

Hansen study: Improve total disability benefits

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British 'paper' links benefits to income level

LONDON—The British government, in "the most fundamental changes in Social Security since the present National Insurance Program was introduced," has proposed linking employee contributions and benefit payments to income levels, starting in 1972.

Currently, social security is based on flat-rate contributions and payments, although a graduated pension has been introduced as a supplement for higher paid workers.

The proposals were outlined in a "white paper" presented to parliament, and legislation to carry out the scheme is expected to be introduced in the body's next session in the fall.

BENEFIT experts in the U.S. said that the proposed plan would make the British social security plan more like the U.S. system, where benefits are paid according to income levels up to \$7,800.

Under the program, social security payments would about double for average-paid workers. Most workers are now entitled to a weekly pension of slightly more than \$10 (higher paid employers can also get benefits based on a graduated pension of another \$10 or so). The new plan would provide one wage-related benefit of about \$22 a week.

The white paper said nearly 30% of the 7,000,000 elderly Britons must draw some kind of supplemental aid. "The existing flat-rate plan has failed," the government said.

Employee and employer contributions would be pegged to contributions of 6¼% of a salary, and up to 1.5 times the national manual workers' annual wage could be the benefit.

Gen. Dynamics suffers sea loss

NEW YORK—General Dynamics Corp. suffered its first major marine loss last month when the oceanographic research ship Sea Surveyor sank in high seas.

The company had hull insurance coverage on the vessel of \$580,000 through Talbot Bird & Co. here, underwriter for Northwestern National.

Protection and indemnity cover, on a primary basis up to \$300,000, is underwritten by Mutual Marine Office Inc. Umbrella excess limits are over \$50,000,000.

Scientific instruments aboard ship were covered under a prop-

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Extensive damage was caused by the explosion of 18 butane tank cars derailed in Laurel, Miss. Southern Railway System has suffered three such derailments on the same line in as many weeks. —Wide World photo

Safety probe follows tank car explosions

LAUREL, Miss.—In the wake of a railway derailment and explosion involving 18 butane tank cars here that reportedly injured at least 39 persons and destroyed some 30 homes in a 10-block area, insurers and tank car owners are openly critical of railway safety performance.

The National Transportation Safety Board rushed a team of investigators here to look into what has caused the third derailment in the as many weeks on the Southern Railway System.

Officials of Southern in Washington, Atlanta and elsewhere declined to comment to *Business Insurance* but promised their interpretation shortly.

One butane tank car was hurled about four blocks from the railway before bursting into flames.

THE INSURANCE manager of a major tank car company told *Business Insurance* that "it's had to see how a car could be defective enough to cause a derailment."

He added, "Liability for the accident rests with the railroad because when Southern Railway took the tank cars they had to sign an inspection certificate that said the cars were in perfect condition."

Theodore W. Adams, manager of Railroad Insurance Underwriters, told *Business Insurance* that insurance for railroads "has never been as tight as it is today." RIU is a pool of some nine stock fire insurers that provide coverage for 85 major railroads and 400 short railroads.

One broker explained that the loss potential on some freight trains—for rolling stock and merchandise—could reach \$1 million because cars cost from \$10,000 to \$25,000 each and a diesel engine sells for about \$275,000.

The insurance manager of the tank car company said, "This wreck looks spectacular—but it's not." He confided that his firm suffers a loss of 30 to 40 cars a month.

Inflation, tight market drive insurance costs up 10% to 100% in 1968

CHICAGO—Inflation and the tight insurance market have conspired to send corporate insurance premiums upward from between 10% and over 100% in 1968, buyers surveyed by *Business Insurance* have disclosed.

Some insurance managers kept rate increases down by substantially hiking their deductibles on various lines. Others said they were initiating new loss prevention programs to try to offset future increases.

Waller Smith, manager of corporate insurance and claims for United Air Lines, told *Business Insurance* that he knew of no other factor in the economy that has been inflated more rapidly than the price of corporate insurance coverage.

"If insurance commissioners allowed comparable increases in personal lines premiums, there would be a tremendous public outcry," Mr. Smith commented.

HE SAID UNITED this year had to absorb a 50% increase in its difference in conditions coverage, and he told of one manufacturer on the West Coast which was told that its excess products liability coverage would be hiked 250% upon renewal. This in spite of the fact that the policy had been in effect without a loss for ten years.

One major oil company this year was slapped with a "significant" rate increase and also forced to increase its deductible on fire coverage from a \$1,000 "franchise" arrangement—in which the company didn't report any losses under \$1,000 and was paid fully for losses over \$1,000—to a \$100,000 deductible.

The insurance manager of a \$1 billion-plus company in New York said the capacity problem

was "terrible" and getting worse. He said his company's property insurance premiums were doubled in 1968 and deductibles were increased from \$350,000 to \$1,000,000. He added, however, that the corporation "could well afford" to take the higher retention because of its good loss record.

THE INSURANCE manager pointed out that "none of us is isolated" from any catastrophic loss—no matter in what industry—because of the fact that the reinsurance companies handling business risks must eventually absorb all losses.

He said, for instance, that the recent rash of airplane crashes "is going to hurt all of us—and that's even before you get to the jumbo jets."

The insurance manager of a Chicago-based firm with annual sales of more than \$125,000,000 said that his company has been hit with "some selective rate increases" this year—including an 80% increase in third-party auto liability rates for a fleet of 400-plus vehicles.

THE INSURANCE manager admitted that "we deserved" the increase in auto rates and said his company had initiated several steps to cut down on its poor experience, including a more accurate reporting system for losses and the use of motor vehicle registration figures for newly hired salesmen.

In general the insurance man-

Continued on page 25

Late news

Marsh & McLennan talks merger with Sexton

Officials of Marsh & McLennan, the nation's largest insurance broker, have talked with Charles W. Sexton Co., Minneapolis, about the possibility of acquiring that large brokerage. A director of the Sexton Co. said, "That organization has made a lot of passes at us, but nothing definite has happened." An officer of Marsh Mac said that his company had "no comment."

Negotiate oil plant benefits

DENVER—A spokesman for the International Oil, Chemical, & Atomic Workers Union said here that the union had come to an agreement with some 400 of the 435 companies it had struck but that 20,000 workers are still on strike. Employee benefits negotiated vary from company to company and sometimes plant to plant, the spokesman said. General guidelines called for companies to pay the full cost of pension plans and at least \$14.50 monthly for hospitalization plans.

(Mailing label here)

Life captives threat to insurers, contends new boss of Prudential

NEWARK—The new president of Prudential Insurance Co. here sees captive life insurance operations as a big threat to insurers' group business.

Life insurance affiliates of U.S. businesses have cost life insurance companies an estimated \$10,000,000 in premiums during 1967 and 1968, according to Donald S. MacNaughton, Prudential's new boss.

The potential threat to our group insurance markets is highlighted by some of the large accounts already lost by major group insurers," Mr. MacNaughton warned other insurance firms.

He said that the group insurer is usually required to reinsure a portion of the business with the policyholders' captive.

THEN AS THIS life insurer grows in size and experience, it reinsures a larger and larger proportion of the business and may eventually take over the whole account, Mr. MacNaughton continued.

With the exception of Sears Roebuck (Allstate Life), the life affiliates of most companies are rather small," Mr. MacNaughton said. "However, should this expansion into life insurance con-

tinue, their total impact on the market could become sizable in future years."

He pointed out that in addition to employees, life captives are exploiting customers as sources of business. He said that, for example, Swift & Co. through Globe Life of Chicago has life insurance representatives stationed at its various plants to solicit new business.

(IT HAS BEEN reported that

Globe, begun originally as a captive, suffered some rather severe reverses and in an attempt to keep its head above water has begun to seek outside business to increase spread of risk.)

Mr. MacNaughton also pointed out that all Sears group coverages are insured by Allstate.

Sears, J. C. Penny, Montgomery Ward and others have allowed life insurance affiliates to use customer files for prospects, said Mr. MacNaughton.

Life insurance pension business is also vulnerable, Mr. MacNaughton said, particularly as a result of mergers and conglomerates.

"If life affiliates of industrial firms assume the parent's group business, it would be logical to assume extension of activities to include its pension business," Mr. MacNaughton said.

"To the extent that conglomerates might wish to use pension assets to acquire additional companies, the restrictions on directed investments under insured plans might encourage some switching to noninsured funding vehicles."

Mr. MacNaughton said there was some evidence to indi-

cate that Textron began the modern conglomerate rush when it began investing its pension funds in other businesses rather than investing in conventional mortgages, bonds and common stocks.

IN DISCUSSING pure captive operations, Mr. MacNaughton said, "except for credit life and health insurance, the development of captive insurance companies has not yet had any significant impact on life markets.

"It is quite possible that some of these companies will also handle the group insurance and pension coverages of their parent companies in future years."

Wigen named N. D. director of insurance

BISMARCK, N.D.—J. O. Wigen, 51, has been elected state insurance director, defeating Democrat incumbent K. O. Nygaard.

Mr. Wigen, when he took office in January, was the first professional man in more than 30 years to head the insurance department. The last insurance commissioner to enter office with a professional insurance background was Harold Hopton, who served in 1935-36. Mr. Hopton had been a claims supervisor in the Canadian provinces for five years before his election.

MR. WIGEN has been an insurance adjuster since 1940. Owner of the Nobel Adjustment Co., Bismarck, which he and Vernon Noble of Fargo founded in 1957, he said he would sell the business before taking office.

He said he has no immediate changes in mind for the insurance department. "I have no axe to grind... I'm only interested in having a department that is run competently with qualified people and strictly for the benefit of the people of North Dakota," Mr. Wigen said.

Tree workers to get comp

SEATTLE—This state's Department of Labor and Industries has issued an "administrative ruling" that hop and tree fruit workers are engaged in extra hazardous occupations.

Consequently, after April 1, workers in these agricultural areas must be covered for workmen's compensation insurance under the state's monopolistic law.

The ruling is the first of three proposed that would eventually bring all agricultural workers in the state under compulsory workmen's compensation insurance coverage by 1975.



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washington watch

FAIR plans may have to provide business crime insurance coverage

WASHINGTON—While the 90th Congress could by no means be accused of having been deaf to the needs of the ghetto businessman, it did fail to pass the one piece of legislation that these businessmen considered to be the most important to their existence—a Federal program under which crime insurance would have been made readily available to them.

At least most observers felt this to be true. Certainly the riot reinsurance bill gives the hous-

ing and urban development secretary the power to attempt to force the carriers to write crime lines in the ghettos. But the possibility of his making such a move any time soon—and succeeding without wrecking the entire program—is thought to be very remote.

This feeling was until recently reinforced by the belief that the principal object of the law was to get fire and extended coverage lines into the ghettos, not crime insurance, at least for a while.

Most insurers felt that no one would be foolish enough to ask them to write crime lines in the ghetto areas without study.

THERE IS, however, a movement afoot to do just that and it looks as though it has a very good chance of succeeding.

Under the riot reinsurance programs, as passed by the 80th Congress, the Federal government makes available reinsurance—for riots only—for all the standard lines of property insur-

ance, including the "crime lines," such as vandalism and malicious mischief and burglary and theft.

This reinsurance is available only in states that have adopted so called FAIR (fair access to insurance requirements) plans and in these states it is only available to insurance companies that are members of the FAIR plans in the states. The FAIR plans may differ from state to state, but each must meet certain minimum Federal standards.

The principal standard is that member firms must provide fire and extended coverage insurance in ghetto areas. They do not, however—under the interpretation of the law generally accepted until recently—have to provide crime lines in the ghettos until the HUD secretary so decrees. And he cannot so decree without the approval of his national advisory board of 19 members representing state and Federal governments, the insurance industry and general public.

The HUD secretary's pre-eminence in this matter, however, was recently challenged by District of Columbia insurance commissioner Albert Jordon in a move which could accomplish nationwide what the HUD secretary probably cannot himself do yet.

Commissioner Jordon claims to have the power under the District's FAIR plan, as passed by Congress, to require member firms to write vandalism and malicious mischief and burglary and theft insurance in the District core areas. And he recently ordered the carriers to begin preparing a program to do so.

The carriers have taken the matter to court, but the odds are at this point they will lose. Commissioner Jordon's statutory right—or lack of it—to issue such an order is based on a very unprecise section of the law and the final decision will probably boil down to an interpretation of the intent of Congress when it wrote that particular section.

There is a tremendous amount of political pressure being applied in favor of Commissioner Jordon and this is certain to play a major role when it comes to reconstructing the "intent of Congress." It is widely believed also that Commissioner Jordon has HUD's blessing in the suit.

IF THE CARRIERS do lose the court battle, the fear is not just that they will then have to write crime lines in the District's core areas, but, that other insurance commissioners in the various states will follow Jordon by using the District's plan. There is nothing to prevent any commissioner who wishes from seeking—and almost certainly getting—his FAIR plan amended by the state legislature to read in the same manner as the District's.

The initial reaction of the carriers, if commissioner Jordon wins in the courts, will be to consider pulling out of the District's FAIR plan, since it is almost universally felt that crime insurance in the Washington core areas would be a financial disaster. This would, of course, mean pulling out of the District altogether because a firm cannot sell property insurance here without being a plan member.

A pullout in the District would be feasible for most firms because the total premium income here is not large. But, such a move would be almost impossible in such states as New York, New Jersey and Illinois.

