, at least, a starting point.

letters

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

Dealing in rhetoric

To the Editor: If reported accurately, as I feel they were, take issue with the remarks of Mr. R. J. Mellman, vp and associate actuary of the Prudential Insurance Co., on the subject of 501(c)(9) trusts as a conduit for the funding of certain insurance-type fringe benefits (*Business Insurance*, Dec. 4, 1972).

Although the attitude of state insurance departments vis a vis self-insured plans and their possible effect on the loss of premium tax revenue may be a valid question, it is another to conjure up the threat of retaliation by the supervisory authorities. Seven states do not a nation make!

I don't deny the pertinence of the threat to which Mr. Mellman alludes. However, can the insurance companies claim that they would remain neutral if the taxing authorities sought to stop the loss of premium tax revenues by action inimical to self-insurance? Would they, better still, be on the side of the public good? Or, as I fear, would they abet the all-too-willing insurance departments in denying business an economical means of providing protection?

Surely Mr. Mellman must be kidding when he suggests that what is a significant "plus" to the use of 501(c)(9)—i.e., the effective use of the trust's investment income is a "minus," since by "... reducing the contribution required from the employer, it reduces an employer cost which is fully tax-deductible. . . or it avoids the need for the employer to make additional contributions which would be tax-deductible."

Perhaps Mr. Mellman is privy to something we ordinary taxpayers know not of: That there is an income tax bracket of more than 100%, so that—ignoring the problems of cash flow and imputed interest on expenditures (due to the time-lag even where there is a deduction for income tax)—a person or firm has more money after taxes than he had before, taking tax-deductible expenses alone per se into consideration!

Rather than dealing in rhetoric, since the gentleman has the credentials, it would have been sounder of Mr. Mellman to illustrate (and not by conjecture) how and why a combination of administration service only contracts, actuarial services, investment management and stop-loss coverage would not be better and less expensive than a contract purchased from a carrier under a single contract.

George C. White, C.L.U.
Consultant, Massapequa Park, N.Y.

ASIM membership

To the Editor: You have published a number of articles on the American Society of Insurance Management.

Could you please advise me as to where I may obtain information on membership in, or details about, this association?

Edwin Schoening

WIEBE Enterprises, Omaha, Neb.
Editor's note: For information about membership in ASIM, contact the society's headquarters, 500 Fifth Ave., New York, N.Y. 10038; (212) 524-2833.

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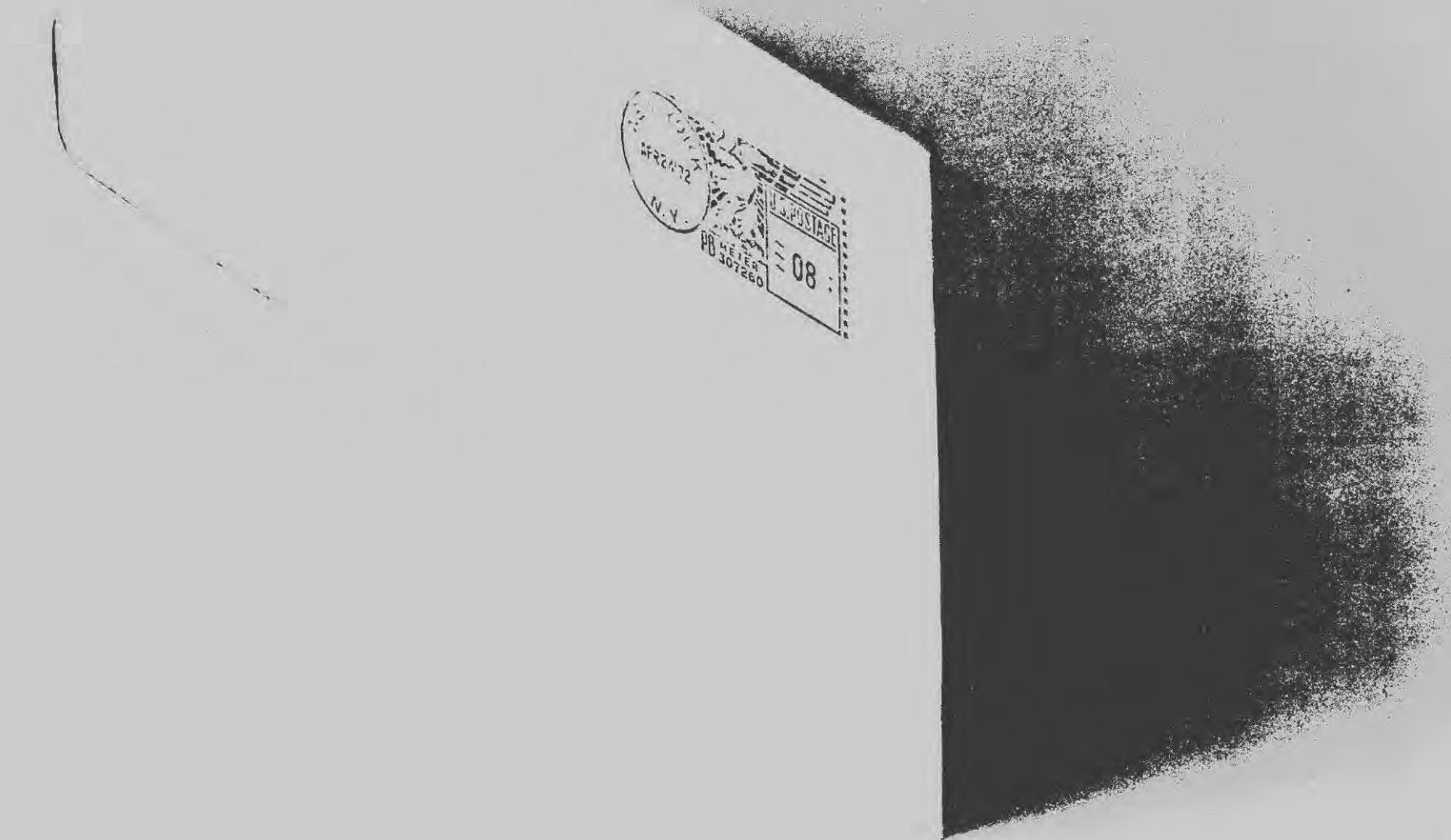
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Continued from page 15

Firmer insurance rules expected in Britain

LONDON—Firmer rules for the "watchdog control" of all insurance companies in Britain are expected to be put into force by the government before the end of this year.

They follow the collapse of the Vehicle and General Insurance Co. in 1971 and are in line with those predicted in *Business Insurance* (Dec. 4, 1972).

The main intent of the government is to call for quarterly financial returns from all insurance companies so that it can have early warning of any potential insolvency.

It will also be able to block any take-over bids if it does not like the backgrounds of the people involved. The government will also be able to intervene in an insurance company's affairs at any moment if it thinks such a step necessary to protect policy holders.

New standards of solvency will be set up, but there will be no

major interference with the way in which companies run their affairs, unless they look like going bankrupt.

Consultation will take place between the government's department of trade and the insurance industry on the best way to implement the new legislation. Lloyd's of London will stay unaffected because of its unique position in the insurance world.

Montana might extend work comp eligibility

HELENA—The Montana senate is considering a measure to require all agricultural employers to come under the state workmen's compensation laws. The bill is part of a package of 26 measures submitted recently to the senate labor committee to revise the state's law on job-related accidents. In the past, agricultural employers have had the option of coming under protection of workmen's compensation or ignoring the laws.

One new measure defines an employer who must comply with the act as any person who has one or more employees.

Sen. George Siderius, chairman

of the senate labor and employment relations committee, said the section which would pertain to agricultural employers, passed in the senate last session only to die in the house. He said it is based on recommendations of the President's commission on workmen's compensation.

He said the proposed bill still would exclude from mandatory coverage domestic workers, casual workers and employees who perform tasks in exchange for room and board.

\$100,000 paid from self-insurance fund

SAN FRANCISCO—The board of supervisors here has agreed to pay \$100,000 out of the city's self-insurance funds to William R. Magary, 42, who lost a leg after his requests for medical help at the county jail allegedly were ignored.

Mr. Magary sued the city, with his attorney Melvin Belli claiming loss of the leg had ruined Magary's budding career as an opera singer. The supervisors agreed to the out of court settlement with approval of deputy city attorney John J. Taheny Jr.

"Nobody knows what a jury might do," said supervisor Terry Francois in voting for the settlement. "We could expose the taxpayers to a much larger liability by rejecting this claim."

Nevada athletes may lose injury insurance

LAS VEGAS—University of Nevada athletes may lose their injury insurance benefits from the Nevada Industrial Commission (NIC), University of Nevada Chancellor Neil Humphrey said.

He told the school's regents at a meeting here that a bill now before the state senate would

drop the athletes from NIC coverage.

According to Mr. Humphrey, the measure has been proposed because of the high payment rate on athlete injuries. He noted that in the past year the university paid about \$12,000 into the NIC fund, while \$81,000 was paid out to athletes.

He said university officials must immediately begin working with the NIC to study alternatives for alleviating the payment problem. "In my opinion we couldn't pay a premium of \$90,000," he added. The athletes have been covered by the NIC since a law including them in the plan was adopted by the legislature in 1967.

Engineer's background helpful to new risk man

ALLENTOWN, PA.—"This is a highly technical company," said Charles Rolling of his employer, Air Products & Chemicals Inc., headquartered here. "Many of the senior managers come out of the technical ranks so this position with my background is not really surprising."

The position Mr. Rolling was referring to was that of corporate manager of insurance for the gas and chemical firm, a post he has held for only a few months now. His background is that of both an engineer and a financial man, with the emphasis on engineering.

"We use engineering techniques in our risk management function," Mr. Rolling pointed out. "They give us an in-depth knowledge of our plants and what exactly is going on within them. On the whole, I'd say my engineering background has been most helpful to me as insurance manager."

In his new post, Mr. Rolling will be responsible for the negotiation of insurance agreements, the identification and analysis of risks and the administration and maintenance of the company's self-insurance and property-liability programs.

"Aside from workmen's compensation I am not involved with the employee benefits side of

things," he told *Business Insurance*. "That is the responsibility of the employee relations department."

He, and his nine-person staff, are, however, responsible for the protection of some 9,200 Air Products employees and \$450 million worth of property around the world.

He described Air Products' business as breaking down into three basic categories—industrial and welding gases (of which much of the processing requires oxygen and nitrogen generating facilities within other plants); chemicals, both industrial and agricultural; and a catalytic construction company, which builds chemical and process facilities.

With these kinds of risks, Mr. Rolling said his company was "a reasonably large purchaser of insurance coverage with about \$3 million a year going to premiums. We have some rather large deductibles, which comprise most of our self-insurance activity."

AIR PRODUCTS, according to Mr. Rolling, has "the standard coverages, from boiler to surety," placed through Marsh & McLennan.

He noted that the company's buildings were of the "highly protected risk type, covered by the Factory Insurance Assn."

Mr. Rolling has a B.S. in aeronautical engineering and "worked in the aerospace industry before going back to school and getting my M.B.A."

He joined Air Products in 1965 and worked in both the engineering and treasury departments. For the two years prior to his appointment as insurance manager for the company, Mr. Rolling was controller for the Houdry Division, a chemical branch.

Container ship tests

Lloyd's Register of Shipping is collaborating with the Swedish Ship Research Foundation to obtain stress, pressure and ship motion measurements for container ships. It has two expert surveyors on board the Nihon, 34,447 tons, which was built in Sweden and is now on a round the world voyage. Structural problems in the design of container ships have arisen because of the need for very large hatch openings, and it is felt that actual measurements at sea should be compared with the usual analytical techniques adopted at the design stage so as to plan for future generations of container ships. Lloyd's Register is a separate body from Lloyd's of London, the insurance center, but works in close liaison with the company's interests.

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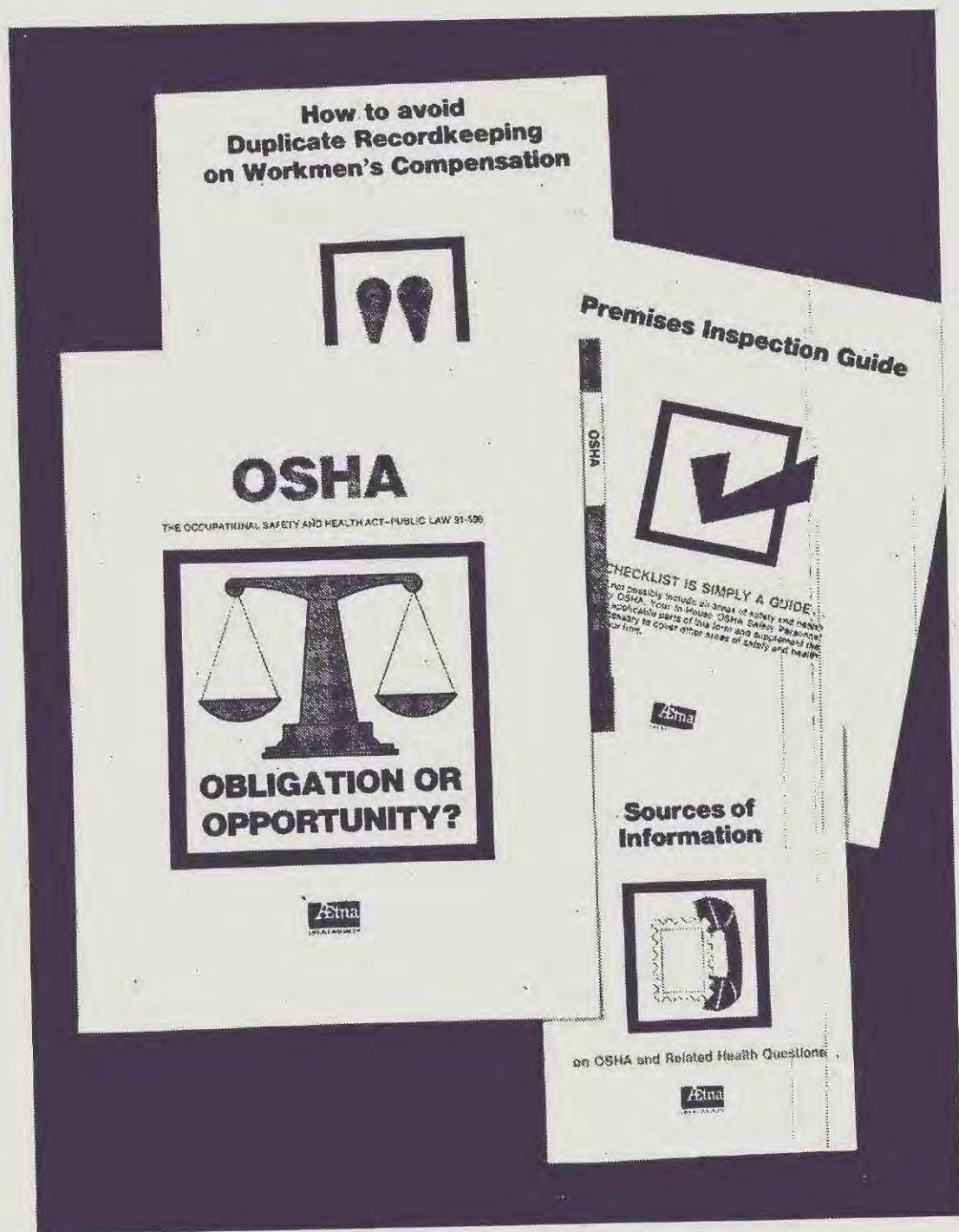
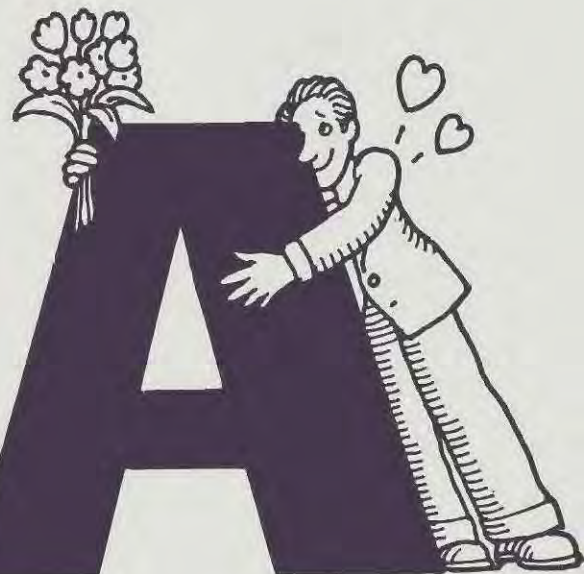
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\$380,000 due: But will the real corporate head please stand up?

