Report on international insurance developments

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business insurance®

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

President Nixon's visit to Mainland China has opened the door to many insurance questions involving trade between that country and the U. S. The *Business Insurance* international report, beginning on page 25, delves into these questions with a Perspective article on page 45 and related stories on pages 25 and 53. An analysis of pension standardization in Europe appears on page 31 and projections on the effect of the European Economic Community on world insurance are detailed on pages 25 and 42. —Wide World photo

Bahama crackdown drops 255 'unsatisfactory' insurers

NASSAU, Bahamas—The government crackdown on suspect Bahamian-based insurance operations has eliminated more than 74% of the insurance companies registered here prior to 1970.

"These statistics alone show the need there was for a government supervisory body that would regulate the industry," Insurance Registrar Charles Donaldson said in announcing the crackdown results.

Prior to implementation of the 1970 insurance act, the registrar general's records revealed 345 companies registered under the companies act to transact insurance business in or from within the Bahamas.

Of these 345 companies, however, only 90 satisfied the requirements of the insurance act and have received licenses to continue writing insurance business.

MR. DONALDSON explained that the previous lack of regulatory controls not only contributed to the proliferation of fraudulent companies and the loss of thousands of dollars by policyholders, but also allowed a substantial outgoing flow of funds, a portion of which should have remained in the Bahamas.

The most flagrant example of the type of activity engaged in by some of these companies was the indictment by a federal grand jury in January of 22 persons whose operations through the Bahamian Trans-Continental Insurance Co. have been termed the biggest mail fraud conspiracy in the history of the U.S.

The company was struck off the Bahamas register on Feb. 26, 1971, but not before losses totaling approximately $150 million were suffered by hundreds of corporations and individuals.

The scheme, which had been going since September, 1968, involved the payment of advance fees for obtaining permanent loans for businesses.

ACCORDING TO Miami authorities, an international investigation may show that another $100 million was lost by businessmen in South America and Europe.

While there were, and still are, many highly reputable insurers who struggle to maintain the probity of the industry, Mr. Donaldson said, it became increasingly difficult to maintain an image that all insurers were highly reputable because of the damage already done by these fraudulent companies.

Presently doing business in the Bahamas are some 500 salesmen, 15 brokers, 39 agents, 12 life insurance companies, 59 non-life, and 22 both life and non-life.

Insurance agents in the Ba-

Continued on page 2

Equitable joins Pru, Met in excess pool

NEW YORK—A third major life insurer, the Equitable Life Assurance Society of the U.S., will shortly pump new capacity into the airline liability insurance market, it has been disclosed here. In addition, Equitable said it was also "seriously studying" the auto and homeowners insurance field, and that a move in that direction would likely first come in the area of group, payroll-deducted plans.

Making the disclosures at an annual press luncheon, J. Henry Smith, Equitable president, said that his company had agreed to join Prudential Insurance Co. of America and Metropolitan Life Insurance Co. in a pool that writes high-level excess coverage of various types for the airlines and, more particularly, for the huge Boeing 747 risks.

Henry D. Garber, the Equitable vp and actuary who has been directly involved in the move, told *Business Insurance* that the agreement must be approved by Equitable's board of directors before being finalized. However, he did explain that the company expects to be able to assume about "one-third of the capacity" now being provided by Pru and the Met. Those companies are now assuming a maximum of $15 million in liability on an excess reinsurance basis. That coverage is being written on 747s through the major existing aviation insurance markets—London, Associated Aviation Underwriters and U.S. Aircraft Insurance Group.

Company officials would not elaborate on the possible move into auto and homeowner insurance lines since it is still in the study phase. However, Mr. Smith did suggest that the company would likely begin through the group insurance route, with sales by its own agents. This is a rather significant departure. Both Prudential and John Hancock Mutual Life Insurance Co. are selling property-liability insurance through their own agent force but are limiting underwritings to personal lines. ■

Resolution asks that Denenberg shut up

HARRISBURG, Pa.—Something happened the other day at a meeting of the Pennsylvania state house of representatives which will probably give trial lawyers throughout the state a great deal of glee: A resolution was introduced asking that insurance Commissioner Herbert Denenberg "cease and desist from his headline-a-day tactics."

While introducing the resolution, which was sent to committee, house Republican leader Kenneth B. Lee said, "The publicity-grabbing tactics of Commissioner Denenberg have reached almost epidemic proportions. His penchant for attacking anyone and everyone without restraint is deplorable. His willingness to distort the facts serves only to confuse."

The trials of Dr. Noe

LONDON—Fraud charges are pending in Britain's central criminal court against Dr. Clifford D. Noe, 40, who was held by a London city policy squad a year ago on suspicion of a $2.5 million swindle plot.

Police authorities in London identify him as Clifford Dixon Noe, indicted with Philip M. Wilson and 20 other people in a $150 million mail fraud in Miami (*Business Insurance*, Jan. 31).

He was sent for trial in Britain last June after a preliminary hearing over his alleged possession of securities worth $5 million which he had tried to use in buying a private banking corporate for business deals in London.

JURY HEARING on an indictment alleging that these were forgeries, printed either in Britain or the U.S., will take place shortly.

Dr. Noe, an American financial consultant, reportedly visited England in the fall of 1969 to set up advance operations on behalf of a U.S. business syndicate that planned to get involved in the lucrative financial market of Western Europe.

He also tried to get control of a small insurance corporate in London, but detectives moved in before he could start operations.

Reports of his involvement in the Trans-Continental Casualty Insurance Co. scheme are being studied by detectives, who believe they have "nipped in the bud" a major insurance and financial fraud that would have linked London with American operators.

Dr. Noe, however, is currently facing trial in London on a separate charge of trying to run a bail bonding scheme for British criminals. Bail bonding is acceptable in the U.S., but is illicit under the English criminal code, if operated as a purely commercial enterprise. Dr. Noe will be tried for fraud when his bail bond case ends, and meanwhile is held in custody in a remand penitentiary. ■

What are your views on workmen's compensation?

Readers of *Business Insurance* are among the U.S. corporate executives who spend more than $5 billion a year for insurance coverage and self-insured benefits under state workmen's compensation laws. President Nixon appointed 15 members to the National Commission on State Workmen's Compenstion Laws to take the first comprehensive look at the 60-year-old system. This magazine on page 55 gives you a chance to express your opinion on various facets of workmen's compensation. Your views will be included in a report to the full commission at a hearing to be held in New York on March 20. "Results of the *Business Insurance* survey will be of considerable interest to the commission," said Commission Chairman John F. Burton Jr., associate professor in the University of Chicago's graduate school of business. "We look forward to learning the opinions of those who purchase workmen's compensation coverage and administer the programs for their companies."

Questionnaire on page 55

iWest

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NLRB will rule on union's fight to bargain for carrier

HARTFORD—In what could become a precedent-setting decision, the National Labor Relations Board will rule on a case in which a utility firm had been ordered to bargain with a union over which insurer should underwrite medical benefits.

The utility, the Connecticut Light & Power Co., appealed a hearing examiner's order to the NLRB on the premise that after it had bargained medical plan terms with the union, it was the company's perogative to choose the insurer to provide the coverage. Insurer for the utility's health plan is Aetna Life & Casualty.

A spokesman in the NLRB's New England regional office said that this was the first such case in his knowledge to go to the board, "at least in this region." He also stated that "cases of this nature are not common. You only run across them every now and then."

THE HEARING examiner's ruling, handed down earlier this month, said that the way an insurance company administers a policy, including its practices in disallowing claims "and the dispatch and efficiency of its personnel in processing such claims are factors . . . which intimately affect the employes under a contract and are matters about which the employes have cause to be greatly concerned."

A source close to the utility indicated that the dispute grew out of negotiations "last summer when the union decided it wanted a voice in the selection of the carrier and the company didn't agree."

The union, a local of the International Brotherhood of Electrical Workers, then took the complaint to the hearing examiner.

Though the case is still in preliminary stages, the utility reportedly is fully confident that the NLRB will rule in its favor. ■

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Bahama...

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ness with less than five years experience were required to sit the first requisite exam in February to qualify for their licenses.

According to the insurance registrar, an agent who is not in possession of a license to do business in the Bahamas cannot solicit or collect insurance from policyholders.

He has therefore urged the public to demand that agencies produce their licenses when entering their premises so as to stamp out fraudulent policy collections.

Following a year's trial period, plans are now underway to amend certain portions of the 1970 insurance act to ameliorate the existing laws for the good of the insuring public as well as the industry, Mr. Donaldson said.

He disclosed that his department was becoming particularly concerned with the reserve positions and investment portfolios of insurance companies writing policies on lives and risks located in the Bahamas.

THIS COUNTRY was one of the very few places in the world which did not require that insurance companies put up certificates of deposit with the state regulatory body, he pointed out.

It did not appear in the least unreasonable, therefore, that companies writing local insurance business should invest a portion of this income in local assets.

"We would like to see more investments in local assets to protect Bahamian policyholders and less monies being transferred to foreign countries," Mr. Donaldson added. ■

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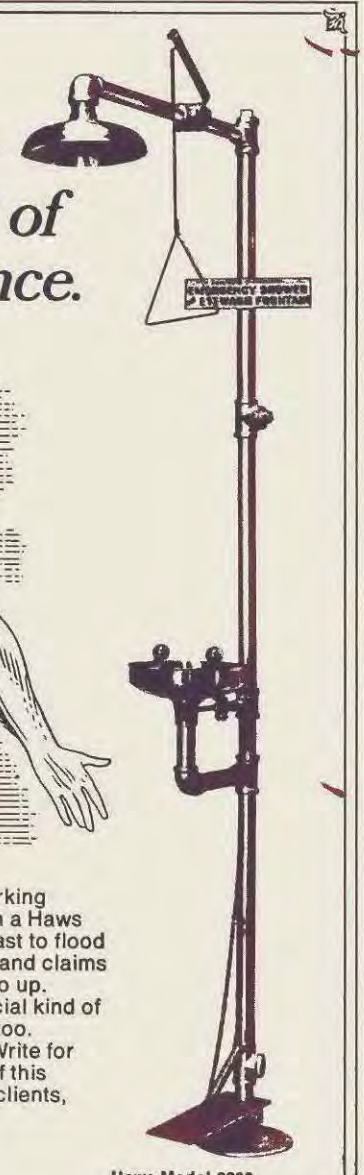

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Denenberg asks tight advertising controls

PHILADELPHIA—The old marble walls of the city council chambers in Philadelphia City Hall have reverberated to the sounds of many a shouting match in their history, so it was nothing new when Pennsylvania Insurance Commissioner Herbert S. Denenberg tangled with executives from certain insurance companies during a public hearing here.

The hearing, which was called to hear testimony concerning an insurance department proposal to further regulate life and health insurance advertising (most notably the mail order variety) in Pennsylvania, got off to a flying start with Mr. Denenberg reading from an endorsement by Art Linkletter for the National Home Assurance Co. of New York.

"We don't know how carefully Mr. Linkletter has reviewed the policy he endorses," Mr. Denenberg said. "We don't know if he has looked at other plans and made a full comparison and study. But we do know, and we think the public has a right to know, that Mr. Linkletter is receiving $50,000 a year from National Home, whose policy he so enthusiastically endorses."

After referring to "Madison Avenue hogwash" and "hocus-pocus," Mr. Denenberg called the first witness, Kimber Wald. After citing complaints from insureds who had claims rejected and suffered other abuses, Mr. Wald, one of Mr. Denenberg's deputies, set the tone for the hearings when he said, "Nail these companies to the wall, Commissioner Denenberg. They've got it coming."

THE PROPOSED regulation would prohibit, among other things, the use of recommendations and endorsements for the coverage without indicating that the person doing the endorsing has been paid by the insurance company. For example, National Home's ads using Art Linkletter would have to state that Mr. Linkletter had been paid to recommend the coverage.

Also prohibited by the regulation would be:

- The use of $1 initial premiums which jump much higher after the first month. (Mr. Denenberg pointed out that a company official had admitted to him that the $1 premium was a gimmick and that the coverage received for the dollar was actually worth about 25¢.)
- Stating that the policy pays a huge sum, such as $60,000, without explaining that the policyholder would have to spend five continuous years in the hospital to collect that amount.
- Failure to adequately explain a policy's exceptions, limitations and exclusions. (It was pointed out in testimony that many of the advertisements were aimed at old people but that the policies excluded convalescent care.)
- Advertising "no medical examination is required" and failing to obtain a medical history, then later denying payment under the pre-existing conditions terms of the policy. (Mr. Wald said that 80% of one company's rejected claims were turned down because of pre-existing conditions.)
- Imposing application deadlines which, according to Mr. Denenberg, are a "phony rush act" designed to pressure for a quick decision.

ANOTHER feature of the regulation that drew fire from some of the insurers was the provision that all mail-order insurance advertising be approved by the insurance department prior to use.

Explaining this part of the regulation, Mr. Denenberg said, "Segments of the insurance industry would like to have us abolish our requirement of prior approval of mail-order insurance advertising. We find this suggestion unacceptable. We think the day is long past when the insurance industry can try something out on the public and then get slapped on the wrist later."

Spokesmen for insurance companies which don't mass market insurance gave, with a few reservations, their support to the regulation. The Equitable Life Assurance Society of the U.S. was on this list.

On the other hand, the Insurance Federation of Pennsylvania and mail-order companies were violently opposed to it. Their position, and that of the Health Insurance Assn. of America, was that the existing National Assn. of Insurance Commissioners rules governing insurance advertising would, if enforced, be adequate to correct any abuses.

MANY OF the witnesses who preceded spokesmen for the mail-order companies spoke in rather harsh terms regarding the rate of return on premium dollars.

Clyde Gingrich, a rate analyst for the Pennsylvania insurance department, pointed out that Blue Cross returned 96¢ in benefits for every $1 in premiums. He said that agent-represented insurance companies returned 55¢ for every premium dollar while mail-order companies averaged a return of 33¢.

"An advertisement for National Home Life Assurance Co. of Valley Forge which listed its benefits and rate schedules patronizingly asked the question, 'How then are these low rates possible?' " noted Harry Boyer, president of the Pennsylvania AFL-CIO.

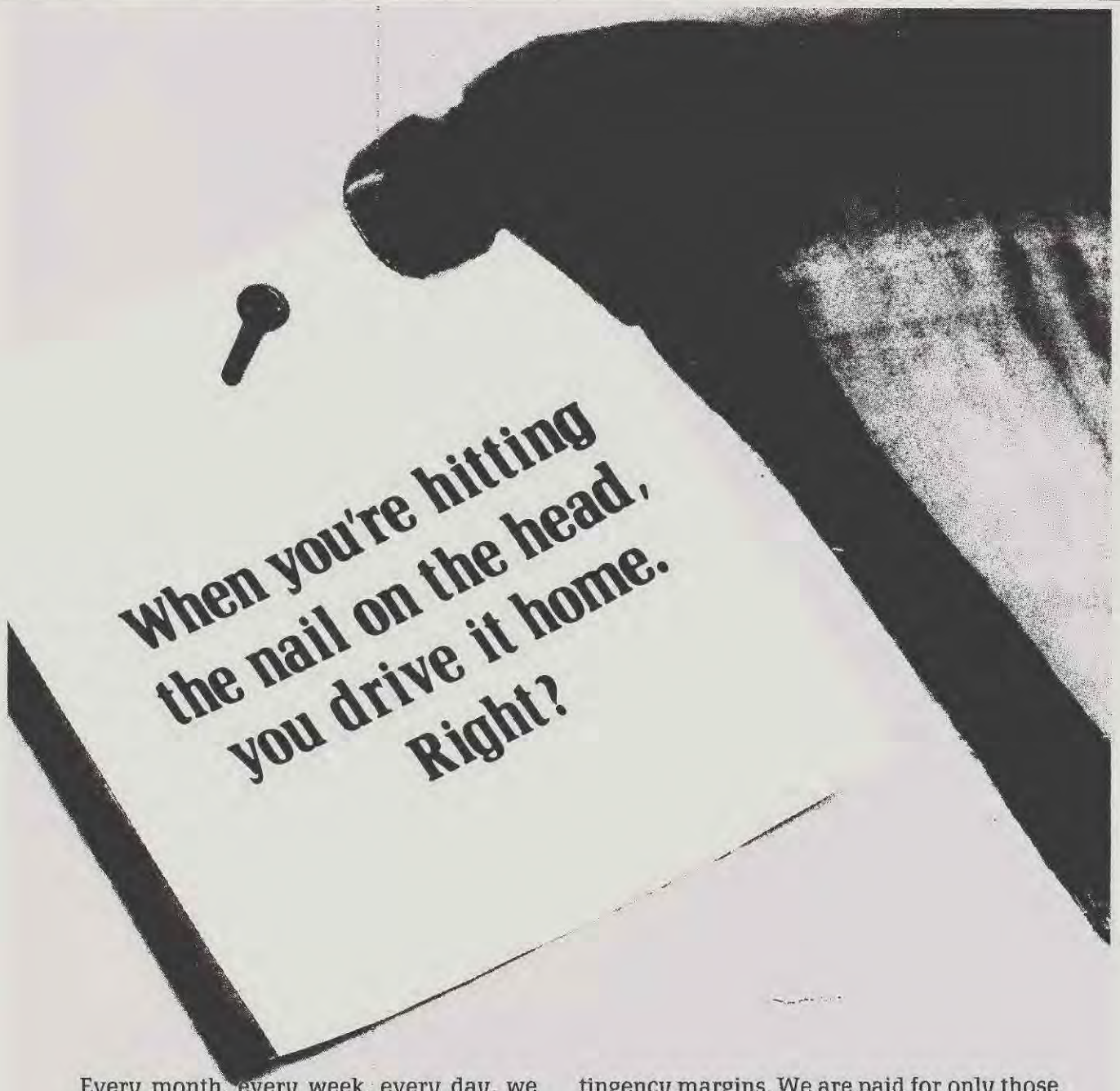
"The answer is an indictment of these type policies," he continued. "We have sold over 2 million low-cost policies this way and today mail out an average of $1 million in benefit checks each and every month.

"THE AVERAGE premium is about $4 per month, times 2 million policies, that's $8 million coming into the company each and every month. And with $1 million being paid out in benefit checks each and every month, the company is left with $7 million for profits and overhead. Since there are no commissions for agents and administration is all by mail, a large part of that $7 million is profit," Mr. Boyer concluded.

Another point that was discussed at the hearing was the length of time that insureds kept their policies. "People who buy mail-order insurance do not hold on long," said Mr. Gingrich. He then told of one such company which had 36% of its policies cancelled by policyholders after the first month and 56% after the first year.

Donald Margoles of Union Fidelity, a company whose ads had been singled out as deceptive and misleading by many of the witnesses, denied any deceptiveness, disputed most of the figures that had been entered into the record

Continued on page 12



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Unionmutual

washington watch

Rep. Mills sees little chance for new pension or tax legislation this year

By JOHN REVETT
Washington editor

WASHINGTON—Maybe pension and health insurance legislation won't be passed by Congress this year, and it may not even be put to a vote after years of discussion and months of formal testimony involving all sorts of travel expenditures and thousands of man hours in and out of Congress.

The question has arisen among some members of Congress that Rep. Wilbur Mills (D.-Ark.) stated in an off-the-record conference with members of the Assn. for the Advanced Life Underwriting that there will be no new tax or pension legislation coming out of Congress this year.

Neither denial nor confirmation could be obtained by Rep. Mills, his staff or counsel to his House ways and means committee who were present. No denial has been issued, so it appears to be fact. So does the additional report that Mr. Mills expressed the belief that pension reform and tax legislation are just not "feasible" in an election year.

The Senate labor committee was described as "totally surprised" by the statement attributed to Rep. Mills. "We're trying to get confirmation ourselves," said a staff counsel on pension bills before the committee.

THE STAFF member noted that while legislation involving taxes or tax code changes, such as partially or fully employer/payroll-backed health insurance, must originate in the House and clear Rep. Mills' ways and means committee, some of the pending pension reform bills don't involve taxes and could be put before the Senate this year. The Javits pension reform bill is one of these.

But if Rep. Mills' statements reflect the situation as it is in Congress—and some veteran observers here will tell you it does and that Rep. Mills doesn't predict unless he has the "feel" of Congressional leaders and their thinking—then perhaps Congress is on the verge of adjourning without taking action on the pension issue.

* * *

VIRGINIA KNAUER, the White House consumer affairs advisor, is one aggravated special assistant. She contends she's been linked to "Nazi Germany" and "Adolph Hitler" by Marvin E. Lewis, president of the American Trial Lawyers Assn.

Mrs. Knauer, who spreads the Nixon Administration's word on the need for state-by-state no-fault car insurance, and Mr. Lewis, who calls no-fault a "hoax on the American public," had been clashing in a serious but moderate way for months. Then Mrs. Knauer wrote to the American Bar Assn. to see what could be done about Mr. Lewis. Subsequently, Mr. Lewis replied:

"Dear Mrs. Knauer: For a moment I thought I was in Nazi Germany and that I had a call from Der Fuehrer when I was advised that you had the temerity to write to the president of the American Bar Assn. and inquire as to sanctions because of my actions and the actions of my colleagues (in ATLA) concerning 'no-fault.' "

Mrs. Knauer wrote back—none too happy about the Lewis letter.

"First, your accusation linking me to Nazi Germany or Adolph Hitler is profoundly distressing and wholly uncalled for. Sir, you should be ashamed."

THE LEWIS letter, she went on, "exemplifies precisely the kind of innuendo and distortion of fact which, regrettably, has characterized the American Trial Lawyer's Assn. opposition to no-fault and which led to my complaint (to the ABA)."

Cooling off a bit after their adventure into invective, the two got down to the somewhat less emotional aspects of their differences. "The American public has been told by the insurance industry in ads and elsewhere that the American people will receive all their damages under no-fault promptly," said Mr. Lewis, noting that trial lawyers know this isn't true, "and who is more familiar with the subject of general damages and alleged court congestion and insurance practices than the personal injury trial lawyer?"

Wrote Mrs. Knauer: "You persist in condemning the no-fault concept outright, making no effort to distinguish between the numerous and varied proposals bearing the no-fault label."

The exchange ended, for the time being at least, with Mr. Lewis challenging Mrs. Knauer to a debate "at any time and any place." Mrs. Kauer said she "would support such a discussion," but no one has yet gone so far as to propose a time and place. ■

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Hearings on no-fault

OLYMPIA, Wash.—Public hearings are scheduled here by the state senate commerce committee on an industry-drafted no-fault automobile insurance bill already adopted by the house.

The legislation, house bill 53, would provide a $1,000 threshold, no limits on hospital, medical and funeral expenses and, if adopted, would be effective April 1, 1973.

Since litigation still would be allowed above the $1,000 threshold, the bill is not a 100% no-fault insurance plan. It is similar to one drafted by Safeco Insurance Co.

Every motorist in the state would be required after April 1, 1973, to have automobile liability coverage of $15,000 per person and $30,000 per accident, and $5,000 property damage liability. Insurance companies would pay all first-party medical bills incurred until one year after an accident. ■

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It's an example of how we've developed special skills in business insurance by concentrating in this area. (Ever notice how well you can do something when you really concentrate on it?)