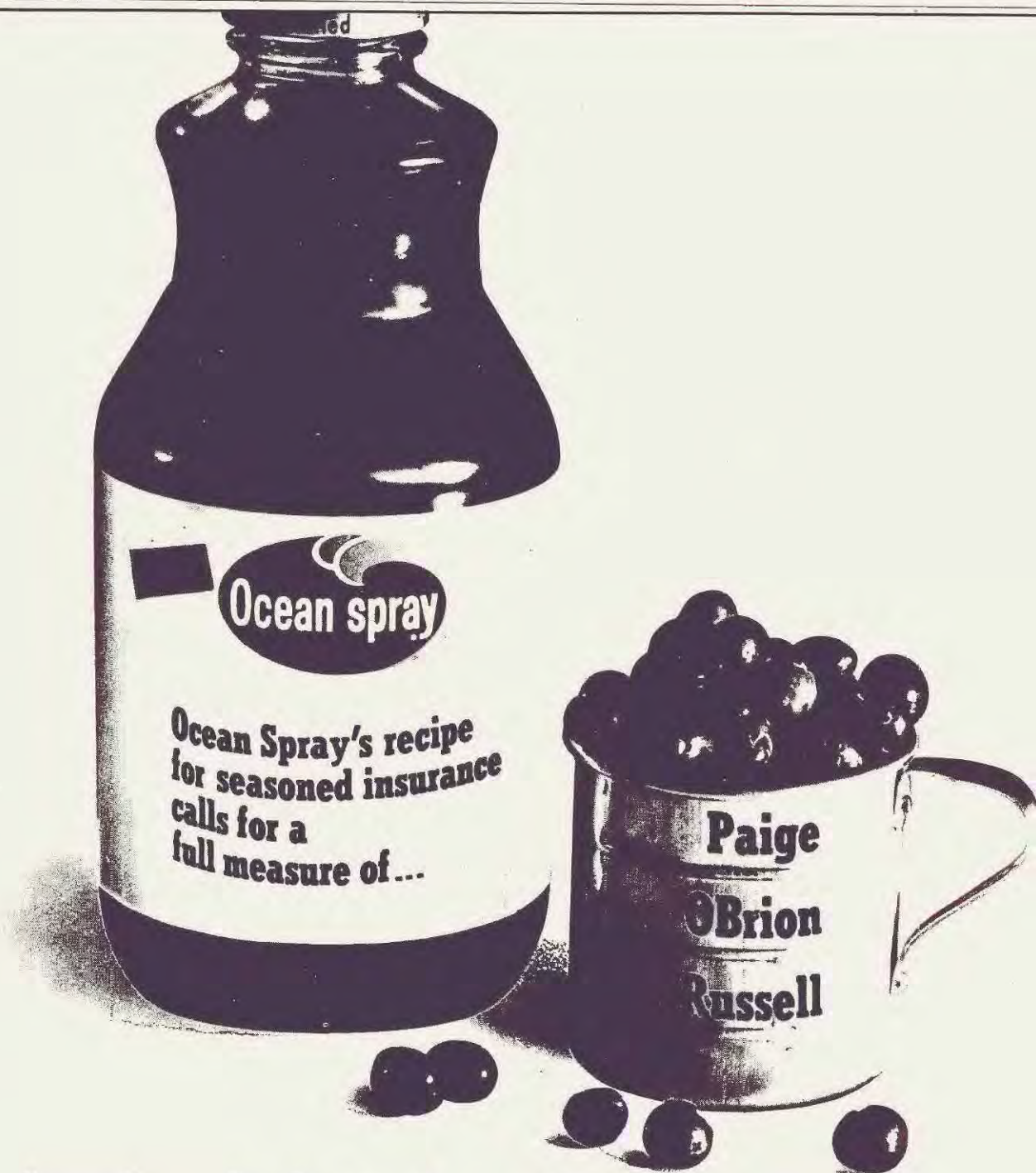
Such a pullout, in order to be effective as a tool in getting an order rescinded, would have to be almost universal throughout the industry—a possibility that even the most optimistic carriers feel is remote. Not only is the industry traditionally fragmented, but any move to unite it behind such a plan would draw an immediate antitrust suit. ■

Air liability cover upped

SAN FRANCISCO—All commercial airlines operating within California have been ordered by the state public utilities commission to increase their bodily injury and death liability insurance coverages from \$50,000 to \$100,000 per passenger seat.

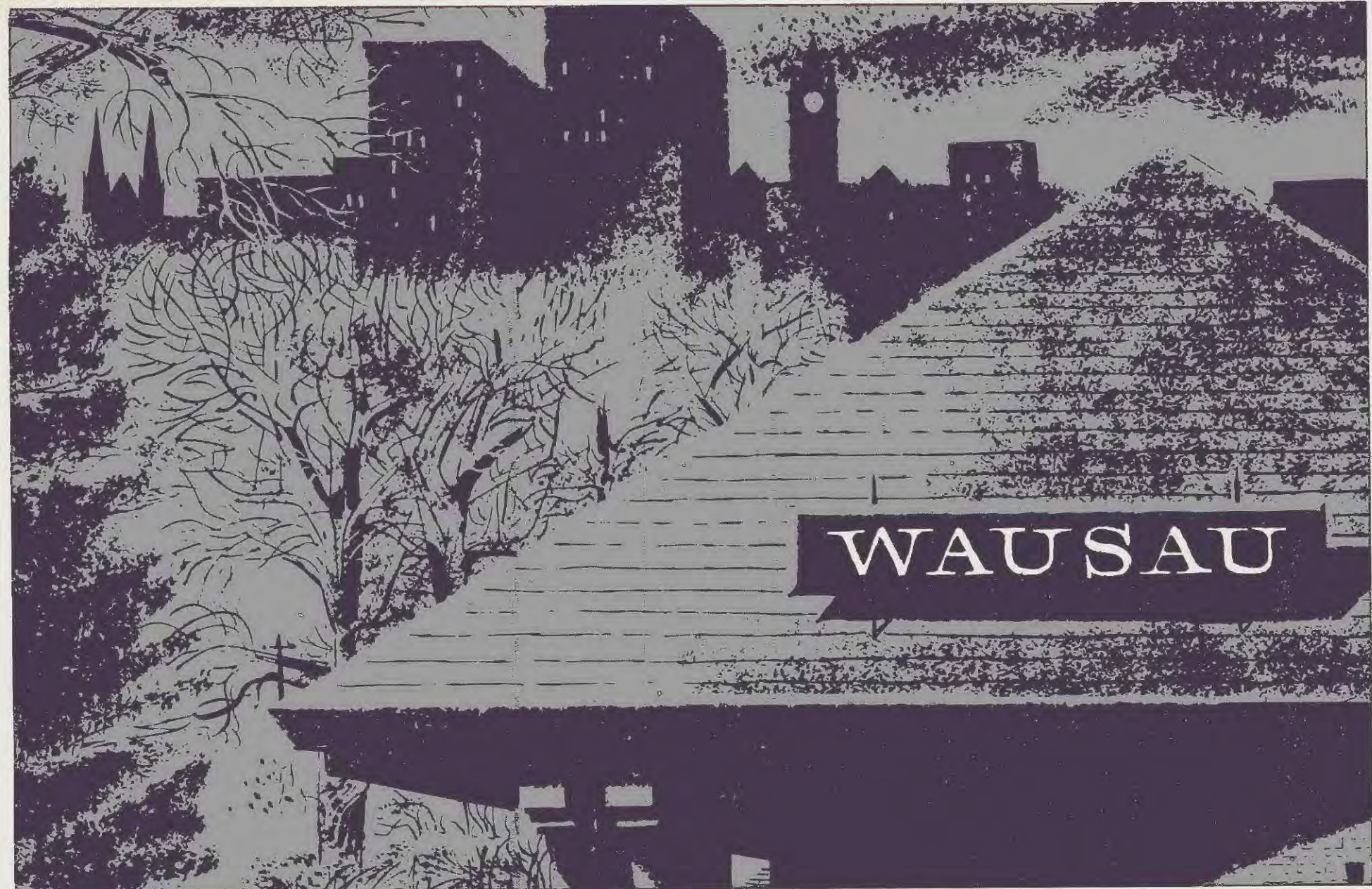
The commission ruled that the new coverage must be made effective not later than March 1.

The larger limits are necessary, the commission said, to provide "adequate compensation for damages incurred through accidents involving commercial airlines." ■



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Insurers growing more wary of business tied to airline industry

NEW YORK—Insurers seem to be reevaluating insurance business linked to the airline industry.

Continental Casualty Co., an early writer of airline trip travel business over-the-counter, has announced that it has dropped the line at airport locations. The insurer said it did \$3,000,000 in premiums in this type of business last year.

It is estimated that airline trip insurance generates about \$20,000,000 in premiums annually.

CONTINENTAL CITED increasing costs of marketing this type of coverage as a reason for dropping it. *Business Insurance* learned that Lloyd's of London has increased the cost of reinsur-

ing this type of business.

In addition, it was learned that governmental units in charge of airports charge a portion of the premiums as rent in exchange for allowing the insurer to do business in the airport. In competitive bidding for the concessions, "the cost has gotten completely out of hand," one source said.

Business Insurance reported late last year that Mutual of Omaha said it had renegotiated its reinsurance program for air trip coverages. Other insurers in the business include Continental Insurance Cos. of New York, Aetna Life & Casualty, and Slate Farm Fire & Casualty.

IT IS NOT KNOWN what effect CNA's decision will have on

this type of business or other types of air travel cover, including some group coverages.

One factor that is troubling insurers, apparently London more than others, is the advent of the "jumbo" jets, which will be able to carry up to 400 passengers.

The airline industry has already had a struggle with insurers over hull and liability coverages for these giants and has sought to solve the problem by using captive risk bearers.

NOW THAT A pioneer has dropped out of the over-the-counter business, there is almost certain to be some re-evaluation of this type of coverage.

"CNA's decision to retire from this method of sales is in no way

due to lack of confidence in the safety record of the airlines", a Continental spokesman said. "We are not discontinuing the sale of airline passenger insurance; in fact we want to increase our sale of ticket accident insurance through travel agents."

It is known that CNA's share of this business is very small.

IN ADDITION TO Lloyd's, actuaries shake their heads over the possibility of a "jumbo" jet crash. The probable maximum loss could be gigantic.

Although no actuary contacted by *Business Insurance* would calculate the possibility, they agreed that it was in fact possible that several persons on the same plane (even if employed by separate companies) could have air trip cover of some sort with one insurer.

And since these policies can have limits up to \$15,000 in the over-the-counter type and much

higher limits in group accidental death policies, a loss could hit reinsurers very hard.

And finally, there is the opposition to the over-the-counter policy by the Airline Pilot's Assn. Spokesman for this union have termed the availability of this type of coverage as an invitation to some to buy a policy and bring a bomb on board the plane to destroy the insured as well as others on the flight. ■

Ask added library cover

ROCHESTER, N.Y.—Rochester Public Library trustees are preparing to ask the city for increased insurance coverage on contents in all branches and the main library.

Although library officials estimate the main library and 122 branches house between \$3,000,000 and \$4,000,000 in materials, insurance covers the contents for less than \$1,000,000.

The main library in the Rundel Memorial Building is insured for \$545,100 and each of the branches for \$24,000.

"We're underinsured and we don't have the kind of coverage we should have," said Edwin S. Holgren, the library's assistant director.

The trustees at their monthly meeting instructed Mr. Holgren to get estimates from several companies on what is called model library insurance policy coverage.

The model insurance covers not only books, valuable papers and films, as the present one does, but also phonograph records, tapes and equipment, and reflects the real value of the library's holdings.

It also carries a schedule of agreed values, in case there is a major loss, which the present coverage does not have.

According to figures from one company, model insurance coverage for \$3,000,000 for three years would cost \$9,532. ■

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Insurance managers must identify with management goals: Bjorklund

CHICAGO—Risk managers must share the objectives of management and integrate their work with corporate operations, the Chicago chapter of the American Society of Insurance Management was told by Richard C. Bjorklund, managing editor of *Business Insurance*.

"It isn't enough for the buyer of insurance to say that he'll handle the insurance portfolio; a true risk manager must direct his efforts to making a profit for a business organization or reducing expenses in governmental and nonprofit organizations," Mr. Bjorklund said. "A risk manager cannot any longer view himself as a clerk who is an expense item to his company."

Mr. Bjorklund urged that risk managers be brought into initial discussions of such major corporate moves as mergers, acquisitions, expansion and new product ventures. He cited the need for corporate "products liability teams" that would bring risk managers together with corporate counsel, sales and service representatives and advertising people.



Richard C. Bjorklund

of \$26 billion in premiums annually." He cited the appointment of James Bailey as ASIM's legislative counsel as a step toward making the buyers' voice heard on national and local levels.

Among current challenges for insurance managers, Mr. Bjorklund cited growing concentrations of values, new technology that demands special attention to loss control, inflation and consumerism, which involves risk managers both as consumers and as purveyors who must protect against products liability claims.

"Another key challenge to the risk management profession," the editor asserted, "is the need to bring black people into the ranks of corporate risk managers. Insurance is basic to the success of all capitalistic enterprises and it is vital that knowledge at risk management be shared by everyone and skill in handling risks be available to every business regardless of the color of its proprietors and managers."

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MR. BJORKLUND said he did not advocate that every risk manager seek certification because for some an insurance management certificate would be the end of their climb within the corporate structure. He did advocate that successful risk managers give serious consideration to what formal education their assistants should have.

"Risk managers have abdicated their role as a vital consumer group," Mr. Bjorklund charged, "though there have been hopeful signs recently that ASIM and insurance buyers generally have awakened to the power they possess as spenders



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

• **Alcoholism in Industry—Modern Procedures** is a pamphlet published by the Christopher D. Smithers Foundation Inc., 41 E. 57th St., New York, N.Y. 10022. The item, designed for top management down through the ranks of supervisors and foremen, deals with the essentials which are encountered and must be treated by all company supervision in handling alcoholism as an employee illness. For details on price, write the foundation.

• **Pyrotronics Inc.** offers two books, **Pyr-A-Larm Fire & Smoke Protection for Air Conditioning and Ventilation Systems** and **Pyr-A-Larm Fire & Smoke Protection for Computers and EDPM Systems**. Illustrated with pictures and diagrams, the books also include listings of organizations presently using the plans. For copies, write Pyrotronics at 2343 Morris Ave., Union, N.J. 07083.

• **Alexander International**, a professional service organization providing coordinated advisory, actuarial, banking, investment, and administrative services in the international employee benefit field, has released an explanatory brochure describing its principles and services. Information also includes a list of the board of directors and backgrounds of the board members. For a free copy, write Alexander International at 225 Broadway, New York, N.Y. 10007.

• **Breakthrough in Housekeeping Maintenance** is a free brochure describing how the "KEX" rental dust control system has been used to eliminate dust and reduce labor costs. It details a ten-point checklist of time- and money-saving methods as well as four "KEX" claims, concerning anti-microbial effectiveness, which have recently been accepted by the U.S. Department of Agriculture. The item is free by writing "KEX" National Assn., 7100 Baltimore Ave., College Park, Md. 20740.

• **The Cookson Co.** offers its **Catalog 6801** on rolling steel doors. Each type (fire doors, counter doors, coiling grilles and operable walls) is presented in detail to define its scope of function and security aspects. These closures are **not** designed for home installations. To receive a free copy of the 28-page book, write the company at 700 Pennsylvania Ave., San Francisco, Cal. 94107.

• **What Is the Emergency Petroleum and Gas Administration?** has been published by the Office of Civil Defense to demonstrate how the petroleum industry, which supplies three-fourths of the nation's energy, could resume effective operations following a nuclear attack if adequate defense precautions were taken now. Elements of company emergency planning are set forth in the book, but the principal focus is on the cooperative, pre-emergency planning steps the government has taken to back up the efforts that individual companies make on their own. The establishment of a company emergency program, including continuity of management and protection of personnel and installations and records, is covered in **Civil Defense and Emergency Planning for the Petroleum and Gas Industries**. Both books were prepared by the National Petroleum Council, Washington, D.C. 20006.

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

• **A compact, self-contained fire-protection system, about the size of a portable television, is now available from Fenwal Inc. The new FIREPAC system is adaptable to the protection of personnel working in confined areas (such as bank vaults, laboratories or libraries) or for use in areas where equipment, documents or furnishings of high value are concentrated. The fire extinguishant Freon FE 1301 does not damage papers, furnishings or electronic equipment. The unit can be used singly or in connection with other units and has its own fire detectors. Each unit can protect 1,500 cubic feet of space. For information write FIREPAC, Fenwal Inc., 400 Main St., Ashland, Mass. 01721.**

• **Alexander & Alexander** has released a booklet describing their firm and its services. **A Complete Insurance Service for Business**, 16 pages, points out that of all businesses forced to close their doors because of fire or other disaster, more than "43% fail to re-open—despite adequate property insurance coverage," and comes to the conclusion that "obviously, the standard forms of property insurance are not always sufficient to give companies the protection they need." Complementary copies are available by writing the corporation at 225 Broadway, New York, N.Y. 10007.