By TOM WALSH

CHICAGO—Insurance settlements totaling \$380,000 are due the Lincoln Educational Institute on life insurance policies covering its three officers found murdered last February in Indiana.

Unfortunately, a year of legal battles later, nobody knows for sure just who is the real Lincoln Educational Institute.

The sole surviving partner says he is and has a buy-sell agreement to prove it. The wives of the murdered officers say they are and claim the buy-sell agreement is a phoney. A federal court judge says he wants no part of the whole legal mess, and a Cook County circuit court judge this week will read the umpteenth amended petition filed in the case.

As if things weren't complicated enough, the wives of the

murdered men are seeking \$1 million from the institute's surviving founder in a civil action, alleging that his handling of the one-room high school correspondence school here has been less than adequate.

An immediate solution to the legal puzzle does not seem likely, but one lawyer involved in the confusion says he doesn't expect the case to ever come to trial and that an out-of-court settlement

might come "in a short time."

The correspondence school began as a part-time, joint business adventure for its four founders, James M. Biederman, Lawrence C. Foley, Daniel Tobias and Ronald Mustari, who issued stock and elected officers. Mr. Mustari, a full-time employee of a competing high school extension firm, was the primary stockholder with 40% of the shares. Each of the other partners obtained 20%, and Messrs. Biederman, Foley and Tobias, respectively, were elected president, vp and secretary-treasurer.

Mr. Biederman, when not working after-hours with the school, was employed as an in-

surance salesman for Fidelity Mutual Life Insurance Co., and, when the four partners decided they should insure themselves with life coverage payable to their Educational Advisory Services Inc., Mr. Biederman was happy to oblige. He insured himself and his three partners in late 1970 with two policies each. Each partner obtained one \$100,000 policy, and all but Mr. Foley, who Fidelity Mutual Life considered overweight, also obtained an additional \$30,000 policy. Mr. Foley was insured for an additional \$20,000. Mr. Biederman collected premiums on all the policies.

On Jan. 10, 1972, the four partners decided to further protect their corporation with the now-contested buy-sell agreement, which, in effect, promised that, upon the death of any of the stockholders, the stock could only be sold back to the corporation.

ARTICLE THREE of the agreement says, "Upon the death of the stockholders first to die, second to die and third to die, the corporation shall buy, and the estate of the deceased stockholder shall sell, all the stock of the corporation which the deceased stockholder owned." Article five, among other things, stipulates that the agreement shall continue in full force until terminated by "the dissolution of the corporation."

The agreement is signed by all four partners.

One month after the contested agreement was signed, the bodies of Messrs. Tobias and Biederman were found behind an abandoned motel in Portage, Ind., and the body of Mr. Foley was found in the back seat of his snow-covered car in Gary. All three had been shot in the head, and the labels of their clothes removed in a macabre mafioso manner designed to hinder quick identification of the victims. The murders remain unsolved, but, despite the professional tidiness, police suspect the killings were the work of amateurs.

Why the men traveled to Indiana the night they were killed remains unclear. One of the murdered men told his wife he was attending a meeting to arrange a business deal, and a note found in a roadmap in Mr. Foley's car, apparently a memo reminding him of the meeting, said the get-together in a Gary restaurant was "for the purpose of negotiating a large sum of money." The three partners were last seen alive talking to an "angry black man."

MR. MUSTARI, who was traveling through the Southwest on the night of the murders, is now pointing to the buy-sell agreement, arguing that it is legal and binding and, consequently, claiming that the insurance money and the corporation now belong to him. A week after the murders were discovered, he held a special meeting of the stockholders of the corporation, and, being the only stockholder alive and present, unanimously voted himself the sole director. When he attempted to collect the insurance payment and demand the sale of the outstanding stock owned by the murdered men, the legal war began.

After arming themselves with a small platoon of lawyers, Mrs. Biederman et al claimed that the signature of her husband on the buy-sell agreement was a forgery, and said that, even if it wasn't, the agreement wasn't binding. Citing the State of Illinois Business Corporation Act, her lawyers pointed out that the law re-

Continued on page 28

"The time has come," said R. B. Jones, "to talk of many things... of ships and shoes and sealing wax, of cabbages and kings."



As the man from R. B. Jones gazes out of his seventeenth story window, he looks down into the New York Seaport Museum on the shore of the East River, where vintage ships are being collected for permanent display. His attention is drawn to a large tow slipping silently by, and he reflects with satisfaction that the tugboat and its barge were the subject of intensive discussions a fortnight before when he was working on the renewal of

their insurance in London. This man from R. B. Jones, and all his co-workers, place much of the insurance on the commercial watercraft in the New York area. He is involved with hulls and cargoes going to and coming from every port in the world, and with as many inland river shipments. He writes insurance on ships, shipyards, and other shore facilities among which is one of the world's largest drydocks.

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Continued from page 24

quires that a corporation have at least three directors. When the three officers died, they argued, the corporation had no directors, and, consequently, was dissolved at the time of their deaths, invalidating the buy-sell agreement.

IN AN attempt to claim the corporation, the survivors and their attorneys met July 31, 1972, and elected their own directors. Considering themselves now the legal executives of Educational Advisory Services Inc., the group intensified its legal effort to have Mr. Mustari's claims to the money and the business nullified. Mr. Mustari, not to be outdone, filed suit in federal district court against Fidelity Mutual Life, asking that the \$380,000 be awarded posthaste. The insurance company filed a brief which

said it couldn't pay because it didn't know which set of directors represented the real corporation.

"There is serious question whether the counsel who filed the federal suit on behalf of the corporation ... represents the corporation and has the authority even to file suit in its behalf," the court said. "It appears, therefore, that the federal suit may have been filed primarily as a tactic in the internal corporate dispute."

Case dismissed.

AS THE I'm-the-corporation, no-you're-not-we-are battle continues, the only real losers at this point appear to be the students who had paid tuition money to take the firm's courses. Illinois has ordered the corporation on request to refund all tuition money previously collected. The corporation—whatever it really is—has a surety bond with The Royal-Globe Insurance Co. ■

Bill to increase federal flood cover on the way

WASHINGTON—The Nixon administration is preparing to re-introduce legislation that would sharply increase the limit on subsidized and actuarially determined government flood insurance for business and industry.

At present, owners of non-residential structures in flood-prone areas can obtain \$30,000 on structure and \$5,000 on contents at subsidized rates amounting to about \$217 a year. In addition, \$35,000 more can be purchased at actuarial rates in 500 communities (out of 1,600 eligible for federal flood coverage) for which actuarial rates have been established by the Federal Insurance Administration (FIA).

At these limits, useful mainly to

stores and other small businesses, about 15,000 owners of non-residential structures had obtained government coverage as of Jan. 31. This figure is up considerably since Hurricane Agnes, and FIA officials expect it will increase rapidly especially among larger businesses and industry, if higher limits are passed by Congress.

The administration bill, which reached Congress late last session and thus failed to move, will return in both the House and Senate either late this month or in March. In its present form, the bill would increase the limit on subsidized flood coverage to \$100,000 on structure and \$100,000 on contents. An additional \$100,000 on structure and \$100,000 on con-

tents could be purchased at actuarial rates where they are in effect.

The \$200,000 subsidized coverage limit would cost approximately \$1,350 a year, and the \$400,000 ceiling, including the \$200,000 layer at actuarial rates, might run between \$3,000 and \$4,000 a year, FIA officials said.

The subsidized coverage is limited to existing structures in keeping with FIA policy against encouraging new construction in areas with records of flood damage. Buildings or plants in planning stages could get coverage only at actuarial rates. This was said to be FIA's way of suggesting that business and industry "either not build in flood-prone places or be sure to build properly."

ONE TOP FIA man said he would "certainly expect business and industry in flood areas to take us up on the new limits," if Congress approves them. He said companies like Corning Glass, Corning, N.Y., which sustained close to \$2,000,000 in damages from Hurricane Agnes, "could take our coverage up to the limit and their private rates would go down accordingly." Other FIA sources said Corning was typical of large companies with "difference in conditions" private flood coverage which are looking for ways to cut back on higher private rates resulting from flood damage last year.

As reflected in the sharp increase proposed for them in the bill, contents of structures has been the biggest flood loss problem in business and industry. Reportedly there will be pressure after the bill is introduced to raise the coverage limit in this area alone to upwards of \$500,000. ■

The economic climate in recent years has required a wide choice of funding vehicles in order to achieve the best investment results. Consider the flexibility we offer your pension or profit sharing plan through these separate investment accounts:

Our Separate Equity Securities Account for long term growth through investment in a diversified portfolio of common stocks of major, well established companies.

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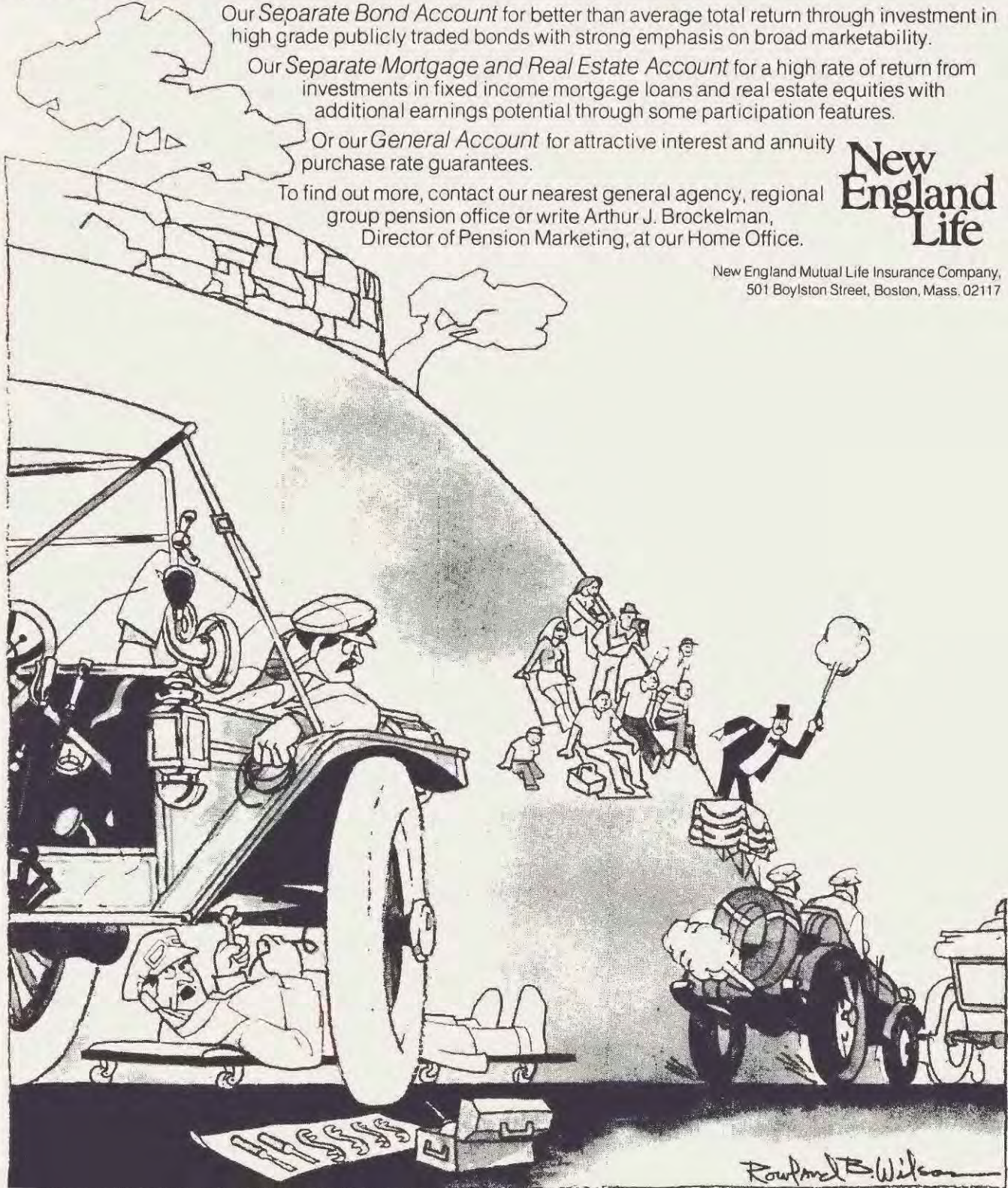
Our Separate Mortgage and Real Estate Account for a high rate of return from investments in fixed income mortgage loans and real estate equities with additional earnings potential through some participation features.