It means you can get specialized help on any business insurance problem through just one insurance company. In a world already full of complications, we offer a chance to simplify your life.

come to the source

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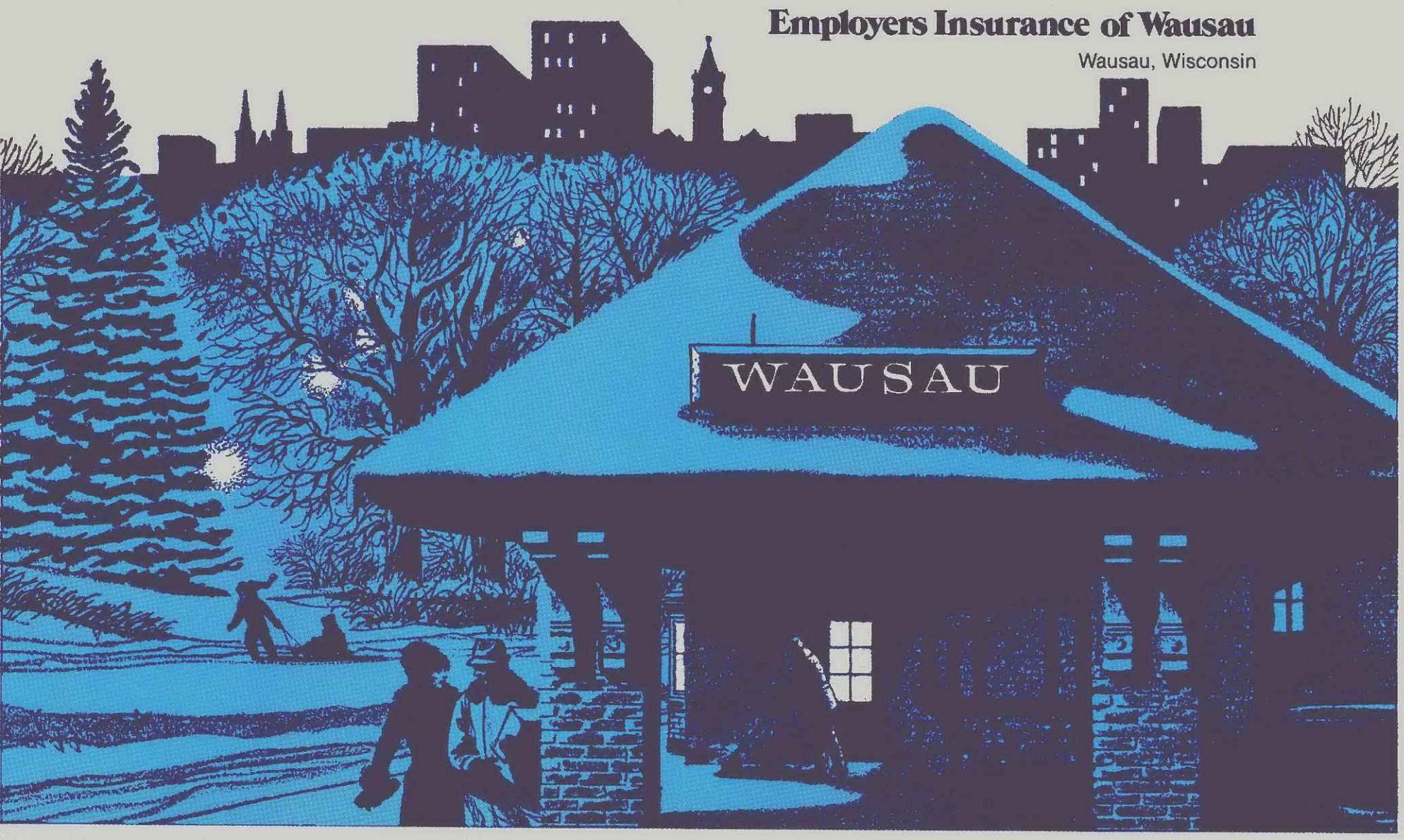
Wausau, Wisconsin



Gov. Ogilvie says: 'We've checked all companies'

CHICAGO—In the Jan. 3 issue of *Business Insurance*, an editorial titled "The ghost of Joe Gerber" commended the Chicago Daily News for revealing that Mr. Gerber, former insurance director of Illinois, acknowledged receiving some $40,000 in fees from a law firm he set up with two former department assistants. The firm, Mr. Gerber admitted, represented a number of insurance companies that later went insolvent with substantial losses to policyholders and disappointed claimants. In that editorial, we called for the appointment of a special deputy insurance director in Illinois to take an independent look at the financial condition of each company licensed during Mr. Gerber's administration that is still doing business. The editorial is answered here by Richard L. Mathias, administrative assistant to Gov. Richard B. Ogilvie and the governor's liaison officer with regulatory agencies:

In your recent editorial entitled "The ghost of Joe Gerber" you call upon the governor to appoint a special deputy insurance director to thoroughly investigate the financial condition of Illinois insurance companies chartered during the administration (1957-1963) of former Insurance Director Joseph Gerber. An investigation which encompasses your request was commenced shortly after Gov. Ogilvie was inaugurated. All of the companies chartered during that time period have been investigated and analyzed by the Illinois insurance department and are currently being monitored to determine any change in their financial conditions.

The department's investigations and examinations have uncovered five companies that were indeed insolvent and in a few instances, may have been insolvent for several years. These companies were placed in liquidation when it was concluded that they were hopelessly insolvent. A few companies did not merely "self-destruct." By means of various schemes of dubious legality, the management of now-defunct companies allegedly entered into transactions which resulted in their personal enrichment. These individuals are now being sued by the department.

However, the department is not just interested in finding a company once it has become insolvent. In addition to being charged with making certain that Illinois insurance companies adhere strictly to the provisions of the insurance code, the department is also extremely concerned with looking to the future ability of companies now doing business to remain viable, going concerns, able to meet the changing conditions of business. During the past three years the department has implemented its program of "regulation for solidity." In order to examine these companies and make certain they are capable of remaining in business, the number and caliber of the employees of the Illinois department of insurance have been substantially increased, as has the budget for that department, and the examination methods have been updated and improved.

We are well aware that Illinois has had a dismal record of insurance company failures. In the 12 years prior to 1969, 29 Illinois companies had been declared insolvent and placed in liquidation —more than in almost any other state. The dollars lost by policyholders and claimants of these companies can be ascertained; the human suffering cannot.

In January of 1969 there were 22 insurance companies with more than 40,000 claims outstanding being handled by the Illinois insurance department's bureau of liquidations. During 1967 and 1968 one company—with only 14 claims—was closed out and the claimants of that company paid. As an example of the lack of the bureau's initiative, by January, 1969, only 4,000 of the 24,000 claims against one company which had been placed in liquidation in 1963 had been evaluated.

As of February 1, 1972, fewer than 1,300 of those 40,000 claims are still open. In three years the Illinois bureau of liquidations evaluated more claims and terminated more liquidations than had been done in the 12 years prior to 1969. Some claimants who had been waiting for a decade finally received payment!

In addition, the policyholder assessment law, which had been subject to abuse, was repealed in 1969 at the request of the Illinois insurance department.

Also, during the 1971 legislative session the governor and the Illinois director of insurance actively sought and achieved enactment of the Illinois guarantee fund insolvency bill. While we shall continue to do everything possible to prevent insolvencies, we are confident that in the event one does occur much of the human misery which resulted in prior insolvencies will be alleviated by this new law.

We in state government appreciate the active interest which publication such as *Business Insurance* have taken in the Illinois department of insurance. We are acutely aware of the insurance problems confronted by Illinois citizens. We shall continue to do everything possible to provide a viable, equitable insurance market for the consumer.

Editor's note: Mr. Mathias may be justified in saying that an investigation that "encompasses" our request was initiated three years ago when Gov. Ogilvie filled the insurance director's position by appointing James R. Baylor. We would point out, however, that in the intervening three years Illinois has has five insolvencies of insurance companies. One of these, Mid-Central Mutual Casualty Co., went under only five months after Mr. Baylor took office and could be presumed to have been seriously impaired before the current administration took over. Next came Fidelity General Insurance Co. in December, 1970, 11 months after Mr. Baylor took office; Prudence Mutual Casualty Co., February, 1970; Homeowners Insurance Co., April, 1971, and LaSalle National Insurance Co., December, 1971. If "regulation for solidity" works, it ought to provide for prompt discovery of financial impairment and immediate action by the department to salvage the company for policyholders and claimants. We believe that there has been sufficient question raised about the circumstances of the Gerber-granted charters and the subsequent insolvencies for appointment of a special deputy director with recognized abilities in looking at (and behind) balance sheets. ■

A New NAME
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...but the fundamental dedication
to service and responsibility
has not changed.

Time Inc. employes get sabbatical benefits

NEW YORK—Time Inc. employes who have taken advantage of the company's sabbatical leave program have reported back in such lively spirits that Time magazine publisher Henry Luce III has decided to avail himself of the benefit and take a leave. Since the program began in 1968, 34 employes have taken three to six-month sabbaticals at half-pay and have returned to their old jobs or equivalent ones.

During the sabbatical, life insurance is continued at the full salary level, as is health insurance, but retirement and profit-sharing contributions by the company are reduced to one-half rate. An employe's voluntary contribution to the profit-sharing plan is also reduced to half-rate.

The objective of the program, according to Charles L. Gleason Jr., vp and director of personnel, "is to provide eligible staff members with an opportunity to have an extended period of time away from the day-to-day pressures of their jobs."

An employe is eligible for a leave if he has served the company for 20 continuous years and has reached a salary level at which he is no longer entitled to overtime ($248.50 weekly as of Dec. 1, 1971). The leave may not be less than three months nor more than six months. If an employe takes one three-month leave, he is entitled to another three months after a significant period of time has elapsed.

During a sabbatical, an employe is not permitted to work for any profit-making venture, including Time Inc. He may, however, work for the government or for a non-profit charitable organization.

"I THINK that the people who have availed themselves of this program have come back refurbished, refreshed and rejuvenated," noted Mr. Gleason; "in other words, they were pleased rather than displeased with the program."

Mr. Gleason estimates, however, that less than 25% of the eligible employes have taken sabbaticals. "I'm afraid that one of the shortcomings is that a person has to figure out how he is going to do this from a fiscal point of view. He has to make some financial sacrifices," he commented. ■

Eastern's dental plan called 'only one like it'

CHICAGO—A new dental plan, described as "the only one like it in the airline field," goes into effect for 13,000 Eastern Airlines employes on March 1.

A spokesman for Marsh & McLennan Inc., broker for the airline, told *Business Insurance* that the "new approach" of the plan revolves around breaking the coverage down into three categories:

- Class I coverage is for cleaning, X rays, extractions and fillings. It has a $25 lifetime deductible. Reimbursement for the first year is at the 70% level, the second year at 80% and the third year at 90%. Provided that the employe visits the dentist once a year it stays at the 90% level, but it falls to the 70% level if he misses a yearly visit. Each item has a maximum $1,000 coverage per year.
- Class II coverage is for dentures, fixed bridge work, crowns and inlays and has a $50 deductible per calendar year. There is a maximum of three deductibles per family and each item of work covered under this category has a separate limit of $1,000 per year.
- Class III coverage is for orthodonture and applies only to children up to the age of 19. It has a $50 lifetime deductible per child and pays 50%, up to a $500 limit, per lifetime.

THE EASTERN plan is underwritten by Travelers Insurance Co. and covers all non-contract employes. People hired after March 1 must wait six months before eligibility.

The plan features a pre-statement procedure similar to that of an American Airlines program also underwritten by Travelers (*Business Insurance,* Feb. 14). This allows the employe or covered dependent to fill out a claim notice on which the dentist then indicates the work he thinks necessary. The claim notice is then sent to Travelers, which marks benefits payments on it and returns it to the dentist.

Once the work is done the dentist completes the form, sends it to the insurer and payment is made to either the employe or the dentist. "In this way," the Marsh & McLennan source said, "all communication is between the dentist and the insurer."

He explained that one of the unique features of Eastern's plan is that the low-level, lifetime deductible under the first category of coverage is designed as an incentive to keep teeth healthy and void the higher cost claims of the other two classifications. ■

Police are self-insured in death case

MIAMI, Fla.—A federal judge in Miami has awarded $250,000 in damages to the parents of a young man shot down by a police officer after a high-speed chase through the city.

U.S. District Judge James Lawrence King, ruling in a civil suit brought against the city by the parents of 19-year-old John Paul Mayhall, also ordered the city to pay $2,238 in funeral costs.

Miami Policeman Arthur Dragon and the city, whose police department is self-insured, were named codefendants in the suit brought by Mr. and Mrs. Edmund G. Mayhall of Nashville.

Young Mayhall was shot after officers had stopped his stolen dune buggy. The judge said that Officer Dragon "did not act reasonably" and was "not legally justified" in killing the Mayhall boy, who already was being taken into custody by other officers at the time of the shooting.

A police internal investigation after the April 1971 death concluded that Dragon's action was justified. A peace justice inquest resulted in a similar conclusion. But Judge King ruled in November that the city and Officer Dragon were liable. ■

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info for buyers

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

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

• **Considering Dental Care Benefits for Your Group** has been made available to *Business Insurance* readers by Delta Dental Plans Assn., 211 E. Chicago Ave., Chicago, Ill. 60611. The pamphlet discusses prepaid dental care as an employe benefit, how to evaluate dental care programs, questions to ask dental plan carriers and program costs. Single copies may be obtained on a complimentary basis by writing James Bonk, director of enrollment and plan services at the association.

• The American Society for Industrial Security has published a **Directory of Technical Services and Consultants,** a handbook containing a state by state listing of those offering scientific law enforcement and investigative services. Copies are free to members, $1 for additional copies and to non-members, by writing ASIS, 2000 K St., N.W., Suite 651, Washington, D.C. 20006.

• **Brief Bank Index Supplement 1971** has been produced by the Defense Research Institute Inc. Available to institute members, the index is an up-dated listing of briefs available through the institute's brief bank service. Single copies are available to DRI members for a handling fee of $1 each, prepaid. Write DRI, 1000 W. Wells St., Milwaukee, Wis. 53233.

• Johnson & Higgins has produced a special two-page bulletin on automated multiphasic health screening entitled **Multiphasic Screening: A Step in Preventive Health Care.** The bulletin deals with examination procedure, costs and the effect of tests results, and details six points an employer considering mutiphasic screening should consider. Copies are available free by writing Donald R. Marcy, Consultant, Johnson & Higgins, 95 Wall St., N.Y., N.Y. 10005.

• **More Effective Employe Benefits Communications** is a brochure released by Halltech Associates describing how their reports are vital to the success of an employe benefits program. The brochure outlines their role in helping employes to understand and to be aware of their benefits program and its specific meaning to them. Copies are available by writing to: Edward McCaffrey, Halltech Assoc., 200 E. 42nd St., New York, N. Y. 10017.

• **A Theoretical and Practical Approach to Risk Management,** a series of six articles by Dr. Tom C. Allen and Dr. Richard M. Duvall of the department of finance at the University of Tennessee, has been published in book form. The book establishes a theoretical base which would allow for the use of a quantitative methodology and incorporates techniques of operations research associated with cost and benefit analysis as tools for the risk manager. Copies are available at $3 for American Society of Insurance Management members and students ($5 for non-members and libraries) on a pre-paid basis from ASIM, 500 Fifth Ave., N.Y., N.Y. 10036

• A revised edition of **Existing Proposed Auto Insurance Systems: A Comparison Chart** has been made available by the Insurance Information Institute. The chart compares the main features of laws enacted in Florida, Illinois, Delaware, Oregon and South Dakota. The traditional tort liability insurance system is summarized, as well as major proposals for reform, and no-fault laws in Massachusetts, Puerto Rico and Canada are updated. For copies write the Insurance Information Institute, 110 William St., New York, N.Y. 10038. Copies are 5¢.

• The National Safety Council has published a complete and comprehensive report on an occupational safety and health act briefing session, held in cooperation with the U.S. Bureau of Labor Statistics, covering the recordkeeping requirements of the new law. The book covers OSHA regulations in detail, with additional emphasis on a comparison of the old Z16.1 standard to new OSHA standards. A special question-and-answer section, alphabetically indexed, is of particular value. Copies of the publication can be ordered from the council, 425 N. Michigan Ave., Chicago, Ill. 60611, by referring to stock number 099.40. The price is $3 per copy, and payment should accompany any order of $5 or less. Lower prices are available to council members and federal government agencies.

• **Making Our Cities Insurable Again,** a brochure describing the Consolidated Insurance Companies new Consolidated Claims Limited, is available from the company at 345 Adams St., Brooklyn, N.Y. 11201. The booklet outlines CCL's claims and handling services, loss prevention programs, pre-underwriting investigations, company oriented audits and personnel training, all available to property-liability carriers and self-insureds in metropolitan areas.

• **How Workmen's Compensation Insured Can Avoid Duplicate Recordkeeping** under OSHA is a folder prepared by the Travelers Insurance Cos. The booklet contains a chart listing the workmen's comp form most frequently used in each state and the specific information required by OSHA not contained on the state form. By using the chart, employers can supplement their state workmen's compensation form with the necessary OSHA information, eliminating the need to keep a duplicate record on OSHA form no. 101. Copies are available by writing the company, Commercial Lines PMB, One Tower Square, Hartford, Conn. 06115.

• **Preventing Office Accidents,** a pamphlet from the U.S. Department of Labor safety training programs, outlines the causes of most office accidents and enumerates ways to prevent them. Included are office safety checklists. Copies of the booklet are available for 15 cents each from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• The General Scientific Equipment Co. has published **Eye and Hearing Safety,** a booklet dealing with many methods of reducing eye and ear risks and injuries. The pamphlet deals extensively with noise standards under OSHA. Copies are available free by writing the company, Limekiln Pike & Williams Ave., Philadelphia, Pa. 19150.

• Bankers Security Life Insurance Society has just published a booklet entitled **Life Insurance and Estate Planning for the Corporate Executive.** The pamphlet emphasizes the importance of coordinating an executive's will and various fringe benefit plans, such as stock options, deferred compensation and qualified pension and profit-sharing plans, in order to achieve maximum tax savings and family objectives. For a free copy write the advanced underwriting department of the society at 1701 Pennsylvania Ave., N.W., Washington, D.C. 10006.

• Insurance consultant Donald G. Shapiro has made available **The Variable Annuity,** a booklet describing how the variable annuity works during pay-in and pay-out periods and its risk and rewards. Sample plans are included, along with dollar cost averaging and an explanation of federal taxation. For your copy write Mr. Shapiro at 90 Park Ave., New York, N.Y. 10016.

• Certified Portfolios Inc. has made available a new booklet entitled **How to Establish a Flexible Keogh Retirement Plan** that outlines the Keogh plan and its benefits. Copies are available by writing Ron Thon, CPI, 500 Newport Center Dr., Newport Beach, Cal. 92660.

• **What's That Man Doing with My Money?** is a booklet designed for distribution to profit-sharing and money purchase pension plan participants. Produced by Deferred Compensation Administrators Inc., the booklet affords an easy to understand explanation of why securities, both equity and fixed, fluctuate in market value. Sample copies are available by contacting Roger E. McVeety, at the company, 1624 Cargill Bldg., Minneapolis, Minn. 55402.

• First Investment Annuity Co. of America has released **Now That You're Retiring** . . . a booklet discussing the possibilities for those receiving a retirement plan distribution. The pamphlet compares the lump-sum, monthly payment and combination options with the investment annuity. For a sample copy write the company, 1845 Walnut St., Philadelphia, Pa. 19103.

• **What Every Businessman Should Know about Pension and Profit-Sharing Plans** has been released by the Provident Mutual Life Insurance Co. The booklet discusses the factors which induce an employer to install a pension or profit-sharing plan, the factors which help the employer decide between a pension or profit-sharing plan and the various methods of funding the selected plan. For your copy contact the advertising and public relations department, Provident Mutual, 4601 Market St., Philadelphia, Pa. 19101.

• Professional Corporations of America Group Insurance Trust has made available a brochure describing its group life insurance plan designed especially for the professional corporation. Copies are available free by writing the company at P.O. Box 907, Minneapolis, Minn. 55440.

• **Life and Health Insurance Books,** a complete bibliography of books in print on these subjects available from publishers and other sources, has been offered by the Institute of Life Insurance and Institute of Health Insurance, 277 Park Ave., New York, N.Y. 10017. Especially helpful is a list of publishers and their addresses that allows those interested to order books directly. For copies write either institute

• The Travelers Insurance Co. has released **Your Employee Savings & Investment Plan,** a brochure describing the company's new plan offering a wide variety of options for both employers and eligible employes in groups of 25 or more. Copies may be obtained by writing Group Sales Promotion, the Travelers Insurance Co., One Tower Square, Hartford, Conn. 06115.

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28115-4

Denenberg . . .

Continued from page 3

and attacked the regulation as contrary to law.

When asked if anyone had ever collected the $50,000 his company advertises, Mr. Margoles said no and reported that the highest amount the company had ever paid to a policyholder was "something in excess of $10,000 and that required 100 weeks in the hospital." He also admitted that the average claim payment by the company was $175.

MR. MARGOLES read a number of letters from policyholders extolling Union Fidelity's virtues and said that the reason expenses were sometimes high was that "direct response companies must pay acquisition costs before they receive any money. We must go out on the marketplace and find the people nobody else wants."

Robert E. Slater, chairman of the National Liberty Corp. and its insurance subsidiaries, said that the hearing was dealing in "impressions rather than facts," then proceeded to contradict his own advertising during his testimony.

An advertisement for one of his companies states, "We can't afford to sell you more than one policy at these rates." When asked about that segment of the ad, Mr. Slater replied, "That is not necessarily true. What we really don't want is duplicate coverage."

Mr. Slater, who pointed out that National Liberty spent 50% of last year's revenues on advertising, gave the audience a rather interesting definition of "unsolicited testimonials." It was brought up that National Home Assurance, a National Liberty subsidiary, sent testimonial forms to some of its policyholders who had had claims paid. Those testimonials were considered unsolicited because "they didn't have to send them in."

REGARDING endorsements, Mr. Slater said that Art Linkletter owned stock in National Liberty, as well as being paid for doing the ads. On the same subject, Mr. Margoles said that Red Barber had been paid $1,000 per commercial for his work for Union Fidelity. Mr. Margoles said he did not know if Red Barber had examined a policy or whether he had any knowledge of insurance.

The adoption of the regulation was supported by numerous Pennsylvania consumer groups, the Pennsylvania AFL-CIO, retiree groups, representatives of welfare and inner city groups, as well as some insurance companies and Blue Cross. The opposition came from companies doing the business or those who thought the NAIC rules could handle the problem.

"Insurance is too important a matter to let companies follow the morals of the marketplace," Mr. Denenberg stated. "We have heard company executives testify that particular abuses are O.K. because they are commonly used to sell other goods and services—such as pots and pans, cosmetics and automobiles. If deception is commonly used to sell pots and pans, we don't think that's a persuasive argument for deception in selling insurance."

Dr. Adolph S. Butkys, a professor of advertising and marketing at Villanova University and a self-described consumer advocate, seemed to sum up the feelings of many of those in attendance. "I don't see these proposed regulations creating any problems for the insurance industry," he said. "Honest insurance companies should have no problem recognizing that selling insurance is not at all like selling FDS (Feminine Deodorant Spray)."

A decision regarding promulgation of the regulation is expected early next month. ■

Rate revision ordered

A revision of workmen's compensation rates has been ordered by Richard D. Barger, California insurance commissioner. The revision, which conforms to federal price control regulations, calls for an increase of 12% on outstanding policies and 9.5% on new and renewal policies. Mr. Barger said the limitation imposed on U.S. price regulations "has an effect equivalent to a reduction in the expense provision of 37.8% incorporated into existing rates." Insurers writing participating policies were warned that this "may affect the funds which will ultimately become available for payment of policyholders' dividends."

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opinions

Limits on product claims

NOT LONG AGO we visited a risk manager at a plant that manufactures heavy equipment. "Good to see you," he said, "let me show you what I've been doing since your last visit." With this he pulled open a large file drawer crammed full of file folders, each representing a product claim filed against his company.

"It isn't that we're careless," he explained, "It's just that this consumerism thing has generated product liability claims you wouldn't believe. Take, for example, one filed last month on a machine we manufactured in 1923. It was involved in an accident and now the victim alleges that we didn't put a sounding device on the equipment. Fortunately we had the plans on file; they show that there was a sounding device, but somebody in the past 48 years took it off—and so we get sued."