• **The dilemma of the modern businessman in trying to provide a true employee "benefit" program is faced in **Operation Claimtrack**. The 12-page booklet points out that claims analysis and control can prevent the costly drain of premium dollars resulting from ignorance and abuse of the group insurance program, and that Operation Claimtrack's objectives are to: provide a comprehensive picture of the operation of the group plan and participate in protecting its efficiency. For a free copy of the item, write John McGuire Agency Ass't., Continental Assurance Co., 310 S. Michigan Ave., Chicago, Ill. 60604.**

• **Protect Your Property from Vandalism . . . Burglary . . . Arson!** is a four-page, illustrated brochure free by writing Field Service Dept., Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601. The list of precautions is aimed at making all property owners, regardless of location or occupancy, aware that the increase of vandalism and crime in the U.S. has brought about a need for better protection. It deals with glass, fencing, floodlights, locks, alarm systems, watchman services, and fire prevention.

• **United Coverage Consultants, Inc.** has offered reprints of its article **Risk Management Techniques Solve Business Problems**, by Philip M. Schlusel. Single copies of the three-page article are free by writing the author at United Coverage, located at 60 E. 42nd St., New York, N.Y. 10017.

• A five-step plan for organizing a property control system and putting it into effect is described in a comprehensive 16-page booklet, **How to Plan a Profitable Property Control Program**. Offered by Metal Craft Inc., the brochure also stresses the growing importance of property control in today's economy, fixes responsibilities for smooth operation of the system, and describes eight benefits resulting from an efficient plan. Components of the suggested plan include property tags and individual record cards (illustrated in the booklet). Samples are available with the literature by contacting Mr. Fred. T. Fenchel, advertising manager at the corporation, 149 4th St., S.W., Mason City, Iowa 50401.

• **Major Decisions Management Must Face Sooner or Later** deals with lost-time benefits which can be provided through the employer with or without cost to the employee. The plan is operated on a payroll deduction principle from Bankers Security Life Insurance Society. The four-page booklet is free by writing the society at 1701 Pennsylvania Ave., N.W., Washington, D.C. 20006.

• **Bibliography—Fidelity and Surety Law: 1946 to 1966** contains a listing of all writings on the subjects of fidelity and surety law which were published during these years and is a useful reference tool. Cost is \$1 (prepaid) from the Defense Research Institute, Inc., 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233.

• A recent article in *Forbes* magazine states that the courts are becoming increasingly sympathetic to the shareholder and that "it is definitely easier to bring a shareholder suit today than it used to be." Protection against loss and heavy legal costs from these suits has been available for several years and the Stewart, Smith companies have updated their brochure on the subject of directors and officers liability insurance to include new information on IRS tax rulings on these premiums, policy forms and recent data on stockholder suits. Copies are free from any Stewart, Smith office in New York, Chicago, Los Angeles, Philadelphia, Boston, or Miami.

• **Are Your Company's Assets Abroad as Safe as Those at Home?** is a booklet on international insurance and employee benefits, from Alexander & Alexander's, international division. It emphasizes that foreign laws and customs need not create a mystery about insuring foreign risks. It is free by writing Public Relations Dept., Alexander & Alexander, Inc., 225 Broadway, New York, N. Y. 10007.

City held liable for 1967 ghetto riot

MILWAUKEE—The City of Milwaukee has lost the first round in its legal battle with insurance companies over the payment of riot damages resulting from the July 31, 1967, Negro uprising here.

Circuit Judge Robert W. Landry ruled last month in a test case that "absolute liability against the city extends as much to the insurance company as to the property owner under the riot statute."

The key point in the case is whether insurance companies should be reimbursed by the city for riot damage they have paid. Hundreds of thousands of dollars are at issue.

THE INSURANCE companies claim the city is responsible for mob damage under state law and

a 1933 Wisconsin supreme court decision.

The city accuses the insurance companies of seeking unfair treatment and unjust enrichment.

Judge Landry's ruling was in a case involving a \$506 claim paid by three insurance companies for damages to the Bronz-Vil Bar, a tavern in the Negro ghetto. Its front window was smashed and merchandise allegedly was stolen during the riot.

The city has refused to reimburse the three insurers—Interstate Fire and Casualty Co. of New Jersey, Lloyd's of London, and New York Underwriters Insurance Co. of Connecticut.

JUDGE LANDRY ruled that Wisconsin statute 66.091 provides

that the city is liable for injury to persons or property by a mob or riot.

The judge's decision was rendered on a demurrer by the city to the three insurance companies' claims. The city contended that the insurance companies had no legal right to reimbursement.

A city attorney argued that "if this claim is allowed to be recovered, the insurers would be able to keep the premiums for riot coverage without paying any claims under the terms of the policy." He also said it would be "a gratuity or unjust enrichment on the part of the insurance companies."

THE CITY SAID it would take the Bronz-Vil case to the state supreme court. Attorneys for

both sides have pledged to take the case to the U.S. supreme court, no matter who wins in the lower courts, because so much money hangs in the balance.

More than 800 damage claims have been filed against the city, seeking more than \$1,000,000 in payments. Of the 800-plus claims, 275 have resulted in lawsuits. Most of them were filed by 52 insurers who have paid out more than \$500,000 to policyholders whose properties were damaged during the riot.

The Bronz-Vil case is expected to establish a new, legal "riot doctrine" which will define a riot, establish the relationship between a riot and the damages claimed, and determine whether insurers who have paid on the claims are entitled to reimbursement from the municipality. ■



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*In a few states, we're required to use the level dividend rate.



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Firms lose \$30 billion annually on 'run-of-mill' accidents: Bird

PHILADELPHIA — A safety expert who switched from an industrial corporation to an insurance company estimated that at least \$30 billion is lost annually by industrial companies from run-of-the-mill accidents, most of which are uninsured.

Frank E. Bird Jr., a post which was created last year, corporate director of safety and security for Insurance Co. of North America, said the staggering figure represents the actual cost of uninsured accidents and does not include personal injury or property damage losses caused by basic fire perils.

To illustrate his point, he used an example of a truck which after being involved in a minor accident at a plant had to be laid up

for repairs. "Corporations absorb such typical losses as operating expenses and they can be added up in the accounting ledgers," he said.

MANY CORPORATIONS are discovering the costs of these ordinary accidents, he continued, and are taking a broader approach to total loss control.

Mr. Bird, who participated in more than 300 safety conferences during his career and lectured on the subject of "total accident loss control," a term which he described as inclusive of all property damage as well as personal injury, said insurers and corporations have taken a "limited view of accidents."

His appointment to the new

safety position is expected to be a link between INA and its insureds toward a "new look at loss control and accident prevention."

Mr. Bird joined INA after 17 years in key safety positions with Lukens Steel Co. His responsibilities with the insurer will include research in accident prevention at the newly formed INA MEND Institute.

MEANWHILE, INA has expanded its own internal safety program to include families and friends of employees in the company's 52 service offices in the U.S. and Canada.

Each service office gets a total accident control rating, and one phase is geared to the number of non-employees taking part in such

programs as the defensive driving course.

INA requires all drivers of its 2,000 vehicles to complete the course, and each service office will receive bonus points for every non-employee they involve in the driving course.

Annual awards for total accident control will be presented to various service offices on a competitive basis.

To further involve non-employees, INA has set up a program called "safety for sharing with family and friends." The monthly safety message and contest encourages its 11,000 employees to initiate organized safety discussions with non-employees, and prizes are awarded for participation. ■

Weaver joins staff

William F. Weaver has joined the claims staff of North American Reinsurance Corp., New York.

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If you are not getting this sort of expertise and service now, it will surely pay you to get in touch with Seth S. Faison, Vice President, Johnson & Higgins, New York. Or with the President of the Johnson & Higgins subsidiary nearest you. There are seventeen locations in the United States, five in Canada and fifteen in other parts of the world.

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Dismisses big suit against power unit

NIAGARA FALLS, N.Y.—In the largest civil damage suit ever tried in Niagara county, a supreme court jury here found no cause of action by Kimberly-Clark Corp. against the State Power Authority.

Legal sources said the \$4.7 million suit was the longest running trial and the longest consideration by a jury here. The trial started Nov. 6 and the jury of ten men and two women deliberated two days.

The firm contended the SPA was negligent in building waterways for the Niagara Power Project and that conduit construction caused damage to its buildings in Packard road.

Justice Hamilton B. Ward reserved decision on motions by Kimberly-Clark attorneys to set aside the verdict. He gave company lawyers 30 days in which to file briefs if they decide to seek a new trial.

Kimberly-Clark lawyers claimed the SPA should have constructed waterways by tunneling rather than cut and cover construction through excavation. They said blasting damaged company structures.

Defense attorneys said the damage was caused by construction methods used in building the firm's plant structures, "natural causes" and the "use or misuse" of the buildings.

The corporation originally claimed \$2.3 million damages when it filed the suit in 1962, later changed it to \$5.7 million and finally sought \$4.7 million. ■

Earthquake worries eyed

SACRAMENTO—A land movement measurement program has been started in California, with the support of the insurance industry concerned over potential catastrophic earthquake damage.

The California Department of Conservation will measure earth movement along the famed San Andreas fault and several other major earthquake generating breaks in the crust of California earth.

A somewhat similar fault measurement program was conducted from 1959 through June 1968 as a part of the State Water Project by the California Department of Water Resources.

SOME EARTH scientists, according to James G. Stearns, director of the conservation department, "feel that the earlier program accomplished an important break-through, which may lead to reasonably accurate earthquake predicting."

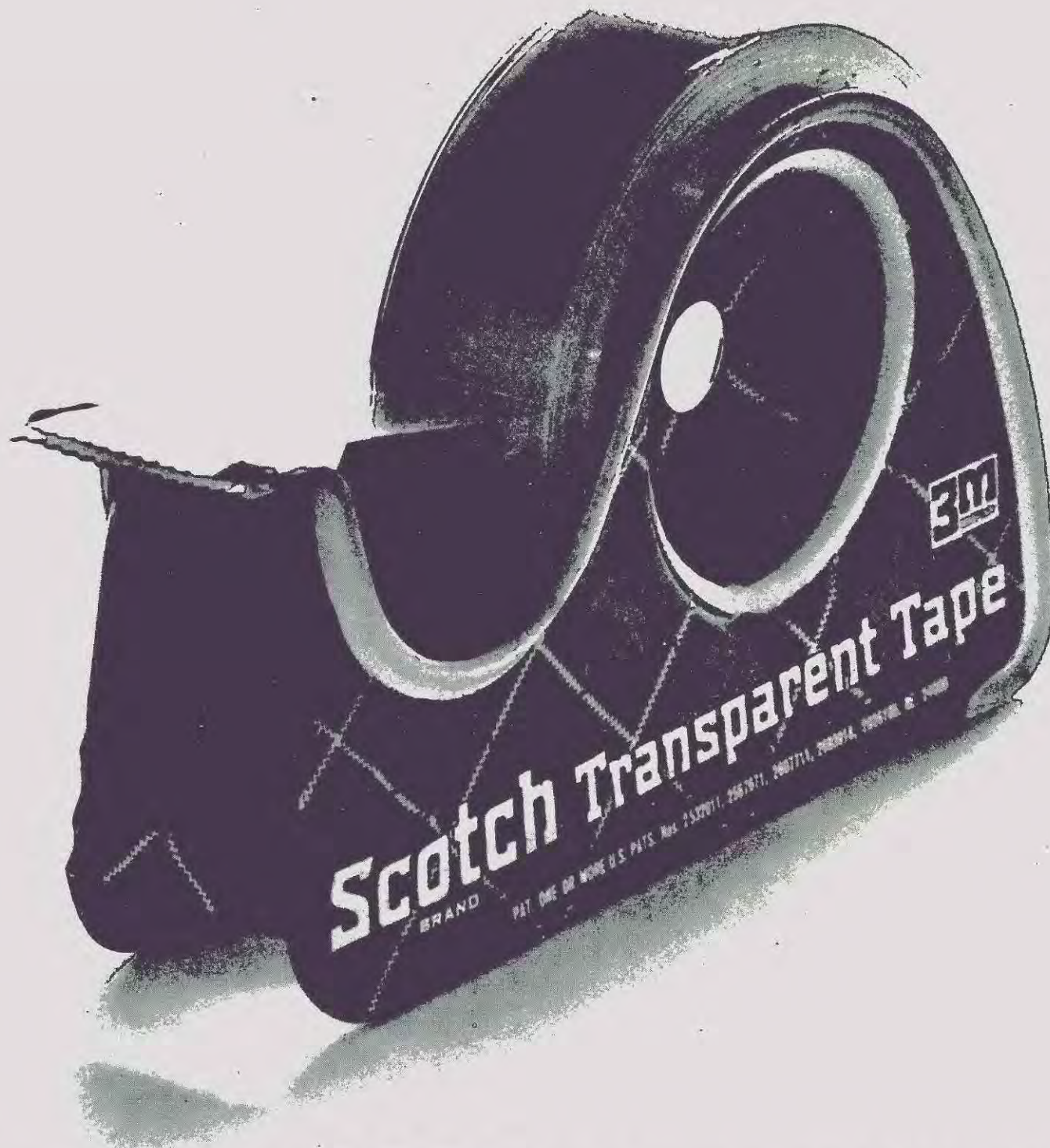
Actual field work on the new program began Jan. 20, directed by the state division of mines and geology, with financial and technical assistance from the U.S. Geological Survey.

The program, according to Mr. Stearns, also will provide an opportunity to field test and evaluate newly developing instruments for precision distance surveying. ■

Neb. bill would add rehabilitation program.

Nebraska Legislative Bill 203, introduced Jan. 9 by Sens. Roland Luedtke, Harold Simpson, and others, would amend the workmen's compensation law to provide a rehabilitation program for injured employees.

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opinions

Pension, profit-sharing plans

Inflation and the mobility of the U.S. work force is triggering a change in thinking about pension and profit-sharing plans.

Inflation has squeezed much of the value out of tying profit-sharing and pensions to an inflexible benefit and investment schedule.

And today's worker, who changes job with much greater frequency than in years past, wants to take with him some of the equity he's built up in such funds—before he reaches retirement age.

The unions have been agitating for improvements in these areas, and the 91st Congress is expected to take a hard look at the funding, vesting and fiduciary responsibility aspects of pension plans.

Meanwhile, the financial community itself is coming to the realization that there must be a better way. Several insurance companies have introduced pensions tied to the cost of living index, which would enable payments to increase with the inflationary spiral.

And other forces are gearing up to offer a combination of retirement programs geared to respond to the upswing of the stock market, rather than the more modest advancement of other forms of investment. According to these schemes, employees would be offered a combination of pension—to provide a fixed dollar payment—and variable annuity and mutual fund—giving a variable payment based on common stocks.

Another plan would allow employees to take their money before they retire, in the form of accrued savings. Such savings or thrift plans, as they're called, are often combined with a company's pension, profit-sharing or stock bonus plan to encourage employees to save and at the same time to supplement retirement benefits.

These, then, are some of the recent developments in the area of supplemental income plans. *Business Insurance*, in our April 14 issue, will devote a special section to overall developments in this area, and we'll also take a look at some trends among current pension and profit-sharing plans.

For instance, do most companies require contributions on the part of employees for pensions and profit-sharing plans or do they foot the entire bill? Our editors will survey top companies and find out.

Here are other topics: What's the trend in final average pay vs. career average pay? Do most pensions provide survivors' and disability benefits? Are they integrated with Social Security? We'll get the answers.