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Funds slow rate of stock acquisitions

WASHINGTON—Securities and Exchange Commission figures for the third quarter of 1972 show that private non-insured pension funds had "noticeably" reduced net common stock purchases for that three-month period.

The pension funds, on a net basis, purchased nearly \$1.2 billion of common stock during last year's third quarter, the smallest amount bought during a calendar quarter in two years. Both gross purchases (\$4.6 billion) and gross sales (\$3.4 billion) were down from the previous quarter.

The SEC indicated that the funds increased their total asset holdings by \$1.4 billion during the same quarter. Private non-insured pension fund managers increased their holdings in corporate bonds and U.S. government securities during the period as well as buying the \$1.2 billion of common stock. The commission said that portions of preferred stock and mortgage portfolios were liquidated by the pension funds.

Life insurance companies also had decreased common stock purchases for the quarter while property and liability insurers, however, set a record for their industry's common stock acquisitions during a quarterly period.

Life insurance companies normally purchase higher amounts of common stock than the property-liability companies but last year's third quarter reversed the trend with the property-liability firms buying a net \$0.7 billion and the life insurers a net \$0.4 billion. ■

"It's time we looked into other investment vehicles, Stanley."

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

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

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

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

Could your insurance man decorate your company offices?

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

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

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

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

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

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

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

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

Through a hard-working employee benefits and communications program.

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



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

He should.

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

Did he ever write a book?

We wrote one to help growing companies

cope with success. It's entitled: "How To Tell When Your Company Has Outgrown Its Insurance Service."

Just write:

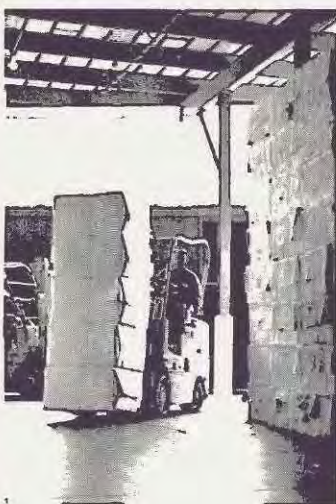
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Nevada told to adopt a no-fault plan

CARSON CITY, NV.—Dick Rottman, state insurance commissioner, said he has received a committee report urging the state legislature to adopt a no-fault insurance plan in the coming session.

Mr. Rottman said the recommendation came from a committee named by Gov. Mike O'Callaghan to study the no-fault question.

There is presently no mandatory insurance in Nevada for cars or commercial fleets such as busses, trucks or company cars. The new no-fault proposal would require every owner of a motor vehicle to have an insurance policy, including insurance on fleet cars, or face a criminal misdemeanor charge.

"I would say there is a possibility for a small rate decrease under no-fault," Mr. Rottman said. "But people shouldn't get their hopes up." He added he is "emphatically" opposed to raising insurance rates.

The committee recommended that a person hurt in an accident receive up to \$2,500 for his injuries and up to \$5,000 for his loss of salary and other income. If these limits were exceeded, then the individual would have the right to file suit in court against the other person involved in the accident.

If there was no one else involved in the accident, a person would be covered up to \$10,000 for medical expenses for \$10,000 for loss of income, said assemblyman Randy Capurro, one of the members of the committee.

He said the recommendations require the insurance company to pay the claim within 30 days or face disciplinary action from the state insurance commissioner. ■

Some companies are in OSHA "target industries!" Others are sitting ducks.

They're all vulnerable to prosecution under the federal Occupational Safety and Health Act. The difference is that some are more vulnerable than others. The agency charged with enforcing the Act has the weapons to make enforcement effective, with stiff monetary penalties, and even court-ordered plant closure facing convicted violators. And though it is of paramount importance, compliance is becoming increasingly difficult. The Act is so far-reaching, with complex and constantly changing standards, that keeping track of a company's position under the law has become more than a full-time job.

That's why The Bureau of National Affairs, Inc., publishes the Occupational Safety and Health Reporter (OSHR). So that the person responsible for his company's position vis-a-vis the Act can have a single source for facts in this sensitive area. So that he can always be sure not only of his information's accuracy, but of its currency as well.

OSHR provides week-by-week, in-depth coverage of the



Occupational Safety and Health Act and all its consequences. Subscribers receive detailed information on federal and state legislative and administrative actions—including weekly reviews of Congressional activity, enforcement actions and proposed regulations and standards. And OSHR is usually weeks ahead of other services in the field.

At the heart of the service are two valuable reference binders containing full texts of current standards, inspection

regulations, the Compliance Operations Manual, statutes and state plans, plus HEW's annual list of toxic substances.

A third binder houses all significant court and Occupational Safety and Health Review Commission decisions.

With each new development or happening in the continual definition of the law, OSHR users receive replacement pages to keep their information source up-to-date and complete.

Compulsory high-rise fire drills urged

SAN FRANCISCO—Compulsory periodic fire drills in all buildings of six or more floors have been proposed here by directors of the Western Assn. of Insurance Brokers and the Insurance Brokers Assn. of California as a means of reducing potential loss of life from fires in high-rise office structures.

The proposal was made by the brokers' high rise safety and loss prevention committee headed by George Andreini, San Mateo, and Maurice Sidy, Los Angeles.

The committee will hold a series of meetings with fire department and insurance company representatives in major West Coast communities, to develop high-rise fire safety recommendations. The recommendations will then be used in a compilation of data for distribution to building owners and insurance industry people.

While the proposal was being presented, employees of the California insurance commission, housed in a four floor building here, held their own fire drill, the first within the memory of any of the employees.

One discovery made during this fire drill was that the state of California now has no requirement of any kind of warning device in state buildings, for use in the event of emergency. ■

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Suit filed against Thiokol, Army challenges workmen's comp law

BRUNSWICK, GA.—A \$625 million claim against the U.S. Department of the Army over a fatal explosion two years ago (*Business Insurance*, Jan. 1) has turned into a \$670 million suit against the Army and Thiokol Chemical Corp.

The suit, which challenges Georgia workmen's compensation law, was filed by Joseph Jones Jr., an attorney representing relatives of 15 of the persons killed in the explosion and fire at Thiokol's Woodbine, Ga. plant Feb. 3, 1971. Mr. Jones also filed suit on behalf of 27 other persons who suffered personal injury in the blast.

The original claims were filed against the Army under the Fed-

eral Torts Claims Act but the military denied the claims and Mr. Jones brought suit one day before the statute of limitations ran out.

It was first pointed out that Thiokol, whose employees at the plant were working on magnesium trip flares for the Army's use in Southeast Asia when the blast occurred, could not be held liable because, under Georgia law, an employer who provides workmen's compensation is liable only for the statutory amount of the compensation. Aetna Life & Casualty provided the comp bene-

fits for Thiokol.

"This is an old law," Mr. Jones told *Business Insurance*, "and it needs changing. This may be the case that changes it."

"There is something in the law that says an employee who is injured as a result of his own willful conduct is not eligible for workmen's comp benefits," he continued. "Well, shouldn't the logical antithesis be that wanton, willful misconduct on the part of the employer cause him to lose his protection under the law?"

"Anybody can be sued for anything these days," was the re-

sponse to the suit by a source at Thiokol's headquarters in Bristol, Pa. "The merit of the litigation is an entirely different matter. The plaintiffs will have to change the law in Georgia to win this and I just don't think they can do that."

He indicated that the company was preparing a motion to have the suit dismissed. He did not know exactly when the motion would be filed but said, "It won't be too long. You don't like to delay on things like this."

THE COMPLAINT charges both Thiokol and the army with "grossly negligent conduct." It lists 14 specific points, ranging from the Army's alleged failure to "adequately supervise, control and inspect the work being performed" at the plant to Thiokol's allegedly

failing to provide a safe place for its employees to work.

The suit also asks an additional \$35 million in punitive and exemplary damages, a jury trial and court costs.

The explosion at the Woodbine plant, one of the worst industrial accidents in terms of loss of life, killed 29 persons and injured 30 others, many of them burn cases.

The survivors and relatives of those killed received workmen's comp benefits from Aetna and group life insurance and accidental death benefits from The Equitable Life Assurance Society of the U.S. The maximum death benefit amount payable under Georgia workmen's comp law is \$17,000 while the life and accidental death benefits were \$7,500 each bringing the total minimum benefit for survivors to \$32,000. ■

Fidelity selected as new insurer

LAS VEGAS—The Clark County insurance committee has selected Fidelity Bankers Life Insurance Co. of Richmond, Va. to provide coverage for more than 3,400 county employees.

Selection of the firm, which was low bidder among six contestants, was made during a meeting of the board of county commissioners. The county insurance committee is a group of county employees who review each of every insurance company proposals.

The county's current insurance carrier, Continental Life and Accident Co. of Boise, Id., pulled an 11th hour deal on the county last summer that cost \$28,000 in extra premiums (*story, page 38*).

THE FIRM notified the county that its premiums were going up 25 percent a year only one month before the effective date, leaving the county with no choice but to renew the policy on a six-month basis or leave employees uncovered. The \$28,000 was an additional cost above the regular premium charge. Total premiums paid to Continental Life in 1972 totaled \$623,473.

In the bidding last week, Continental Life submitted three proposals, but was outbid by Safeco Insurance Cos. of Denver, Prudential Insurance Co. of America, Los Angeles, Continental Life Assurance Co. of Chicago, Continental Group Agency Inc. of Las Vegas and Fidelity Bankers.

Fidelity has asked for a premium of \$20.82 a month for a single employee, about \$1.80 more than Continental charges now. The county pays the entire premium for single employees.

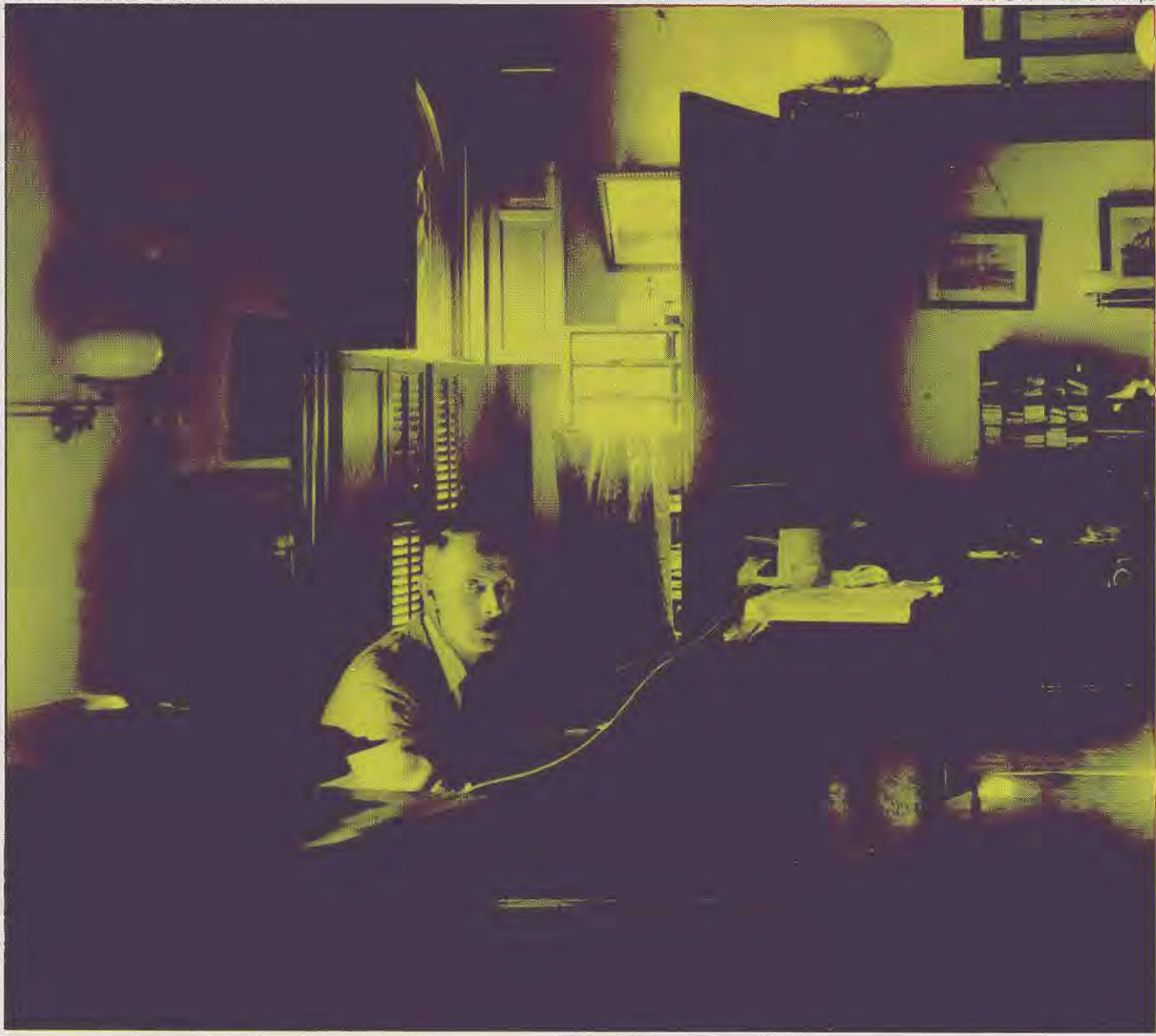
Premiums for coverage of employees' wives and children will remain roughly parallel to the present cost. ■

Farm worker injuries

Nine Washington farm workers died and an estimated 1,300 were injured as a result of job accidents last year, said William C. Jacobs, director of the state department of labor and industries. As a result of the fatalities, \$260,000 was paid in workmen's compensation funds. The figure included pension reserves set aside for monthly payments to widows, immediate \$800 payments to each widow and burial expenses.

ANNALS OF AMERICAN BUSINESS NO. 5

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Failure of the Scraggs Insurance Agency!

Could Ansul Have Prevented the Debacle?