This risk manager's lament is not unique. Many risk managers who have responsibility for organizing the defense against product claims are faced with the incredible task of digging up records from decades past to answer allegations about products that left their plants years ago.

One of many important ideas that surfaced at the *Business Insurance* product liability workshop last month was the suggestion that manufacturers seek amendments to state laws that would place time limitations on the filing of product liability suits. We think that's an excellent idea, one that would serve the best interests of manufacturers, insurers and consumers as well.

Manufacturers would obviously benefit because they would not be threatened with suits involving products so long as they remain in use. There would be some reasonable limitation on the length of time the manufacturers would be held liable. This time limitation would take into account circumstances like those that arose in the sounding device suit: That over a long period of time products can be misused and modified to such an extent that the manufacturer should no longer be held responsible for a product that was safe at the time it left his plant.

Insurers would benefit from the time limitation because they would no longer be required to cover the past production of a plant when they issue a product liability policy. This, in turn, would hopefully lead to lower insurance premiums and a greater willingness on the part of insurers to write product liability coverage. As things now stand, insurers who venture to write product liability coverage must take into account the claims that may arise from products that predate the effective date of the policy. This is true because product liability coverage is typically written on a "discovery basis," meaning that the policy responds to any product claim that arises during the policy term regardless of when the questioned item was manufactured.

Consumers themselves would benefit from a time limitation on product liability claims because manufacturers, their risk managers and qualty control specialists could devote significantly more time to assuring that today's products are safe rather than chasing elusive information on products turned out 20, 30 or even 50 years ago.

We are not suggesting that state laws be amended to wipe out the liability of the manufacturer of unsafe products. We do suggest, however, that when a product has been in use for a certain period—that could vary for different types of products—it can be presumed to have been safe when it was manufactured. Defects that arise after that time can be considered to arise from lack of proper maintenance or from modifications over which the original producer has no control.

THE MARINE INSURANCE TREND

	premiums earned	loss/profit
1961	$ 227.3 million	$ 3.6 million
1962	235.1 "	16.5 "
1963	241.7 "	3.6 "
1964	246.1 "	—18.2 "
1965	256.1 "	—35.6 "
1966	284.8 "	—35.3 "
1967	316.1 "	—20.5 "
1968	350.6 "	— 5.1 "
1969	398.0 "	—15.0 "
1970	456.1 "	26.9 "

Marine insurance premiums have nearly doubled in the past decade but 1970 was the first year in the past seven to show a profit. Competition in this line of underwriting is stiff, according to marine insurance experts, because the business is judgment rated; there are no structured rates. Insurer losses suffered from 1964 through 1969, according to those in the field, reflect the effect of inflation, particularly on hull underwriters and particularly in the area of repair expenses. Marine sources say that the 1970 profit is a result of a more realistic view of the business by underwriters themselves and corrective steps in areas such as the use of overage ships. Sources: Best's Aggregates & Averages, American Institute of Marine Underwriters

A rose by any name

MAJOR LITERARY figures in France aspire to election to the French National Academy whose members wear flamboyant uniforms and decide questions of language that the French feel most deeply about. The academy's goal is to keep the language pure and to forestall distortion of word meanings that might signal a decline in French culture.

Maybe we need a national academy in this country to rule on word usage. Authoritative rulings are especially needed to purify the language of the insurance industry, which regularly trips over its own invented jargon.

Two recent contributors to linguistic confusion in the insurance fields are the Continental Insurance Cos. of New York and United Services Automobile Assn. of San Antonio, Texas. Both companies offer what they call "no-fault" auto insurance. Their contribution to linguistic confusion comes about because the policies they term "no-fault" embody only extended medical pay provisions with certain disability benefits. The policies have no effect on the tort liability system which is the target of the authentic no-fault plans.

Introduction of these unilateral "no-fault" policies once again proves that there is no general understanding of the meaning of the phrase as it applied to auto victim compensation reform. Some opponents of "modified no-fault" legislation have suggested that proponents of such laws be prosecuted for false advertising. We think that's impossible in the present state of confusion over what "no-fault" really means.

If we ever get around to electing an academy to rule on insurance terminology, we would place in nomination the names of Professors Robert E. Keeton and Jeffrey O'Connell. They ought to be in such an academy to help straighten out the confusion that seemed to begin with publication of their "Basic Protection for the Traffic Victim—A Blueprint for Reforming Automobile Insurance."

To catch a thief

THE NATION'S AUTO liability insurance companies have wisely chosen James F. Ahern, former police chief of New Haven, Conn., to be the head of the Insurance Crime Prevention Institute, an agency charged with responsibility for uncovering fraud by lawyers, doctors and flop artists in auto accident claim situations. We have no argument with the institute's operations nor with its objectives, but we wonder whether its scope ought to be expanded to encompass both arson investigations and criminal activity within the insurance industry.

Mr. Ahern's unit was formed to augment the efforts of constituted police authorities who may not be able to cope with the sophisticated maneuverings of claims cheats. It is also true that arson and insurance fraud are often beyond the capacities of police and prosecuting authorities.

Insurance industry people tend to make a great fuss over the crimes committed against insurers, but they offer scant help when criminal activity is uncovered within the industry. Mr. Ahern's institute ought to consider the public relations advantage of interesting itself in mounting criminality within the insurance industry.

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letters

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

Adoption cost

To the Editor: We are making inquiry as to whether or not you know of any plans that are written to cover cost for adoption proceedings whether it be on a self-insured basis or whether it would be included under some health plan. The name and address of any firm that has a type of plan providing this coverage would surely be appreciated.

Vilas F. Bursack
Employee Benefits Analyst, Cutler-Hammer, Milwaukee, Wis.

Editor's note: Mr. Bursack and others interested in payment of the costs of adoption as an employe benefit should contact Jim Heidbreder, Director of Compensation, G. D. Searle & Co., P. O. Box 5110, Chicago, Ill. 60608.

'Preposterous'

To the Editor: We have great regard for *Business Insurance* as a publication but feel you abandoned whatever quality standards you usually apply to manuscripts when you published, "Potential claim settlement abusers need more publicity" by one Jerry Lutrell. The writer has apparently drawn upon a storehouse of misinformation and misunderstanding for his preposterous conclusions. Anti-trust action against insurers use of inter-company arbitration? Indeed! Does this guy, Mr. Luttrell, really teach an insurance class? We think you could better serve your readers if, before reaching print, articles like this were first bounced off someone acquainted with the subject matter. Lutrell obviously is not.

Attached is a publication of the Committee on Insurance Arbitration which says that effective July 1, 1971, the monetary limitations applying to compulsory arbitration under these programs have been increased from $2,500 to $5,000.

Paul Bardes,
Erie Insurance Exchange, Erie, Pa.

Editor's note: We'll let Mr. Luttrell answer:

I am glad someone from the insurance industry has not chosen to ignore my article in Business Insurance. *However, Mr. Bardes' response is somewhat surprising. He has questioned my ability and the quality of your publication, but has done absolutely nothing to refute the fact that the Intercompany Arbitration Agreement is not as good as it might first appear to be.*

Admittedly, our library did not have information regarding the recent change in the agreement from a $2,500 limitation to a $5,000 limitation. But, this bit of misinformation is not a serious flaw in the analysis. In fact, this change only increases the significance of the agreement.

For Mr. Bardes' information, I am aware of Mr. Hines' book, "Arbitration in the Casualty Insurance Industry"—including the statement ". . . no insurance can be recalled of a committee withholding its consent to hear a signatory-nonsignatory . . . dispute." But, the committee's consent is not the source of the problem. The problem lies with the signa-

Continued on page 28

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Registering art may make insuring it easier

NEW YORK—"Art is a hedge against either inflation or deflation," said Alan Baer, a person whose business it is to know such things. "It's a commodity, really, in some people's minds. To a number of people art, money, business and power are all the same kettle of fish."

As chairman and managing director of the International Art Registry (U.K.) Ltd., a young concern that has taken upon itself the responsibility of making works of art both identifiable and insurable, Mr. Baer speaks from a position which gives him a certain insight into at least two of the varying aspects of the art world—the cultural and the financial.

"The personality of the art collector has changed over the years," he said, reflecting on some of the characters who peopled an earlier era in history. "The days of someone like Pierpont Morgan as patron are pretty much over. The favorable tax structure for that kind of endeavor has eroded away.

"CORPORATIONS are now involved in the serious acquisition of works of art. Chase Manhattan is a good example of that," he continued. "It may be billed as a public relations vehicle but the underlying reason is that fine art is a very good investment."

And to protect that investment, or the fine art belonging to a museum, gallery, private collector or anyone who owns a work of art, Mr. Baer's firm supplies a service that has never before been available to the collector—the capacity to give a definite identity to a work of art without altering the work in any way.

The Registry, which was patterned after Lloyd's Registry of Shipping, employs advance technology to give specific identity to specific works. "This is basically the same thing as a fingerprint," Mr. Baer pointed out. "What we do is discern the uniqueness of each work and we do it digitally."

Mr. Baer, and others connected with the art field, feel that once any work of art is given the needed identity it becomes virtually useless to the art thief because its original ownership can be proven with no difficulty. In that regard, Mr. Baer envisions his registry as a strong deterrent to the growing number of art thieves.

AT THE SAME time, having art works registered at a central location facilitates in the recovery of any work which is lost or stolen. "The idea of a central facility is most important," Mr. Baer believes, "because the average policeman doesn't know a Leonardo da Vinci from a Fred Schwartz when he recovers art under suspicious circumstances. In the past, he would have to check with dealers and many other people and he might get divergent opinions as to the authenticity of the work. The Registry supplies standards and gives him a single source to check, as well as guaranteeing whether or not this was the stolen work."

He also reported that insurance companies had been expressing interest in the activities of the Registry. "The market for fine art insurance had pretty much dried up. I knew of a number of collections valued in excess of $1 million that had no insurance coverage at all.

"It's understandable when you realize that there are billions of dollars worth of art thefts every year," he noted. "The crime exposure is the number one exposure in art insurance with upwards of 90% of all art losses due to theft."

Mr. Baer, whose resume would list a great deal of insurance experience, including a stint working on the floor at Lloyd's, felt that the services provided by the Registry would help open up the market again.

INSURERS have reacted favorably," he said with a smile. "They realize that this is a straightforward, rational procedure that can really help them in the fine arts area."

He told *Business Insurance* of a museum that had become an associated member of the Registry and had immediately seen its insurance picture brighten. "They now have nine times the amount of coverage that had been available to them before they associated with us," he said. "Their deductible is now one-fifth what it was and they are paying less than half what they had been."

The Registry's insurance broker, Schiff Terhune Inc., has come up with a master policy which, according to Mr. Baer, will automatically guarantee the availability of insurance for any registered work.

Larry McGartland, vp at Schiff Terhune, explained the coverage: "It's pretty much a standard fine arts policy. We can tailor it for individual collectors but we really don't think we'll have to. The policy is with Reserve Insurance Co. (Chicago) and provides for $1 million coverage at any one location. The deductible is $1,000 and we can arrange for any excess coverage desired."

MR. McGARTLAND said that the broker had working agreements with Federal Insurance Co., Atlantic Mutual Insurance Co. and the St. Paul Cos. to provide the excess cover. Mr. Baer had mentioned those same companies, referring to them as the leaders in the rather small fine art market.

From a broker's standpoint, as well as that of an insurer, Mr. McGartland believed that the Registry would ease the insurance problem for collectors because "it will show their concern if they register their paintings."

He also pointed out that the market for fine art coverage had been tight "because penalty rates were being charged, I think unjustifiably. The fine arts experience on the whole has been very good. It's been tight because of the notoriety attached to some important single losses."

Another area in which the Registry would be of service is in partial losses. Mr. Baer said that the partial loss problem was considered rather touchy but that even the restoration process on a damaged work could be aided by the Registry's method. "The question would probably arise," he said, "if you have to restore three-fourths of a work, have you not eradicated the work's identity? What we can do is help make the restoration more accurate than would have otherwise been possible."

Continued on page 22

Greater voluntary choices ahead in employe benefit planning

DALLAS—New approaches to employe benefits in this decade will most certainly provide greater voluntary choices for the employe on an individual basis. This was the trend examined by William G. Muir, director of special marketing, Connecticut General Life Insurance Co., Hartford, in a speech presented to the Dallas-Fort Worth Chapter, American Society of Insurance Management.

Many advantages, all at no cost, accrue to the employer who offers such supplements. Individual-oriented benefits shift dependency away from the union, allow distribution of pleasurable products, show employer interest, make the employe more dependent upon the employer and promote the good public relations of consumerism, according to Mr. Muir.

Discussing predicted changes during the 70s which "will have a great impact on compensation and fringe benefit thinking," he noted that the economy, including production, prices and compensation, will rise 30% to 55%; government will provide more security through Social Security, national health and more control on wages and prices; and the worker will be younger, higher paid and have a shorter working life. Moreover, Mr. Muir said, the worker is seeking individual fulfillment, personal freedom, compensation now for performance, with less reliance on deferral and less need and willingness to rely on traditional plans for security.

"DURING THE 1950s and 1960s group plans were consolidated to provide security and were designed to meet the need of a majority of workers," Mr. Muir observed. "This common denominator appears to have done too much for some and not enough for others. The individual worker has little to say about the benefits —thus typical plans tend toward being increasingly costly dissatisfiers.

"The changes taking place in the economy, government and in particular the work force indicate the future direction of fringe benefits will likely involve a sound basic plan for all, plus individual selectivity with more emphasis on personalized resource planning," he declared.

"These new developments will give recognition to the fact that the 'average' man has his basic protection needs fulfilled by his employer, but a vacuum exists for him when it comes to the efficient provision of the non-basic but still vital supplemental benefits," Mr. Muir said.

Because the average worker's life style is based on payment habit rather than impulse buying, and because he pays for goods and services with small units of money, costs are higher, services are limited and opportunity to buy is lacking, he pointed out. The answer lies in combining small money units into one large unit through payroll deduction. In this way, the average worker can attract buying opportunities, invest at lower cost than manual or industrial, with no minimum open account deposit, and enjoy individual consultation, Mr. Muir explained.

AMONG THE available vehicles he mentioned are individual life insurance, offered at lower rates with liberalized underwriting; a voluntary mutual fund with decreasing term life package; a specially marketed group auto with homeowners package; and the association/franchise annuity, a flexible plan with choice of contributions, retirement ages and eligibility by unit.

"That's where the 'state of the art' rests today, but there are several items on the horizon which will have some impact on the entire subject," Mr. Muir commented.

"Most recent is a proposal voiced by President Nixon which, while still in its formative stages, will allow individuals the ability to set aside some of their pay on a tax deductible basis to supplement their retirement. While it's too early to tell, the life insurance or mutual fund/life package might well be funding vehicles for this coverage," he said.

"On another front," noted Mr. Muir, "legislation has been introduced in the U.S. Senate by Senator Philip Hart of Michigan which will require the states to permit true group automobile insurance and will also allow employer contribution to group automobile insurance to be tax deductible, and not income to the employe. In other words, extending the status now available on group health insurance to this new employe benefit concept.

"Finally, perhaps quite significant is the attitude of the unions. In an Oct. 15 speech, Reginald Newell, associate director of research for the International Assn. of Machinists, specifically indicated group automobile and homeowners insurance was a bargaining goal in the near future. Before coming here," Mr. Muir commented, "I attended the National Conference of Health, Welfare & Pensions Plans annual meeting. This is an organization made up primarily of trustees of the Taft-Hartley Plan. They have expressed a real interest in this type of benefit in future bargaining—many because they see welfare benefits phasing out." ■

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HOUSTON—A San Antonio man has been awarded $1.3 million in damages by a Belleville, Ill. court from the Trunkline Gas Co. of Houston in connection with injuries he suffered when struck by a train near McLeansboro, Ill. five years ago.

The St. Clair County circuit court jury in Belleville awarded the decision to Robert O. Walters III. Mr. Walters was employed on a survey crew of Simpson, N. G. & Pratt, a firm doing work for Trunkline at the time of the accident.

Mr. Walters' attorney, John Norton of Belleville, argued that the gas firm was negligent in not providing safe passage across the railroad tracks.

The plaintiff was awarded $575,000 in actual damages and $750,000 in punitive damages.

A spokesman for Truckline, a subsidiary of Panhandle Eastern Pipeline Co., stated that the firm is "insured for the entire amount." He said the major carrier at the time of the accident was Insurance Co. of North America. ■

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No cause found yet for Pillsbury Co. fire

BUFFALO, N.Y.—The final report on the Jan. 2 explosion and fire at the Pillsbury Co. plant has been delivered to Robert B. Howard, fire commissioner, but it leaves the basic cause of the early morning blast uncertain. (See *Business Insurance*, Jan. 14.)

Both Mr. Howard and Lt. Eugene Manning, fire investigator, noted that the only witnesses to what happened in the bulk storage building at the mill were killed or died later as a result of their injuries. Mr. Howard said, "We couldn't take a chance on putting them back into shock just to find out what happened."

A spokesman for the company said the management and the insurance investigators had not turned up a cause either. Their investigation is continuing in the hope of finding something overlooked in the initial search for a cause for the blast, which claimed six lives.

Mr. Howard leans to the theory the dust explosion was touched off by a workman using an electric arc welder in a section of the bulk storage unit near what is called the "Richardson" machine. One worker pulled from the rubble theorized that the fire had been started by an unidentified worker with a torch.

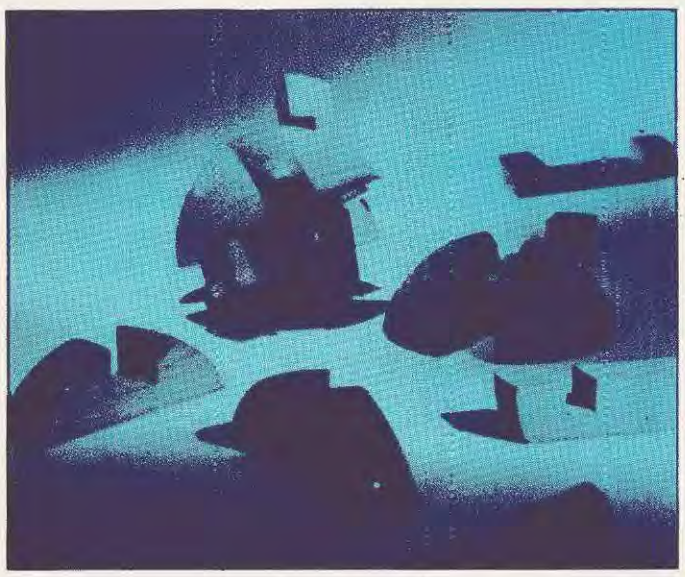
MR. HOWARD said the welding machine turned up in the rubble on Jan. 11 was so badly damaged it was impossible to determine whether it was in use before the blast. He said a welding instructor and an official of a local plumbing and heating company had checked the unit but could not determine whether it had been in use.

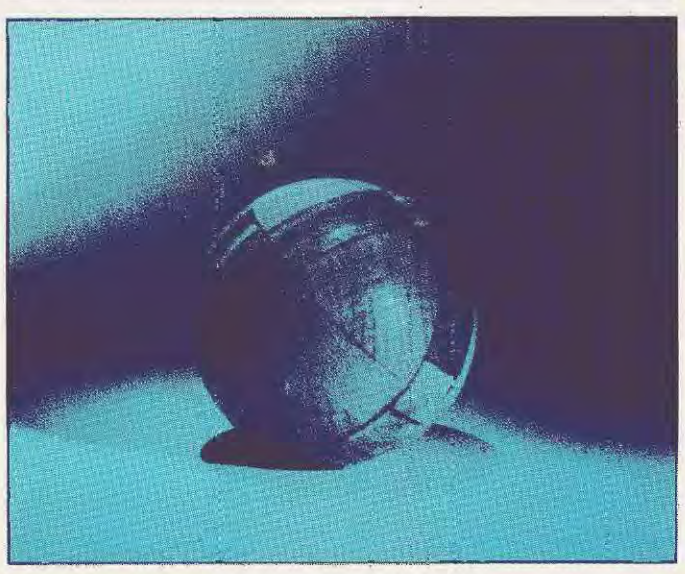
The commissioner also was critical of Pillsbury officials for reporting that all welding equipment was in its proper place when the welding unit found in the rubble was not in its place. He noted, "The people at the plant can't explain how the arc welder was found in the rubble."

The injured were in the immediate vicinity of the blast and Lt. Manning hoped they might have been able to help the investigation if they had survived.

Pillsbury is still analyzing the mill to determine the cost of repair and rehabilitation. Currently, parts of the bulk storage area cannot be properly examined because of the large amounts of flour still in storage.

The company spokesman said 90,000 hundredweight of flour has to be examined by the U.S. Food & Drug Administration to determine whether it will be condemned. Then, company engineers must try to figure out how to remove the flour despite the destruction of the unloading machinery. ■





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Will compile vessel facts

NEW YORK—The Maritime Administration plans to develop industry-wide statistics on insurance for vessel owners and operators to help alleviate "frustration" stemming from escalating liabilities.

Speaking at a regional membership meeting of American Waterways Operators Inc., Robert J. Blackwell, deputy assistant secretary of commerce for maritime affairs, said that "as vessel and barge sizes grow, potential liabilities increase accordingly, and it becomes more difficult to develop a reasonable balance between loss prevention, self-insurance and the purchase of insurance on the major world markets."

A main problem, said Mr. Blackwell, is that insurance for vessels involves "relatively small total premiums but extremely large concentrations of risk. The losses of large tankers in recent years well illustrate this point."

He said that "to give both buyers and sellers of insurance a clearer perspective," the Maritime Administration will develop "industry-wide statistics on losses, premiums and related matters to enable them to make better (insurance) decisions." ■

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Reinsurance experts urge advance planning to ease loss of profits

LONDON—Power circuits have a habit of causing all sorts of problems to risk managers. But they must fear the worst now that large-scale automation is being adopted in many industrial plants.

The problem was spelled out by Hartmut Labes, of Cologne Reinsurance Co., at a convention summoned by the Reinsurance Offices Assn. to study loss of profits insurance.

Mr. Labes told delegates from major reinsurance corporates that "insignificant material damage to the electronic control system of an automated factory can easily cause highly important losses. My advice," he added, "is for advance planning, so that there is no chance of computer breakdowns hindering the whole range of processes."

He selected as an example a large steel pipe factory in Germany where the manufacturing processes are electronically controlled, and told the convention, "The cables connecting the computer to the processes were burned out, and the computer destroyed. The material damage could hardly be seen. But as the plant could not be manually operated the loss of profits claim was very substantial.

"IF LOSS prevention advice had been taken at the time the plant was built," Mr. Labes commented, "this computer would no doubt have been entirely separated from it, and a very substantial loss would have been avoided."

Loss prevention techniques were advocated by several speakers at the convention, including one major British reinsurer who said, "I personally feel that instead of applying restrictions through deductibles, or limiting liability, or franchises for loss of profits cover, it will be more beneficial to insurers, the insured, and the economy of the countries as a whole if more attention is paid to loss prevention.

"The emphasis of getting this into perspective seems to be overlooked today," he continued. "I feel that before we restrict or limit cover, we should go one step beyond, so as to provide all the cover an insured needs.

"In addition to guidance on loss prevention, and the aftermath of fire, we should give assistance with damage control," the reinsurer said. "In this way an insured would know exactly what course of action to take immediately so that either spare parts, replacements, or alternative accommodation can be found with little delay."

DELEGATES to the convention showed concern about the rising cost of fires, and the ultimate effect on large-scale industrial processes if production is interrupted in a spare parts plant. The growth of conglomerates, where several plants in one group are interdependent, was given as an example of this risk.