Finally, we plan to concern ourselves with the investment performance of profit-sharing and pension funds, and show how a good return can affect benefit levels. We hope to interview both union and company fund managers about the specifics of how they invest their funds, with an eye to discovering whether stocks or real estate or bonds can provide the best opportunity for growth.

A new form of ambulance chasing?

Liability awards, already at an all-time high, are in for some further escalation if events about to unfold at the National Commission on Product Safety in Washington take the expected course.

According to an exclusive report in this publication's last issue,

business insurance

for buyers of employe, property and liability protection

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PENSION AND RETIREMENT PLANS

	Active workers covered	Number receiving pensions
1950	15,598,000	1,112,000
1960	28,785,000	3,123,000
1965	34,276,000	4,503,000
1967	37,406,000	5,471,000

During 1967 the number of persons covered by private and public pension and retirement plans continued to increase at a rate greater than the increase in the nonagricultural civilian work force. And, as in the past few years, private insured pension funds grew the fastest to a total of 7,755,000 workers covered and 935,000 receiving pensions. Noninsured private retirement plans in 1967 covered 19,800,000 workers and provided pensions for 2,590,000. Pension authorities say that today most large industries and government agencies have formal pension and retirement plans though some workers may not participate because of age or length-of-service requirements. If all employees were covered from the date of their employment, the total number covered under insured plans would increase 10% to 15%, it is estimated.

Source: Institute of Life Insurance

the commission is requiring insurers to divulge the bodily injury claims against their insureds that were settled during the months of March, April and May of this year.

It's true that the insurers initially won't have to give the manufacturer and brand names involved in the liability claim but only a generic description of the product.

It's true that they'll also have to supply the company file number, the date of the injury and how the product allegedly caused the injury and the nature and extent of the injury.

But what is really stirring up the insurers—and should be stirring up buyers—is the fear of what could come next. Up until early last month the commission held out for the specific details of the company and product involved, and observers predict that the current study will infuse the commission with enough curiosity to get the rest of the details.

The upcoming report will exclude liability claims against auto companies, food and drug firms, cosmetics, pesticides and firearms. But since the bulk of product liability awards—at least in terms of dollars are made against corporations in these fields, their inclusion in future reports is viewed as at least a possibility.

A 1967 law setting up the safety commission, excluding these industries, can be amended should the demand for such action become great enough.

The reason insurers have been so vociferous in their opposition to the commission's chronicling bodily injury claims is that they fear such information can easily be used against them by sharp lawyers.

Insurers wonder what's to prevent legal-beagles from poring over the reports in an effort to spot frequent areas of settlement, and then scan the papers for news of people involved in such mishaps.

Insurers foresee the rise of the same sort of "ambulance chasing" tactics already prevalent in other fields.

Corporate insurance buyers should be wary of the commission's reports, we submit, because they're the ones who eventually must pay the bill for the liability awards—in the form of higher insurance premiums.

We can see a legitimate use for statistics on bodily injury claims, but we can also see how such information can be abused. It's up to insurers and buyers alike to make sure the information doesn't fall into the wrong hands.

A vital ASIM conference

More than 1,500 risk managers are expected to attend the 1969 annual conference of the American Society of Insurance Management to be held Feb. 17-19 in New York City. We think many more should attend. And we believe that those who do attend will profit greatly from the instructive program organized by Robert E. Rich of the Cotton Producers Assn. and his conference committee.

Insurance buyers, who are becoming increasingly involved in reinsurance, will learn much by hearing an opening session on European reinsurance markets that will include experts from six countries. Another conference highlight will be reviews of insurance problems that are common to 11 different industries. A "split session," conducted by various ASIM chapters, will review such insurance problems as franchise operations, employee benefits, mergers and acquisitions, and products liability.

We commend Mr. Rich and his committee for organizing an imaginative conference format. We urge *Business Insurance* readers who are members of ASIM to take advantage of a rare opportunity to learn and grow by attending the conference.

letters

Article idea

To the Editor: We would like to see an article, or a series of articles, on the problem of third-party actions. Consider as an example a driver of ours receiving workmen's compensation, who brings suit against the customer upon whose premises his injury occurred; the customer thereupon tenders defense to us under the loading and unloading provisions of the standard automobile liability insurance policy. In effect we end up paying twice for the injury, paying our driver's attorney, and whatever else the jury gives the driver.

Insurance companies have shown a rather glacial calm on this matter since they apparently feel that their job is merely to juggle costs between companies. However, a dangerous trend has started which I believe will cost transportation companies hundreds of thousands of dollars in the next few years. It is especially frightening when such an action is brought in Ohio where, by law, we are unable to impose a compensation lien. In that case we truly do pay for the injury twice over and then some.

Once again let me compliment you on the quality of your magazine. We have learned a lot from reading it.

Frank M. Williams

Director of Safety, Pacific Intermountain Express, Oakland, Cal.

Likes 'Info'

To the Editor: I greatly value *Business Insurance* for the factual news highlighting of significant coverage developments and major losses of industrial concerns.

The articles are very timely, and I have had some occasions to pass them on to our good clients and prospects.

Your Info for Buyers service is of great interest and has been most helpful to us as a source area for publications on targeted topics.

I look forward to receiving your publication and feel that it has filled a great void that previously existed in the field of industrial insurance.

Samuel Alcorn

Assistant Vice President, Bayly, Martin & Fay, Inc., Los Angeles, Cal.

Bridge insurers

To the Editor: In your Dec. 2 issue of *Business Insurance*, a report is made that the Golden Gate Bridge multiperil policy in the amount of \$46,000,000 is written through Lloyd's of London. This is not entirely correct as a considerable portion of this risk is written by the American insurance companies and some of it is written in English insurance companies and Lloyd's participates.

Enclosed is a partial list of 47 companies that are among those participating with the Marine Office of America, the American lead.

E. E. Cummings

Marine Office of America, San Francisco, Cal.

Interest in captives

To the Editor: We have enjoyed many of the articles which you have reported in *Business Insurance*. When vital to our particular type of corporate brokerage, we have cut your articles out and sent them to our associate broker, Ematt & Chandler, Los Angeles.

Continued on page 20

"I just might sue every company director reading this magazine."



I'm not a madman.

This is not a joke.

If you are a director of a major company, I've got you where I want you.

At my mercy. All I have to do is own a few shares of stock in your corporation and I can sue you and every other director and officer in the company.

What can I sue you for?

What can't I sue you for!

I can sue you for sending me a dividend payment that I think is unwarranted.

I can sue you because I think your salary is too high, or for conflict of interest or for missing a few directors' meetings. I can blame and sue you because of a misstatement in your company's financial report—or should I say our company. I can't begin to list all the reasons I can sue you for. And here's the saddest part. I'm not alone. There are 24 million other people out here just like me. There are 24 million stockholders in the United States and that's 24 million potential stockholder suits. And even if you should win a stockholder suit—you lose. When you take into consideration lawyers' costs, wasted time, etc. At this point, you must be feeling kind of helpless. You're not.

There is a company that can help you. American Home Assurance Company. They didn't invent stockholder suits, but they have come up with some interesting solutions to them. They feature a type of insurance that every company director or officer in the United States should consider. Directors and Officers Liability Insurance. They have a booklet which tells all about Directors and Officers Liability Insurance for those companies that qualify. You can get it by writing to Dept. A-14, American Home Assurance Company, 102 Maiden Lane, New York, N.Y. 10005. Send for it and talk it over with your insurance agent or broker. He and American Home Assurance Company are good friends to have when you have 24 million potential enemies.

American Home Assurance Company

American Home specially designs coverages to meet the insurance needs of American business—including Difference in Conditions, Umbrellas, Large Property Covers, Excess and Deductible Fire, High Limit and Group Accident, Payroll Deduction Plans, Salary Continuance, and many others.

Government intercession grows as perils of modern life proliferate

By STANLEY E. COHEN
Washington Editor

WASHINGTON—Why does government get deeper into the marketing process? For a case that goes to the heart of it, consider the issue before the commission on hazardous household products last month. How to get home builders to use properly glazed glass in sliding doors, storm windows, shower doors, etc.

The commission believes there are as many as 100,000 accidents a year involving household glass, including many horrible ones, where children crash through sliding doors and incur heart-rending injuries. PPG Industries

staged a demonstration for the commission, like one which it has used in TV commercials, to show that these accidents do not have to be serious if properly treated glass is used.

But so far only five states have amended their building codes to include the recently approved industry standard which provides for properly glazed doors.

THANKS TO advertising and promotional activity by such companies as FPG Industries and by such organizations as the National Safety Council, there will continue to be an intensive effort to convince other states.

But the commission's chairman, Arnold E. Kind, a negligence lawyer, appears to be

skeptical of the prospects. Home builders have told him that a majority of new housing units would have properly glazed glass immediately if the Federal Housing Administration decided to require it. But so far, FHA has refused to get involved.

The glass situation typifies the variety of hazards which have been turned up by the Hazardous Products Commission. Some, like the continued use of unsafe door releases on household freezers, will apparently be remedied through voluntary industry actions. In other situations, where the industries are deeply divided and the hazards are severe, the commission is likely to decide that something faster and more

certain must be worked out.

Many of the problems which lead to government intervention develop, like the glass door problems, from the unhampered workings of the competitive process. Builders save a few dollars by using ordinary glass, and in the absence of some form of compulsory standard, many are tempted to cut corners. Some consumers don't like it, but apparently most are resigned to what comes with the house.

The budget which President Johnson sent to Congress provides a bird's eye view of some of the costly activities which the federal government has undertaken in an effort to cope with this process. Consumers frequently lack the technical competence—or bargaining power—to protect themselves, and businessmen often are too deeply enmeshed in the competitive struggle to provide the kind of protection that is needed.

So government steps in to establish specifications, conduct inspections, or clean up the unpleasant social and economic consequences that sometimes arise from our economy.

Mr. Johnson estimated, for example, that the federal government will spend \$18,000,000 in the next fiscal year to protect consumers from illness and injury resulting from hazardous drugs, foods, pesticides and household products. Over half of this represents the cost of meat and poultry inspection, substantially expanded as a result of the new meat and poultry inspection laws. There is also additional emphasis on the detection of dangerous cosmetics, expanded inspection of drug plants and the development of improved techniques for checking the effectiveness and safety of new drugs.

THE BUDGET ALSO provides over \$100,000,000 for "environmental control," primarily over radiation and pollution in the air and pollution in the waterways. This is a 100% increase in two years, and it is one of the areas where government is just beginning to get involved.

Part of the emphasis is on aid to states which join in regional air quality control standards to control the quantity of pollutants which will be permitted from industrial plants. Some of it, however, is concerned with such problems as badly designed TV sets and autos that emit dangerous radiation and exhaust.

According to a recent Justice Department complaint charging that the auto industry conspired to delay introduction of antipollution devices, autos added 12,465 tons of contaminants to the air in Los Angeles County in January, 1967, and caused about 85% of the local air pollution problem. The budget message is more conservative, estimating that they produce about 60% of the poison in the air we breathe.

Mr. Johnson estimated that unless we had begun controlling these exhausts, they will increase at least 50% in the next ten years.

SINCE 1968, after the federal government passed a law to that effect, the auto people have begun installing anti-emission devices in cars, and Mr. Johnson reported somewhat more effective devices will be available for 1970 and 1971 models. Unfortunately, with the increase in the number of cars, the present and prospective equipment will not bring hydrocarbons and carbon monoxide "to levels necessary for health protection in our urban areas," the budget documents warn.

Though not identified with any single product or industry, economic forces have also contributed to the most costly and complex of the domestic problem areas described in the budget—the problems of the cities.

Over two-thirds of our people now live in 230 metropolitan areas, and 80% of U.S. population growth since 1960 has been in these cities. The federal government plans to spend \$16.7 billion to help them with such needs as airports, mass transportation, urban renewal, water and sewer facilities, mental health, hospitals, etc.

As he ended five eventful years in the White House, Mr. Johnson philosophically observed that every Presidency is "part of a larger sequence extending back through several decades and administrations." He freely admitted that programs in such fields as poverty and urban affairs have proliferated in such numbers and size that their management needs to be improved. That's a job he leaves to Mr. Nixon.

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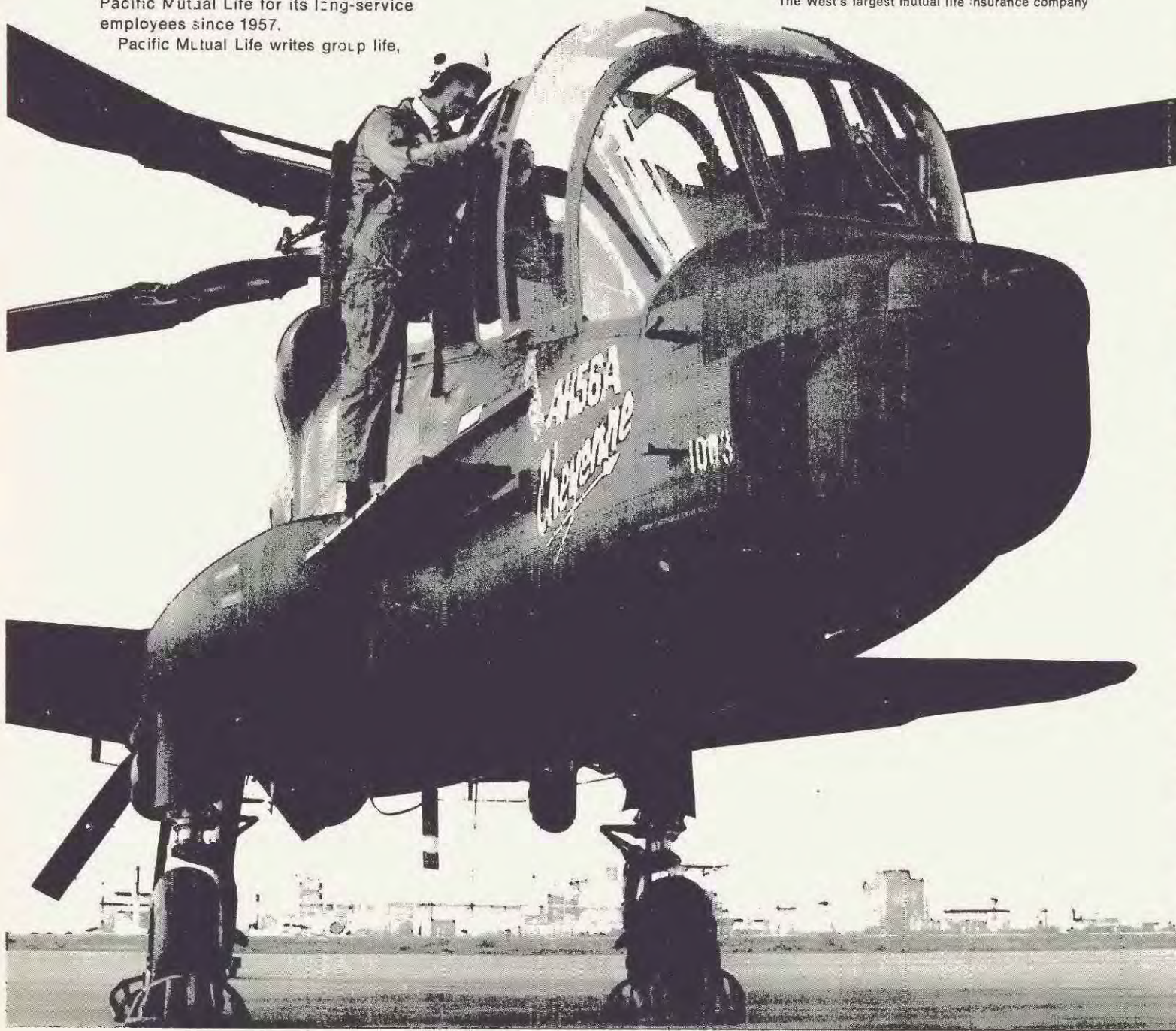
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California appeals board wants fast and full disability payments

SAN FRANCISCO—A new step has been taken by California's workmen's compensation appeals board to insure "prompt and complete" payments of disability benefits.