Three generations of Scraggs had capably served the insurance needs of Twelvetees County. Consequently the failure of the tradition encrusted agency came as a great shock to local citizens. Records of the Trustee in Bankruptcy reveal that the firm was done in by an unfortunate combination of circumstances.

Clyde Scraggs Emerges a Broken Man.

First was the steady decline, over a period of years, in the writing of new business. Clyde Scraggs, grandson of the founder, was quoted as saying, "We had insured everything in the county that was safe to insure; there

were no further worlds to conquer."

When the Twelvetees Stanchion factory was destroyed by fire, the agency's doom was sealed. The blaze served to erode the confidence of several large insurance underwriters in the business judgment of the Scraggs management. Young Scraggs stoutly maintained to the end that the factory had been adequately protected by the finest water buckets money could buy.

From This We Learn a Lesson.

Had Scraggs been aware of the unique products and services of The Ansul Company he might have averted the disaster.

For example, Ansul's "clean agent" systems might have been just the

ticket for the Stanchion plant. By knowing about and recommending Ansul's wide range of services—hazard analysis, training, maintenance—and its line of precision engineered equipment, he might have been able to write fire insurance on hazards otherwise uninsurable. Or he might have been able to provide extended coverages—because he would have known that the danger of serious fire loss would be greatly reduced.

The Ansul System is a good thing to know about—a fact to which many successful insurance men will testify. The Ansul Company, Marinette, Wisconsin 54143.

THE ANSUL SYSTEM.



business insurance

PERSPECTIVE

Explosion...

Continued from preceding page

relief devices.

It seems appropriate to review here what explosion risks the extended coverage endorsement is intended to cover. There are hundreds of situations that are included, but the following indicate the principal types:

- Detonation of explosives such as bombs, damage from blasting at nearby sites, or the explosion of material on trucks or railroad cars;

- Explosion of flammable vapors or liquids, such as might occur in garages, filling stations or other occupancies where volatile and flammable liquids are used;

- Gas explosions where gas leaks into a structure from underground mains or from equipment within a building;

- Dust explosions, which are especially likely in grain elevators and similar occupancies but can also occur in wood-working plants;

- Chemical reactions that produce a violent and destructive force, which might occur in a laboratory or in a plastics manufacturing plant;

- Explosion of pressure vessels such as hot water heating systems, refrigerating equipment, air compressors, welding tanks or oxygen equipment such as there might be in hospitals;

- Steam explosion on a neighbor's premises that is not under the ownership or control of the insured;

- Explosion of unburned fuel within a firebox even though the equipment may be steam equipment.

Many court cases have arisen because of disputes as to whether occurrences were explosions. A South Carolina case involved damage from forces emanating from an adjoining building. Witnesses said that the walls of the next door building

blew out with a roaring sound followed by a sharp noise or "boom." Debris was blown over a wide area. The court decided that this did indeed constitute an explosion within the meaning of the insurance.

In Minnesota a steel oil tank broke during extremely cold weather and allowed a large quantity of oil to rush out of the tank. The Minnesota supreme court agreed with a lower court jury that the accident was the result of a cold weather fracture and not the result of an explosion.

Several court cases have resulted from the rupture of grain storage tanks, grain elevators and silos. A principal question raised was whether the tank or silo burst

such an occurrence is hardly looked upon by the average person to be an explosion."

OTHER CASES have involved unexplained ruptures in containers that resulted in the leakage of liquids. The Wisconsin supreme court held that water damage caused by the breaking of a radiator in a heating system could not be considered the result of an explosion. The Pennsylvania superior court ruled that a break in a fuel oil supply tank could not be considered the result of an explosion in the absence of any evidence that there was an occurrence that constituted an explosion within the meaning of the policy.

An explosion often results in far-reaching effects. An explosion in the firebox

"What is the answer for the insured who wishes to have complete coverage? The best answer . . . would be an 'all risks' type of coverage under the special multi-peril policy or its equivalent."

from the sheer weight of the contents or was there an accumulation of gas within the structure that created pressure and caused the rupture. The supreme court of Wisconsin set forth the problem in one decision relating to the bursting of a silo. The court said, "The plain doctrine of the case is that an explosion as applied to silage in a silo or contents in a container must include the element of an active force independent of or in addition to the force of weight and height of the contents which seeks a sudden and violent release by breaking the container. Static or potential force or pressure resulting only from the weight of the contents in a container may cause a container to split open and release the contents but

of an oil burning furnace in one dwelling put the heating system out of commission. The lack of heat during December in Minnesota caused the water in radiators and other plumbing to freeze, resulting in considerable damage. The court decided that the total damage was the result of the explosion within the combustion chamber which put the heating system out of commission.

The extended coverage endorsement and similar wording in specified perils types of package policies does not provide adequate coverage for those fringe situations where substantial damage may occur from what may or may not be considered an explosion. What is the answer for the insured who wishes to have com-

plete coverage? The best answer (short of a manuscript policy that is written specifically for an insured) would be an "all risks" type of coverage under the special multi-peril policy or its equivalent.

COVERAGE of these broad form policies is against "all risks of direct physical loss" subject to limitations and exclusions. Exclusions applicable to the explosion hazard are: "Explosion of steam boilers, steam pipes, steam turbines or steam engines (except direct loss resulting from the explosion of accumulated gases or unconsumed fuel within the firebox, or combustion chamber, of any fired vessel or within the flues or passages which conduct the gases of combustion therefrom) if owned by, leased by or operated under the control of the insured, or for any ensuing loss except by fire or explosion not otherwise excluded, and then the company shall be liable for only such ensuing loss. Mechanical breakdown, including rupture or bursting caused by centrifugal force."

These perils may be covered by the boiler and machinery policy which has been described. Further protection for special hazards such as nuclear reactions might be arranged with insurers under a specially manuscripted policy where occasion demands. The best arrangement for most policyholders would be to buy an "all risks" type of policy, plus a boiler and machinery policy where this hazard exists.

One final piece of advice is to buy the explosion and fire insurance from the same insurance company wherever possible. A five-year dispute involving well over \$1 million recently was settled by a United States court of appeals. Insurance against loss by accident, including explosion, was in one company—fire insurance was in another company. The insurance company with the accident policy alleged that an explosion of a compressor was caused by a fire within the compressor, and extended litigation resulted.

Work week...

Continued from preceding page

Again, if we are to keep to a minimum the damage to our environment, we must keep to a minimum, or utilize more efficiently, the physical investment involved in our service industries.

Suppose we decide to keep our standard of living from increasing or, more probably, we try to keep it from rising too rapidly. This would imply that we should increase our leisure time. What form could this increase in leisure take?

Longer vacations are one possibility. In the early years of this century, vacations were usually not more than a week or two in length. Now they may be of three, four, or five weeks, especially for employees of long service. However, longer vacations can absorb only a small proportion of the increase in productivity which appears to be ahead.

SABBATICAL LEAVE is a practice offered mainly in the field of education, where a year of leave at full or half pay may be granted for travel, research, or writing.

Something of this nature may be of value in the field of business. The closest approach to this by industry is the benefit negotiated by United Steelworkers of America to provide a thirteen-week vacation every five years for employees of long service. The fact that sabbatical leaves are not used to any extent would indicate that there are serious scheduling or other difficulties involved.

Early retirement is certainly another possibility. In fact it is now frequently used by many companies to reduce the work force when this becomes necessary because of poor business conditions or for other reasons.

THERE ARE disadvantages to early retirement. The workers involved may have skills and experience of value. Yet they are frequently lost to the work force, and to that extent society has lost an asset of value. Also, employees who retire early may have an inadequate income and become monetarily dependent on society.

"One alternative to working fewer days a week is to work a shorter day. However, this may increase commuting time and expense . . ."

One alternative to working fewer days a week is to work a shorter day. However, this may increase commuting time and expense in relation to hours of work. And the shorter work day would not produce the feeling of available leisure which would come from an additional day without work.

All of these possibilities seem to indicate that the increase in leisure made available by rising productivity should take the form, if possible, of fewer days of work in the work week. This would result in increased leisure on the most efficient basis.

Still, there is a problem here. During the first half of this century there was a long continued fall in the number of hours in the work week. The average work week was reduced by approximately twelve hours during the fifty years from 1899 to 1949. But it could be said that practically all of this change occurred in two short periods, one in the depression of the thirties and the other in World War II in the forties.

From 1930 to 1934, the average work week fell from 47.7 hours to 41.7 hours, or by six hours a week. From 1944, the last full year of World War II, the average

work week fell from 47 hours to 41.6 hours in 1949, or by 5.4 hours. Very roughly it might be said that these two changes marked the two big changes in the work week, one from six to five-and-a-half days, and the other from five-and-a-half days to five days.

IT IS now time for a similar step from the five day week. The change from the six day week was taken in two steps, one with the help of the depression of the thirties, and the other with the help of World War II.

Can we make this change without

depression and war? Obviously, we are having difficulty doing it. During the period from 1950 to 1972, there has been practically no change in the average work week.

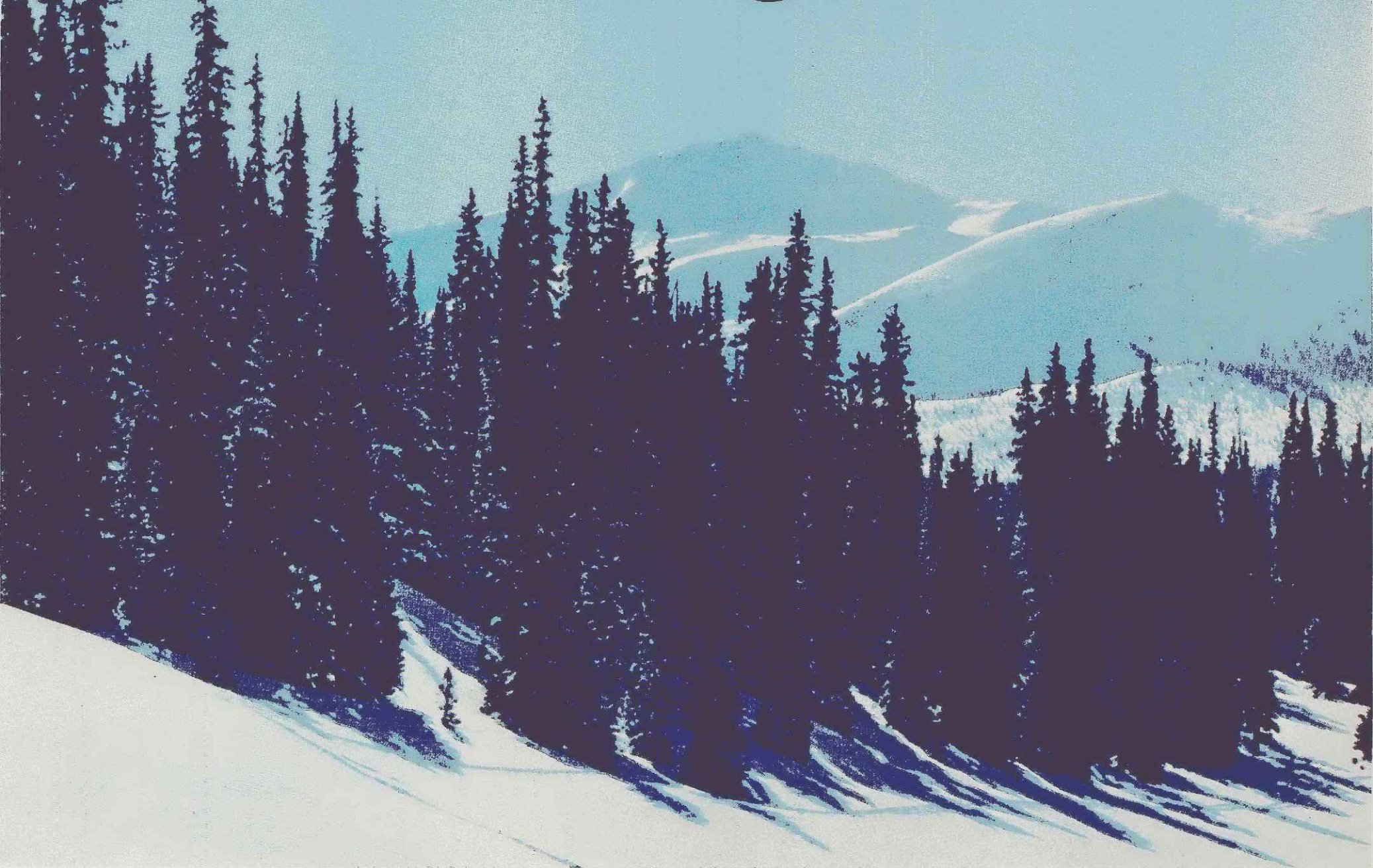
Perhaps there is nothing wrong with this. Perhaps we should not worry about ecological damage. Yet consider this possibility: If acceptable forms of leisure are not increasing, is it possible that, instead, we are creating unacceptable forms such as unemployment, crime in the streets and turmoil in our schools? If this is so, we should look carefully at the fact that the length of the work week is no longer decreasing.

BEFORE we go on to a study of the work week, let us consider education as one factor in the length of the work week. One thing our rising productivity has made possible is an increase in the time which young men and women can devote to education.

In the early years of this century most youngsters left school in the early teens. Now most students do not leave school without a high school diploma, and a year or two of college may be more typical. This increase in the period of education has undoubtedly been a factor in the increase in the productivity which has made possible so much that we have.

But the turmoil surrounding education and the problems of financing it indicate there may be something wrong with the way we do this now. This, and its influence on the work week, will be discussed in remaining articles in this series.

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Insurance firm's premium hike leads county to evaluate its insurance plan

LAS VEGAS—A last-minute demand for higher premiums by the provider of medical and life insurance for county employees has cost taxpayers here \$28,000. The county has now decided to look elsewhere for the insurance.

A crisis arose in the Clark County, Nv. insurance setup when the current carrier, Continental Life and Accident Co. of Boise, Id., wired the county on Aug. 1 giving new premium rates effective Sept. 1. Continental's contract expired Aug. 31.

County officials immediately balked at what they termed "blackmail" by the insurance firm. James Banner, county personnel officer, said the company only gave the county a one-

month notice of the impending increases. For the county to get insurance coverage from another company, he said, would have required the commissioners to call for bids and prepare specifications, a process which takes far in excess of 30 days.

Almost to prove Mr. Banner's point, bids finally were received last week after the county originally began considering them last August. The bids still must be studied.