Mr. Labes questioned whether reinsurance of fire loss of profits insurance in complex major risks can still be made on a probable maximum loss basis, or whether it should be effected on the basis of sums insured. He told reinsurers: "The need to set a liability limit with major risks seems inevitable."

To this, another speaker countered, "We must get the insured to carry out loss prevention precautions and damage control, or else rates and losses will escalate and we will never see an end to the matter."

The new system in West Germany, Mr. Labes said, was for reinsurers to require certain limits of liability in respect of facultative reinsurance of loss of profits risks if the probable maximum loss exceeds approximately $15.75 million or in case the sum insured exceeds approximately $31.5 million thus setting up an exact determination to the reinsurance cover.

MORE THAN 20 major German risks have now been renewed on the basis of limited liability, and the result was that German insurers were trying to introduce limits for all major loss of profit risks. The limit of cover was, therefore, determined by the insured party on his own estimation of probable maximum loss, together with his own estimates from his detailed knowledge of the risks.

The basic limit, Mr. Labes said, should be 30% of the sum insured as the approximate probable maximum loss, so as to set up a kind of "sound barrier." A scale of additional premiums operated above this, while there would be discounts for lower sums. Covers above $31.5 million were submitted to special rating committees, and deductibles of $15.75 million operated for major risks, so as to avoid expensive minor claim settlements. ■

OSHA cites Whirlpool violations

ST. JOSEPH, Mich.—A ruling on a noise complaint filed in August by workers at Whirlpool Corp. here is still pending in the Detroit office of the Occupational Safety and Health Administration.

In a December inspection at the plant, OSHA cited five violations by the company but failed to rule on the noise level. Workers claim that the current level exceeds the 90 decibel maximum established by the new job safety law.

Complaints handed down listed improperly marked exits, aisles and passageways; poor emergency exit routes; failure to color code dangerous equipment parts; and failure to use overhead guards on power industrial trucks.

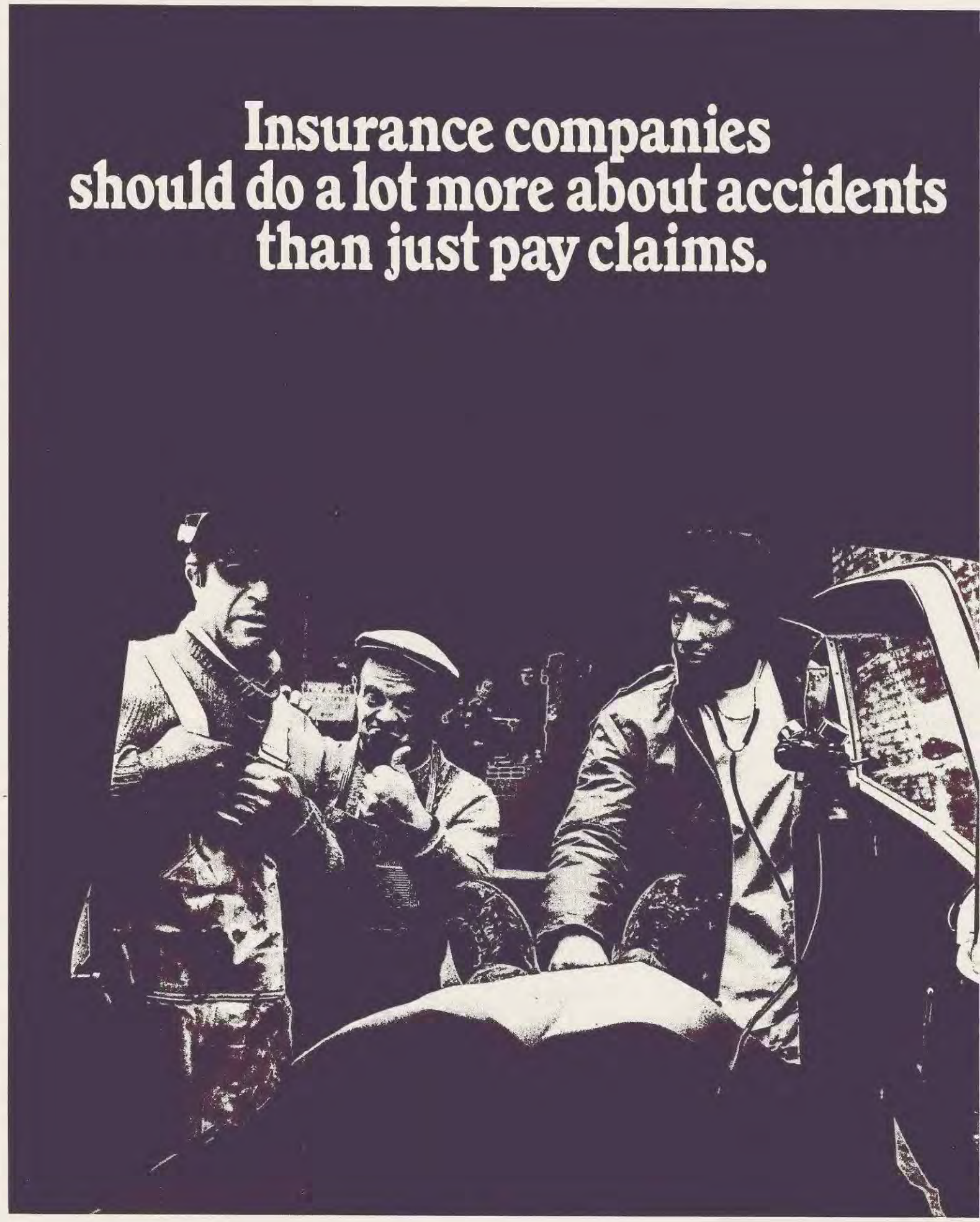
A SPOKESMAN at OSHA declined to comment to *Business Insurance* on the charges. "Until problems are corrected and we go back to inspect, we will have nothing to say about an active case," he said.

He did remark, however, that the noise level test had been postponed due to lack of equipment. "OSHA requires calibration of a noise meter before and after using it. We have the noise meter but no calibrator," he explained. ■

Nuclear talks scheduled

Western European representatives will attend an intergovernmental conference on nuclear insurance problems in Stockholm in June.

Insurance companies should do a lot more about accidents than just pay claims.



london line

British government seeks dangerous cargo notice after cyanide scare

LONDON—Urgent steps are being taken by the British government to control pollution perils from dangerous cargoes after "poison drums" of chemicals threatened its Atlantic coastline. Fears that there might be a disaster like the Torrey Canyon oil catastrophe persisted until scientists gave the all-clear signal to townships in Cornwall County.

The drums, containing sodium cyanide and other toxic substances, began to float across the waves after the 1,700 ton, Spanish-registered freighter Germania sank after catching fire.

Fortunately the drums were destroyed by experts without causing any damage. But the threat has made insurers and shippers realize the need for an "early warning" system for all vessels carrying perilous cargoes, not just oil tankers, in the event of casualties at sea.

THE BRITISH government will now ask all maritime nations for an international agreement by which, if coastlines are at risk, there will be prompt notification of dangerous shipments. It took British authorities several days to find the exact nature of the Germania's cargo. The ship had picked it up in Rotterdam, Hamburg, and Antwerp, and the documents were either in technical terms or foreign languages.

The request to the Inter-Governmental Maritime Consultative Organization (IMCO) will be made by Britain on the grounds that responsibility for giving notice of dangerous cargoes, in the event of maritime casualties, should be placed on the country where the ship is registered.

Insurers welcome the new move, which fits in with efforts already being made to, improve standards for packing and stowing perilous goods on freight vessels.

* * *

INSURANCE ON more than $50,000 worth of silver bullion stolen on its way to Italy is held by Lloyd's and other underwriters in the London market on behalf of the firm to which it was being shipped, Italian Consignees, of Rome.

Railroad police in Britain are trying to tighten up security, because they already faced a similar robbery in November, 1970, when thieves tossed silver bars worth $557,000 on the trackside near Ashford, in Kent County. But trackmen on that occasion picked them up before accomplices of the raiders could get to the silver. Still, detectives are getting worried in case there are more robberies.

Insurance expert Bob Bishop, of Douglas Jackson and Co. (Adjusters) Ltd., of Bevis Marks House, London, told *Business Insurance*, "The insurance was placed in the normal way in the London market, based on customary rates in Britain for bullion traveling by train. It covered the whole journey across several European frontiers, but the raid took place in Britain before it could even leave the country.

"Security," Mr. Jackson said, "is in the first place a matter for the railroad, under arrangements agreed to by most bullion dealers, and the insurance was accepted on this basis."

BRITISH RAILWAYS, a wholly-owned, state-run corporate under nationalization, has its own police force who are trying to find how the robbery was accomplished fewer than 20 miles from where the bullion was freighted by an East London firm into a railvan that was supposed to be sealed. It was just a sudden check by a railroad detective, when the freight train halted at signals, that revealed the robbery.

If there was any security defect in transit by the railroad, the insurers can instruct lawyers to see if this infringed the freight contract and try to recover the money from British Railways after meeting the claim.

However, one step under British insurance practice is to offer a 10% reward to any private citizen who can give information leading to the recovery of the silver and the conviction of the robbers. Mr. Bishop explained, "My firm is offering a $5,000 reward in this way on behalf of the insurers, and we are waiting to see what happens."

* * *

INTERNATIONAL law got itself into a worldwide tangle when an English oil rig worker was hurt on an offshore plant off the Nigerian coast four years ago, and the result has intrigued insurers.

The man was working for a subsidiary firm of the Offshore Drilling Co., Houston, Tex., but lodged his plea for damages in London's High Court.

The court then learned that his contract was actually with the International Drilling Co. of The Hague, Holland, a subsidiary of the American firm, and that he had agreed to accept its compensation benefits in the event of injury.

He protested that as the contract was in the English language, and had been signed by him in England, his own British courts had the right to re-open the case in which he claimed he was hurt through the negligence of fellow workmen. But finally three British judges agreed that the contract's closest connection was with Dutch law, and he must accept its terms. ■

Efforts defeated

Efforts to enact a competitive workmen's compensation insurance law for the state of Washington have been defeated by the house rules committee. Meanwhile, a group of employers seeking to kill the state's monopolistic workmen's compensation law has filed an appeal with the state supreme court from an earlier denial by Frank E. Baker, superior court judge, of a request for a permanent injunction against the existing law.

The buyer of workmen's compensation insurance knows that the one thing that can have the greatest effect on premium cost is a fluctuation in his experience rate. He should also know that safety engineering is the best way to control accident frequency and severity—and that's the best way to earn an experience rating credit.

Insurance carriers should help carry the ball

Aware management should stay on top of the situation with an effective loss control program. But so should the insurance company.

Even though a plant has its own safety department, the insurance company should assist with an experienced staff that can supply broadly-based knowledge and advice.

If your people were getting all the safety information they should, they'd probably have the following facts at their fingertips.

The accident-prone employee

Maybe he has a desire to destroy himself. Or he drinks too much. Or he's unhappy with his wife.

But when he works for you his problem, whatever it is, is your problem. How do you find out who he is? Simple. Keep close tabs on accident reports and personnel attendance cards. If there's a suspicious frequency or high absentee rate, check it out. Fast. Before he has a *bad* accident.

And what can you do about it? That depends. At the very least switch him to a type of work where he'll do less damage to himself. And to you.

Strobe-light mesmerizing

It really happens. The light flashing through the spokes of a spinning flywheel, or reflecting from the surfaces of a turning machine part, can actually hypnotize a person. And in an accident report, the injured man may be unable to explain how or why the accident occurred. Or he may say that he "felt dizzy" or "lost" his memory.

Check for strobe-light effects. Before the accident happens.

The costly back sprain

This can be one of the hardest ailments to diagnose or cure. Or even to definitely class as an accident. But treatment, often accompanied by absenteeism, can go on for years. And can continue to affect your experience rate.

There are things you can do. Don't make a man sit too long or stand too long. Buy the kind of industrial chairs that are completely adjustable, designed to give support without fatigue. They're available and they're relatively inexpensive.

Most people don't know how to lift. Teach them. Show them how to use their leg muscles, not their stomach and back muscles.

The ignored rules

Intelligent management usually has a set of work rules that include safety precautions. But management often has a tendency to isolate itself from direct involvement in day-to-day plant functions.

So you may not really know who is and who isn't obeying your work rules. If you find that you don't, you may have found a frequent cause of accidents.

Color

The scientific, industrial engineering use of colors is sometimes a neglected area of an otherwise effective loss control program. For instance, moving machine parts and the boundaries of dangerous areas should be colored bright red or yellow. Colors can be harsh or soothing, and should be chosen for the effects desired. But monotony can be dangerous. So the selection and distribution of colors should be left to the specialist, not to the painter.

Shields

Safety guards on most equipment are usually prescribed by law. But what about valves and fittings on lines that carry chemicals, steam, hot water or high pressure? What happens if they corrode? Or if pressure goes up?

Such valves and fittings must be accessible for control and repair. But they can be separated from work areas with simple shields. Too often, they're not.

Cleaners and solvents

Some states allow the use of carbon tetrachloride as a cleaner or degreaser, some do not. But it's lethal. A couple of good whiffs can affect a man's liver. Sodium hydroxide is sometimes used to clean, and is commonly used to anodize or etch, aluminum. But its fumes can cause serious lung injury. And any skin contact can cause long-lasting burns. Extreme precaution must be taken in designing exhaust, drip and handling systems.

Many people react to specific chemicals. And it may be difficult to discover who is sensitive to what. But it may be cheaper to find out before an injury takes place.

Each industry, each individual plant, has its own problems and danger areas. And some of the above may not even relate to your circumstances. The reason for mentioning them at all is to serve as a reminder that such dangers do exist. And that your plant supervisory people may not be aware of them. The chances are, if your insurance company were contributing proper loss control service, they *would* be aware.

If you're not getting it, find a carrier with a long and continuous record of active, experienced loss control service. It can pay off. Handsomely. Where will you find such a company? If you've read this far, you're on the right track.

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Would require simple pension plan picture

WASHINGTON—Employers would be required to furnish pension plan participants with "simple, non-technical" plan descriptions on request under a proposed Labor department regulation.

The descriptions would have to "clearly set forth the circumstances under which (participants) might lose benefits."

The rule also calls for plan administrators to provide participants with written notification of "their right to examine and receive copies of their plan descriptions."

According to Frank Kleiler, deputy assistant labor secretary for planning and evaluation, the written notification would have to be given at the time a company revises its plan description reporting form to comply with the proposed regulation. This would be within 60 days of final approval by the department. Mr. Kleiler said notification could probably be made either by mail or by distribution of notices at work, or possibly by bulletin board notices.

Sen. Harrison A. Williams Jr. (D.-N.J.), chairman of the Senate labor committee, which is preparing private pension plan legislation, indicated approval of the regulation, but the Center for Study of Responsive Law, a Ralph Nader group, had reservations. ■

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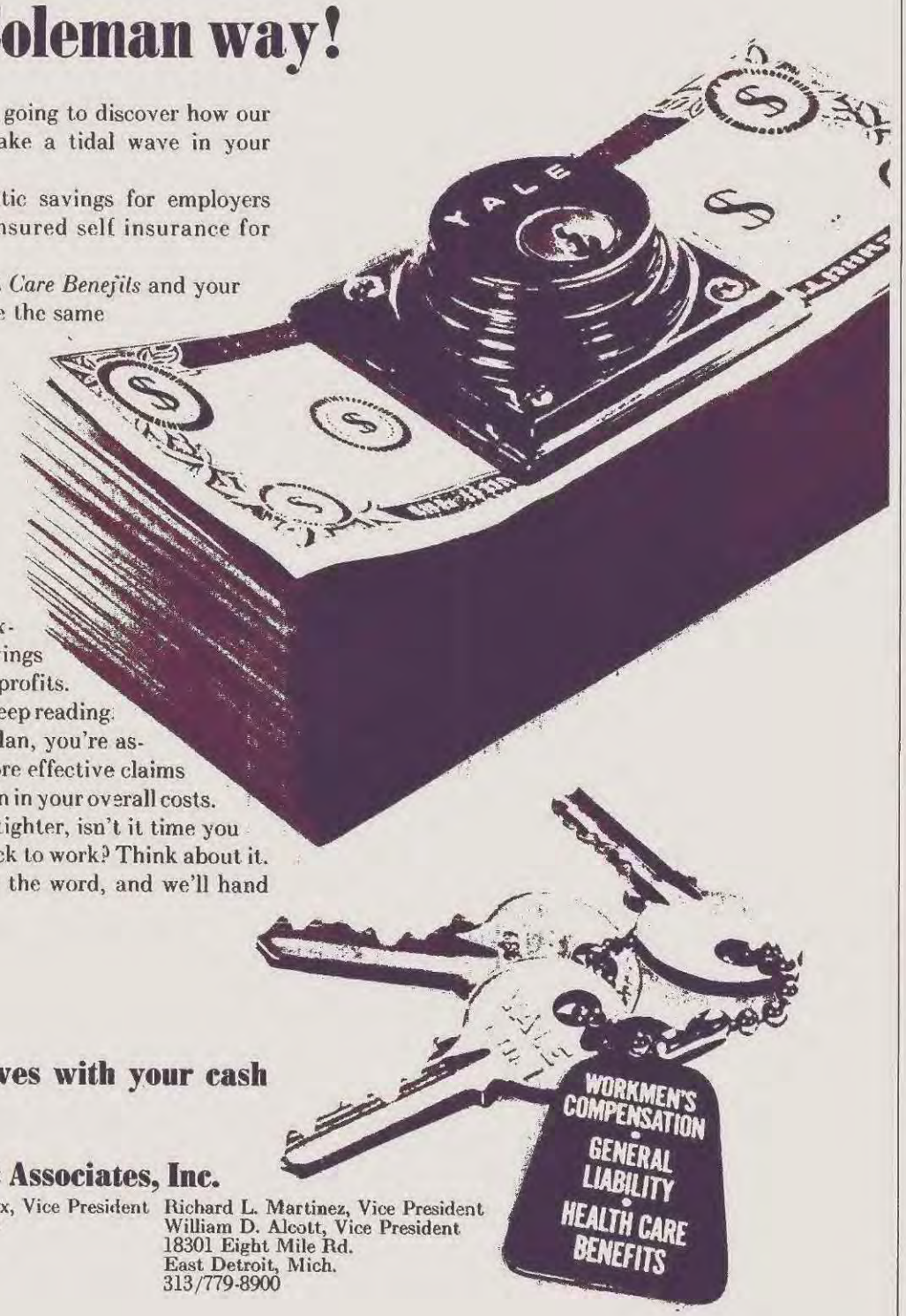

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Registering

Continued from page 16

THE REGISTRY'S method of identification is known as the Chapman-Gerrard Coding Method. Invented by two London bobbies with no art training, the method utilizes a scientific photographic process. A Registry photographer takes two sets of color photographs of the work, each with a metric scale and a color scale. One photograph is of the entire work while the other is an enlarged photograph of one special area of the work.

The smaller photograph is projected on a screen with a grid superimposed on it. At that point the area within the grid is scanned for its singular characteristics, which are then translated into digital information and fed into a computer. The printout of that scanning profile permanently established the work's identity.

Mr. Baer said that it would be impossible to duplicate a work of art in such a way as to fool the computer because the scanning profile even includes items such as the way the brush was handled. Other aspects would be considered in the case of a sculpture.

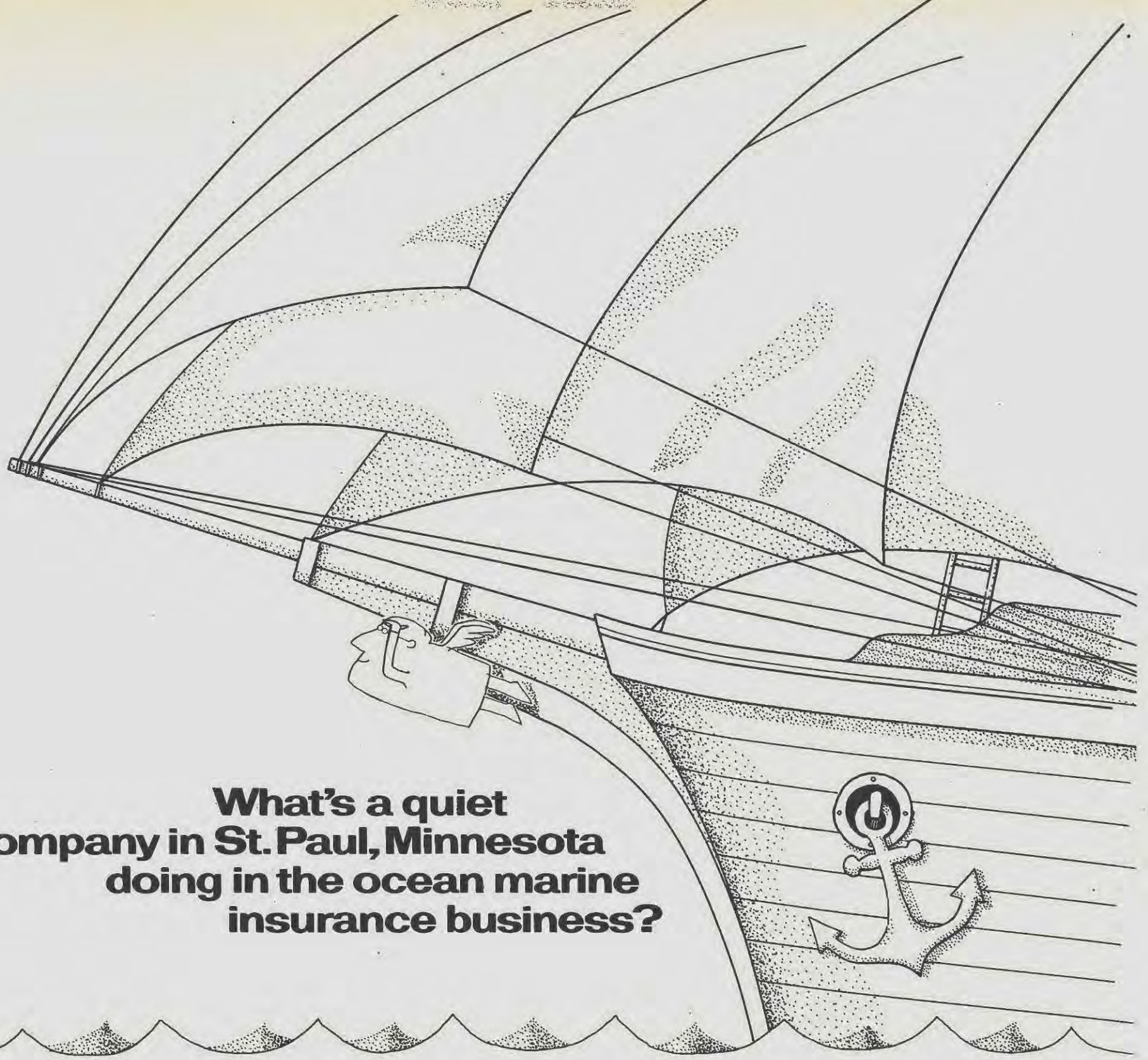
The Registry, however, has no way of guaranteeing that the work presented to them to be registered is the original but an appraisal from an insurer or other expert can establish the value of the work, which can never be duplicated after the registration process is complete.

WHAT HAPPENS, then, if a registered work is stolen?

"Interpol is immediately notified, as are all local law enforcement agencies and the FBI is called in if the value of the work exceeds $5,000. We work very closely with Interpol," Mr. Baer noted, saying that duplicate Registry files are located at Interpol headquarters in St. Cloud, France. "All these law enforcement agencies are furnished with reproductions of our photos.