Roy J. Bell, administrative director, division of industrial accidents, explained that "since its inception less than two years ago, our program has centered primarily on first payments of temporary disability benefits.

"Cooperation by the insurance carriers and the self insureds," Mr. Bell said, "has resulted in a far faster start of benefits in non-contested claims.

"NOW, HOWEVER, we are directing our attention to the end of payments also, to insure the accuracy and completeness of the final payment," he added.

Carriers of workmen's compensation insurance, self-insured employers and permissibly uninsured employers have been warned that there will be an extended review to include "completeness and accuracy" of the end of payment of both temporary and permanent disability benefits.

Mr. Bell also has announced

'New plateau' in malpractice

SALINAS, Calif.—A \$175,000 medical malpractice award here is expected by attorneys and insurance people to "establish a new plateau for wrongful death awards for housewives."

The sum, believed to be the largest ever awarded for the death of a housewife in a malpractice case, went to James Johnson and his four children.

Mr. Johnson's wife Elizabeth, 26, died following gynecological surgery two years ago. Defendant in the suit was Dr. Keith W. Corp, prominent Salinas gynecologist.

MRS. JOHNSON underwent surgery at Alisal Community Hospital on Oct. 17, 1966, and died of a pulmonary embolism on Oct. 30 in Monterey General Hospital.

Attorney Ronald C. Winchell of the San Francisco legal firm of Lewis, Rouda and Winchell, said he believes the award "will be precedent setting.

"In the past," he added, "many such awards were at the level of \$15,000 to \$20,000 because the economic worth of a housewife has not been fully recognized."

Winchell called a number of "expert witnesses" during the trial here to show the economic impact on the family of the death of Mrs. Johnson. One expert testified that her services as a housewife were worth "at least \$300 a month."

Fire claims of \$2 million paid

SAN FRANCISCO—Pacific Fire Rating Bureau adjusters recently reported claims will exceed \$2,000,000 as a result of the disastrous just-before-Christmas fire at Gump's, this city's world-famed fine arts store, and the adjacent Schneider Brothers Furs.

Art works valued at \$1,250,100 were lost in the Gump blaze that broke out the night of Dec. 22 and soon spread to the nearby fur store, which suffered \$500,000 loss.

completion of a study by a self-insurers advisory committee of a proposal to require California self insurers in workmen's compensation to finance the cost of their own supervision.

S. Roller of the Mobil Oil Corp. served as chairman of the advisory committee. Members included G. A. Fields, General Mills; E. P. McCaughan, Revere Copper & Brass; G. E. Mosdale, O'Keefe & Merritt; P. Ough, R. L. Kautz & Co.; A. T. Thorsen, Gen-

eral Motors; and K. R. Twohy, California Self Insurers Association.

CALIFORNIA permits employers to insure with private carriers, with a state fund, or by self-insuring.

Mr. Bell's department estimates that approximately 400 employers will choose self insurance during the next two years, an increase from 312 self insurers with 651,000 employees in 1963

and 351 with 723,000 employees in 1966.

Self insurers in the workmen's compensation field in California are supervised by the manager of self insurance plans under the division of industrial accidents.

The manager is required to audit and review annual reports of the self insurers and has the authority under law to examine such reports and establish cause to revoke the permit to self insure.

THIS supervision in past years has been financed by General Fund Revenue. In 1967, however, a "Task Force" named by Gov. Ronald Reagan urged that self insurers be charged a fee of \$200

for their "certificates" and fees of \$10 per hour for audits.

The legislature in 1967 also dropped from the budget appropriations for the administration of self-insurer plans. Supervision since then has been financed by emergency appropriations.

Mr. Bell, who is now "studying" the advisory committee report, said a majority of the Committee rejected the proposal that self insurers finance their own supervision.

"Adoption of this recommendation," the advisory committee stated, "would open the door to a great variety of special assessments and ultimately to a fee for each state government service rendered to business."



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Giles on the law

Savings & loan group liable for defects in housing construction

By JOHN W. GILES
Attorney-at-law

WASHINGTON—As law professor are wont to say: "How far can you carry that?"

A California court has just looked back and held that a California savings and loan association is liable to home owners for its negligence in financing construction of houses having structural hazards.

The savings and loan association voluntarily undertook business relationships with the development company to develop the tract and to develop a market for the tract of houses in which prospective buyers would be directed to it for their financing.

THE COURT NOTED that in undertaking these relationships, the savings and loan association

became much more than a lender content to lend money at interest on the security of real property. It became an active participant in a home construction enterprise, with the right to exercise extensive control of the enterprise.

Its financing, which made the enterprise possible, took on ramifications beyond the domain of the usual money lender, the

court noted. It received not only interest on its construction loans, but also substantial fees for making them a 20% capital gain for "warehousing" the land and protection from loss of profits in the event the individual home buyer sought permanent financing elsewhere.

The fact that the association was not in privity of contract with any of the plaintiffs except as a lender does not absolve it of liability for its own negligence in creating an unreasonable risk of harm to them. Privity of contract, said the court, is not necessary to establish the existence of a duty to exercise ordinary care not to injure another, but such duty may arise out of a voluntar-

ily assumed relationship, if public policy dictates the existence of such a duty. California Supreme Court. (*Connor v. Great Western Savings and Loan Assoc.* 12/12/68.)

THE REQUIREMENT of an employer in the District of Columbia that his employee work continuously for 26 hours without rest, renders the injuries sustained by the employee when he fell asleep while driving home, compensable as injuries sustained "in the course of employment" and entitles the employee to benefits under the Longshoremen's and Harbor Workers Act (33 U.S.C. §§ 901-50).

The court noted that there were numerous cases permitting recovery where the conditions of employment were found the cause of an injury occurring subsequent to the employee's departure from the place of work.

Where the hazard of the journey, as here, arises out of and in the course of extraordinary demands of employment, there is a discernible causal relationship upon which to justify the administrative tribunal in attributing the hazard to the employment and hence responsibility for the resultant injury.

Continuous work assignment by the employer of this employee for 26 hours was an extraordinary demand and foreseeably exposed the employee to the kind of risk which led to his injury.

An employer who calls for such extended effort has a variety of alternatives to protect him from such hazards—the engagement of an alert driver or a taxicab or providing facilities for restorative rest before traveling.

WHAT IS THE DUTY of an insurance broker? This is the latest view. An insurance broker is the agent of the insured in negotiating for a policy, and owes a duty to his principal to exercise reasonable skill, care, and diligence in effecting insurance.

Thus, he may be held liable when he has breached a contract to procure insurance for his principal. And while such broker is not obligated to assume the duty of procuring a policy, without consideration for his promise, he must exercise ordinary care in the performance of such duty when assumed, the promise to take the policy being a sufficient consideration.

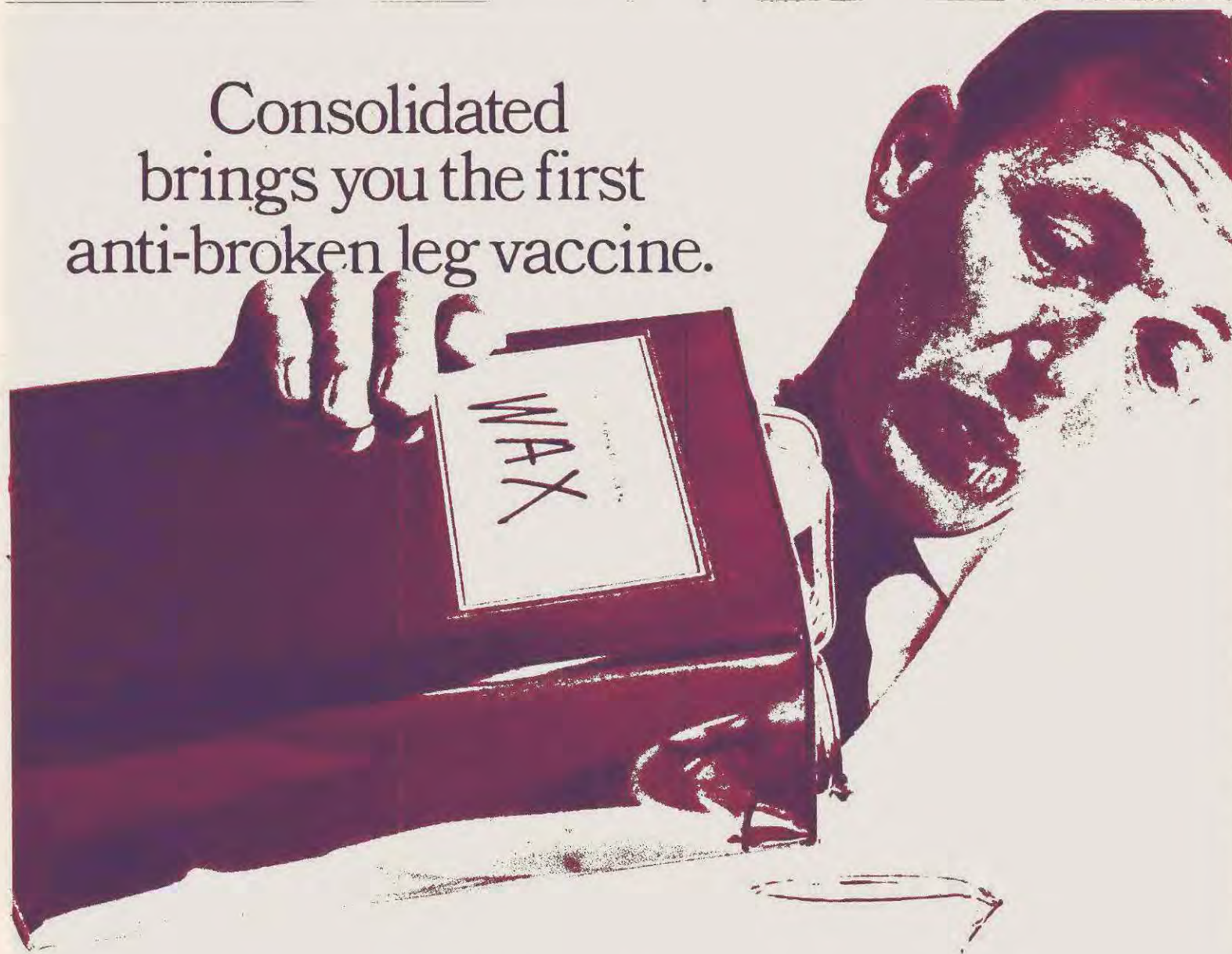
He is charged with the exercise of reasonable care and skill in making inquiries and obtaining information concerning the responsibility of the insurer with whom they place the risk, and is liable for loss from want of care.

IF A BROKER OR agent of the insured neglects to procure insurance, or does not follow instructions, or if the policy is void or materially defective, through the agent's fault, he is liable to his principal for any loss he may have sustained thereby.

If the agent or broker fails to act with the proper and customary skill and care generally used by those in a like business, such neglect or breach of duty will render him liable in damages, not exceeding the amount of insurance he was employed to effect.

It has been held that such principal may sue either for breach of contract or in tort for a breach of duty. It is generally considered that if the neglect or breach of duty of such broker results in loss to his principal, the broker is liable to the same extent as the insurer would have been liable had the insurance been properly effected, and must pay the resulting loss. (See *Consolidated Sun Ray, Inc. v. Lea*, 401 Fed 2nd 650.)

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business insurance/perspective

Miller sees more companies publishing benefits reports in 1969

by Ned A. Miller, partner,
Romm, Miller & Lazarus,
New York



Ned Miller

This is the Age of the Computer, whether it is voyaging to the moon or communicating a corporation's employee benefit program. Although the former is more exciting, we predict the latter study will be more meaningful to our corporation readers.

Consider the following. The cost of fringe benefits, according to the last U.S.

Chamber of Commerce report, is 26.6% of a corporation's payroll. This is up 6% from two years ago and up 24% over the last ten years. One doesn't need a crystal ball to chart a trend.

Extra employee (fringe) benefits obviously are an integral part of a corporation's costs. It constantly hovers above us and like the moon is now just starting to be explored and analyzed, and its basic information is being communicated to the people.

LARGE CORPORATIONS in competitive labor markets already have started to communicate to each employee the cost and value of the employee benefit program—not only the value of the pension and profit sharing plan but also the employee's appropriate cash equivalent of vacations, sick leave, holidays, etc.

Detroit Steel, Delta Airlines, Union Carbide and other progressive corporations have used computers (either house or outside consultants) to codify and communicate benefits for its employees.

Our prediction for 1969 is the following: We believe many small corporations, both public and private, will realize the tremendous value of annually publishing employee benefit reports to employees on an individual basis. The

tight labor market and the tremendous competition to recruit and retain key employees will all challenge business executives to design benefit plans for their people.

THESE EXECUTIVES NOW realize that this expense is almost wasteful unless the employee both understands and appreciates it. A study our firm recently completed for one company indicated that 93% of its employees realized the company had a pension plan—certainly a creditable figure. Only 40%, however, realized that the eligibility period was only one year of service. Only 17% knew that the corporation was spending an additional 25% in fringe benefits for them.

What did the other 83% of the employees think of their company? We wonder. The answer really is who is at fault?—the employees for not knowing or the corporation for not communicating.

Here's how firms geared to communicating benefits work. The firm might initially have worked with its own programmers on a project with an outside data processing firm. It designed a basic benefit program that was general enough to include every conceivable range of employee benefits and was still flexible enough to analyze a benefit program for

a smaller company. The basic cost was in the initial programming contract.

ARTISTS WERE THEN employed to lay out the benefit communication report which will serve all of the company's clients. The artists and editorial writers designed the report so that personal messages, corporate logos, etc., could still be added to personalize the benefit report.

The cost structure for this service varies, but our interviews with many of these consulting companies indicates a basic starting point.

Assume a company with 500 employees. Total payroll assumption here would be around \$5,000,000 at \$10,000 each. Total benefit costs the corporation is paying in addition to payroll are at least 25% or \$1,250,000. The consultant's charge would be approximately three-tenths of 1% of payroll, or approximately \$3,750. This usually includes all specific programming charges including the individual artwork and design of the report and the actual printing and distribution of the report. Obviously, the larger corporation would have a lower unit cost—smaller corporations slightly higher.

We predict that many corporate business managers will be using these reports in 1969. A charge of three-tenths of 1% of payroll seems small indeed when you consider the alternative—ignored and unappreciated employee benefits.