THE COUNTY was "forced" to accept one of the two Continental Life proposals, Mr. Banner said, or leave county employees without insurance while bids were sought and studied.

Continental had asked for either a 25 percent increase in premiums over a 12 month period or a 15 percent hike on a six month contract. Acting on Mr. Banner's recommendation, county commissioners accepted the six month proposal on Aug. 15. The estimated \$28,000 additional cost—above the old premiums—was to be obtained from the county's contingency account. Premiums paid Continental in 1972 totaled \$623,473.68.

Grumblings from the county concerning Continental's handling of the premium increase request eventually found their way back to the company. A spokesman for the firm wrote Mr. Banner to explain the reasons behind the late

notice. "We were working right down to the last minute available to do the very best we could as far as rates were concerned," he claimed.

But the county was determined not to let Continental go on its way unmolested. Observing that the firm had been the exclusive county carrier for four years, some county officials considered the company's latest action an act of "treason."

AGAIN ON Mr. Banner's recommendation, the commissioners appointed a county insurance committee "to get bids from other insurance companies and look into the advantages of self insurance."

Self-insurance, which Mr. Banner favors, means the county would collect its own premiums, judge claims and pay them. The only outside influence would come from a special administrator, expert in the ways of insurance, who would oversee the county program.

The committee did study self-insurance but, perhaps afraid of the dangers involved, decided to look at proposals from other insurance companies first.

They met last week to hear officials of insurance companies explain their bids. On the surface, the best proposal appeared to come from Fidelity Banker's Life Insurance Co. of Richmond, Va. Continental looked to be at the back of the pack. One committee member, however, noted benefits provided and a number of other varying factors makes a surface comparison of the proposals impossible. "They (the bids) are like comparing apples and oranges," he noted.

Members of the committee plan to meet again to further study

the insurance bids.

Affected by the bids will be a total of 3,416 employees, including 2,268 from the county, 57 with the sanitation department, 94 from the convention authority, 140 from the health department and 857 with Southern Nevada Memorial Hospital.

One factor the committee will have to consider involves a "reserve" insurance companies keep to meet unpaid claims. Amounting to thousands of dollars, money not paid from the reserve is kept by the outgoing insurance company even though another company has won the right to provide the insurance.

This, according to one official involved, gives the present insurance carrier a "natural advantage" in bidding because it does not have to provide for building up a reserve in its bid.

It also explains one of the dangers of self-insurance, under which the county would have to build up the reserve. If a disaster struck a number of county employees at one time before the county had built a reserve, money would probably have to come from funds allocated by the taxpayers for other items. One official involved termed self-insurance "a blank check on the county treasury—fate fills in the amount."

He noted that the county cannot draw interest on premiums paid and banked, a method insurance companies use for building up reserves. He also noted Mr. Banner's proposal called for the county to insure only the medical while going to bid on the life insurance. Life insurance, the officials said, is very profitable to the carrier and premiums made are often used to hedge against loss on the medical portion. ■

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Self-insurance concerns insurance commissioner

COLUMBUS, OH.—Kenneth DeShetler, Ohio's insurance commissioner, says he's bothered by the applications of self-insurance in his state and intends to do something about it.

What?
He's not sure. But something.
"Our main concern about this thing is solvency," said the 44-year-old former judge in Toledo's municipal court. "We're concerned that the same thing doesn't happen with self-insurance that happened with private pension plans which dried up due to poor funding. We're also concerned about conversion rights. What does a person convert to after he's through working for a self-insured company? There may be tax inequities, too, but we're more concerned about the effects of self-insurance on the insured."

MR. DeSHETLER'S staff is now studying the recent St. Louis County circuit court ruling which prohibited Monsanto Corp. from continuing its self-insured employee medical and sickness plan to determine if a similar suit should be filed in Ohio.

"We're going to do something about it. What and when we can't say at this point. It may be a lawsuit or a regulation, or we may go to the legislature and ask for legal restraints," he noted.

One possible solution mentioned by Mr. DeShetler was requiring companies who self-in-

sure their own benefit programs to purchase performance bonds from an established insurance company.

"This would free a state's regulating agency from having to check and keep tabs on what every business is doing," he said. "This way an insurance company could watch over what's going on, maybe administer the plan for a fee and sell some excess coverage. The demands that would be placed on an office like mine by having to watch over everybody would be incredible. It's really one hell of a problem to regulate every company."

Mr. DeShetler said his office is not studying the extensiveness of self-insurance in Ohio. ■

Discharged exec sues for pension

NEW HAVEN, CT.—James Wyper Jr., fired from his job at Providence Washington Insurance Co., Providence, R.I., because of alcoholism, is suing his ex-employer in U.S. district court here for \$200,000, claiming he is not receiving pension benefits.

The court action says that the 55-year-old Mr. Wyper joined Providence Washington Insurance as an executive vp in September, 1966, with the understanding that he would eventually become president. Part of the agreement, it is said, allowed Mr. Wyper to gain credit for pension benefits dating back to September 1940, for prior service with another insurance company (Hartford Fire Insurance Co.).

THE SUIT contends Providence Washington must pay the pension if an employee is mentally or physically incapacitated and the majority of the pension board votes to allow the benefits. Service with a similar company counts towards that pension, according to the suit.

The suit points out that Mr. Wyper became an alcoholic between 1967 and 1968 and was discharged from his job in May, 1968.

The pension board has made no ruling one way or the other as to his benefits since his departure, according to the suit. But, it adds, Mr. Wyper was informed that the company would evaluate his pension rights only when he reaches age 65.

The court action contends that he is entitled to \$20,000 a year—or half the salary he was drawing while on the Providence Washington Insurance payroll. ■

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Consultant predicts pension bill will be passed by Congress this session

NEW YORK—Referring to "an idea whose time has come," Hewitt Associates partner Thomas H. Paine told his audience at a Hewitt sponsored seminar here that, in his opinion, there would indeed be pension legislation passed in this session of Congress, "probably in 1974."

Mr. Paine, however, carried his powers of clairvoyance (buoyed by conversations with government officials) even further by informing the attendees that any legislation that did make it through the legislative process "will probably be a lousy bill."

Passage was fairly well assured, he felt, because "there's a higher-than-ever possibility of a bill getting out of committee and coming up for a vote." Once a bill made it out of committee, he asserted, its chances for passage were quite good.

HE SAID the bill would be a lousy one because "many Congressmen, notably Senators, are not listening to the people who know the most about the subject. They are working on preconceived notions and are getting advice from people who don't really understand the problem."

At the same time, he castigated the private pension "experts" for not doing anything really constructive in the fight

for legislation. He pointed to the area of funding as an area in which the private pension community had been particularly derelict. "Many pension experts appear before Congressional committees and say, 'We don't want vesting,' and let it go while some of the funding mechanisms in the various proposals would be absolutely disastrous."

As an example of this he named the Williams-Javits proposal which, he said, "would be impossible to administer without the pension fund manager having complete control over the actuarial process and, probably, all investments."

Mr. Paine advised all those who wanted to get involved in

the legislation to "do your homework. Read the bills thoroughly."

He noted that the major thrusts of all pension legislation fell into five areas: Improvement of administrative standards, such as disclosure and fiduciary standards; prevention of loss of accrued benefits, through vesting and portability; requiring money to back up pension promises through such schemes as termination insurance; increasing the regulation of private funds; and spreading the advantages of private funds, such as making them mandatory or providing tax incentives.

Vesting should be checked very closely, Mr. Paine advised. "There are questions," he said,

"that should be asked. For example, if an employee began work at age 25 and wants to retire at 45, is he two-thirds vested, because he has worked 20 of the 30 years required by some proposals, or is he half vested since he has only worked half the distance to age 65?"

He also contended that, contrary to what might be heard elsewhere, the costs for the three main types of vesting to appear in the different bills were all about the same.

REGARDING funding and regulation, he said that the Internal Revenue Service and any company's accountants were a tough regulatory force that was already in existence.

Mr. Paine was very kind toward the concept of plan termination insurance. "This is one way of guaranteeing the money behind the pension promise," he said, "and I think it is superior."

It meets the problem directly in that you have money today to meet your obligations if your plan closes today."

HE SUMMED up his discussion of the subject by making still another prediction:

Mr. Paine pointed out that the House labor committee had split its proposed legislation into two pieces, increasing its chances for passage. H.R. 2, sponsored by Rep. John Dent (D.-Pa.), contains fiduciary responsibility, vesting and funding requirements while H.R. 462, also sponsored by Rep. Dent, carries the provisions for portability and termination insurance.

"I have a feeling Wilbur Mills (D.-Ar.), who has already begun hearings on tax reform, will go along with H.R. 2," Mr. Paine prognosticated. "If he does, the bill will get through the House and if it does that, it will probably pass the Senate." ■

Blue Cross will pay for abortions

HARTFORD—Connecticut Blue Cross, under existing contracts, will pay for legal abortions if they are performed in an accredited hospital by a licensed physician, a spokesman for the health plan has disclosed.

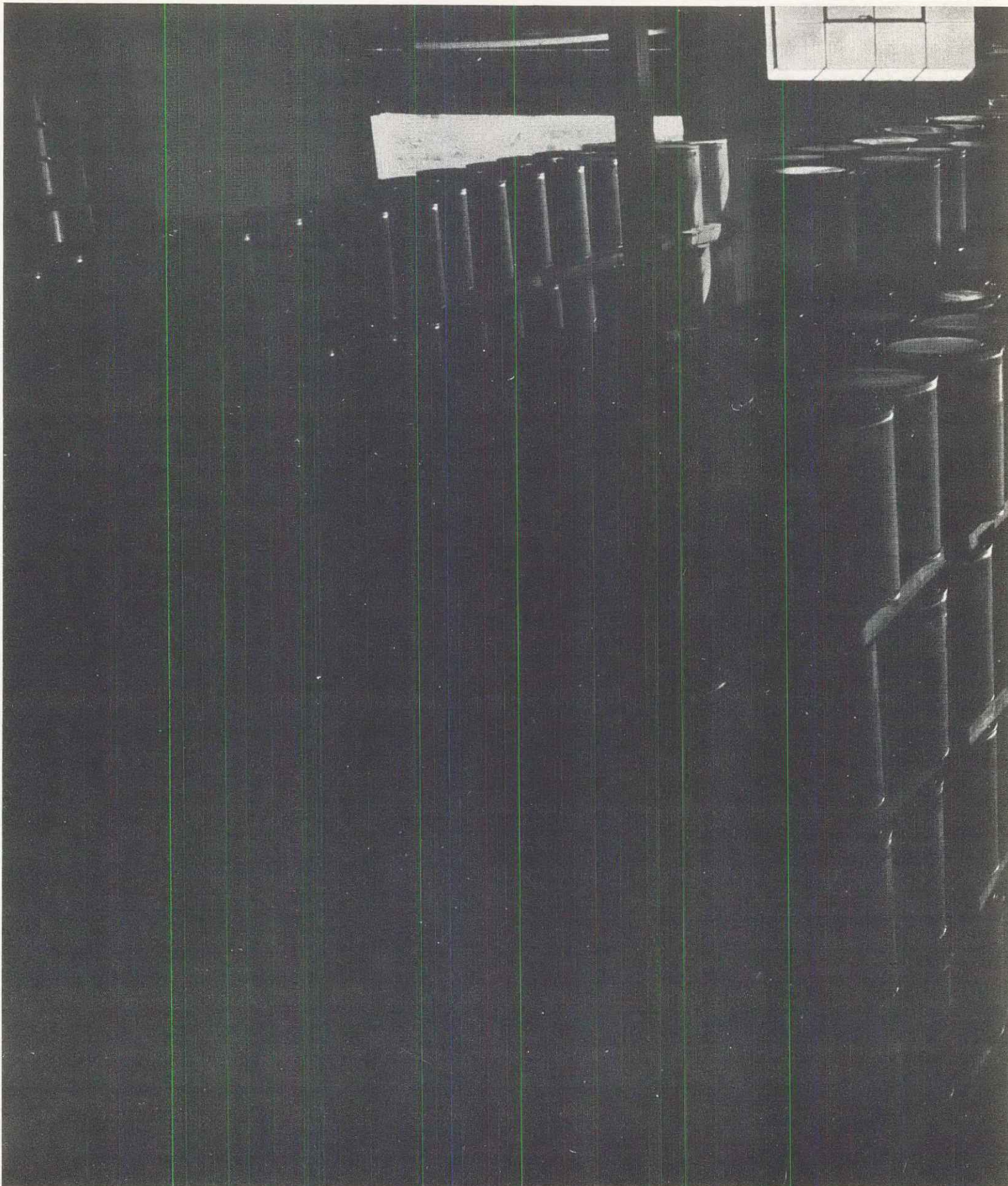
J. F. Duplinsky, Blue Cross president, said that abortions would be covered because they are not excluded specifically from contracts applicable to operations.

Mr. Duplinsky was asked about Connecticut Blue Cross contracts after Massachusetts Blue Cross-Blue Shield said it would not pay for "unnecessary" abortions performed in concurrence with the U.S. Supreme Court's liberalization of abortion restrictions.

The Bay State Blue Cross organization said that abortions would be paid for only if deemed necessary for the patients' health by their physicians. ■

Product liability case

The Oregon supreme court ruled that Chrysler Motors Co. does not have to pay the cost of a product liability case against a dealer. A woman, injured in a collision, sued Westway Chrysler-Plymouth, Salem, Ore., charging her injury was caused by the front seat of her car leaving its track. Chrysler Motors settled the case out of court. Then Westway's insurer, United States Fire Insurance Co., filed suit demanding that Chrysler reimburse the company for its costs in defending the action. The high court majority ruling, reversing the county circuit court, in Portland, said a manufacturer does not have to reimburse the dealer in such actions, unless it can be proved that the manufacturer is primarily liable.



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Kemper . . .

Continued from page 3

When will that be?

"Well, we're working on it now," Mr. Hoffman said. "For dozens of our commercial lines we have the raw ingredients to develop the system. We already have \$100 million of compensation insurance on the machines, and, with that as a base, we will simply expand the system. What we need now are priorities, and a formal work plan should be ready in about two months."

NEW, MORE complex computers able to store as many as 16 million bits of information are now available, Mr. Hoffman said, noting that the trend toward bigger machines which do more work more cheaply may eventually bring insurance costs down and computer access more useful

and more available.