"We help prepare the initial loss report," he continued, "and notify the insurance company that the work is registered with us and that we will publish the loss in our bulletin." The bulletin is published quarterly by the Registry and lists all registered art that has been stolen during the past 90 days. It is circulated throughout the art world.

The Registry is now affiliated with Dictograph Security Systems, a hookup Mr. Baer felt would be advantageous. "They are helping us to make ourselves known. They have 500,000 customers who, it is safe to assume, have something to protect. In many cases, that something may well be art." ■



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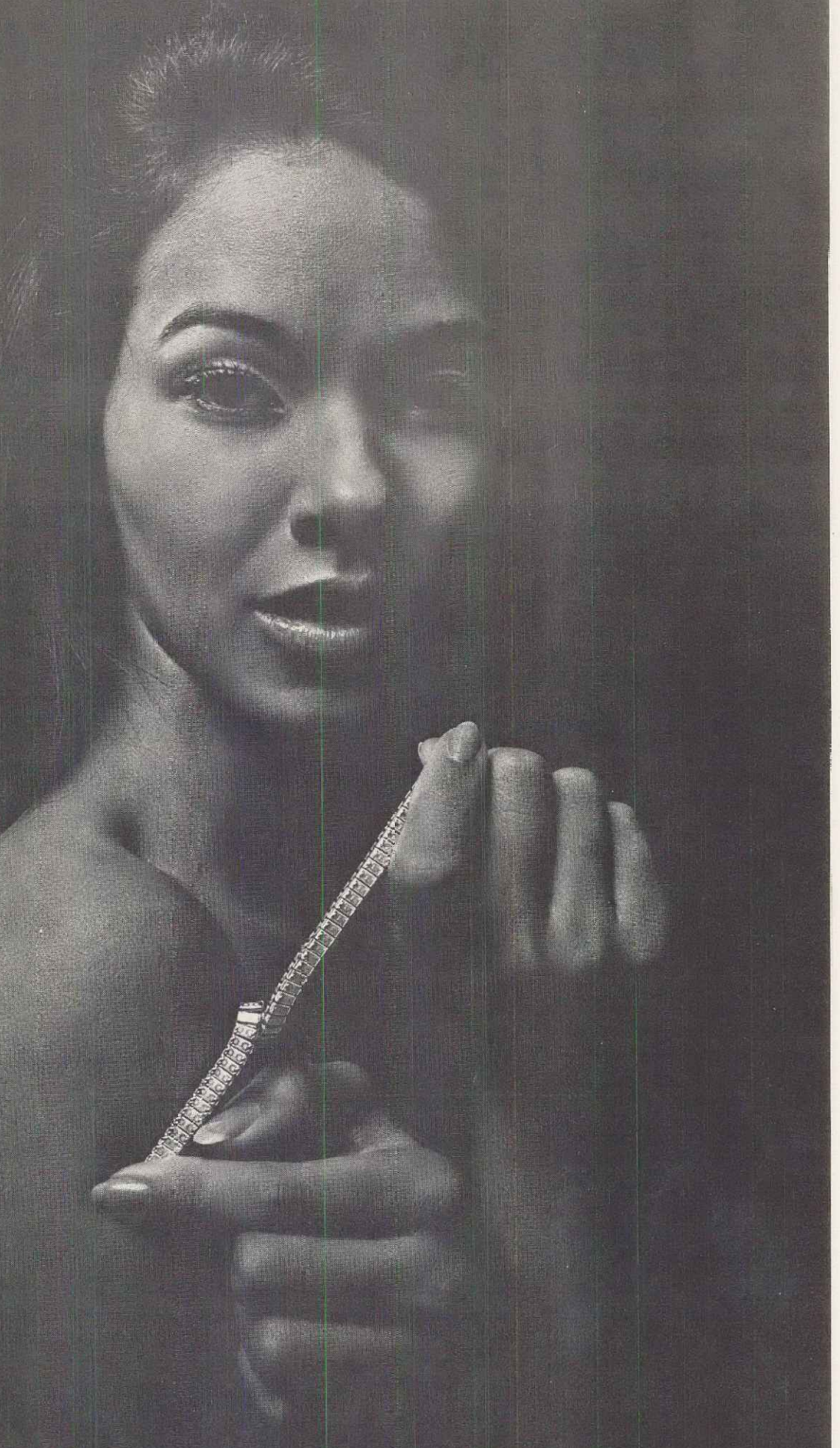

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international report

Key word in future operations of EEC is, simply, 'reciprocity'

BRUSSELS—Big changes affecting U.S. insurance could come in the next five to 10 years as harmony of risk legislation is achieved throughout Western Europe.

The tremendous impact it can have on international insurance markets was explained to *Business Insurance* by experts.

Can America even become part of the Common Market as far as insurance business is concerned? This challenging thought was put to technical experts, who advise that the key word to watch in the future operation of the European Economic Community is, simply, reciprocity.

Sources at its Brussels base, where its administration will be centered, realize that this sounds like fantasy. But then they have studied the legal implications of the Common Market, which aims at European insurance unity first, and accept that it might have to work in liaison with the insurance capitals of the world.

RISK MANAGERS in the U.S. might find one day that they are geared to controls based on some EEC principles, for long-term policy of the Common Market is based on unity among its members, so that they can operate under similar rules of solvency right across Western Europe.

But because insurance is a worldwide industry, there will be a special clause in its rules to permit reciprocal agreements with other countries if they desire to share its benefits.

So far only initial details of this provision are available, as the full details of the scheme will take several months to work out. But one leading insurance expert in Europe told *Business Insurance*. "One interpretation of this is that the U.S. government will be able to make bilateral agreements for insurance purposes with governments of the Western European Common Market countries, if ever it wishes to do so. The aim would be to allow American insurance corporates to seek business freely in Common Market countries and for insurance firms in those countries to do the same in the U.S.

"Naturally this can only happen if the governments of all the countries concerned want it to happen, and it would not be confined to the U.S. Any other country outside the Common Market,

Continued on page 54

International insurance experts say deals with Chinese are a long way off

By STEPHEN GILKENSON

NEW YORK—If President Nixon's $300,000-plus Lincoln Continental had gone to China with him last week, the Ford Motor Co., which leases the limousine to the federal government, was prepared with a $1 million third-party liability insurance policy.

American International Underwriters issued a binder for the coverage several weeks ago. Fairfield & Ellis Inc., Boston, was the broker. However, plans to transport the vehicle to China for use by the President during his travels never materialized.

The $1 million policy would have protected Ford against bodily injury or property damage claims while in the communist country. Ford self-insures property damage to the vehicle itself. Liability is not insured in this country because of various government immunities from tort action.

While underwriters and brokers point out that the special policy was somewhat routine and of a one-time nature, the deal has provoked some questions that may have to be answered by risk men in the future.

IF, FOR EXAMPLE, the visit results in improved relations with the Chinese Communists and, in turn, in increased commerce with mainland China, what are the implications for risk men in this country whose companies may have future dealings there?

To a man, several international insurance experts queried by *Business Insurance* agreed that there is much time to mull over such problems. However, some did note that questions have been put to them and that they are "brushing up on the subject."

One N.Y. international broker noted, "Yes, we have had inquiries from a few of the more far-thinking clients, but there's been no attempt to ask us to quote on anything as yet."

That that may be the strongest indication there are insurance implications surrounding President Nixon's visit to the Chinese mainland does not make the subject any less interesting for speculative luncheon conversation among underwriters, brokers and risk men, however.

OVER A LUNCH of Northern Chinese delicacies at the Peking House, a Second Ave. restaurant here, an American International Underwriters vp said that it would probably be five to 10 years before any extensive insurance dealings would come about, if indeed in that time.

Said Michael J. Twomey, "Everything going to China now, what little there is, is going FOB (free on board). The Chinese are apparently insuring it through the national company, the People's Insurance Co. I do expect, though, that if a break were to come it would come on the marine side because this is where it would seem that the Chinese would have the most difficulty adjusting claims. As an outgrowth of that some reinsurance might develop."

Agreeing with Mr. Twomey was Hugh Blake, an American International Underwriters Corp. senior vp. Mr. Blake, who spent 10 years in China between 1934 and the late 1940s, noted that this is the way reciprocal insurance business has developed with Russia and her satellite nations.

Speaking of potential industrial trade with the Chinese Communists, Mr. Blake said he suspects "airplane and communication products manufactured may be the first to go," since these seem to be items the Chinese might need the most of in the near future. "A company like Boeing could con-

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Satellite transmitter covered on trip

SAN FRANCISCO—The television presentation throughout the U.S. of President Nixon's visit to Peking entailed a risk of almost $2 million for Fireman's Fund American Insurance Cos.

The portable earth-to-satellite transmitter shipped to Mainland China for the telecast was protected by a $1.5 million all-risk insurance policy underwritten by the company through Marsh & McLennan. The basic policy covered the Hughes Aircraft Co. station against physical damage throughout its 12,000-mile round trip from Los Angeles to Peking.

A separate $290,000 policy was issued against unrecoverable expenses that would result if the station were lost or damaged and unable to send a television signal to the U.S.

A similar Firemans Fund policy protected the same equipment when it was sent to Iran last year to cover the Shah's 2500th anniversary celebration of the Persian Empire.

Hyatt hotel cover—planning from start to finish

By TERESA NORTON

CHICAGO—From an insurance standpoint it's easier to operate a hotel in any foreign country than in the U.S., according to spokesmen for Hyatt International Corp.

Hyatt representatives told *Business Insurance* the main reason for this is that liability exposure in foreign countries is much less, although they added that effects of the American "sue-everybody" trend are beginning to be felt abroad.

As a hotel management company Hyatt's primary insurance concerns begin only when they actually move into the hotel, but A. Peter di Tullio, exec vp and director, and Turgut M. Gokay, vp, traced the insurance picture from the design stage through occupation. "We're involved in the plans from the word one," said Mr. di Tullio, by way of Hyatt's technical assistants who work with the architects. He hastened to add that Hyatt's counsel to the architect is given on grounds of experience, rather than profession, so there is no residual liability for error with them.

"IT'S BY ACCIDENT and not by design that we check plans," he continued. No management company that he knows of takes insurance costs into consideration during the design stages, Mr. di Tullio said, although he thought such considerations sounded like "a good idea."

Two recent instances in which Hyatt's management experience was brought to bear occurred in Acapulco, site of the newest of five foreign-soil Hyatt hotels, and London, where Heathrow Hotel will open in 1973. Selection of the proper fire pump in Acapulco reduced an insurance premium by $80,000 and, while Hyatt is not responsible for buying building and contents coverages, the premiums come out of the operating budget of the hotel so it is to their advantage to cut insurance costs wherever possible. In the Heathrow construction the builder informed Hyatt that, for economic reasons, there would be no grab bars installed with the bathtubs. "We told them 'No grab bars, no hotel,' " said Mr. di Tullio, who knows the meaning of contributory negligence.

It is up to the local architect to meet local building codes and during construction the owners and builders are responsible for insurance, safety and risk management functions, he explained. If an opening date deadline is not met by the builder, and physical damage is the reason, the hotel owner would seek economic relief under his building and contents policy and, Hyatt spokesmen said, if a settlement was made the management company would be able to make a claim against its business interruption coverage.

Marsh & McLennan Inc. is the broker for Hyatt International's hotels in Acapulco, Colombo (Ceylon), Kowloon (Hong Kong), Manila and Singapore and those soon to open in Toronto, Vancouver, London and Shasavar, Iran. The broker is responsible for meeting all local legal requirements.

American International Underwriters provides the hotel managers package policy covering business interruption, crime, fidelity and general and auto liability. They also write Hyatt's local automobile coverage and admitted workmen's compensation in Hong Kong and Singapore. Hyatt has a $1 million primary layer of coverage worldwide and a $2 million excess layer with $7 million more coverage in the process of being marketed. According to insurance spokesmen, capacity in the international hotel field is "no problem, really."

MR. di TULLIO told *Business Insurance* that the exposed, glass elevators that are rapidly becoming Hyatt's trademark posed no insurance problem whatsoever.

Hyatt's coverage is written under a broad form, comprehensive liability policy and all claims are handled by local Marsh & McLennan and AIU offices. Mr. di Tullio stressed that all hotel employes are briefed on how to handle claims promptly locally.

Building and contents coverage is the responsibility of the hotel owner with Hyatt retaining the right to review the coverage to determine acceptability, said Mr. di Tullio, adding that this is the procedure followed by most hotel operations. Hotel owners can have Hyatt arrange the building and contents blanket coverages if they desire, he said, and owners of the Toronto hotel (which is to open in March) are presently

Continued on page 26

The relaxed atmosphere surrounding Hyatt International's new Acapulco hotel is the result of safety and insurance planning "from the word one," according to A. Peter di Tullio, exec vp and director.

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International

Continued from page 25

ceivably supply airplane parts to China. They go to Russia for some of this now and indications are that they (the Chinese) are attempting to decrease their dependency on the Russians," he said.

ASKED WHAT the product liability implications of such a deal might mean to insurers of, say, Boeing, Mr. Blake chuckled and noted, "I'd be interested to find out myself."

Another company that has roots in China going back to the early 1920s is AFIA. Both American International and AFIA dealt extensively on the Chinese mainland until the Communist takeover after World War II.

Joseph B. Wiemert, AFIA vp, told *Business Insurance* that his company is naturally interested in potential business in China but expects that it would be some time off.

"I think the development of American interest in China will come much more slowly than it did in Eastern Communist Bloc countries where we do have some property and liability exposures at the moment. As a matter of fact," he added, "I rather doubt that we'll be called on to insure any land exposures there unless things change drastically and rapidly in the next few years. But, I do expect there will be more traffic between the two countries in the future and we'll likely be called on to insure some ocean marine."

international report

PATRICK CRAWFORD of Insurance Co. of North America's international department said that the subject was in the back of his mind, although he is certainly not shuffling papers yet.

"The first thing that will have to come about, of course, is the relaxation of trade restrictions. All of us (in the international underwriting business) have some business in the lesser communist countries where legal trade is allowed," he said.

William Manson of Marsh & McLennan's international department, New York, noted that he is not doing anything especially overt to "tool up on the subject.

"My own feeling is that even after the Nixon trip is over it will be a long way down the road before we get interested in commercial business there. As I look at it there is no big potential source of business. There may be a lot of ocean marine, such as grain shipments, but the type of thing that we call large commercial business is the American corporation that goes abroad—say, an IBM or a Colgate-Palmolive. I don't envision these going to China. Of course," Mr. Manson said, "we may see more of the type of smaller things we're into now, such as the small electronics businesses in Taiwan and Singapore.

"But," he added, "I think it would be very interesting if I was wrong. The market there—with 800 million people—is just staggering." ■

Hyatt . . .

Continued from page 25

competing with them on placing the business. However, most owners handle the insurance requirements themselves, he said.

Concessionaires in Hyatt hotels must provide the management company with certificates of general liability insurance. They assume the basic amount and Hyatt's hotel managers package policy automatically provides the excess coverage. Certificates of insurance are more difficult to obtain and interpret in a foreign country, said Mr. di Tullio, and this is where the importance of having a broker and insurer with people on the local scene is realized.

Like the poor, the problem of employe benefits arrangements on an international scale is always with us. Hyatt, through its broker, is presently making a complete review and analysis of its group life, hospitalization and travel/accident insurance to determine the most economic and efficient means of administering their programs. ■

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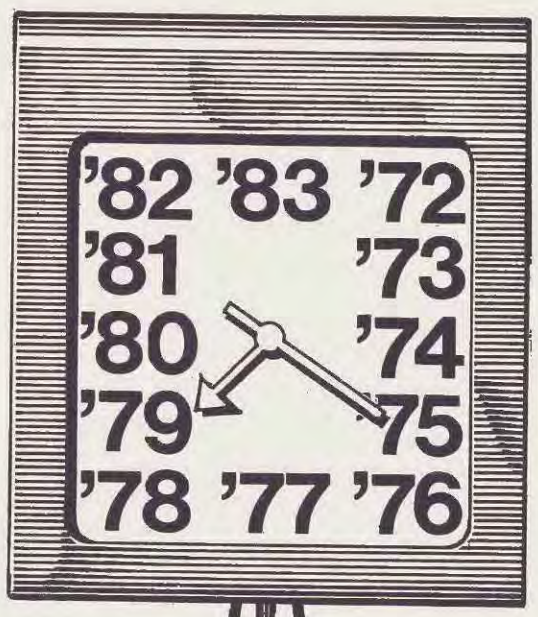

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letters

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tory companies who are able to exclude nonsignatories from using the arbitration committees and otherwise discriminate against nonsignatories.

This potential abuse by the signatory companies is the basis of the antitrust law violation argument. Mr. Bardes should note the Supreme Court has said it is not necessary to show that the potential abuses have actually harmed competition; it is sufficient to show that there is a reasonable possibility that such discrimination may have harmed competition.

'Another abuse'

To the Editor: Regarding Mr. Luttrell's article in your Jan. 31 issue, there is another possible abuse under the inter-company arbitration agreement. It is practiced.

Say I have insurance on my car. This car is damaged through the fault of someone insured by another company. My insurer could offer to spend $1,000 to repair the damages to my car. The other insurer could go for a "patch-up" minimum of $500.

With no agreement, my insurer can sue the other insurer. Under the agreement, the other insurer now cannot care less.

My insurer then faces giving me less than I deserve or losing about $250 in arbitration which generally splits them down the middle. The policy owner pays. Actually, the two companies under their agreement are conspiring in restraint of trade.

R. F. Nelson
Birmingham, Ala.

'More accurate'

To the Editor: I would like to take issue with some of the statements made by Ned A. Miller in his Jan. 31 article "Let your employes know how much their benefits cost."

He makes reference to an average expenditure for fringe benefits of 27.9% of payroll, then goes on to build up a case using a hypothetical salaried employe at the Old Briarcliff Manufacturing Co. These percentages are often used in publications and bandied around erroneously.

He uses paid time off (i.e., vacation, holiday and personal time) as a cost, without removing it from the base of $10,000. To get a true cost of benefits as a percentage of total payroll, we must exclude paid time off since the employe has already received it as part of his salary. It would be a relatively rare private firm that could afford a fringe benefit cost of 30% of its total payroll.

A more accurate way of putting it would be fringes amount to 30% of an employe's wages for time spent working.

A. V. Ober
Insurance Manager, the French Co., Rochester, N. Y.

Editor's note: Here is Mr. Miller's answer:

I agree with Mr. Ober that the 27% figure cited by me and other professionals in the Jan. 31 article is continually "used and bandied around." I don't believe, however, erroneously. Mr. Ober takes issue with the vacations, holidays and personal time, almost implying that these items are not variables and represent an impersonal cost to the corporation such as rent or electricity.

I submit that five weeks of vacation has a higher value to an employe and a higher corporate cost than two weeks. To suggest otherwise is silly.

I think Mr. Ober is nitpicking a wee bit when he indicates that 30% seems "more accurate" than 27.9%. Okay.

The thrust of my article was that most employes don't know their applicable employe benefit costs, albeit 5% or 28% or 30%. That secret is almost as well guarded as the formula for the hot mustard produced by Mr. Ober's fine company.

'Almost identical'

To the Editor: The article Ned Miller wrote for the Jan. 31 issue of *Business Insurance* proved extremely interesting to us in that we have incorporated in our July, 1971, issue of MOAC "News" a scale of employe benefits almost identical to that which you out-

Continued on page 40

"Automatic" Sprinklers mean automatic savings.

New fire protection system will save Minnesota snowmobile maker $53,894 a year on fire insurance!

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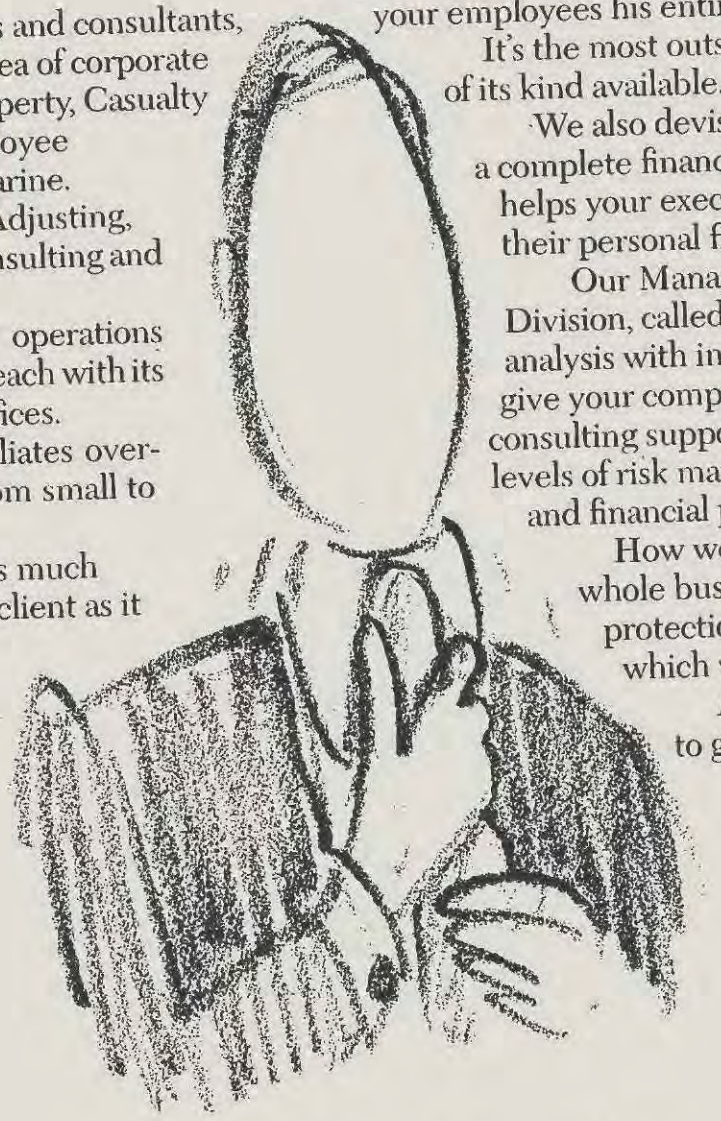


We've made a name for ourselves.
Now we're out to make a face for ourselves.

Alexander & Alexander

Foreign investments grow despite cover problems

By JOHN REVETT

WASHINGTON—International insurance complexities haven't kept American business from expanding rapidly abroad in the past five years—with or without full protection.

According to the Commerce department, the value of U.S. private business investments overseas, including fully owned American parent company operations and those of affiliates, increased from $54.8 billion in 1966 to $78.1 billion in 1970, the last year for which commerce statistics are available.

The growth pattern has generally followed that of the two major categories, manufacturing and petroleum, the value of manufacturer's holdings increased from $22.1 billion in '66 to $32.2 billion in '70, and petroleum grew from $16.2 billion to $21.8 billion.

WHILE THERE ARE assurances that the major risks of operating abroad are covered in one way or another—the Commerce department feels that is "probable" and "likely"—there is also concern that protection has been inadequate and that the difficulty of obtaining full and reliable programs in some developing countries is holding back robust expansion by some companies.

The question of inadequacy comes out of recent expropriations in South America, particularly the Chilean takeover of U.S. copper mining interest last year. Overseas Private Investment Corp., the government-backed agency that provides virtually the only coverage available for expropriation, war and insurrection may have to go to Congress for additional allocation to cover the losses. The companies' total claims, including a disputed $160 million sought from OPIC from Anaconda, come to about $260 million. OPIC says Anaconda's policy covers it for only $11 million and sets the total at $110 million for all of the holdings if the Chilean government, after eight months of deliberation, finally decides against compensation.

OPIC's reserves are said to be building and nearing this last claim figure. It also reportedly believes that if the U.S. government and the companies play it cool in Chile, the tide will shift and there will be some form of compensation from that country's leftist leaders. OPIC is also continuing to add customers and, for the present, appears to have warded off the possibility of much of its operation being taken over by a proposed International Investment Insurance Agency Triple IA, which would be supported by industrial and developing countries and run by the World Bank.