Ned A. Miller, partner in Romm, Miller and Lazarus, New York, has been in the field of instituting and communicating fringe benefit plans since 1965. He graduated from Bucknell University and attended George Washington University School of Business Administration and New York University Law School. He is participating in a personnel management seminar at New York University.

Peck predicts benefits growth and expansion, integration moves in the year ahead

by Howard L. Peck,
partner,
Hewitt Associates,
Libertyville, Ill.

Growth and expansion of the so-called employee benefit field has been outstripping other aspects of our economy for a number of years. The pace appears to be quickening, and substantial change may become the byword of benefit planning in 1969. These are some of the areas that will command attention.

Integration of private plans with the Social Security system will receive study because of the changes imposed by new IRS regulations. In addition to the mechanical problems of integration, some attendant questions—including the impact on employees—will arise. Many companies may have to reevaluate policy on benefit levels.

Close behind the integration problem will be the emphasis and attention given to vesting, funding, portability, and other "security" aspects of private pensions. We can expect continued government interest in the affairs of private pensions and welfare plans—including the area of fiduciary responsibility for those who "handle" benefit funds.

BECAUSE of the inflation at work in

the economy, we can expect renewed attention to finding ways of offsetting its erosional effect on retirement benefits. A shift has been taking place, and will continue through 1969, from "controlled" benefits to those that adjust automatically to an inflating economy. Because of the significant increase in pension liabilities in recent years, we can also expect close attention to fund investment performance. As funds have grown employers have recognized that improved investment performance can make them potential "profit centers."

The concept of survivors' benefits, including income replacement and health care coverage will see new expansion in 1969. The entire field of medical care benefits will continue to broaden in spite of the almost out-of-control aspect of their costs. Expansion will include areas such as dental care, vision care, long-term care, preventive medicine, etc. We can also expect higher maximum benefits under major medical coverages.

Beyond the scope of existing benefit plans and programs, we can expect to see interest in new benefit areas, such as

group auto insurance, scholarship funds, child care centers, and other "new horizons" benefits. At the same time, vacations and holidays will become more prominent—especially in collective bargaining situations. We can look for this new emphasis in several forms: longer vacations based on service, vacation bonuses (so people can afford to enjoy their newly-earned leisure), longer benefits based on age—possibly as a form of preretirement conditioning—and methods for banking vacations that aren't used.

We expect to see a growing awareness of the advantages of "programing" benefits to the needs of individuals, or groups of individuals having similar characteristics—in other words, the cafeteria approach.

COINCIDENT with this trend, there will be greater attention given to the concept of total compensation planning, including direct and reserved compensation (benefits).

This year will see increasing numbers of employers stepping up benefit commu-

nication activities in an attempt to secure a return on their benefit investment.

Finally, there likely will be increased urging by unions for members to participate in union-sponsored plans, even if it means pulling out of employers' benefits plans.

Howard L. Peck is a partner in the firm of Hewitt Associates, Libertyville, Ill., independent consulting actuaries, analysts, and advisers on pensions, profit sharing and employee benefits. He heads the firm's activities in employee communication. Mr. Peck, who has been active in the advertising and communication field since his graduation from Grinnell College, spent several years handling investment securities advertising. He was a program director for Wisconsin radio stations and for 15 years was an account executive and later vice president of a Milwaukee advertising agency. Since joining Hewitt Associates in 1952, Mr. Peck has handled employee communication projects for many companies in various parts of the country.

Francis doesn't see Social Security tied to living costs in 1969

by Bion H. Francis,
manager of benefits planning,
Colt Industries

In employe benefits, as in many other fields, perhaps the most important consideration in the coming year is that we will have a new President, and perhaps a new approach to the problems facing the country. How will this affect the benefits picture?

Economic Activity will probably continue strong. As a result, demand for labor will remain high, together with bargaining power for better jobs, higher wages and more liberal benefits. This will be true at all levels from office janitor to company president.

Higher prices will certainly be with us. The only way to stop the increase in prices is by the use of methods which may cause recession—and the country is in no mood to stand for that. The ques-

tion is not *Shall we have inflation?* but rather *How much inflation?* This inflation may have many results:

Automatic pay increases will be triggered under some labor contracts which tie wage levels to a cost-of-living index.

Social Security benefits will probably be increased either this year or next year. Social Security benefits may even be tied to a cost-of-living index, as is done in some other countries. However, I have doubts of this. Congress likes to keep Social Security benefits under its control.

Interest rates will continue high. This will increase the effective cost of housing, autos, and other durable goods for which interest is an important element of cost.

Tax burdens—both in the form of the

Federal surtax and local taxes—will remain at least at their present levels, and may rise still higher.

Increased competition from abroad will continue heavy. This will be especially true in fields like steel and autos, but will be severe in other fields as well. Exchange difficulties will increase the pressures on countries which must export to survive.

LET ME CLOSE WITH an item which is a hope rather than a prediction. Our headlines focus our attention on the activities of a small minority. It is my belief that most workers, both white and black, are conscientious, hardworking men and women who are trying to do their best for their families and children, some-

times under difficult conditions.

Protection of person and property is a right which should be available to all, but this is not the situation now with many of our people. I hope that such protection will be a benefit available to all under our new administration. ■

Bion Francis graduated from Massachusetts Institute of Technology with a degree in mathematics. He has served as insurance manager for Wellington Sears Co., West Point Pepperell, Olin Corp. and Crucible Steel. Currently, he is president of the Insurance Buyers' Assn. in Pittsburgh and was a director for seven years of the insurance division of the American Institute for Economic Research.

Loss prevention big challenge facing containerization, says Taylor

by Dale E. Taylor, chairman,
Container Committee,
American Institute of Marine Underwriters,
and exec vp,
Atlantic Mutual Insurance Co.



Dale E. Taylor

There is no question that the hazards of on-deck carriage of containers constitute a major handicap to containerization. Naval architects and others are designing new ships to try to solve the problem we hear of operators in certain trades who plan to reduce or eliminate on-deck carriage during periods of adverse weather. And at least one fleet of containerhips is designed not to carry any exposed containers. In the meantime the insuring of containers and their contents must take cognizance of the greater risk to on-deck carriage.

Cargo loss prevention (or cargo protection) has been one of major interest to American marine insurers. They have worked diligently with shippers, carriers, terminal operators and others to reduce economic waste of goods in commerce.

Now, containerization has opened up a new set of challenging problems that come under the heading of cargo loss prevention.

Refer again to the two fundamental causes of containerization—namely, turn-around time of the ship, and reduced number of handlings of cargo. The expedited turn-around of the ship in port implies that the cargo, formerly stowed in the ship's holds by longshoremen, is pre-stowed in containers, presumably at shipper's platform. But the stowage of cargo to withstand the stresses and strains of an ocean voyage and of exposure to a potentially wide range of climatic conditions is a scientific process.

The history to date of containerization shows a serious lack of know-how on the part of many who stow containerized goods. There is a long way to go—and it will be a continuing campaign—to indoctrinate shippers in this respect. Much is being done by insurers, by carriers, by National Cargo Bureau Inc. and others to assist. But the seriousness of this problem must not be minimized. Shippers are not longshoremen.

The advantages of containerization are inseparable from an unbroached through movement of the box from shipper to consignee. To date this basic concept of the new form of transport is endangered by a number of unsolved problems. Of course, inland transport in many countries does not permit a van container to go beyond the port of discharge. Hence, inland movement of goods outside the container exposes the goods to all the usual transit risks and largely frustrates the insurer's expectations of safe transit.

Among the other problems are possible insistence of dockside labor to rehandle the goods, customs inspection short of destination, broaching of the containers for inspection by one or more other regulatory agencies, and spot-checking of contents by a carrier.

The headlong rush to streamline and

simplify international transport of containerized traffic has plunged into two heretofore generally accepted features of commerce—namely, variations in limits of liability of various U.S. domestic, international, and overseas domestic carriers; and methods of carrier rate making. Marine insurance is concerned with both. For centuries a commercial ocean voyage has been considered a joint venture and maritime nations have by international understanding agreed that the shipowner—as only one party to the joint venture—can limit his liability to a greater extent than can land carriers. Marine insurance has always adapted itself to this fact. The function of insurance is, in part, based on protecting carrier and shipper beyond these known limits of liability. Now there are those who would brush aside the structure of history and decree on a uniform limit of liability for all modes of transportation on a through international movement.

Also there are those who see reason to streamline rate making by having the carrier's through rate include a factor for insurance. Such shipper's interest or bill-of-lading insurance is not new. As we said, marine insurers have always accommodated themselves to the needs of shippers, and this type of protection has existed for many years.

There is insufficient space here to go deeply into these matters of rate making and liability. Suffice to say that marine insurers take the position that as a simple fact of life the shippers are the primary consideration of all who would serve them. They must be the ones to decide who and what serves them best.

MARINE UNDERWRITERS believe the most cost-effective service available to shippers is the time-tested, open-cargo policy and the warehouse-to-warehouse coverage. The shipper who strives to improve his loss experience by sound packaging, careful stowage, etc. deserves an

insurance rate that reflects his own experience rather than to be lumped into a general non-descript category that sacrifices any and all such advantages.

Ultimately it will be recognized that insurable losses will continue to occur in international trade, regardless of methods of rate making and limits of liability. Whoever must anticipate absorbing a loss will need marine insurance. The insurers will stand ready to service those needs. In the meantime, American marine insurers are working with carriers, shippers, government and domestic and international agencies to further the development of containerization. ■

The answer man

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

Dear Answer Man:

In one of your recent magazines you carried an article with a *Kansas City* dateline entitled "Philosophical Break Blocks CGL Revision."

In this article you described a book being prepared by the American Society of Insurance Management.

Can you tell me how I can get in touch with this organization or secure a copy of the book?

William R. Carson

Manager, Recruiting and Training,
Crum & Forster Insurance Cos.,
Freeport, Ill.

ANSWER MAN SAYS: Copies of an analysis of the old and new comprehensive general liability policies may be obtained from the American Society of Insurance Management, 8 West 40th St., New York, N.Y. 10018. Include with your order your check or money order for \$2.50, the postpaid price of the 140-page book. The analysis and comments on the CGL policy were prepared by an ASIM committee headed by Dick Bland, insurance manager of Panhandle Eastern Pipeline Co., Kansas City.



Sorry about your common bond. It was just an accident.

This year your corporation had only 140 basic hospital-surgical claims. Your competitor had 360. With insurance averaging, that comes to 250 claims apiece. And that's what you'll both pay for.

Perhaps, next year your corporation will have more accidents. And you and your competitor will even out the claims.

Inequities are a fact of life with reserve averaging—when reserves are determined by averaging risks of similar large businesses. But many insurance companies do it.

CNA doesn't.

We have a system that makes sure you don't support anyone's broken legs but your own. We study your past records. Your physical operation. Your risks. And we determine our group insurance rates on just one company. Yours.

There are no common bonds with competitors. And there are two important benefits. You use every dollar you spend, on yourself. And you can make accurate fiscal projections from those costs.

Our employee benefits system is designed like all our CNA systems. They fit into corporate financial systems to help make them work. Not just to reduce the cost of insurance. But to lower the cost of doing business.

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Don't try to strip authority from foreign units, AMA told

NEW YORK—The carrot, not the stick, is the best approach when dealing with overseas managers about their insurance programs, insurance buyers agreed at an American Management Assn. international corporate insurance meeting here.

George H. Schmidt, manager of insurance plans and programs of Radio Corp. of America, New York, related how RCA put together an international insurance program which "in no way tried to uncloak" foreign managers of authority.

After visiting the company's foreign subsidiaries in 1964 and 1965 ("You never know what's going on sitting back in New York"), Mr. Schmidt recommended that locations use correspondents of RCA's broker in the U.S. "It just so happened that our insurance counselor had correspondents in every foreign country where we did business," Mr. Schmidt explained.

IN LATE 1967 RCA devised an international insurance policy and also prepared an international insurance manual. The insurance plan, Mr. Schmidt said, "was in keeping with prudent judgment and with the customs and practices of insurance markets in each country."

Each foreign unit is now required to submit an annual insurance expense report which includes expenses under each major insurance classification. It also lists any account with a government agency as well as self insurance and deductible programs.

One of the "great difficulties" encountered so far, Mr. Schmidt said, is that foreign managers often "think we want more than we ask for, and that complicates matters."

RCA'S BLANKET international property and liability policies call for limits which cor-



Nils H. Munson, director of insurance at Dow Chemical Co., and Douglas Barlow, general risk manager, corporate, Massey Ferguson Ltd., confer prior to AMA's International corporate insurance seminar last week. Messrs. Munson and Barlow served as co-chairmen.

respond to U.S. standards, Mr. Schmidt said. In addition the company is now requiring foreign units to buy another \$100,000 of coverage, although \$5,000 limits are normal.

By arranging for the additional coverage, some RCA units stirred up suspicion on the part of underwriters, Mr. Schmidt noted. They asked, in effect: What's wrong with the risk if they want that much coverage?

This sort of situation could get to be a problem, he said, "if you think you can dominate things from the U.S."

Also, Mr. Schmidt said, insurance costs have an "important impact" on the cost of operations in foreign countries. In Chile, for example, an important insurance change for an RCA unit there interfered with the plant's costs of manufacturing.

"I JUST HOPE the manager learned his lesson," Mr. Schmidt said. The insurance coverage, he added, "should have been there all along."

In addition to the worldwide

liability policy, RCA also took out a difference in conditions policy with higher limits than were bought locally. The DIC coverage, which absorbs any loss in RCA's international operations not covered locally, gives Mr. Schmidt "important sleep insurance for the company's peace of mind," he told his audience.

RCA hasn't had a loss "of any magnitude" on the international scene in the 24 years he's been with the company, Mr. Schmidt said, so the data collected from the new expense report "could possibly give us the opportunity to move in the direction of account merchandising and then a captive insurance operation," he concluded.

AT CATERPILLAR Tractor Co., Peoria, Ill., the company administers its foreign insurance program via "a concentration of several responsibilities," said Ralph F. White, manager of property and liability insurance. Both the staff vp at the world headquarters and the local plant

Continued on page 21

letters

Continued from page 12

Your articles on the captive insurance companies which are now being created were of particular interest. Anything on the oil trusts is always of interest to us.

H. Armstrong

Cole, Clark & Cunningham, Emmett & Chandler, San Francisco, Cal.

'A boon'

To the Editor: I am taking this opportunity to compliment you on your publication, which is exceptionally informative and a boon to anyone who must keep abreast of insurance matters of all kinds.

Thomas E. Dixon

Director—Industrial Relations, RTE Corp., Waukesha, Wis.

Cover to cover

To the Editor: It is the unanimous feeling of the principals of our agency that your publication is the best among all we receive each month. It is read virtually from cover to cover by each of the principals of this agency, and we feel that we are indeed fortunate to have a publication such as yours available.

Please continue your good work.

J. D. Anderson

President, Cathcart & Maxfield Inc., St. Paul, Minn.



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NLRB has authority to order pay of retroactive benefits: Court

WASHINGTON—The National Labor Relations Board has the authority to require an employer who illegally refused to sign a union contract to pay employee benefits to workers retroactively, the Supreme Court has ruled.

The 8 to 1 majority decision, written by Justice White, said the law empowering the NLRB to involve itself in unfair labor practices gives the agency broad remedial powers.

Foreign units...

Continued from page 20

manager are responsible for the insurance function, he explained.