"The trend is toward compacting of information and expansion of access," he said. "We're at a point now where we're evaluating what our capacity must be three years from now."

The security system by which Kemperco Inc. protects its electronic brains is so stringent that the corporation's president, James S. Kemper Jr., has never entered the computer room and couldn't walk in if he wanted to.

"To enter the room, a person needs both a key and a numeric combination to open the door," Mr. Hoffman said. "We investigate all employees who have access to the room so that we know something about their backgrounds and have some assurance that they are balanced."

The room is protected from fire by an under-floor carbon dioxide flooding system, and, to protect the firm's vital data, security files are maintained off

premises.

"With detailed monthly records of all our transactions on file somewhere else, we could very easily get back into business should something happen at this facility," Mr. Hoffman said. "This off-premises system also protects us from accidental erasure or damage."

ANOTHER, less obvious security measure was taken when the corporation moved its main offices from Chicago's Uptown neighborhood, a high-crime area, to the middle-of-nowhere atmosphere of Long Grove.

"There were times when we'd have to put things in front of the windows at night to assure that somebody wouldn't toss a brick through the window and damage our computers," Mr. Hoffman said, sitting amidst a brand-new, 500,000 square foot architectural wonder set on 600 acres and surrounded by a moat of five man-

made lakes. The only trespassers the new facility now puts up with are occasional flocks of Canadian geese seeking rest and nourishment from the lakes while winging south.

To protect its expensive computers from electrical damage, Kemperco Inc. maintains its own generating facility to produce electrical energy in the event of a commercial blackout. The firm also has a high-priced inertia generator which will sustain power for 25 seconds.

"The glits you get in a storm normally last only a few seconds," Mr. Hoffman said, "but that's enough of a failure to either damage circuits within the computers or disrupt a function which may have been underway for three hours, forcing us to start all over. Our inertia generator prevents these quick electrical glits from damaging the machines and allows us time for a soft shutdown of the system, al-

lowing us to salvage work that's in process at the time of the failure. It's an expensive device, but it's saved us a few times."

The computer room was designed in cooperation and through consultation with Kemper's loss control engineers, who now sometimes use the facility as a laboratory to show prospective loss control trainees how a well-planned computer operations center should be designed.

The computers—or at least those owned by Kemperco and not leased from IBM—are insured with the St. Paul Insurance Cos. on policies which carry, as Mr. Hoffman put it, "a high deductible."

HS&M . . .

Continued from page 3

modeling its warehouses to isolate certain areas from smoke, and is installing smoke detection and removal equipment.

"This all didn't come about because of any major loss," Mr. Knapp said. "Our insurance carrier was just concerned. We worked out this plan and it is written into our present agreement that these measures will be in effect by June 30. We promised completion of four steps: Isolation of the area which contains our packing boxes, construction of smokeproof dividing walls in some areas, installation of smoke detection and removal devices, and a system which will shut down our conveyor system and automatically close eight doors to seal off the storage area. At a later date, we'll develop a second source of water."

Safety regulation and compliance with OSHA standards are handled by the company's engineering department in conjunction with Mr. Knapp. Together they help the subsidiaries know what needs to be done in order to comply with the new federal regulations. To date, no HS&M subsidiary has been subject to an OSHA inspection, Mr. Knapp said.

Employee benefits for the company's 4,000 union employees are handled entirely by the Amalgamated Clothing Workers of America (AFL-CIO).

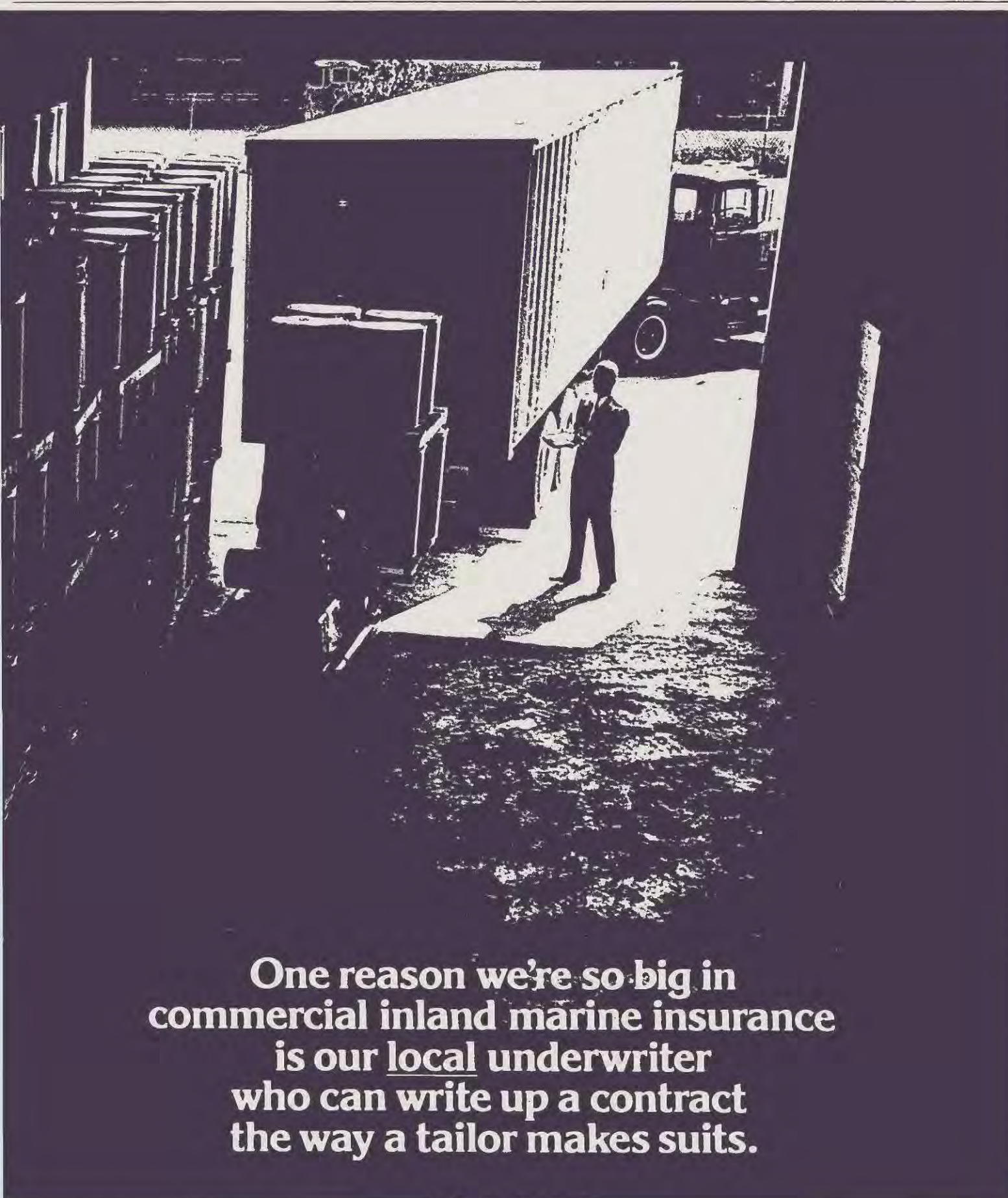
N.J. has self-cover in bear incident

TRENTON, N.J.—New Jersey was self-insured for payment of a precedent-setting \$250,000 awarded to a young girl whose right arm was bitten off by a bear at High Point State Park in 1966. It was the first time the state was ever forced to pay a settlement in a negligence suit.

A legislative source told *Business Insurance* that, at the time of the girl's mauling, New Jersey was considered immune from legal liability through a "doctrine of sovereign immunity." But this doctrine was abrogated by the courts in 1970, and in 1972 the state legislature passed the New Jersey Torts Claims Act, which established state liability for the first time.

Following passage of this law, Gov. William Cahill set up a special \$750,000 fund for state self-insurance. Although New Jersey does carry insurance for some other forms of liability, it is this fund that will be drawn upon to pay the injured child.

Attorney Harold McGovern, who represented the girl and her family, said the settlement would open the way for other negligence suits against the state.



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New policy offered to supplement state workmen's comp payments

ST. PAUL—St. Paul Fire and Marine Insurance Co. now offers an extra layer of workmen's compensation protection for employees. The firm has just introduced a new policy, labeled "contractual liability coverage," which pays workmen's compensation to an employee, in addition to that paid under the state's workmen's comp program.

According to F. C. McGlaulin, secretary, St. Paul Fire and Marine, the coverage was designed to fill the gap that now exists between most states statutory workmen's comp benefits and the benefit levels recently recommended by the National Commission on State Workmen's Compensation Laws.

He explained that state laws limit benefits to a percentage of an employee's weekly gross salary not exceeding a certain dollar limit. In 80% of the states, the statutory benefits are approximately two-thirds of a worker's weekly wage but a majority of the states impose an absolute dollar limit.

WITH THE St. Paul plan, an employer can purchase additional compensation up to an amount equal to the maximum dollar limit allowed in the state. The additional compensation plus the statutory benefits cannot at any time exceed the legal percentage limit set by the state, however.

For example, a person earn-

ing \$180 a week should receive \$120 using the two-thirds level. However in states limiting benefits to \$80 a week, this worker could receive only \$80, thereby losing \$40. But by using the St. Paul plan, the disabled employee's benefit could be brought back to the original level of \$120.

The federal government, M. W. Peterson, assistant secretary, explained, has set a series of deadlines for states to improve their workmen's comp laws. By 1975 benefits must be raised to 100% of the average weekly wage in the state and by 1981, 200% of the average weekly wage. If the states fail to meet the standards, then the government will take over administering workmen's

compensation.

However, Mr. McGlaulin and Mr. Peterson agreed that because of local conditions in each state, it is more advantageous for the states to handle their own programs.

The St. Paul coverage allows an employer the opportunity to provide a disabled employee with a better income in the interim period between now and when state laws change to meet federal recommendations.

THE POLICY, according to Mr. McGlaulin, attempts to improve workmen's compensation benefits to injured employees by bringing payments up to a level to provide a sufficient income for a family. Workmen's compensation limits set 10 years ago are not applicable to today's cost of living, Mr. Peterson added. The benefits paid in most states hardly provide for the bare necessities.

Mr. McGlaulin contends that

the policy is aimed at the higher income employees who probably have more obligations to meet. The program, he added, will appeal to employers who have felt workmen's compensation inadequate for their employees.

He explained that employers who have long-term disability programs will probably not be interested in this new plan. The policy is expected to appeal to small- or medium-sized companies who want to double workmen's comp benefits for a small cost. Since long-term disability, which provides for both occupational and non-occupational injuries, is more costly for a small employer, he will probably be more inclined to adopt extended workmen's compensation cover.

The cost of a premium will typically run about 10% to 60% of the cost for statutory coverage. Premium costs depend on the type of cover a client elects and the average salary of his employees. The St. Paul program is available to any employer wanting to provide additional benefits; there is no requirement that the basic or statutory coverage be written through St. Paul.

The underwriter has filed the new coverage in 44 states and has, so far, received approval in 25 states. The policy will be marketed through local agents. ■

Umbrella crop cover suggested

WINNIPEG—Canadian farmers need an umbrella-type insurance program to safeguard them against crop disasters, says the top governmental figure in Canadian agriculture.

Eugene Whelan, Canadian agriculture minister, maintains that such a crop insurance program would eliminate political maneuvering which he charges invariably develops when disasters strike various parts of Canada.

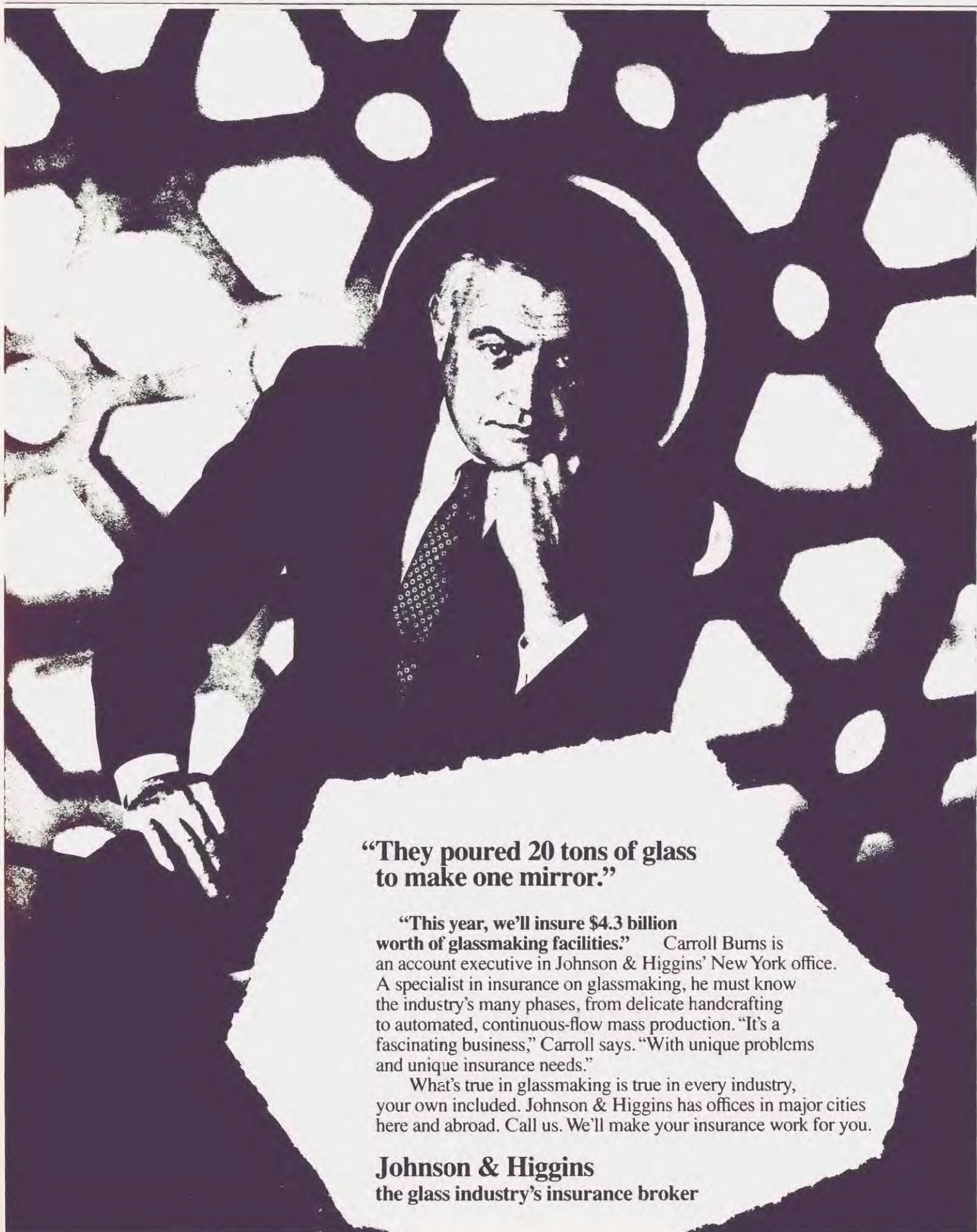
Mr. Whelan, himself a farmer, disclosed his stand on crop insurance in his first talk before the annual convention of the National Farmers Union. As an example of disasters which require crop insurance protection, he cited the Peace River area of British Columbia and Alberta where crops were almost a complete loss in 1972 as a result of bad weather.