OPIC's total outstanding insurance coverage for U.S. companies abroad is $8.4 billion. A bigger chunk of overseas coverage is accounted for by private insurance companies covering everything but expropriation, war and insurrection losses, though sometimes the line between this last category and riots and "civil commotion" losses covered in private programs is hard to distinguish.

WHILE private insurance companies haven't estimated the amount of their share of overseas coverage, there are some approximations in terms of premiums. One estimate, from the top level of the supply industry, is that the potential premium available to underwriters on U.S. investments abroad is in the area of $1 billion.

This same source feels it's doubtful that even $500 million is being written by U.S. insurance companies, with some of the remainder handled by Lloyd's, captive insurance companies, and private companies established in other foreign countries. There are also self-insurance "and some programs that just don't cover all the risks."

Concern about all the risks being covered adequately is, of course, the business of insurance companies, but it is also being recognized as a trouble spot by the U.S. Chamber of Commerce. The chamber's international insurance advisory council has conducted a study and is preparing a report on overseas insurance written by U.S. companies. Primarily this will be aimed at government agencies to enlist their aid in making foreign insurance a more viable field for U.S. insurers and increasing the prospects for protected expansion by U.S. manufacturers.

international report

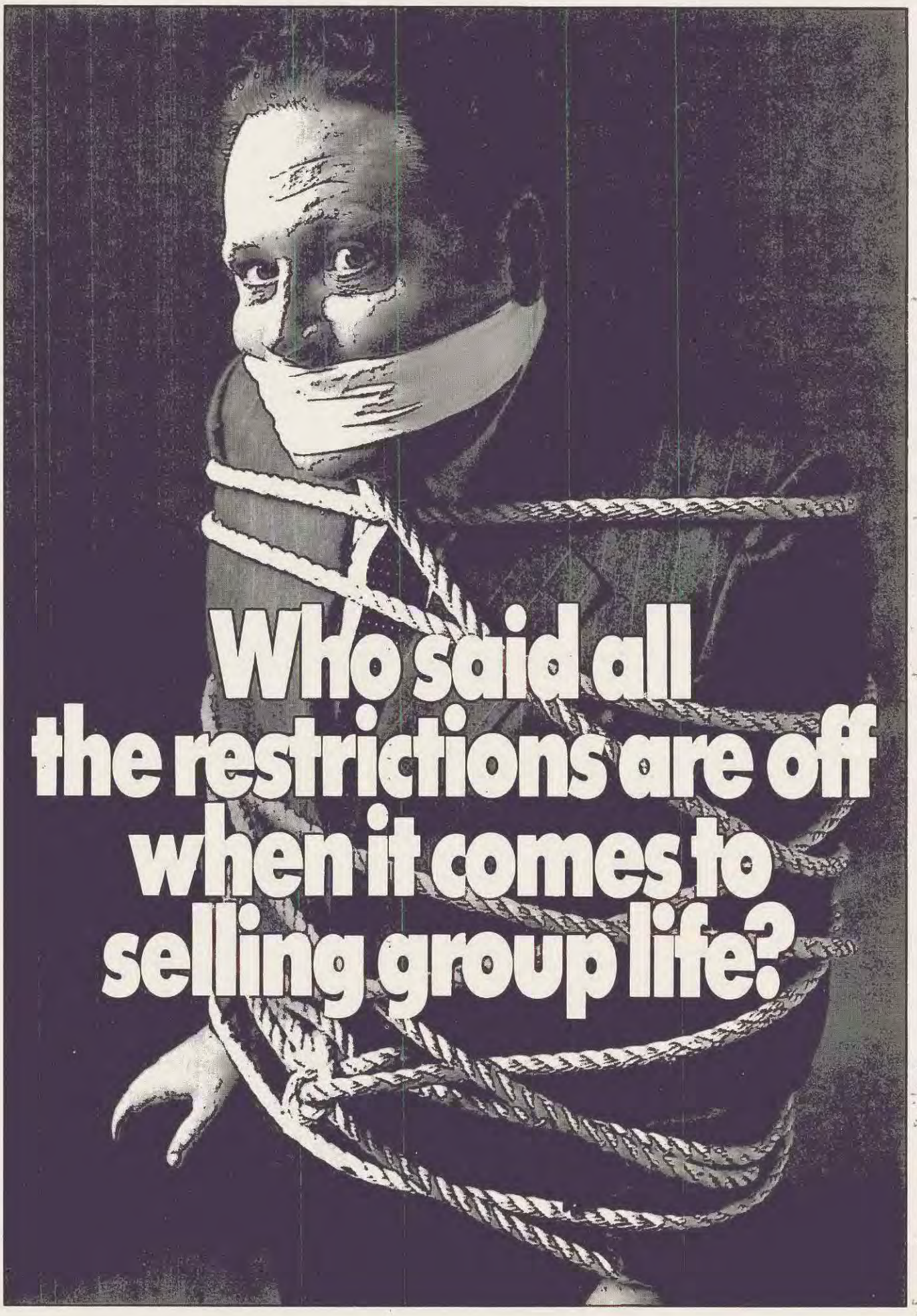
"The government has no idea of what U.S. insurance companies are doing overseas and little sympathy for their importance," said a council staff member. "Huge risk markets are developing that companies in the underdeveloped countries can't handle."

The council, whose 29 members include AFIA Worldwide Insurance and American International Underwriters, the big two of U.S. overseas insurers, plus such companies with international interests as Allstate, Prudential and Kemper, is said to be focusing on what its members feel is an increasing number of barriers to their overseas business. Demands for more native ownership and management have produced numerous requirements, restrictions and pending legislation that in some cases virtually rules out coverage for U.S. firms by U.S. insurers, in the advisory council's view.

Peru and Chile were cited as countries in which requirements in effect now very nearly rule out all but insurance handled by Peruvian or Chilean companies. The council has its eye on Brazilian law, which would require coverage via a Brazilian company for all export shipments from the country, and restrictive legislation pending in the Philippines. ■

A.I.U. in Austria

American International Underwriters Overseas Ltd. has opened a new office in Vienna, Austria. The office, located at Schwedenplatz 2, A-1010, will be headed by John F. Steinerberger. National Union Fire Insurance Co. is the entered company in Austria and will write fire, business interruption, liability, machinery, automobile, aviation, marine, accident and contractors all risks.



Labor department study notes slow pension standardization in Europe

By LYNN LATHAM

NEW YORK—Although some effort has been expended to regulate and standardize pension benefit programs in Europe, only minor success has been achieved, according to a report issued by the U.S. Department of Labor last year.

The study, "European Regulation of Pension Plans" by Frank M. Kleiler, deputy assistant secretary for labor relations planning and evaluation, provides a breakdown of benefits planning in the major European countries plus comparative information concerning government regulation of pensions, tax provisions, vesting requirements and methods of funding.

In 1958, in an attempt to establish a common economic policy, Belgium, France, Germany, Italy, Luxembourg and the Netherlands formed the European Economic Community (EEC). One of their goals was to facilitate easy labor exchange between participating countries by regulating pension plans. In 1959, the EEC adopted regulations controlling benefits to migrant workers regarding equal treatment, accumulation of insurance and benefits payments outside the country.

Benefits co-ordination between countries has not developed much beyond this point. A study of three member countries, Belgium, France and Germany, points up the extreme diversification of benefits planning.

THE SOCIAL security system in Belgium has for a long time been weighted in favor of the hourly employe. Free from contribution restrictions, a wage-earner receives about 60% of adjusted career average earnings compared to salaried employes who receive only 20% to 30% due to an imposed ceiling on their pensionable salary level.

Legislation passed in 1967 requires social security regulations to be standardized in 1974. A ceiling on pensionable salary levels will be imposed for all workers and the contribution rate will be set at 12.5%.

As a result of the present inequities in the state benefit system, however, most private plans only cover salaried employes. These plans are generally too small in scope to be self-insured and are funded by means of "group or collective" insurance. Under this system, an employe

international report

holds several individual policies to cover different situations. Separate policies are written to cover benefits accruing from an employe's contributions, benefits accruing from an employer's contributions and widows' and orphans' benefits.

A 1942 circular issued by the insurance supervisory authorities requires vesting after five years of pensionable service. If an employe terminates service before this time, the employer's contributions to his pension fund are forfeited and are placed in a "solidarity fund" for the benefit of the remaining employes and their survivors. The specific use of the fund is determined by the employer. Most companies take the solidarity fund into account when planning their benefit program and allow for orphans' benefits to be paid from this reserve.

ONE COMMON Belgian pension arrangement known as a "combination program" provides for two lump-sum benefits payments, one payable at retirement and the other payable at death before retirement. An employe designates the percentages of his benefit to be paid for each option. At an early age, he may stipulate that 75% be paid at death and only 25% at retirement. Later, he may reverse the amounts. The retirement sum is convertible to an annuity with approximately 50% payable to the widow. Employes have the option to change the amounts of the combination program at given times during their employment.

Non-insured plans in Belgium are usually funded through ASBLs (Association sans but lucratif), which are in the form of foundations or charitable organizations. Although the ASBLs fall under the jurisdiction of Belgian insurance law, the authorities have not exercised control over the programs. Most employers who use ASBLs, however, voluntarily abide by regulations applicable to insured plans in an effort to stave off future governmental action.

Larger employers prefer to fund their programs through the ASBLs due to increased dividends. Insured plans have fixed premium rates and dividends are dependent upon the experience of the entire insurance company. In an ASBL, however, dividends are dependent upon the experience of a single company.

In France the line between public and private benefit assistance is quite blurred. Under French law, a contract negotiated by a major association of employers and a trade union may be extended to cover all employers and employes in related industries. Most French employes are covered by benefits plans that were originally negotiated by a few major companies and then extended by decree to other industries.

THESE PLANS, though private in nature, are mandatory and are strictly regulated by the minister of labor. Controlled by employer-employe boards comprised of equal numbers, private plans are required to have 50% of their investments in government or government-guaranteed bonds.

Since occupational schemes are compulsory in most industries, the national old-age security system provides only minimal assistance. The French philosophy of joint public and private participation is operative in the scheme's supervision. Private organizations in the form of mutual aid societies administer part of the national program.

The French pay-as-you-go funding method was developed following World War II in an effort to insure that inflation would not destroy the purchasing power of an employe's pension. Under this system, workers' present contributions pay retired workers' pensions.

To operate on this "assessment or distribution" technique, it is essential that vesting is immediate and membership is mandatory. Workers acquire "pension

Continued on page 32

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Lloyd's claims world airline theft losses have hit $1 billion a year

LONDON—Sources close to Lloyd's underwriters claim that world airlines are now suffering cargo and other theft losses at the rate of $1 billion a year.

The airline operators already estimate that cargo losses reach at least $100 million a year through crime and robbery at major international airports. But the far more formidable total in the billion-dollar range, in the opinion of underwriters, is the more realistic overall figure.

This includes not only actual crime losses at the airports themselves but also raids on cargoes in transit to or from airports, mail thefts that sometimes come to light long after they occur, and losses from petty crime that never even get officially reported because there are so many of them.

INSURERS at Lloyd's disclosed their anxiety after the London Daily Express blamed Heathrow International Airport for employing crooked staff members who have helped themselves to $12 million through pilferage. A reporter from the paper laid hands on a tape recording from an airport informant who had exposed fellow crooks to Douglas Buchanan, security controller with British Overseas Airways Corp., and disclosed the losses.

international report

A Lloyd's underwriter who has studied airport security later said, "The losses at Heathrow may well be higher than $12.5 million but it is impossible to arrive at any accurate assessment when the location of loss is often in dispute."

The newspaper gave details of how London crooks operate, with one major gang specializing in robbing mail bags and another in ransacking routine cargo shipments. Public reaction was prompt. Heathrow International Airport police chief Harvey Burrows said, "We will be looking into the allegations made."

Security chiefs at the airport were at first reluctant to discuss the extent of the racket. But they agreed to study it at a conference on airport crime to be held in London by the British Airports Authority.

Lloyd's insurers have noted that one of their leading underwriters, Robert C. J. Gordon, holds the view that millions of dollars can be saved at airports if better crime prevention methods are accepted. He told European insurance managers at Montreux recently, "If underwriters charged higher rates for negligent airlines, and did not insure their liability from the ground up, there would be an improvement. If the insurance market is to make a profit on air cargo it must retain an adequate premium. Values of precious cargoes can be high these days, and stolen diamonds and jewelry are seldom recovered."

Security men later agreed there had been a decline in the Heathrow "crime wave" after the newspaper publicity. ■

Labor . . .

Continued from page 31

points" throughout their careers. The value of a point is computed yearly by dividing an employe's contribution by the fraction of annual contributions needed to buy one pension point. The value of the points varies depending on the year's contributions, and pension payments are adjusted in accordance with changes in the pension point value. A person, at age 65, is entitled to a pension equal to the points he has accumulated.

IT IS necessary to establish a small reserve fund to insure against a cutback in the number of contributors. The fund, however, is never so large as to be in danger of inflation itself.

Supplementary programs providing for widows' and orphans' benefits have also been extended by decree to most industries.

Pension plans in Germany are greatly affected by the philosophy of "Fursorgepflicht," which means an employer has a duty to take care of his faithful employes. Private plans are established on this basis and, as a result, there is minimal if any employe contribution in most programs. Vesting is virtually unknown because "Fursorgepflicht" implies a reciprocal relationship and an employe forfeits all rights to benefits if he leaves the company. Since private plans stem from this moral responsibility, an employer is not expected to provide benefits if his company goes bankrupt, and under certain conditions an employer may reduce or suspend all benefits.

Of the four main methods used for providing private benefits only two are federally regulated. Directly insured plans and pension funds (similar to U.S. pension trusts) are subject to the Insurance Supervision Act, which regulates risks covered, persons protected and investments.

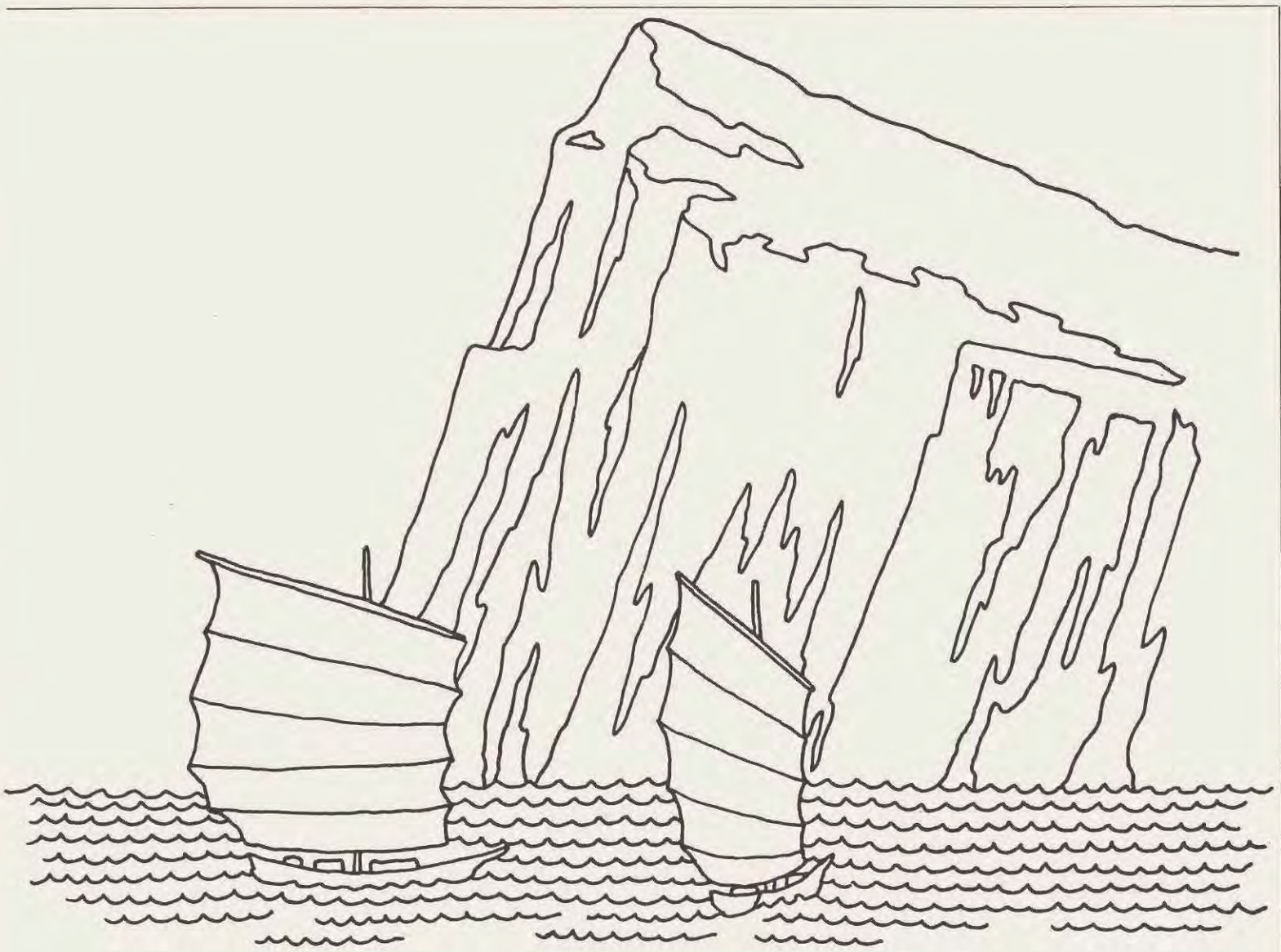
THE MOST COMMON method of funding is through "book or pension reserves." Under this system an employer may establish a pension plan on paper and receive tax deductions on his listed contributions, but the actual funds are retained for company use. Book reserves were formed following World War II when companies required all available capital to rebuild.

Provident funds provide a fourth funding method and consist of employer-controlled and -administered pension funds. An employe makes no contributions and has no legal claim to benefits.

Book reserves and provident funds are free from government supervision other than verification of tax deductions.

Since most private plans are not protected, German social security provides the main bulk of retirement benefits. In 1969, social security supplied 42.7 billion marks in benefits payments compared with 2 billion marks from private plans. Financed by employer-employe contributions of 8.5%, the state scheme provides approximately 50% of final pay after an employe reaches age 60 (for women) or age 65 (for men) and has completed 40 years of service.

Purchasing information on "European Regulation of Pension Plans" may be obtained from the U.S. Department of Labor, Labor Management Welfare Pension Reports, Rm. 801, 8701 Georgia Ave., Silver Springs, Md., 20910. ■



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Blues subscribers now have new transfer plan

CHICAGO—Blue Cross/Blue Shield subscribers planning on being abroad for more than six months may now transfer their coverage—without the usual waiting period—to comparable voluntary health service plans in seven foreign countries and Puerto Rico. The new transfer facilities apply to both individual and group policies.

The arrangement was developed through an inter-fund agreement of some members of the International Federation of Voluntary Health Service Funds, headquartered in Dublin, and signed by the Blue Cross Assn. with the approval of all Blue Cross member plans in the U.S.

Under the agreement, a member of a participating plan in Australia, New Zealand, Canada, Great Britain, Ireland, Jamaica, Rhodesia, Puerto Rico or the U.S. must request transfer to the foreign fund within 30 days of arriving in the foreign country where his scheduled change of residence is to exceed six months.

The subscriber is then eligible for normal benefits under the foreign plan, subject to restrictions of his former home policy.

international report

ACCORDING TO Stanley H. Gertzman, director of inter-plan administration for the Blue Cross Assn., "The basic purpose of the foreign transfer arrangement is to provide continuity for subscribers and avoid waiting periods. Before this agreement, a subscriber had to cancel his home policy or keep up the policy while overseas." Mr. Gertzman pointed out that under former procedure, a subscriber would have to pay foreign hospital and doctor bills and receive reimbursal from his local Blue Cross plan upon his return.

One advantage to American subscribers, Mr. Gertzman noted, is that premiums may be paid to the foreign health fund on its price scale, and foreign premiums are usually lower than those in American Blue Cross plans.

"More important than the change in transfer waiting periods," Mr. Gertzman commented, "is the transfer agreement's policy towards pre-existing conditions." He explained that a subscriber, in most instances, could not be denied membership in a foreign program for reasons of pre-existing physical conditions acceptable under his home policy. However, under terms of the agreement, reasons for ineligibility may include—among other restrictions—residence, nature of employment or failure to meet underwriting requirements such as eligibility for Medicare (in the U.S.) when 65 or over. Age limits in most instances, however, cannot be binding on an otherwise eligible transferee.

Said the Blue Cross spokesman, "Actually, much of this is all up to what the subscriber wants, and we encourage members to explore and inquire into all possibilities. We're still very flexible."

HE STRESSED the active role the subscriber takes in such transfer arrangements, noting that it is up to the subscriber to notify his home plan of his intentions and notify the foreign plan as well. Processing of transfers is done through the individual participating plans, with the Blue Cross Assn. having taken the initial organizational role as signatory.

Mr. Gertzman was unsure as to whether private insurers would follow suit on international health transfer arrangements, adding that he didn't know of any international federation of private health insurers similar to that for voluntary health service funds. ■

Reports fire losses

Individuals and businesses in Houston suffered $9,499,510 in property losses due to fire in 1971, down slightly from $9,942,375 in losses in 1970.

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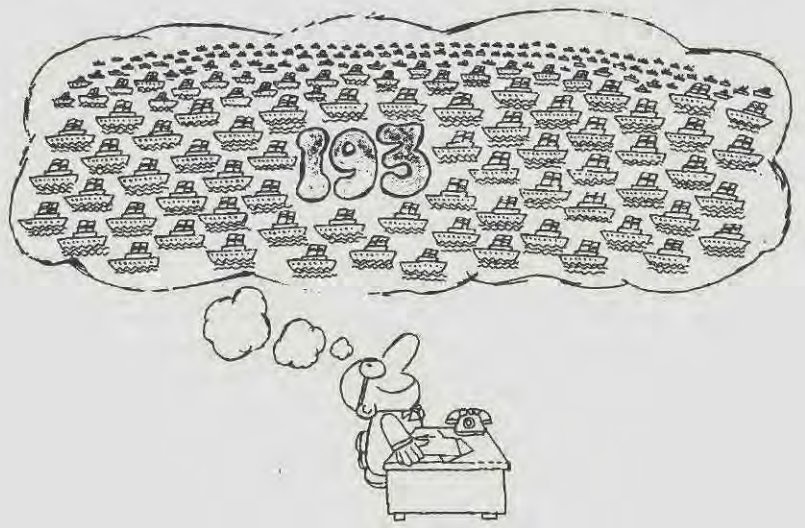

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Contractor cover needs grow as business grows

By GENE J. NAPOLITAN
chief underwriter-engineer
overseas construction risk insurance
American International Group Inc.

NEW YORK—Contractors all risks insurance, CAR, a type of coverage applicable to exposures outside the continental U.S., may be an unfamiliar subject to some risk managers.

For the sake of simplicity, reference will only be made to contractors all risk (building and civil engineering works) but it should be noted that this insurance is known as builders risk insurance in some markets and that contractors all risks bears distinct similarities to erection all risk insurance (electrical and mechanical installation works). CAR coverage applies only to risks located outside the U.S. and should not be confused with builders risk insurance available in the U.S.

In today's sophisticated world of business, tender and contract documents most always make reference to contractors' responsibility for maintaining the risk throughout the period of the contract. Anyone with an insurable interest in the contract works more than likely requires that his property be protected from loss or damage from any cause whatsoever. The nearest thing to this level of protection is contractors all risks insurance. This is a policy of indemnity and insures against all risks of physical loss or damage. To keep within the spirit of the policy, which is to cover against fortuitous events, certain exceptions will be found. These relate to such business risks as guarantees of performance, professional liability and consequential loss.