The system works, Mr. White said, "because our corporate procedure sets forth the administration and lines of authority for all insurance activities."

Caterpillar leaves it up to each foreign location what its insurance program should be, but he said the various locations "have reached a gentlemen's agreement that they won't buy or drop insurance without first bouncing it off us."

THE COMPANY buys worldwide blanket crime, liability and excess coverages and allocates part of the premium to all domestic and overseas units. Invoices are made out to the subsidiary companies and they in turn send their checks (in U.S. dollars) to the U.S. brokers involved.

Douglas Barlow, general risk manager, corporate, Massey Ferguson Ltd., Toronto, said that his company has a 9% loss ratio, based on direct damage, fire and business interruption over the past five or six years. He said Massey Ferguson spends about \$4,000,000 a year on insurance premiums.

Mr. Barlow said the biggest challenge to the risk manager is "getting action from people over whom he does not have line authority." Mr. Barlow said communications is "the heart of the business," and he added that "you don't accomplish that by written memoranda but by chatting with company people frequently."

MR. BARLOW explained how Massey Ferguson works closely with its master broker to get modern loss prevention methods adopted at plants around the world.

He said that since the company's standards are "more exacting" than those in most foreign countries, such safety devices as sprinkler systems must be approved by the engineering department of the master broker.

The executive also stressed the need for insurance programs to take account of "the harmonics of nationalism" by placing business with state-owned insurers in each country and offering foreign insurers a piece of Massey Ferguson's master contracts.

Nils H. Munson, director of insurance for Dow Chemical Co., Midland, Mich., said Dow's insurance program was not divided into line and staff functions, such as at Caterpillar and Massey Ferguson.

"We can tell people what to do if we can prove the logic of it," said Mr. Munson, who was co-chairman of the meeting along with Mr. Barlow.

Justice White rejected the argument of the employer, Strong Roofing & Insulating Co., that the employee benefits issue should be decided by arbitration. He said the Strong firm "refused to recognize the contract providing for the arbitration on which Strong now insists."

A DISSENT BY Justice Douglas, however, argued that employee benefits involve additional bargaining, although he conceded that back pay is a matter covered by bargaining agreements. He said that benefit questions are better left to arbitrators who "have special qualifications in a particular industry."

Justice Douglas added that

Congress had given the NLRB power to order back pay but not employee benefits.

Objecting to the Supreme Court giving the NLRB such authority, Justice Douglas wrote: "The jurisdiction of any agency or branch of government has a built-in impetus for growth and expansion."

"The tendency is to construe express powers broadly. The organism grows by subtle and little noticed extensions of authority."

THE EMPLOYEE benefit case stems from the refusal of Strong to sign a collective bargaining pact agreed on by members of the Roofing Contractors Assn. of Southern California.

In August 1963 the group negotiated a four-year contract with the roofers union, but the Strong firm balked at signing the agreement and withdrew from the association.

The NLRB held that Strong was guilty of an unfair labor practice because it did not bargain in good faith. The board ordered the firm to sign the contract and to give workers back pay and benefits Strong would have paid if it had signed the 1963 contract.

The court of appeals upheld the NLRB's position that Strong had engaged in an unfair labor practice and should give workers back pay, but the court said the board didn't have the power to order the payment of employee benefits on a retroactive basis.

Elect Thompson

Richard L. Thompson has been elected a director and vp of Stewart, Smith & Co., New York.

Transplant patient's bill paid in full

CHICAGO—Without paying for a single stitch, Ervin Cramer, this city's first successful heart transplant patient, went home recently "doing well."

His \$11,328.65 surgical and hospital bill was paid by Blue Cross, Equitable, and a charitable trustee at Presbyterian St. Luke's, where the operation was performed.

Blue Cross met the major share of the bill, paying \$10,986.65. Payment was made under the terms of an employee group contract with Western Electric, where Mr. Cramer's wife works.

The Equitable policy, a major medical that is also with Western Electric, paid \$93.60. The anonymous trustee shelled out \$248.40 to cover the rest of the bill.

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Congenerics newest hunters of insurers

NEW YORK—First it was conglomerates buying up insurance companies. Now it's congenerics.

That's the term for the one-bank holding company, an entity which is the newest star to burst upon the financial horizon.

One such congeneric, the First National City Corp. here, announced last month that it has agreed to buy Chubb Corp., an insurance holding company, for stock worth about \$370 million.

It's also reported that Morgan Guaranty Trust Co., presumably through J. P. Morgan & Co., a holding company the bank has announced it intends to form, will bid for Aetna Life & Casualty. Morgan Guaranty has denied the report.

Chubb owns Chubb & Son, which manages several insurance companies, and also owns Federal Insurance and Pacific Indemnity, plus Macro Services, a computer software outfit, and Federal Business Products, which markets business forms.

IN ADDITION Union Bancorp, Los Angeles, has announced it has reached a definite agreement to buy Swett & Crawford, Los Angeles surplus lines broker, and Harbor Insurance Co. for stock valued at \$13.4 million. Union Bancorp is a one-bank holding company, which owns the Union Bank in Los Angeles.

Because banks aren't allowed to buy stock in any companies not related to the banking busi-

ness, they've hit upon the holding company idea as a means of diversifying their activities.

Financial people see several advantages in the one-bank holding companies moving into the insurance business. For one, banks would be able to take on long-term mortgages (they're now limited to 25-year mortgages).

Also, they have been edging into the equity field through the sale of common trust funds (although the government is challenging the legality of such sales in court), but through insurance companies banks would be able to market mutual funds.

NATIONAL BANKS are authorized to sell life insurance in communities of 25,000 population and less, but affiliation with insurance companies could get them involved in the life side of the business in a big way.

The banks and the insurance companies have been fierce com-

petitors in vying for pension plan business, and an alliance between the two would give them a virtual death grip on such business. At the end of 1967, pension fund assets accounted for \$100 billion, and bank trust departments managed more than \$70 billion of this figure, with life insurers managing much of the rest.

The Bank Holding Co. Act, signed into law by President Eisenhower, specifically forbids two-and-more bank holding companies from going into the insurance business, unless the insurance lines are directly related to banking (such as credit life insurance).

REP. WRIGHT PATMAN (D., Texas) is said to be preparing legislation which would bring one-bank holding companies under jurisdiction of this law. As chairman of the House banking and currency committee, he will explore various avenues such

legislation might take in hearings scheduled to get underway in early spring.

SOURCES CLOSE to Rep. Patman told *Business Insurance* that the proposed merger between First National and Chubb has caused the Congressman "great concern." He added that there is already considerable opposition to one-bank holding companies not coming under the Bank Holding Co. Act, and the merger "adds fuel to the fire."

Under the "current situation," he said, bank holding companies "can go forth and buy whatever they want to."

In other activity involving banks and insurance interests, INA Corp., holding company for Insurance Co. of America, has proposed to buy World Airways Corp., whose assets include the First Western Bank & Trust Co., Los Angeles, with assets of about \$900 million.

Multiple comp claims in crash

LOS ANGELES—The crash of a United Air Lines Boeing 727 jet into the Pacific ocean 10 miles west of the airport here last month will probably involve a somewhat unusual loss for the airline's insurance carriers.

In all, 38 persons were killed. None survived.

Six made up the jet's crew, and another five were members of a second crew on route back to Denver as non-paying ("dead-heading") passengers.

BECAUSE so many aboard were employees of United, "it will have a heavy impact on group insurance and workmen's compensation," conjectured Waller Smith, manager of corporate insurance and claims for United.

Mr. Smith thought that the paying passengers' claims, in comparison to other air disasters, would be "modest as far as liability goes."

The United employees—both the jet and "deadheading" crews—have the option of filing for their workmen's compensation in California or Denver, Mr. Smith said. He looked for "everybody opting for California."

Often, Mr. Smith explained, transportation employees run into some "wierd conflicts" when it comes to filing for workmen's compensation benefits.

Sea loss . . .

Continued from page 1

erty floater policy, for \$2000,000, written by Indemnity Marine Assurance.

The equipment is covered by a floater policy, it was explained, because it's used on many vessels and is not considered a part of any one ship's rigging.

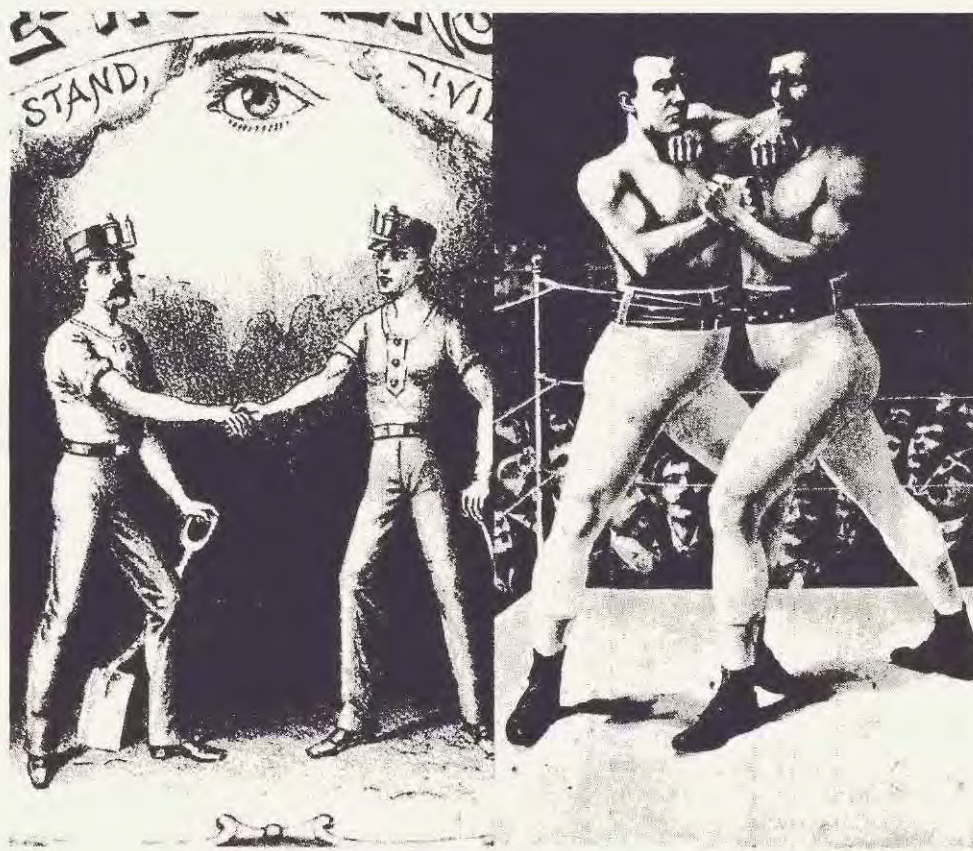
BROKER FOR General Dynamics marine coverage is J. S. Frelinghuysen Corp.

All 12 passengers aboard ship (including two non-General Dynamics employees) were rescued in good condition from the 290-ton former merchant ship.

The Sea Surveyor sank 175 miles southeast of New York 20 minutes after being abandoned. The ship was on its way to rendezvous with the submarine USS Greenling for routine exercises.

Cause of the sinking is unknown, although the crew reported hearing a noise that sounded like metal scraping on metal before the sinking. The captain rules out a collision, however.

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Advise AMA: 'Don't export benefits'

NEW YORK—"Don't export employee benefits," develop a workable modus operandi for international benefit plans," and "always consult with local management on a face-to-face basis" are three basic rules of the thumb for buyers to follow when planning overseas benefit packages.

At the American Management Assn.'s annual briefing on international employee benefits eight domestic firms and one Canadian firm, all with major international operations, outlined how their companies "act or react" to forming practical employee benefits for foreign subsidiaries. All companies agreed that, first and foremost, "You should know the local climate, what the social security laws are, how the tax laws affect benefit planning and what the funding arrangements are."

"You need to sit down and discuss with local management just what's needed," said Frank J. O'Keefe, manager of employee benefits, IBM World Trade Corp. It's quite difficult, he contended, to put together a benefit plan through the mail."

THE FIRST COMMANDMENT in forming plans, Mr. O'Keefe said, is "not to have any preconceived notions and, secondly, stay loose."

Gregory H. Nazarian, consultant for foreign benefits, General Electric Co., agreed that the key to good planning is "to seek help when you need help. Be prepared to spend time and money." He added that certain American plans may not be objected to in foreign countries; as long as these plans don't counteract foreign ideas.

One of the best sources for knowing how to solve international benefit problems, he contended, "is your counterparts at other companies." Mr. Nazarian strongly advised working with other companies and setting up groups similar to one formed in New York for free exchange of ideas. He referred to an international employee benefits group of 14 or 15 companies which exchange ideas on foreign benefit planning.

Robert MacPhail, employee benefits manager, Quaker Oats Co., advised buyers to pick out

the biggest problems first and get to work on them. He told his audience to get out in the field and know what's going on. "Don't operate in a vacuum," he said. "Know what others are doing."

MR. MacPHAIL SAID that his company was forced about four or five years ago to take a renewed look at international benefit planning. Before that, he said, "We rubber-stamped ideas from overseas companies."

The modus operandi for Quaker Oats includes obtaining all booklets, contracts, and other pertinent information regarding a particular foreign subsidiary. When necessary, he advised, use consultants.

At Upjohn International, according to Gordon L. Dolbee, assistant personnel manager, the

company switched to the concept of purchasing benefits through one carrier, which operates throughout the world. There are three specific advantages to having one specific carrier. One is the saving for Upjohn of \$500,000 to \$1,000,000 over the next ten years. A second is the clear communication with our subsidiaries and their communication with us. The third is being to thoroughly review insurance and benefit plans before they are introduced. He said the firm reviewed its goals and searched for a company that met the criteria.

On the other hand, W. R. Grace uses local insurers, local actuaries, local brokers and local consultants in developing benefits for a particular foreign subsidiary, according to Robert Peifer, director of employee benefits.

Vincent Simone, manager of the employee benefits department, Coca-Cola Export Corp., described how his firm develops benefits packages by going right to the local plant. He advised spending time with local businessmen to learn the climate of an area. After researching an area from all angles, he sits down and writes up a benefit program with the assistance of attorneys, tax experts, insurance, financial and government experts. From there the program must get approval from local management on up to the president and board of directors of the company.

"I can honestly say," he added, "that without travel we could not handle our international benefits as rapidly and efficiently as we have."

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Canada sets coverage for investments

MONTEBELLO, Que.—The proposed Export Development Corp. will implement a recommendation providing for federal government insurance against non-commercial risks for Canadian companies investing in overseas countries.

David F. Kerr, chairman of the Canadian Export Assn.'s policy recommendation committee, told the organization's annual meeting that with establishment of the federal government corporation—expected early next year—a recommendation made early in 1967 calling for the insurance will be implemented.

"The insurance will apply to such non-commercial risks as political and economic upheavals in overseas countries.

"There is good reason to hope that many of the improvements proposed by the association will be provided by the Export Development Corp.," said Mr. Kerr, vp of sales for Ontario Paper Co. Ltd. of Thorold.

Hansen study: Improve total disability benefits

CHICAGO—Sixty "large and predominantly pace-setting" businesses provide "generous" employee benefits and plan to expand their benefits programs vastly during the next decade, reports a survey completed

by A. S. Hansen Inc., consulting actuaries.