Mr. Whelan has held meetings with the agricultural ministers of both British Columbia and Alberta and as a result is convinced that help is needed for the affected area. But he warned that his office would be no pushover for financial help, indicating that each request would be given very close examination. He added: "I'm prepared to recommend to the cabinet that aid be given."

At the same time, the federal agriculture minister pointed out that no requests for assistance have been received from other parts of Canada where crop problems also have developed. ■

Ship explosion inquiry

British Government experts have published the findings of an official inquiry into the explosion on the Shell tanker, Mactra (108,560 tons), in December 1969, which cost insurers many millions of dollars. They concluded that static electricity, generated by a tank-washing process, sparked off the blasts in an explosive mixture in one of the tanks. They recommended that inert gas systems should be fitted to all new ships during construction.



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Printer's catastrophe insurance now part of association umbrella cover

By JOHN REVETT

WASHINGTON—Writers, editors and others who use the printed word to make a living sometimes feel it's a "catastrophe" of sorts when a word is misprinted or a line dropped. Usually—though certain mixups can cause great distress—it's not a real catastrophe.

But sometimes the results of printing mistakes or delays can come very close to the actual meaning of the word in the view of the printer's customer.

The advertising man who might get a laugh out of those misprints gleefully reproduced in The New Yorker might also promptly call his lawyer if his brochure went out with the wrong address on the order card.

And according to Printing Industries of America (PIA), the printers' national trade organization, more and more customers are inclined to take that kind of step when something goes wrong.

PIA ISN'T saying printer mistakes are increasing, but it does feel that damage claims, threats of legal action and class-action law suits against printers are on the rise and may continue upward this year, partly because of what PIA feels is "the threat of a stepped-up consumer movement in 1973."

In any case, PIA feels it has the answer. It has incorporated "printer's catastrophe insurance" in the umbrella business insur-

ance program it offers its wide membership in the printing industry. Available to PIA printers under an agreement with Utica Mutual Insurance Group, Utica, N.Y., the coverage differs from other commercially available catastrophe insurance by including protection against "errors and omissions."

According to William R. Evans, PIA's insurance director, the organization "is probably the first to have this in an industrial insurance program. We don't know of any other umbrella program that has it."

While the risk may be thought high by some because of the exacting requirements of many printer customers and the speed at

which many jobs must be done, Utica doesn't seem worried. The extra coverage goes for about \$950 a year for \$1 million worth of errors and omissions protection for a company in the range of 500 employees, about \$1,500 for \$5 million (the limit) for a printing operation that size or larger. Some of the 40 or more PIA members who have bought since the coverage was incorporated into the umbrella program two months ago have relatively few employees and are paying as little as \$100 a year (a printer with 10 employees) for coverage under \$100,000, but there are also a few large participants like Rocky Mountain Banknote Co. of Denver who have taken up to \$1 million.

UTICA'S willingness to add the extra coverage may stem in part from the fact that the errors and omissions protection pays damage claims and legal costs

but doesn't go as far as reimbursement for an insured printer's re-do of a job for an irate customer. Utica also has loss statistics from a PIA tryout of errors and omissions coverage as a single and separate protection last year. Some 65 printers bought it (they'll transfer it into the new umbrella program as the policies expire) and according to Utica there were only a handful of claims that involved damage payments. One came from a California end-the-war group whose printer failed to come through with armbands printed with the names of POW's in time for a Memorial Day demonstration. Another case on Utica's records might give a better indication of why PIA is concerned. It involved "a fairly sizable settlement" with an unidentified catalogue merchandiser whose delivery was delayed because a binder under subcontract ruined an entire catalogue issue.

Stewart joins Chubb as senior vp

NEW YORK—Richard E. Stewart, former superintendent of insurance for the state of New York, has joined Chubb & Son Inc. as a senior vp and director. He will be involved in surety and fidelity bonding and with corporate affairs.

Mr. Stewart joined Chubb & Son, a unit of the Chubb Corp., after leaving First National City Bank and First National City Corp. where he had been senior vp and general counsel.

He was named superintendent



Richard E. Stewart

of insurance by Gov. Nelson Rockefeller in 1967 and held the post until late 1970. During his final year as New York's insurance superintendent, he also served as president of the National Assn. of Insurance Commissioners.

A Rhodes scholar and Harvard Law School graduate, Mr. Stewart first practiced law with Royall, Koegel & Rogers after which he became assistant counsel, then first assistant counsel to Gov. Rockefeller. From that position, he was named insurance superintendent.

Life groups merge

The Life Insurance Assn. of America and the American Life Convention have officially been merged into one association, the American Life Insurance Assn. The association serves 355 member companies, representing 90% of all life insurance in force. ALIA will establish its main office in Washington, D.C. this June.

THE MARYLAND'S 48-HOUR GUARANTEE IN ACTION:

following the funds

Elgin looks for annuity contract, but retirees fight for their pension plan

NEW YORK—Four large insurance companies "of national stature" are bidding against each other to win a group annuity contract which Elgin National Industries Inc. is considering as a replacement for its terminating pension fund.

But about 800 retired Elgin National Watch Co. employees are protesting the move to liquidate the more than 50-year-old pension plan. Spokesmen for the retired workers—many of them in their 60s and 70s—called company officers "fat cats with sticky fin-

gers" for trying to terminate the pension plan.

Bill Benson, head of taxes for the watch and clock manufacturer, said if the annuity contract is implemented, it will provide fixed annual benefits for 1,000 retirees and 400 to 500 current employees who have accrued benefits under the pension plan.

Benefits under the new plan would exceed those agreed to in the original pension contract, Mr. Benson claimed, so that no pension participant would lose any accrued benefits. This would

comply with Internal Revenue Service requirements which compel employers who are terminating a pension plan to guarantee all benefits accrued to date.

MR. BENSON explained that a one-time premium would be paid to the insurance company that wins the bidding contest. This money would be taken from the old pension fund's earnings.

Despite Mr. Benson's claim of "higher than before" benefits for retirees, the 800 retired watchmakers who met in the Elgin, Ill.

civic center last month charged that company officers failed to deal with pensioners in good faith.

Pensioners at the meeting contended their benefits should be raised or they should be given part of the surplus left after the old pension fund is liquidated and a new one set up. Officials of Elgin National Industries, which bought Elgin National Watch Co. in 1969, say the pension fund is overfunded and that the company is entitled to the excess amount.

The money that will be left over after a group annuity contract is purchased will be between \$10 and \$12 million, company spokesmen revealed.

Lowell Allen, 68, who said he worked for Elgin for more than 30 years, told company officers who came to the civic center meeting to present their side: "Under the pension I receive, I could not retire. I receive \$63 a month." Mr. Allen said the com-

pany is not entitled to the possible \$12 million in leftover funds, adding, "If you people want to take all of it, I say you're worse than Jesse James."

Edwin M. Jones, a New York lawyer arranging the liquidation for Elgin, said, "The company is clearly entitled to be paid the balance (\$10 to \$12 million) after pensioners and their beneficiaries are fully protected."

The lawyer showed the pensioners charts indicating that employees have paid \$7 million into the fund since it began in 1911. He also said the company paid about \$12 million into the fund, but because of "actuarial errors" the fund grew to about \$30 million. The firm realized the error and stopped paying into the fund in 1957 but since then, employees have paid about \$1.5 million.

Mr. Jones' charts did not reveal, but he later admitted to reporters, that an estimated \$6.5 million had been paid into the fund by employees but was returned to them when they quit the company before they were eligible for pensions. That \$6.5 million—added to the \$7 million in employee contributions shown on the charts—brings the total employee contributions to \$13.5 million, \$1.5 million more than the company contributed.

PENSIONERS at the meeting also complained that the company has refused more than once to raise their benefits, which range between \$37.50 and \$99 a month.

Mr. Benson, Elgin's head of taxes, confirmed reports of the possible overfunding excess of \$10 to \$12 million. He explained that if the (hypothetical) market value of the pension fund were \$30 million, and the insurer required only \$20 million in premium payments for the annuity contract, a \$10 million overfunding would be the net result. He claimed that under existing laws, this would belong to Elgin.

If Elgin makes the decision to use an annuity contract, the process of approval, both by the IRS and courts is expected to be completed within the year. Mr. Jones said the company has already asked for court approval in a New York court.

A spokesman for Sen. Adlai E. Stevenson III (D.-Ill.), Mary Ann Nichols, who attended the meeting of pensioners, said Sen. Stevenson has already met with a committee of the pensioners.

Miss Nichols said Sen. Stevenson has also "written to the IRS stating that he does not think they should approve the plan unless they are firmly convinced that it will not violate the letter or spirit of IRS regulations."

The annuity contract under consideration at Elgin would not affect future employees, company spokesmen have said. An ongoing pension plan will be instituted to provide future benefits.

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Union ends special fund for officials

WASHINGTON—The new administration of the United Mine Workers of America has begun an austerity program by denying the union's former president, W. A. Boyle, a lifetime pension at his full \$50,000-a-year salary.

The U.M.W., led by Arnold R. Miller, the Miners for Democracy insurgent candidate who won the U.M.W. presidency in an election late last year, has revoked a special Boyle pension fund which originally totaled about \$1.5 million drawn from miners dues and invested in a retirement trust fund for high ranking union of-

ficers. The revocation means that Mr. Boyle, who is 71, will receive only the customary \$16,000 annual pension of retired presidents.

ALSO AFFECTED by the new U.M.W. leadership's move is John Owens, the 82-year-old former secretary-treasurer, who was also ousted from office in the government-supervised election held in December. Mr. Owens would have received a \$40,000 annual pension from the special fund. His annual retirement now will be \$13,000.

Rank and file union members receive pension benefits from a fund financed by tonnage royalties paid by mine operators. The benefit is \$150 a month.

The revocation of the special fund for top union officials also means that about \$2 million will be returned to the union's general fund. This amount includes the union's original \$1.5 million plus interest and other accruals.

The pension cuts for top officers, which had been promised by Mr. Miller during his campaign to unseat Mr. Boyle, are part of a campaign to reduce salaries and other benefits of union officials. Also repealed was a special medical benefits program for high-salaried officials. Under this program, the union's general fund had paid the medical costs, including hospitalization, of about 20 top officials, over and above the provisions of a general group plan. ■

Retirement plan

The Oregon supreme court reversed a county circuit court ruling in which three former employees of Industrial Timber Co. were allowed to recover contributions made for them to a retirement plan. The high court said a provision of the retirement plan calling for forfeiture of rights if an employee goes to work for a competitor was not unreasonable.

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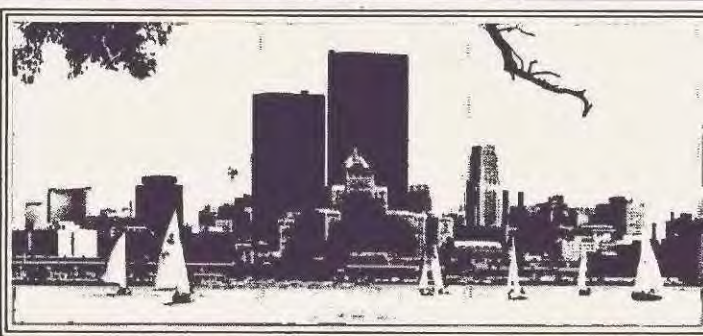
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At last month's meeting of New Jersey's ASIM chapter, Blaine Gordon Greerwell (center), was presented with a \$1,000 scholarship by chapter president Douglas Cullum (left), of Research-Cottrell Inc. Mr. Greerwell will receive his masters of business administration degree from the Wharton School at the University of Pennsylvania this May. The \$1,000 award he received, which is the largest single award presented by an ASIM chapter, is given annually by the New Jersey chapter to a student engaged in graduate study in insurance or risk management. Past chapter president, Stanley R. Tarr (right), of Rutgers University, was also present for the award ceremony.

dates for buyers

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

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

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

March 5-7, American Management Assn., "Principles and practices of insurance buying," Chase Park Plaza Hotel, St. Louis. For more information write AMA headquarters, New York.

March 7-9, Southern Burn Institute, second annual "Flame-free design conference," Capitol House Hotel, Baton Rouge, La. For more information write J. Michael Jaynes, Designers Group Inc., 4101 N. Freeway, Houston, Tx.

March 15-16, American Management Assn., "Malpractice—errors & omissions—professional negligence," AMA headquarters, 135 West 50th St., New York, N.Y. 10020.

March 23-27, American Management Assn., "Natural disaster," New York Hilton Hotel, New York. For more information write AMA headquarters, New York.

March 26-28, Property Loss Research Bureau, "37th loss managers conference," Arlington Park Towers, Arlington Heights, Ill. For more information write the PLRE, 20 N. Wacker Dr., Chicago, Ill. 60606.

Fund deposits looked at

ANNAPOLIS—Big banks and big pension funds are hot subjects in Maryland's capitol of Annapolis, where a house of delegates committee will look into policies of the state treasurer's office that left \$6 million in state pension fund assets in non-interest bearing accounts in a Baltimore bank headed by the state treasurer.

The question of why this portion of the \$1 billion in three state employee retirement funds—plus about \$25 million in other banks picked out by treasurer John A. Luetkemeyer—hasn't

been out earning perhaps as much as \$1 million more a year for the funds was raised in a Washington Post series. Gov. Marvin Mandel has sided with Mr. Luetkemeyer, who denies that his bank made much profit.