THE COMPREHENSIVE coverage afforded by contractors all risks insurance includes inherent perils such as fire and explosion in addition to the many perils referred to as acts of God, such as storm, tempest, hurricane, typhon, flood, water damage, earthquake, subsidence, collapse and imponderables. As for types of risks, anything of a construction nature whether it be civil works (dams, tunnels, jetties), structural fabrication (buildings, towers, bridges) or machinery and equipment erection (power stations, petroleum refineries) can be covered under this policy.

Various additional coverages can be included under a CAR policy. If necessary, the maintenance period (lasting usually 12 months immediately following completion and acceptance of the job) can be covered. This coverage insures against loss or damage arising from a cause occurring prior to commencement of the period of maintenance. Further, loss or damage occasioned by the contractor in the course of any maintenance operation is also covered. Contractors often require coverage for debris removal as a consequence of loss or damage and this contingent cover can also be provided under the CAR policy.

The broadness of this policy can further be emphasized by the fact that liabilities to third parties, whether it be personal injury or property damage evolving from the contractors' or subcontractors' operations, can also be covered. The CAR policy can also insure inland marine requirements for shipments of materials,

international report

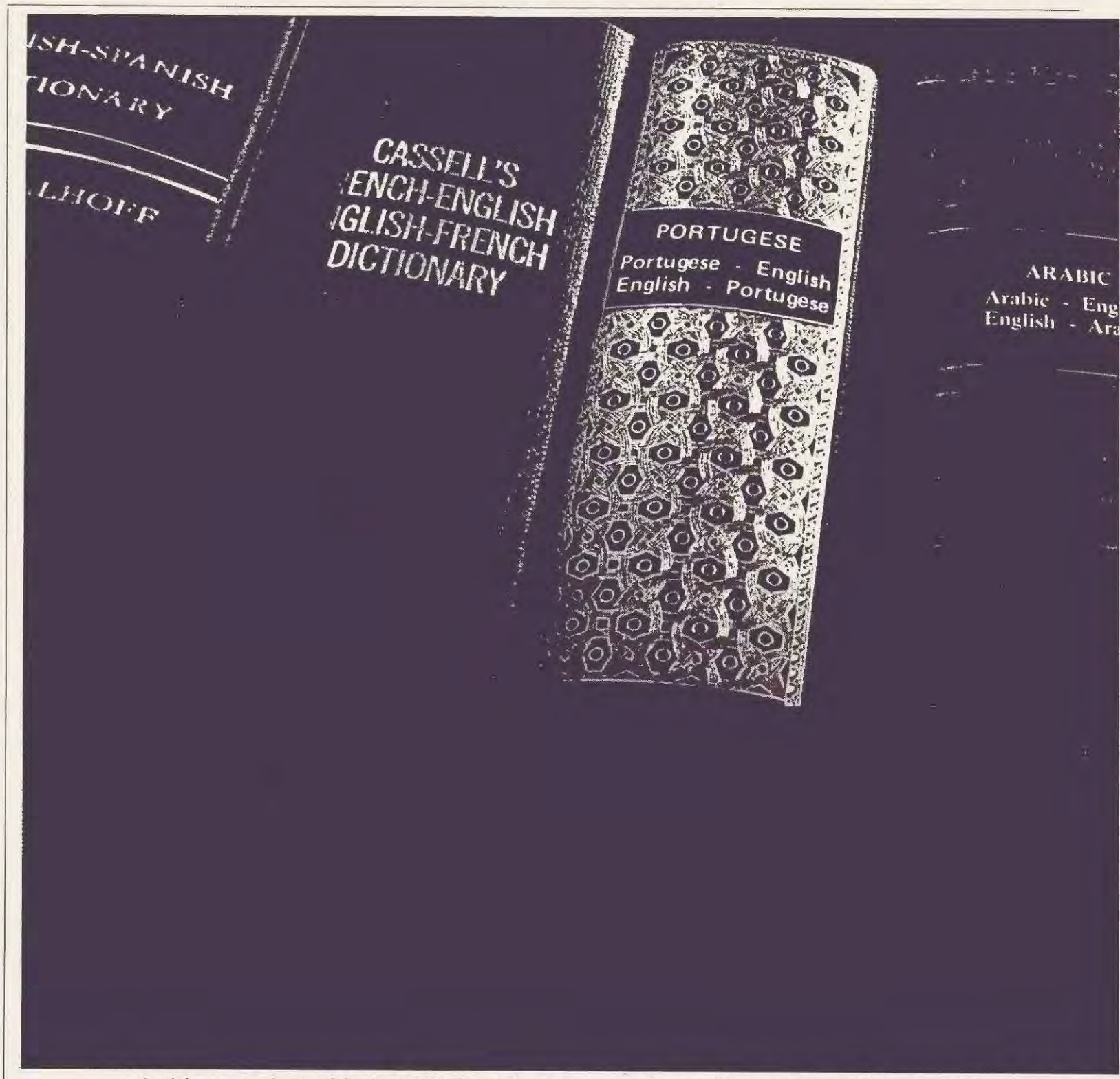
supplies and contractors' plant and equipment both in transit and in use at the job site.

Contractors all risk insurance is unique and can provide exceptional coverages on the one policy form for the great variety of insurance needs of the contractor, subcontractor and the owner. In view of the many parties to a contract having their own insurance policies, resulting in possible overlap or even gaps in coverage, CAR insurance encompasses all coverages on one policy. By having one carrier, the recurring problem of trying to determine exactly which policies cover a particular claim is greatly diminished.

AT THE OUTSET, in the drawing up of tender and contract documents, there usually is a ready awareness as to the need for bid and performance bonds or other security necessary toward the fulfillment of contractual obligations. This generally is accepted practice anywhere in the world. Similarly, workmen's compensation insurance is attended to at the very initial stages of tendering since its protection is usually compulsory and tightly controlled by government.

Curiously, the same cannot always be said for the securing of property insurance to protect the contract works itself. These insurances, and to be more specific, contractors all risks insurance, although spelled out in most contracts and tender documents, often are left to the very last minute. Usually property insurance represents the largest single premium outlay for any insurance related to a construction risk. Insurance underwriters are usually requested by the client or his broker to provide firm quotations in a matter of hours since materials are being offloaded at the job site and the contractor wants to

Continued on page 39



And there are plenty of them. Not the least of which is the babble of tongues you're apt to hear on the other end of a long-distance phone line.

Red tape seems more complex in Greek. Unintelligible regulations more so in German. Bad news that much worse in Swedish. Yet even with a shelf of dictionaries, a lot can get lost in translation.

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Is your shipment insured from warehouse to warehouse? If not, where does your insurance attach and terminate? What guarantee do you have that the proper marine and war risk insurance will be placed on your shipment? What do you know about your overseas customer's insurance company? And will you be paying a higher final price for your shipment because of *their* poor risk experience?

Disappearing money. There are other ways you can end up on the short end of the financial stick.

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Texas Workmen's Compensation Insurance regulations often differ from those of other states. Last year we returned over $8,000,000 to our policyholders in dividends and discounts on this one line of coverage. To get all the facts about handling Texas Workmen's Compensation separately from a national program, give us a call.

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Dallas, Texas 75221

Employers Insurance of Texas:
Texas Employers' Insurance Assn.
Employers National Insurance Co.
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More international services listings than ever

CHICAGO—This is the 1972 *Business Insurance* listing of international services. The largest index ever, it contains descriptions and locations of services that are available to risk managers and employe benefits administrators of companies that have installations in foreign countries or are contemplating overseas expansion.

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500 Fifth Ave., New York, N.Y. 10036
TELEPHONE: 212-736-7766
SERVICES: Consultants (no insurance sold) on employe benefit and property-liability insurance to industrial organizations, public institutions and governmental bodies on a worldwide basis.

ADAMS & PORTER
5 World Trade Center, New York, N.Y. 10048
TELEPHONE: 212-432-0001
CABLE: ADPORT
SERVICES: All-lines insurance brokers with clients, markets and correspondents throughout the world.

AETNA LIFE & CASUALTY
151 Farmington Ave., Hartford, Conn. 06115
TELEPHONE: 203-273-0123
SERVICES: Aetna Life's worldwide group programs offer pensions, life and health facilities in 70 countries through its association with Assicurazioni Generali of Trieste and Venice. Aetna Casualty & Surety, with a similar association, offers a full range of property and liability coverages.

AFIA
110 William St., New York, N.Y. 10038
TELEPHONE: 212-964-4990
CABLE: AMFORIA
SERVICES: Writes property, marine, casualty and surety coverages through 200 branches in more than 80 countries. AFIA offers up-to-date information about insurance forms and regulations in countries overseas to agents, brokers and insureds in the U.S. through its branch offices located in New York, Chicago, Dallas, Houston, Los Angeles, San Francisco and Washington, D.C.

ALEXANDER & ALEXANDER INC.
225 Broadway, New York, N.Y. 10007
TELEPHONE: 212-WO 4-6800
CABLE: ALEXALEX
SERVICES: International division, headquartered in New York, operates in Europe through eight A&A controlled subsidiaries, owned jointly with prominent European brokerage firms with offices in 30 key cities in the Netherlands, Belgium, Germany, France, Austria, Italy, Ireland, England and Spain; in the Far East through offices in Hong Kong, Tokyo, Singapore and Kuala, Lampur Malaysia; and in Latin America through subsidiaries in Argentina, Brazil, Columbia, Peru, Venezuela and Mexico. Services include risk management, insurance placement, loss control and employe benefits.

An affiliated company, Alexander International, Hamilton, Bermuda, offers coordinated pension plans funded in various currencies. An employe who has served in several countries, and whose pension has been funded in local currencies, can obtain retirement in the country and currency of his choice. Other services: plan design, acturial, investment and administrative.

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1140 Connecticut Ave., N.W., Washington, D.C. 20036
TELEPHONE: 202-296-6440
CABLE: INCHMAREE
SERVICES: An insurance brokerage with the following international services underwritten by Insurance Co. of North America: TRAVEL-PAK, an all-risk policy covering personal and household effects during transit and while the effects are in any country other than the United States; AUTO-PAK, an excess liability automobile policy with ACV comprehensive and deductible collision available on a familiar, primary basis. This program offers an option of marine transit coverage. TRANSIT-PAK, all-risk coverage on household and personal effects and automobiles while in transit

Continued on page 36

If you're still insuring cargoes overseas, you might as well be conversant with the problems.

For instance, in many countries, an "all-risks" policy doesn't mean the same as it does here. Should exchange rates fluctuate, the value of a loss payment could be severely depreciated. What's more, your buyer may be uncertain about his loss liability and not authorize payment of drafts on goods that are damaged or fail to arrive.

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Services . . .

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CABLE: BDAMAN, Bermuda
SERVICES: Manages "captive" insurance companies in Bermuda and offers applied experience in banking, insurance, reinsurance, law and accounting. Established by Bermuda Fire and Marine Insurance Co. Ltd.

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Knudsen Bldg., Queen St., Hamilton, Bermuda
TELEPHONE: 2-6971
CABLE: BLACOINS, Bermuda
SERVICES: Assists Bermuda based insurance companies in arranging reinsurance protection and in participating in the London and American insurance markets. The company is an affiliate of J. H. Blades & Co., Houston, Tex.

CHUBB & SON INC.
90 John St., New York, N.Y. 10038
TELEPHONE: 212-964-1200
CABLE: CHUBBSON
SERVICES: Underwrites property, marine, casualty and surety coverages through 120 overseas Chubb offices and affiliates. Integrates domestic and foreign exposures under a coordinated global insurance program. Chubb facilities are available to agents, brokers and insureds in the United States and Canada through its 33 branch offices located throughout North America.

CONTINENTAL INSURANCE COS.
80 Maiden Lane, New York, N.Y. 10038
TELEPHONE: 212-553-7176
SERVICES: Foreign department provides broad facilities for all property and casualty lines in virtually all places in the free world. Underwriting and production offices for international business are maintained in New York, Los Angeles, Chicago and Dallas, backed by worldwide local facilities.

CRAWFORD & CO.
131 Ponce de Leon Ave., N.E., Atlanta, Ga. 30302
TELEPHONE: 404-873-4561
SERVICES: Northland-Crawford Insurance Adjusters, the Canadian division, offers multiple line claim representation in major Canadian cities in British Columbia, Alberta, Manitoba, Ontario and Quebec. Crawford & Co. also has multiple line facilities in Puerto Rico, the Virgin Islands and London, England.

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TELEPHONE: 212-964-9100
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SERVICES: A division of Fred. S. James & Co., Inc. Provides all services and all lines worldwide. Brokers, average adjusters, employe benefit planning. Maintains long-term correspondent relationships in major cities worldwide. Emphasis on merchant marine—fleets, ocean cargo, etc. Covers all phases of manufacturing operations of American companies overseas.

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SERVICES: This new corporation formed by four major American, British and European investment firms will provide consulting, investment management and administrative services for employe benefit funds of multinational corporations, which will enable these corporations to consolidate separate national arrangements into single, integrated pension plans. For further information, contact The Northern Trust Co., Chicago, Ill. (312-346-5500).

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CABLE: RISKONTROL, Wyncote, Pa.
SERVICES: Consulting risk managers and insurance consultants to commerce and industry handling risk and insurance on an international level serving clients throughout North America, South America and Europe. International service offices are located in San Juan, Puerto Rico and Copenhagen, selling no insurance.

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CABLE: FACMUTS, London SW1
SERVICES: Provides loss prevention engineering services for large international industrial companies outside North America, as part of the worldwide Factory Mutual System. Broad property and business interruption insurance coverage is also provided for highly protected risks abroad. Contact F M Insurance Co. Ltd. or any of the U.S. Factory Mutual Cos. for details of the services offered.

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CABLE: GREILSON
SERVICES: U.S.-based group consults in domestic and international fields of administering and securing insurance through U.S. and foreign insurers for risks located in America, the Near East and elsewhere.

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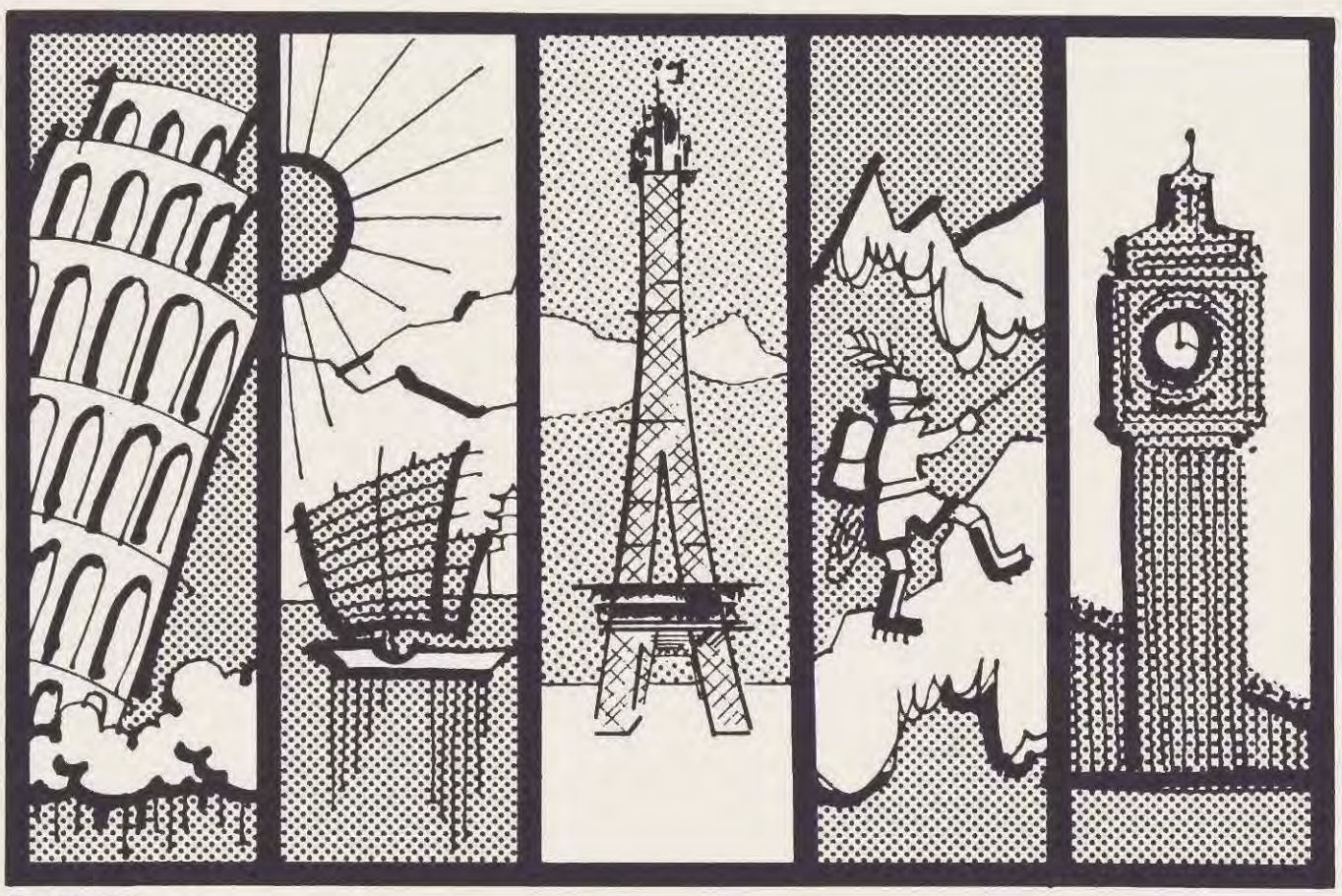

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SERVICES: Specializing exclusively in accident and sickness insurance benefits for personnel engaged in work, study, or training activities outside their home country. Programs designed and administered for commercial and nonprofit organizations for their employes, trainees and third country nationals.

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CABLE: CORAM
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Continued on page 38

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Rollins Burdick Hunter provides expert counseling and assistance for international insurance needs: assistance in the formation and management of captive insurance companies, planning and organization of worldwide insurance and loss control programs including competitive marketing, provision locally as well as in the United States of counseling and engineering and claim services, and coordination of the entire program. We will be pleased to send you a copy of our brochure, "Meeting Today's Risk Management Needs."
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Services . . .

Continued from page 37

offices in Sydney and Brisbane. These brokers specialize in mining and manufacturing risks. They write property and casualty insurance and counsel on employe benefits.

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SERVICES: The design, implementation and service of multi-country insurance and employe benefit programs. Marsh & McLennan International Inc., a subsidiary, maintains a network of local service offices and correspondent firms in Mexico, South America, Europe, Africa, Australia and the Far East.

ALLISON R. MERCER C.L.U. & ASOCIATES
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Continued on page 49

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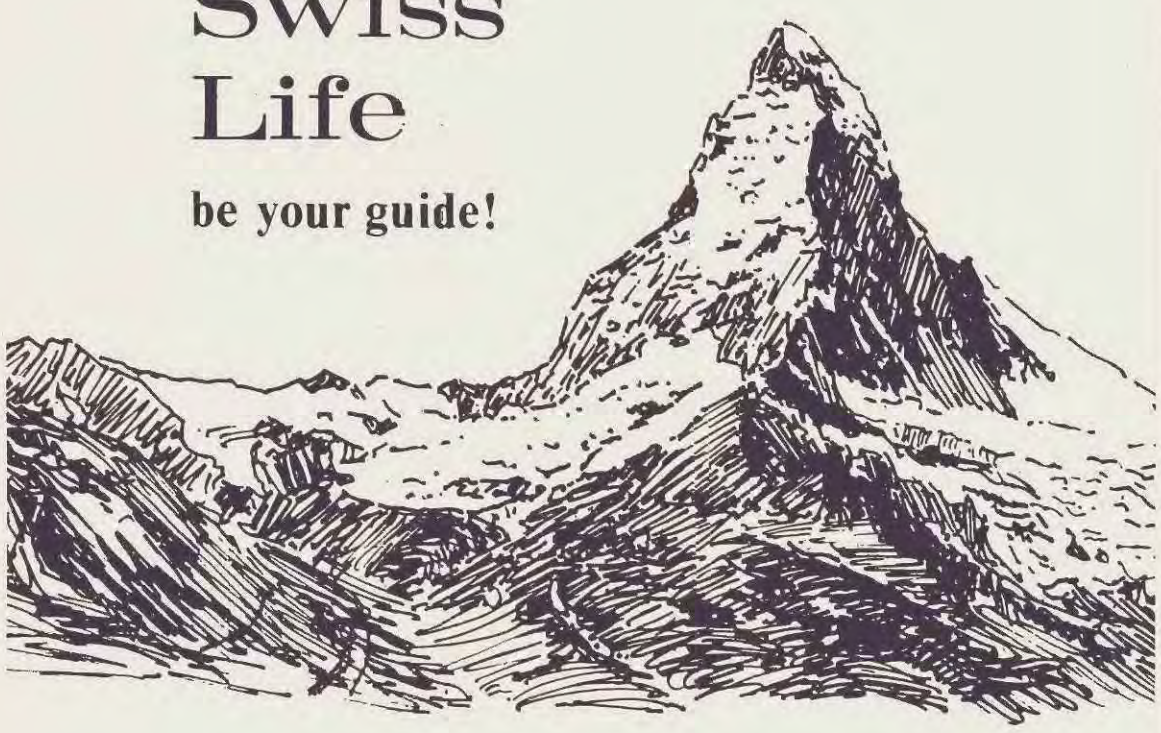

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Contractor

Continued from page 34

commence operations as soon as possible. Taking into consideration the magnitude and complexity of risks today, this can become a nearly impossible situation. Underwriters want to give the best service possible and if property insurances were discussed at the earliest stages of contract negotiations, along with bonds and workmen's compensation insurance, they would be in a position to provide the most favorable terms to the benefit of the client and this includes, most importantly, premium costs.

Unfortunately it is not unusual for a client today to become a coinsurer and have to share the risk with the insurance company because of the severe shrinking of worldwide insurance capacity for the large and hazardous risk. This situation, to, can be minimized when underwriters are consulted promptly on property insurance requirements which allows adequate time to survey the many but widely spread re-insurance markets.

Contrary to what has been said thus far is the fact that it is not at all unusual, even today, for owners and contractors abroad not to purchase property insurance on the contract works. This situation lends itself to asking the obvious question: Who should purchase contractors all risks insurance?

UNLESS THE OWNER specifically holds his contractor harmless for all loss or damage or the owner himself deems it in his best interest to purchase these insurances, the contractor is responsible for maintaining the risk. He assumed all liability for loss or damage to property in the course of construction and to materials and supplies that will form part of the permanent works up to the time of provisional acceptance. For those contracts that specify a period of maintenance, the contractor assumes responsibility on through this additional period. Occasionally a contractor's liabilities are reduced statutorily in certain territories and he is held harmless for those arising out of "force majeur" or acts of God but this situation is found to be more the exception than the rule. Contractors are usually held harmless for accepted risks such as war, civil commotion, confiscation, nuclear reaction or radiation.

Contractural agreements usually dictate that the contractor at his own expense insure the works, which costs would be included in his bid. If he elects not to purchase insurance, he will then become a self-insured. Should loss or damage ensue and the contractor find himself in a position of not being able to financially meet this contingency and complete the works, the owner would then fall back on the contractor's performance bond as security. Naturally, under such circumstances, his solvency and reputation would be jeopardized and chances of a contract in the future would be greatly diminished since his record would undoubtedly be scrutinized by the surety.

Economic considerations also lend themselves to seriously considering contractors all risk insurances. No one would argue today the fact that the use of money is expensive. Every precaution must be taken by those responsible for administering funds to protect capital investment. Contractors all risk insurance also contributes significantly toward this end. Any lending institution of consequence would make it mandatory that all risks insurance be purchased to protect its investment.