According to the survey report, "The most notable findings... were a rising incidence of generous practices, a wide range in the amount of benefits provided,

and firm management intentions to increase benefit expenditures further."

The study says that "with corporate profitability growth increasingly dependent upon the employer's ability to hire and hold capable personnel, there will be a continuing need to keep benefit programs in step with others."

THE SURVEY covers approximately 6 million employees, 3 million each in private and public sectors. This represents about 11% of the nation's working population covered by private pension plans and 32% of those covered by public plans. The pension programs ranged in age from 14 to 69 years, with the average being 25 years old. Only salaried workers were included in the study.

One basic conclusion of the survey was that employers tend to reach plateaus in individual benefits, then shift new benefit dollars into other areas. Five distinct tendencies were:

- Employers tend to "single out total disability benefits as the segment of the overall benefit program which most needs improvement."
- There is a trend "to reduce or eliminate employee contribution for pensions."
- "Survivor benefits are commanding a lot of attention."
- "Employers are seeking more efficient ways to correlate their plans with Social Security."
- There is a "serious concern about the welfare of their retired employees living on fixed pensions during a period of rapid inflation." Employers, however, generally oppose automatic increases in benefits with increases in the cost of living.

THE INADEQUACY of total disability benefits was largely attributed by the Hansen study to one fact: 90% of the plans with disability coverage pay out the benefits accrued to the date of the disability. "This arrangement," the report said, "may work fine for the disabled employee with considerable service behind him. But it does little for the young employee... who probably has the greatest need for adequate disability protection."

Total disability benefits typically fell within the range of 50% to 70% of salary with a maximum monthly benefit ranging from \$1,500 to \$2,000. "Most of these plans," the report noted, "required employee contribution that generally range from .25% to .50% of salary."

Although the trend is toward more employer contribution, 75% of the life insurance, medical care and total disability benefit plans are employee contributory. But only 35% of the retirement plans are contributory—and many of those may soon be converted to noncontributory plans. Clearly, there is a trend toward employers paying for less-than-immediate benefits.

One of five companies discontinues life benefits at retirement, and about one-half of the remaining companies provide a flat amount after retirement—generally ranging from \$1,000 to \$2,000, though rarely more than \$2,000. The other half provides a percentage—generally 25% to 30%—of pre-retirement life benefits. Nearly all companies paid the full post-retirement life premiums.

"IN ADDITION to group life insurance," the report said, "half

LIBERAL BENEFITS BOOMING

Generous benefit practices and a tendency to increased generosity are the most notable features of the plans studied:

- 65%** pay full cost of pension benefits, and an additional 10% are considering reducing or dropping employee contributions for pensions.
- 60%** base the pension on final average pay rather than the career average pay basis, and an additional 17% have a minimum benefit based on final average salary.
- 60%** provide liberal early retirement benefits.
- 80%** provide vested rights upon termination of employment after completion of certain age and/or service requirements.
- 50%** provide survivors' benefits under retirement plans and an additional 20% expect to adopt survivor benefits in the near future.
- 53%** supplement a pension plan with profit-sharing or thrift (savings) plans.
- 63%** provide group life insurance at two years salary or higher.
- 100%** provide liberal medical care benefits and 25% pay the full cost of the plans.

the survey employers provide a monthly income from the retirement plan to the surviving widow or spouse of the deceased employee."

Seventy three per cent of such plans provide survivor's benefits *only* if the death occurs *before* retirement; 27 provide coverage upon death before and after retirement. Generally, the monthly benefit to the survivor is equal to the monthly pension (or a percentage thereof) that the employee accrued up to the date of his death.

Interestingly, 40% of those surveyed that do not now have a survivor death benefit expect to adopt one in the near future.

Of current interest to employers also is finding some means of adjusting pension benefits so that when combined with Social Security benefits the total will be reasonable in relation to an employee's "spendable income" needs.

BECAUSE Social Security has changed frequently in recent years and in view of the potential problems created by some new rules, many employers have concluded it is no longer feasible to integrate with Social Security by providing a higher percentage benefit on salary above the Social Security wage base than below it (which is commonly called "step rate").

Nearly 35% of the employers have already adopted some form of direct offset (e.g., 1-1/2% of final five-year average salary multiplied by the number of years of service at retirement and reduced by 50% of primary Social Security).

Only 5% of those surveyed have cost-of-living adjustments in their retirement programs, and only 10% have gone in for variable annuities. The other systems have no adjustments.

But "the survey revealed that most employers who have had retirement plans for many years have periodically improved pensions to help retirees maintain some stability in the purchasing power of their pensions," the report said. "There was considerable opposition to any arrange-

ment (such as variable annuities, cost-of-living pensions, etc.) that *automatically* adjusts the pensions of retirees."

ABOUT A THIRD of the employers surveyed had flexible retirement policy, judging each case on the basis of the needs of the employer and employee at the time he reaches retirement age. Others retire employees on a mandatory basis.

Recently introduced as company policy in about 60% of the employers surveyed has been the inducement for employees to retire early. Two of the most popular inducements have been unreduced benefits and early retirement reduction factors that are liberal.

"Most employers," the report concluded, "showed a keen sensitivity to the attitudes of their employees about the benefit plans in which they participate, and many conduct regular surveys of the employees' attitudes as a guide to benefit planning. . . . As might be expected, with increased longevity and family responsibilities, employee attitudes change toward a greater realization of the value of employee benefits—or the lack of them, as the case may be."

Rates lowered in Washington

OLYMPIA, Wash.—Industrial insurance premiums for many Washington employers will be reduced in 1969, said Gov. Daniel J. Evans.

Base rates for 45 of 69 employer groups contributing to the fund will be reduced, he reported.

Classifications for the telephone industry and explosive manufacturing will be granted a one-year moratorium on accident-fund costs.

Gov. Evans said, however, the medical aid rates shared between employers and employees are expected to increase slightly because of the increasing costs of medical care.

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Inflation . . .

Continued from page 1

said that his overall rates increases would have been sizable except for the fact that his company increased the deductibles on several lines. He said that his company has had to absorb an overall 10% increase in rates, but these are partially offset by increases in payroll, values and sales.

What especially irked the insurance manager was a 1/2% increase in premiums for excess coverage on its self-insured workmen's compensation program which he said was unjustified and "an increase for increase's sake."

DECREASES WERE achieved in the company's primary workmen's compensation and public liability coverages. Difference in conditions rates stayed the same, but only because the firm doubled its deductible to \$10,000. Blanket crime rates would have gone up by a "sizable" amount but for a \$5,000 deductible.

The insurance manager also fears that his company is in for 18% to 25% increase on its boiler and machinery coverage.

He decried the fact that it's getting more and more difficult to get coverage for third-party auto liability. He said that of ten companies his firm approached only two were interested in writing the business—including his former carrier, which wanted a 300% rate increase.

"IF WE CAN'T get this type of coverage somewhere, the government is going to step in and start writing it," the insurance executive stated. "This is a development I wouldn't want to see."

He also predicted that groups such as the Factory Mutuals and the Factory Insurance Assn., which have complained that their reinsurance markets have been drying up, will refuse to write business on nonsprinklered buildings in another five years.

P. B. Gehrke, insurance manager of Joslyn Mfg. and Supply Co., Chicago, reluctantly looked ahead to when his coverage in the London markets will expire. He said that if DIC coverage goes up as much as 40% to 50%, as it has for other corporations, "we would have to take higher deductibles."

ANYTHING IN THE London markets, Mr. Gehrke indicated, stands the likelihood of being "significantly increased." But, he hopefully added, "it may not be that bad."

All this, Mr. Gehrke said, "points up one thing that that I

would like to get my two cents in about: I don't see why we have to go to the London markets when we have the sources here if the sources were pooled.

London, he felt, had been "sold down the river" on some of the risks it had been induced to re-insure.

JAMES J. CULLEN, insurance manager at Beatrice Foods Co., another Chicago-based concern, said that his company had not been hit by rate increases because his coverage hadn't yet expired. But he noted that "right now in the area of fire and extended coverage" rates are increasing.

Part of the reason for the increases, Mr. Cullen pointed out is the heavy losses sustained by insurers.

He also pointed to the Lloyd's market, which, he indicated, sustained heavy losses in 1965 and the losses are now catching up

and being passed along.

MR. CULLEN, further indicated that the riots are having some effect in the increased premiums.

Dennis Healy, insurance manager of Helene Curtis Industries, said "I understand there have been significant increases but I have not experienced them yet." He then pointed out that the "general trend has been upward over the last couple of years."

Mr. Healy felt, though, that "you can negotiate on loss experience." But he quickly added that a company's premium volume must be large enough to rate this consideration. And this negotiation, he indicated, has sometimes created the capacity problem discussed by so many insurance managers.

IN THE AREA of deductibles Mr. Healy said that the insurance industry as a whole has been pushing for higher retentions or

DIC. However, he said the "loss experience doesn't justify" insurers' desires for higher deductibles.

"The riot situation caused some raised eyebrows," Mr. Healy said, "But I don't think it justifies the size of the deductibles they are trying to sell."

A quick check around other businesses showed that, by and large, rate increases have not been universal.

Robert Siegel, Deere & Co. insurance manager, said that rate increases have not hit his company. "The real problem is capacity," Mr. Siegel said.

Al Pearsal of FMC Corp. confirmed Mr. Siegel's remarks. He said there have been no noticeable increases in rates. But, he added, the market is "tighter." The problem is, Mr. Pearsal said, getting insurers to underwrite big risks.

At Allis-Chalmers, Bill Fraley, insurance administrator, also indicated that rates seem normal."

Lenson named

William A. Lenson is account specialist at Richard N. Goldman & Co., San Francisco-based insurance consultant brokerage firm.



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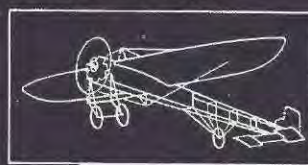
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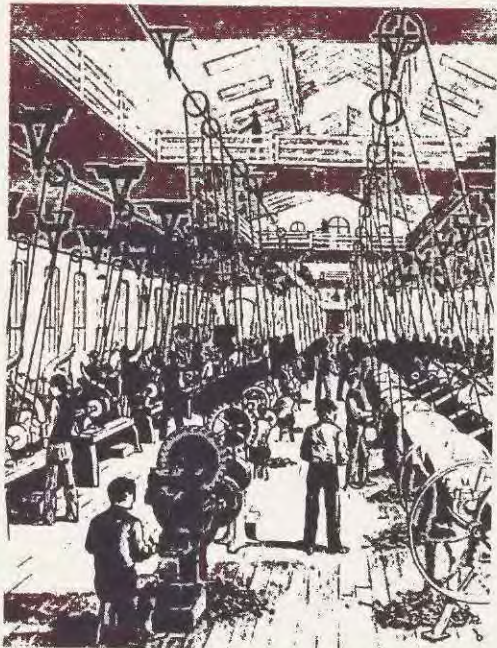
USAIG

One risk manager seeks relief in London

CHICAGO—The insurance manager of a heavy equipment company here has decided to go to England to forestall a major boost in the cost of his company's umbrella insurance coverage.

"Brokers don't want to believe it," he told *Business Insurance*, "but there is a great advantage to an insurer-insured relationship. I'm going to meet with the people at Lloyd's to help them understand our thinking on company management and loss control."

The insurance manager's decision to go to London came after he learned that the umbrella policy premiums of another equipment producer in the Chicago area were increased more than 50%.



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safety and security

St. Louis contractors set up plan to reduce vandalism, theft

ST LOUIS—The Associated General Contractors of St. Louis, through the cooperation of the various police departments that serve the area, has established a program to reduce theft, vandalism, and pilferage on construction projects.

The two major innovations of the program are the offering of a \$250 reward and development of a standard incident report form to record the commission of any of these acts.

This program is the result of the efforts of a special three-man committee appointed by the AGC to investigate methods of reducing losses of contractors through acts of theft, vandalism, and pilferage on construction projects.

THE AGC OF St. Louis is composed of 87 general contractor members and 149 affiliate firms that serve the city of St. Louis and St. Louis County. The County contains 94 different municipalities. It is estimated that the AGC contractors do more than 80% of the commercial construction in the area.

The committee's first approach to the problem was to get the advice of experts in the area of crime prevention, namely the city and county police departments. A meeting was set up between the contractor committee and police representatives. As a result of these discussions and suggestions by the police, the AGC established a program to curb theft, vandalism, pilferage on construction projects.

A standard incident report form has been made available to all AGC members so that when a crime is committed, the color-coded, three-copy form is used in all cases. The original copy goes to the police and is attached to their report. The blue copy is forwarded to the AGC office where a list of stolen items is compiled and periodically distributed to member contractors. The yellow copy is retained by the contractor for his files.

AGC MEMBERS have agreed to offer a \$250 reward for information leading to the arrest and conviction of anyone committing an act of theft, vandalism, or pilferage of equipment or materials on job sites or equipment yards. Reward signs have been placed on AGC construction job sites and are available in a 19" x 29"-20 gauge metal sign or in an 8½" x 11" all-weather vinyl (adhesive back) for display on equipment such as bulldozers, cranes, backhoes, etc. Procedure for payment of the reward is arranged so that the AGC office serves as the clearing house for reward money requests. Upon arrest and conviction, the AGC office will pay the reward money after the request has been verified through the police department.

In turn, the member contractor will be invoiced for the reward money. Thereby, contractors are relieved of the details and checking and administrative responsibilities connected with the program.

In addition to the report form and reward sign, the following police department suggestions were also passed on to AGC members:

• Vandalism:

- a) Use of block captain or

neighbor residents either on a retainer basis or an incident award basis. Retain neighbors of a construction site to watch after equipment, buildings, etc.

b) Use of protective measures such as metal shields for crane windows, detection type screens for trailer windows, covers for dozer gauges, and immobilizing equipment by removing spark plug wires, etc.

• Burglaries:

Use of good strong locks, ingenuity in placing locks, warning systems, etc., with the main objective to delay the professional burglar as much as possible.

• Pilferage:

Control the access and exit to and from the job and prohibiting parking adjacent to storage trailers or construction sites. The main objective is to delay the act as much as possible.

• General suggested procedure for protection of jobs:

a) Explore possibility of retaining a retired policeman as a consultant on security matters on either a permanent or job basis.

b) In St. Louis County, employ off-duty police officer who has authority as if he were on duty.

c) Prosecute minors under the Parental Liability Statute for damages to property by their children to established limit of \$300.

d) Use burglary alarm systems

on job site trailers.

TO BETTER acquaint members with burglar alarm systems for job site trailers, a trailer so equipped was displayed at the AGC construction training school. The school was the pick-up point where reward signs and incident report forms were made available to contractors.

Col. Curtis Brostron, Chief of Police for the St. Louis Metropolitan Police Department, said that St. Louis police officers are instructed by their supervisors to pay particular heed to construction sites, as likely scenes of crime, during their regular patrols.

Burglaries, thefts or robberies at construction sites would utilize the cooperative function of St. Louis city and county police, primarily in the dealings of both departments with pawn shops—often the repository of stolen articles, Col. Bronstron said.

Additionally, the metropolitan area has an interdepartmental exchange of police information unit, which includes not only the St. Louis and St. Louis county departments, but law enforcement agencies in various St. Louis county municipalities and private security agencies. These forces also could be utilized to apprehend persons who commit the offenses already described, he added.

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