The appropriations committee of the House of Delegates has been ordered by House speaker Thomas H. Lowe to report its findings on the matter by March 1, after which there could be proposed "corrective" legislation, reducing the amount of state pension money that can be left in non-interest bearing accounts. ■

Bidding system for Chicago spurred by scandal

CHICAGO—A game of Chicago-style political nepotism has resulted in the city announcing that, from now on, all brokering on city insurance coverage will be placed through open, competitive bidding.

Insurance had previously been classified as a "professional service" for which competitive bidding is not mandatory.

Investigations linking John Patrick Daley, third son of Mayor Richard J. Daley, with Heil & Heil Insurance, an Evanston, Ill., brokerage firm, have revealed that Heil & Heil acquired city-connected insurance business amounting to \$2,080,057 in premiums last year.

John Daley passed his Illinois brokers examination in December of 1971, shortly before his father ordered a large amount of city coverage transferred to Heil & Heil.

DAVID E. STAHL, city controller, told *Business Insurance*, that "most of our policies have Jan. 1 renewal dates. We're currently putting the policies into logical groupings and will call for bids throughout the year on a time-phased basis." The controller noted that, while some local government entities, such as the board of education and Chicago Transit Authority, are limited to working through approved agents, the City of Chicago will have no such limitation. Neither, he said, "will we limit bidding to brokers or agents headquartered in the city."

Mr. Stahl said that the competitive bidding process, ordered by Mayor Daley in the midst of the Heil & Heil furor, will be overseen by the city's underwriting specialist, a newly-created position as budgeted this year.

"It's not as wide-ranging a position as risk manager," he commented, "but I did want to get someone who could at least monitor the purchase of insurance. Unfortunately, I could only get a \$12,000 salary limit from the Civil Service Commission for this year, but I do intend to work with Civil Service to make it a more attractive position in the future."

He said the underwriting specialist's post was "temporarily filled."

Chicago's past insurance buying procedure reads somewhat like an Old Testament genealogy, with who begat whom being directly related to who received what insurance business. Shortly after John Daley entered the insurance business, the mayor "suggested we give Heil & Heil a crack at the business," Mr. Stahl said. "We gave the agency a chance and it appears they've managed to even save us some money."

However, the windfall to John Daley and his friends at Heil & Heil (James Flanagan, president and Thomas Flanagan, secretary—two brothers with impeccable Democratic credentials) has resulted in loss of business for James J. Gill, head of the Joseph L. Gill agency founded by his uncle, the late Joseph L. Gill. The deceased Mr. Gill was a ward committeeman (placing him squarely in the center of the city's power matrix), head of the Cook County Democratic central committee and a friend of Mayor Daley.

His agency was a favored brokerage firm for placing city policies.

Other pet agencies that lost out in the blood-is-thicker-than-friendship coup include the A. J. Horan Agency, under the control of P. J. (Parky) Cullerton, Cook County assessor and focal point of scores of tax-break investigations, and Near North Insurance, headed by George W. Dunne, Cook County board president, another Democratic organization bigwig.

Among the coverages switched from Democratic winners to Democratic losers was public building commission project insurance on the Chicago civic center, city hall, a number of public schools and fire stations, and other miscellaneous buildings. City of Chicago insurance cover on O'Hare International Airport, Midway

Airport, Meigs Field, the Chicago skyway and police and city employee fidelity bonds went directly from the Gill agency to Heil & Heil.

The Horan agency lost business to Heil & Heil on the Chicago park district facilities' comprehensive general liability cover and liability for underground

insured from budgeted funds amounting to \$2 million. Programs utilizing federal funds, the controller said, must provide public liability and workmen's compensation coverage.

"The only thing not self-insured," Mr. Stahl continued, "is some small city stuff," including the mayor and police superintendents' automobiles, plate glass and helicopter liability. The premium total on these coverages, he noted, is approximately \$65,000.

He explained that Cook County houses six other local government entities besides itself and the City of Chicago: The Chicago park district, sanitary district, Chicago board of education, junior college district, forest preserve district and Chicago urban transport district (a relatively new body with powers to tax downtown property for subway expansion). All have their own insurance purchasing powers and procedures, he pointed out.

McCORMICK Place, too, is a separate entity from the city, as is the public building commission, which, because of its revenue bonding powers, is required to carry insurance.

Separate though the agencies may be on paper, the park district's five commissioners are appointed by the mayor, board of education members are appoint-

ed by the mayor, and the mayor is chairman of the public building commission.

A number of Chicago-area brokers outside this particular fray have indicated that they have reservations on what competitive bidding will do to clear up the municipal insurance picture. Calling competitive bidding in Chicago politics a "farce," most said they would rather stay out of the picture altogether.

Neither John Daley nor officers of Heil & Heil have been available for comment on their brokering activities. The mayor, however, addressing a Cook County Democratic central committee meeting as chairman, is reported to have asked "What kind of a world are we living in if a man can't put his arms around his sons?" Committee members, sources say, gave him a standing ovation.

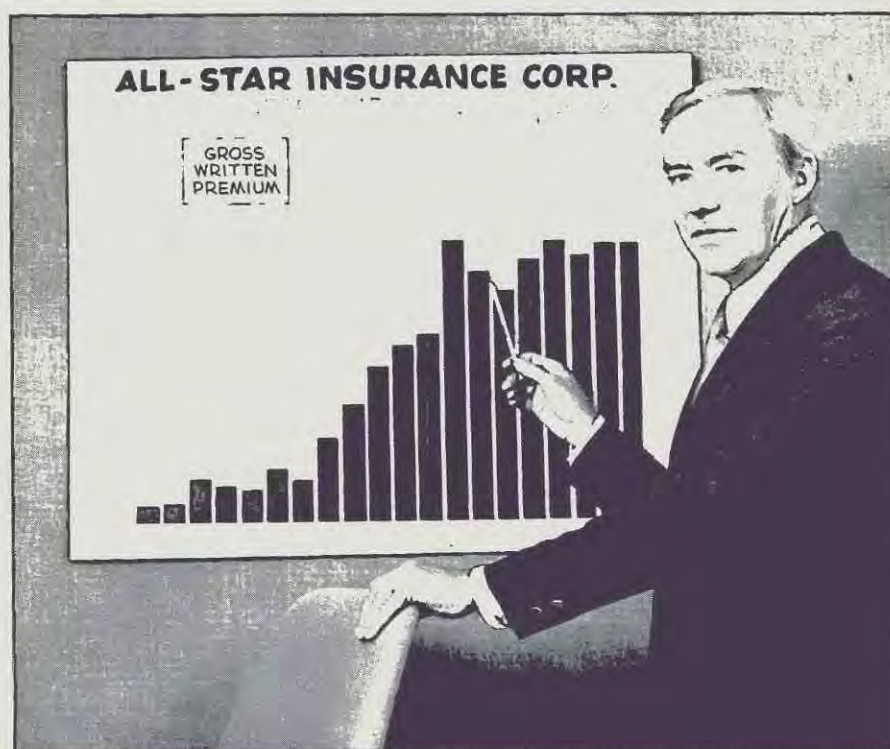
Major med limit hiked

Connecticut General Life Insurance Co. is increasing to \$250,000 the maximum limit of major medical coverage available to group insurance policyholders. With this move, the firm joins the growing number of insurance companies voluntarily raising ceilings on payments for medical expenses.



parking. Near North gave up part of its previous coverage on McCormick Place exhibition center.

According to Mr. Stahl, the city is primarily self-insured. A judgment tax fund of \$8 million is set aside for court-awarded damages against the city, and workmen's compensation is self-



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Insurance difficulties hit small Connecticut town

VERNON, CT.—This eastern Connecticut town should consider becoming its own insurer for street and sidewalk liability, Jack Mason, head of the insurance advisory board, has told the town council.

It should also reassess the relative costs of fixed premiums versus the existing retro-rated plan.

The recommendations, he felt, could avoid another crisis like the one Vernon had in December when the Travelers Insurance Cos., Hartford, threatened to drop the town's coverage (*Business Insurance*, Jan. 1).

Between 1966, when Vernon went on a retro-rated plan, and 1970, the Travelers rebated \$34,000. But then last June, the Trav-

elers said Vernon had a \$49,000 tab because of increasing claims.

Under the retro-rated plan, rebates are made when there are few claims against the policy and extra payments are necessary when claim quantity exceeds a certain level.

"WHEN WE were coming back with checks, that was gorgeous, everybody loved us," Mr. Mason told the council. "The trouble is that the town did not establish a 'cushion' with the rebates to use against the possibility of retro-rated bills."

If the town had put in escrow the rebates, he noted, there would have been no question as to Vernon's ability to pay, and,

for that matter, no cancellation threat.

"Our retro plan," he mused, "has gone sour."

Vernon's bill, he predicted, will be greater than \$49,000 because of new claims—"and it is going to take a sizable amount to get back on the basis we should have been."

By becoming self-insured, according to Mr. Mason, the town could probably reduce the size of judgments against it. "It is a fact," he asserted, "that you pay more in judgments with insurance than when you're self-insured."

Mayor Frank McCoy noted that Hartford and Manchester self-insure sidewalks and streets "and they're satisfied."

The Vernon Insurance Advisory Board is expected to seek prices on both fixed-costs policies and retro-rated plans and return to the town council before budget time with their awaited recommendations.

Backlog reduced

Pennsylvania Gov. Milton J. Shapp has announced that the backlog of workmen's compensation cases in Pennsylvania has been reduced to about 7,400—the lowest number in six years. The governor noted that in January 1972, there were some 15,000 cases awaiting hearings and decisions by referees. Gov. Shapp credited a new law streamlining procedures under the program with reducing the backlog.

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Group Attorney

Our Law Department is seeking a Group Insurance Attorney for a position located on the Home Office staff in Newark, New Jersey. You should be a member of the New Jersey Bar and have at least 2 years' of experience counseling and assisting a life company's group insurance operations. Starting salary commensurate with experience along with an excellent employee benefits package. Please forward resume including salary requirements to:

Assistant Director of Personnel

**THE MUTUAL BENEFIT
LIFE INSURANCE COMPANY**
520 Broad St., Newark, New Jersey 07101

Equal Opportunity Employer M/F

The hardest way to learn about insurance is by accident.

There are hidden dangers in every operation. They sit there, patiently awaiting the right set of circumstances. And then, when you least expect it, they happen.

If you're lucky, no one will be injured, your insurance will pay for the loss, and you can correct the situation.

But if you're not lucky, you're going to learn about your insurance the hardest way there is.

At Kemper Insurance we work hard to help our policyholders identify dangers before they become accidents.

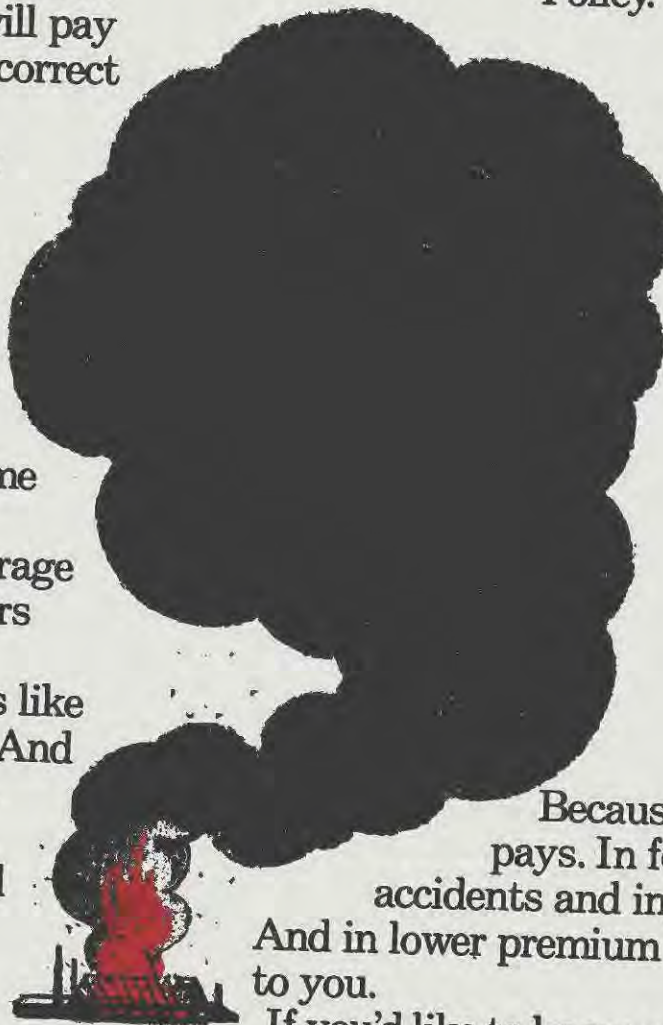
And we design our coverage to protect our policyholders against these accidents.

We've helped businesses like yours from coast to coast. And we would like to help you.

Our large staff of loss control engineers is trained to locate potential accident situations. And we can show you how to reduce or possibly eliminate these hazards.

We'll put our loss control engineers to work when we write your

business insurance. Whether it's Workmen's Compensation insurance, Boiler and Machinery coverage, General Liability, Fire, Burglary, or a Package Policy.



Because safety pays. In fewer accidents and injuries.

And in lower premium costs to you.

If you'd like to know more about business insurance from Kemper, and the money it can save you, contact your nearest Kemper Insurance agent, or write Walter R. White, Kemper Insurance, Long Grove, Illinois 60049.

Kemper

INSURANCE

small enough... big enough
for every size insurance need

Lumbermens Mutual Casualty Company, American Motorists Insurance Company, American Manufacturers Mutual Insurance Company.



**"Let's say one of my trucks
just had an accident in Dexter,
Iowa.**

How would Allstate handle it?"

In a case like that our adjuster was immediately sent to the scene.

The entire cargo transfer was completed and a relief truck was on its way to its destination in about 12 hours.

You see, Allstate has the largest full-time staff of claims specialists in the business. They're located coast to coast and trained in Allstate's cut-the-red-tape way of doing things.

Insurance is as competitive as your business, so we have to capitalize on our advantages.

Extra hustle. An aggressive, just-let-us-quote attitude. And a management that thinks an insurance company's service should bend to suit the customer instead of the other way around.

The price? That's right—very competitive.

We wouldn't expect you to just take our word for all this. So put us to the test.

Ask us to quote.

Allstate®
BUSINESS INSURANCE