Construction projects, wherever they take place in this world are becoming technically ever more complex and, as for magnitude, values continue to grow and take on the guise on being limitless. There are very real values subject to very real loss potential and contractors all risk insurance is the only coverage comprehensive enough to protect and insure continuity of one's business should a catastrophe occur. Be it contractor or owner, large or small, and regardless of the size of the adventure, practical businessmen must look to the security of their company's future and the protection of its investment. ■

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Letters . . .

Continued from page 28

lined.

As a matter of interest, our news bulletin to our employes was received extremely well and certainly caused an awareness of the extent to which our company contributes to the welfare of our employes through these benefits.

John A. Potts
Senior Vice President, Marine Office Appleton Cox, New York.

No Cash item

To the Editor: Your article of Jan. 3 states that Mr. Johnny Cash cannot collect from (we presume) the personal liability portion of his homeowners policy for the fire he accidentally caused in 1965.

From the scanty facts given, we are puzzled as to why claim was ever made under his homeowners policy which specifically excludes liability arising out of the ownership or operation of a motor vehicle. It appears to us that Mr. Cash might have done better under the property damage liability portion of the auto insurance covering his pickup truck. We might add that he certainly seems a "hot prospect" for a personal umbrella policy!

May we take this opportunity to say that we find your magazine useful, timely and interesting.

David R. Kornreich
Herbert Kornreich Co. Inc., New York, N. Y.

Security idea

To the Editor: In reviewing your article on bank security of Jan. 17, I suspect that thought has been given to the use of postal-type scales whereby the safe deposit box would be weighed both on removal and return. This could be recorded and if a significant differential in weight was noted it could then be called to the attention of management before the customer leaves.

Such a practice would be common knowledge within some reasonable time length and it might well be feasible to have the customer weigh in his proposed deposits at the time he removes the box so that the differential could be determined in advance.

Not foolproof but at least a deterrent.

Irving C. Perry
Regional Vice President, Arkwright-Boston Insurance, Jenkintown, Pa.

No-fault states

To the Editor: In the Jan 31 issue of *Business Insurance*, the article on no-fault indicates that "88% of businessmen contacted in a recent poll favor enactment of no-fault programs similar to laws now in effect in Arkansas, Louisiana, Massachusetts, New York, Tennessee and Texas."

It is my understanding that only South Dakota, Delaware, Florida, Illinois, Massachusetts, Oregon and Minnesota have some form of automobile "no-fault" system.

Victor J. Lefeve
Insurance Manager, Barnard & Burk, Inc., Baton Rouge, La.

Editor's note: The item was in error as the information referred to some of the states where no-fault plans have been offered. Mr. Lefeve is correct. Partial no-fault plans are in effect in Massachusetts and Florida. Statutory advance payment plans are in effect in Illinois and Delaware. Plans operative in South Dakota, Oregon and Minnesota are difficult to categorize, but they do not meet the test of being no-fault or even modified no-fault. It's too bad, but the term no-fault just doesn't mean much any more because it has been misused by so many careless labelers. ■

Shows profit

Better results are reported by Royal Insurance group for its U.S. operations in 1971, when it made an underwriting profit of $1.5 million compared with a $11 million underwriting loss in 1970. Operating ratios moved from 101.1% for 1970 to 98.8% for 1971.

FCIA writes huge policy for Bunge

NEW YORK—In one of the largest policies issued to date, the Foreign Credit Insurance Assn. has written a master political policy on Bunge Corp., New York, to cover approximately $550 million of Bunge's annual export sales of grain, soybeans, vegetable oils and meals and other agricultural commodities to clients in more than 50 countries.

international report

SAID REGINALD J. Denton, president of FCIA: "The issuance of this policy to Bunge Corp. marks a major breakthrough in the efforts of FCIA and the Export-Import Bank of the U.S. to encourage commodity exporters to aggressively market U.S. agricultural products abroad."

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U.K. faces realities of product liability suits

LONDON—Thalidomide claims running into millions of dollars put insurers on the alert two years ago to the problems of product liability. But it is the recent U.S. cases of Campbell's and Bon Vivant that have really roused the attention of British corporates to the perils of damage suits.

Until now there has been little claims consciousness among the vast majority of the British public. They accept, with stoicism, the rare occasions when some foreign object is found in their food.

international report

But now insurers are facing up to the realities of the situation. And, quite apart from several firms of brokers that are studying capacity and premium ratings, the view among risk managers is that the time has come to analyze the problem more closely.

ONE REASON for contentment with the existing situation is that U.K. standards of quality are generally high, especially in the food and drug industry. So the premiums are low, compared with other corporate risks. One large corporation provides an example of this. Its insurance spread covers $100,000 for fire and burglary, $50,000 for auto cover, $80,000 for marine risks—all in yearly premiums—and only $5,000 a year for product liability coverage.

Another reason that there has been no necessity for risk prevention, compared with the major efforts to cut crime and fire losses, is that neither the insurance market in Lloyd's, nor the companies, nor the manufacturers have had to meet big claims.

Now that the time has come to review the situation the British Food Export Council, a trade organization representing nearly 100 leading corporates in this field, is setting the lead. This is because Philip Platten, its marketing executive, was in New York when the food poisoning scare broke out last summer. He told *Business Insurance*, "It made me realize the potentialities of product liability. One of our members was with me in New York at the time and, though he has worldwide liability cover, he began to ask what might be happening through these tremendous claims in the U.S.

"When I got back to London, I sent out a bulletin to our own members, plus another 400 food firms in the U.K., asking if they might be interested in group insurance cover for food export products.

"I HAD STUDIED the range of claims for product liability in the U.S. and the final settlements. It seemed to me that in the area of minor contamination of food claims ran anywhere from $50,000 to $1 million and were settled for between $1,000 and $10,000.

"For major catastrophes, my judgment as a visiting Briton was that claims could reach $3 million, and be settled for anything up to $500,000 if export products to the U.S. went wrong. Naturally this is expert guesswork, as British foods usually are of the highest quality, but it made me realize the extent of the problem if ever there was a food poisoning case involving British goods.

"Four companies have so far expressed interest in group cover, but most companies have got worldwide public liability already on their exports, up to $1 million for small firms, and virtually unlimited for major corporates.

"We are waiting to see what premiums can be quoted to us. Then we will decide what to do."

He emphasized that in his opinion there is stricter public control of food quality in Britain than in the U.S., and quoted one grocery trade source on the fact that in America there are 200 health inspectors looking after 65,000 food plants. In Britain, he asserted, there are 10,000 food plants, and 6,000 public health inspectors in counties and cities to inspect them on demand. ■

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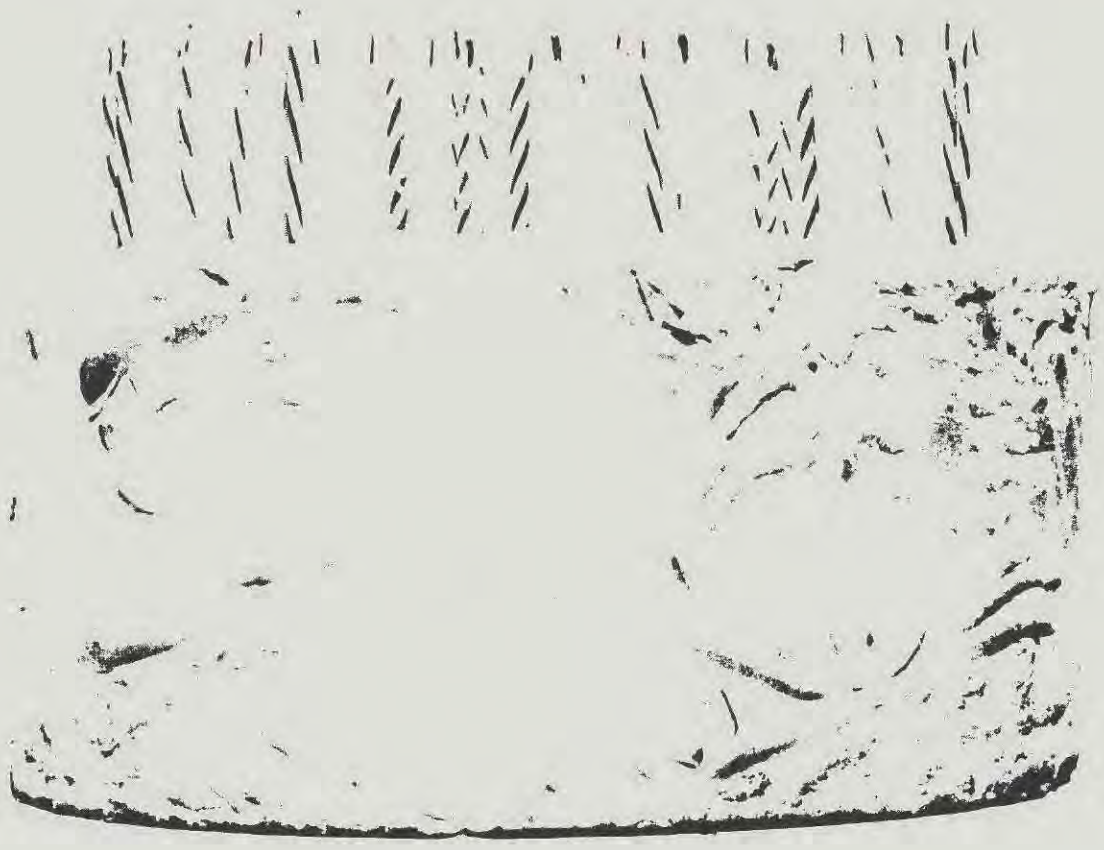

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Achieving unity of EEC members' coverage laws will be year's job

LONDON—In the remaining time before Britain joins the Common Market there is much to be done to unify insurance legislation between the member countries of the European Economic Community (EEC).

Most business experts believe that the rules for solvency will be slightly stricter than those in the U.K. at present. So far there are conflicting interests in the six nations already in the EEC—Germany, Italy, France, Netherlands, Belgium and Luxembourg—ranging from highly stringent control in France and Germany to negligible interest in Belgium apart from auto cover. The decision at the end of the arguments is likely to be based on the British system, which is liberally assessed on a principle of direct solvency.

This will call for all insurance corporates in the EEC to produce solvency margins calculated on percentages of premiums or percentages of the average of the last three years' losses, whichever is the greater. This is slightly stronger than the margins required by current British laws, but as public bodies in the U.K are already probing insurance stability because of the collapse of the Vehicle and General insurnce corporate (*Business Insurance*, Nov. 22) they may have to be changed in any case.

THE COMMON Market insurance concept will be streamlined by a series of "directives" emerging from its headquarters at Brussels. Once these are approved, they will be implemented by suitable laws in all its member countries

international report

so as to achieve harmony of legislation throughout the EEC.

The only directive issued so far deals with reinsurance and frees it from special supervision except for that which is required in any case in the countries in which its operators do business (*Business Insurance*, Aug. 30). This has been going for some years, and it is the new directives that are taking time.

The next one will deal with "freedom of establishment." This will set out rules for an insurance corporate in one EEC country to promote business in another member country simply by establishing an agency or branch offices, insead of forming its own local subsidiary to do business.

As soon as this principle has been achieved, there will be a move toward relaxing the rules even more by another directive permitting "freedom of services," which will allow even greater ease in crossing Western European frontiers as far as insurance facilities are concerned. The benefits of this will be shared by all Common Market countries, but it is the U.K. that may gain most because of its outstanding role in the insurance markets of both Europe and the world.

LORD SELSDON told Parliament during one recent debate on the subject, "I forsee a dynamic growth in Britain's insurance earnings, which currently are only about $25 million from EEC nations."

Sir Henry Mance, Lloyd's chairman, said, "The decision to join the EEC will strengthen existing links, and Lloyd's can contribute both capacity and expertise to this expanding market."

Cautious optimism is felt by the British Insurance Assn., which looks after the general insurance corporates in the U.K. It feels there will be long-term benefits, but that there is already strong competition among European insurers so there will be no immediate change.

CAPACITY is accepted by all insurers as a problem to be faced. Modern technological developments are creating a vast accumulation of risks, especially in the field of fire and consequential loss claims. Product and general liability, as well as the marine and aviation sections, make similar demands.

But until Britain actually enters the Common Market, which will not be until Jan. 1, 1973, there will be no effective way of comparing premium ratings and claims with those of foreign insurers. Competition for new business will only be generated when harmony in legislation is achieved and everyone knows the rules of the game, and this will take most of 1972 to accomplish. ■

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business insurance/perspective

Concerning insurance and trade with Mainland China

by William H. Rodda,
president,
Marine Insurance Handbook Inc.,
Chicago, Ill.

William H. Rodda

'Shippers may have difficulty in securing coverage to inland points where transportation is doubtful.'

NEW ARRIVALS from Mainland China" reads a sign at the costume jewelry counter in a large Chicago department store. Trade fairs in the U.S. are showing toys, chinaware, art goods, sports equipment and novelties from what has been known as "Red China." The political atmosphere now makes it more acceptable to say Mainland China or to use the official name, Peoples Republic of China. What will be the effect of growing trade with China on insurance in the U.S.?

Merchants who buy and sell in the international market believe that they personally and the U.S. in general will benefit from an exchange of goods with Mainland China. American businessmen question whether they will be permitted to arrange their own insurance on goods en route to and from China. American insurers are bothered by the product liabilities that might arise if the Chinese goods are unacceptable in today's consumer-oriented marketplace. Underwriters still remember the poisonous beans that formed a part of some imported costume jewelry a few years ago.

The U.S. has prohibited trade with Mainland China for some 20 years. This ban applied not only to actual trade between the two countries but also prohibited importation into this country of products made in China. The ban was only partly successful. Chinese and American goods have been exchanged in considerable quantities by way of other nations and foreign subsidiaries of American companies. Pig bristles, for example, have reached the U.S. from China. American chemicals, optical goods and truck engines have gone to China. Last year President Nixon removed the barriers and permitted trade in goods to and from Mainland China. There remain some restrictions on "strategic materials" but this affects relatively few items.

THERE IS STILL no direct commerce between China and the U.S. Goods are exchanged by way of countries that have traded with China for many years: Japan, Hong Kong, Canada, Great Britain, Australia and West Germany. It is expected that there will be direct exchange of goods at some time in the future. Premier Chou En-lai has been quoted in a French news service dispatch as saying that there is a possibility of trade exchanges after President Nixon's visit. It seems to be generally accepted that direct trade will be established—if not next month, perhaps next year or five years hence. The Chinese Communists, like the Russians, work in five-year and ten-year plans. They have a patience unknown to Americans. They may not feel any urgency to establish trade by tomorrow.

We emphasize the distinction between trade in Chinese goods by way of Hong Kong, Japan, Canada or some other nation and direct trade with Mainland China. The effect upon insurance will be different in many respects.

Trade with Hong Kong or Japan, for example, is well established. Payment for goods, letters of credit, insurance documents, are all handled by customary methods. A New York department store, for example, that now buys Chinese goods gets them through a middleman, perhaps an English company in Hong Kong. The English company in Hong Kong may buy on specific order from the New York store but payment to the Chinese trading corporation is made by the intermediary. The transaction of the American company is with the English company, not with the Chinese. The financial transaction, and the insurance arrangements, are the same as if the American company were buying some Hong Kong-made goods. The Peoples Republic of China is not in a position to control the financial arrangements or the insurance.

The balance of this article will discuss the probabilities and problems of direct trade with Mainland China. The discussion is from the standpoint of the businessman and what he needs in the way of insurance. Insurers will have a new set of problems, too, but the problems of insurers are outside the scope of this article. This article is an attempt to alert the businessman to what he should require of his insurers and the ways in which he can assist insurers to provide the coverage that he needs.

WHAT KINDS OF GOODS will be exchanged between Mainland China and the U.S.? China will import good grains (such as wheat), chemical fertilizers, machinery products and particularly agricultural machinery, newsprint, specialty metals and lumber. There will be little or no importing of consumer goods. The average prod-

Continued on following page

Is there a viable future for HPR concept in Europe?

by Jorge E. de Cespedes,
manager, international division,
Chubb & Son Inc.,
New York, N.Y.

(The following article is from a speech presented by Mr. de Cespedes at a recent American Management Assn. meeting in New York.)

'I predict that in the next 10 to 20 years HPR will achieve an importance nearly as great as in the U. S.'

RECENTLY I WENT TO LONDON to do some research on the highly protected risk field and during one of the many sessions I held with underwriters and risk managers there I asked one of them, known to me as a particularly staunch opponent of the HPR system what HPR meant to him. His answer was short. He just said, "Horribly puny rates."

If my colleague's loquacity can be questioned, his ability to make a point in a few words, cannot, because that is precisely how the European community has felt, and to a lesser extent still feels, about a highly protected risk rating approach.

If I were to follow the example of my British friend and capsulate my subject into a few words, I would put it this way: I feel that the HPR concept is fast becoming a viable and important factor in the European market and that, in fact, it would not be too daring to predict that in the next 10 to 20 years it will achieve an importance nearly as great as in the U.S. Let me tell you why I feel so confident about the healthy development of what I would call the "HPR mentality" in Europe.

I THINK THE BEST way to view this subject and to make my case is by first establishing in our own minds a clear understanding of the HPR concept and then outlining and reviewing the factors that, until recently, have made this approach almost unknown in Europe, in stark contrast with the U.S., where a non-HPR plant is the exception rather than the rule.

What is the HPR concept? Literally, it is a rating approach based on the exchange of lower rates for better loss protection and security measures. In the U.S. this plan calls for a minimum of requirements that must be observed for a risk to qualify for such preferred rating. Not the least important of these requirements is a favorable and receptive attitude on the part of the buyer toward loss prevention and loss protection—because this is the key to the HPR concept. It is this very important factor that allows the underwriter to balance the established fact of a lesser premium income against the probability of a lower loss ratio. In fact, in this sense the major difference between a highly protected rating plan and loss-rated approach is that the HPR grants credits for a lower loss ration a priori, whereas the loss-rated formula, by not penalizing the insured for the losses he has not suffered, does the same thing a posteriori. Happily this seemingly good faith on the part of the underwriter has been amply justified by the favorable experience the plan has produced. But let me emphasize that such items as plant construction, location, sprinkler protection, central station alarm systems and adequacy of water supplies, all of which must be of a superior nature in order that a risk may qualify for HPR treatment, are of paramount importance only if viewed as the material expression of management's willingness and determination to reduce probability of loss to a minimum. Naturally, by increasing the protection of his production facilities the insured is at the same time protecting the stability of his market but this advantage alone might not, in the eyes of some insurance buyers, be enough to offset the cost of bringing and maintaining their premises up to HPR standards. This increased cost must therefore be offset by a long-run decrease in insurance premiums. It is this mutuality of interest between buyer and insurer that provides the basis for the highly protected rating concept. Why hasn't the HPR concept gained a strong hold in Europe? Simply because, until very recently, this mutuality of interest has not existed. Let us see why.

In my opinion there are four basic factors that have contributed to minimize the validity and advantages of a highly protected rating plan in Europe. Let us briefly analyze them.

First, I believe we should consider the fragmented condition of the European market. Until the recent creation of the European Economic Community, European industry tended to be national rather than international in scope. Tariff barriers, customs anomalies, nationalism and simple habit enforced this relative industrial isolation, and the resulting lessened international competition led to effectively protected markets.

EUROPEAN INDUSTRIALISTS have had sufficient control over their markets (and, to a certain extent, monopolized them) that they have not had to worry about a slow down or even a complete interruption of production. For example, a German manufacturer could afford an interruption in production that would cut off his customers' supply because the customers would, in large measure, wait for production to be resumed. If we compare this

Continued on following page

Trade...

Continued from preceding page

uctivity of a Chinese worker is little more than $100 per year. There is nothing left over for consumer goods after the needs of bare existence are met.

China will export raw materials of agricultural origin, cotton textiles, handicraft and particularly such items as costume jewelry, certain of the simpler machine tools, and consumer goods such as bathroom equipment, fountain pens and bicycles. (Bicycles are the principal mode of transportation in the cities, and the Chinese make a lot of them.) The tremendous labor supply in China makes it possible for them to export labor-intensive agricultural products and food stuffs. It is an interesting contrast that China can export rice but she must import food grains such as wheat. There is a future potential for the exporting of more clothing and textiles as her industrial potential develops, along with electronic and optical goods. There appears to be little potential for the exporting of automobiles, heavy machinery or steel.

All imports and exports are controlled by the government. Imports and exports are equalized as far as possible in order to maintain an acceptable balance of trade. Foreign commerce is arranged through seven trading corporations, each of which controls a particular section of business. These seven divisions are, roughly: cereals and edible oils, animal products and certain foods, light industrial products, textiles, rubber and chemicals, machinery, steel and hardware products.

Politics and trade are closely tied together. The Chinese import and export goods that will benefit their economy and their political situation. Conventional sales methods of American business that are aimed at consumer markets will not work with the Chinese.

TRADERS with Mainland China should anticipate restrictions on their freedom to place their transit insurance. They may be required to place all insurance with one of the two Chinese companies. Exporters to Latin America are already familiar with this problem in some South American countries. Any insurance that is bought by an importer must be purchased internally. Exporters to these South American countries cannot negotiate insurance terms with their customers. A similar situation can be anticipated with Mainland China.

Experience of other countries in trading with Mainland China indicates that payment for imports to China is not a special problem. Letters of credit are used between the Bank of China and banks in other countries. The terms of payment are designed to provide maximum protection to the Chinese trading corporations but the arrangements usually are satisfactory to businessmen who are doing an international business. There has been little request for credit on the part of Chinese importers. They usually pay on the arrival of the goods, according to customary arrangements with a letter of credit. There may be some requests for credit on transactions of large amounts, but these usually would have sufficient political significance so that the respective governments would be involved. The Export-Import Bank probably would be the source of such credit.

Warehouse-to-warehouse insurance coverage is desirable on any shipment to Mainland China. Internal transportation is a problem. Highways are city-oriented, and there are many areas in which intercity transportation is poor. Railroads are said to be efficient but they are far from adequate. Capacity is limited. Shipments to inland destinations might not arrive.

Shippers may have difficulty in securing coverage to inland points. Sophisticated insurers may be reluctant to cover where transportation is doubtful. Chinese insurers may not provide exactly the coverage desired. It will be necessary for shippers to examine their transportation insurance policies with exceptional care until a pattern is firmly established.

IMPROPER PACKING may be a problem with imports from China. Their packaging has not been up to the usual standards in other countries. It is not likely that inspection procedures can be set up to monitor the packing of shipments. Insurers may require progressively higher rates if experience shows that improper packing is causing losses en route.

Some of the items that have been imported from the Orient in the past, such as pig bristles, hair, and certain types of textile material, might be carried as dunnage; that is, as packing between casks or cartons in order to prevent shifting of the cargo. There is likely to be a shortage of dunnage items because they might be discarded as worthless packing materials. Marine insurance coverage that is on a free-of-particular-average basis may result in loss to the shipper or consignee if items carried as dunnage are short on arrival at destination.

The relationship of politics to trade with Mainland China must always be remembered. It is true that current traders have found the Chinese to be satisfactory in paying for goods that has been ordered. They are reported to have excellent reputations for meeting contractual obligations. However, there is the possibility that some occurrence of political significance would happen between the time goods were shipped and the time of arrival. The Chinese are not likely to come right out and refuse the shipment—that would impugn their honor. However, some excuse might be found to reject the shipment on the basis of an alleged defect. Shippers may find it desirable to ask their insurers for a rejection clause in the marine coverage. This would cover the loss if the country of destination ruled that the materials do not meet the standards for importation. This may not be an easy coverage to secure in the marine market but it certainly should be considered, especially with food products for which there could be an alleged health hazard.

Importers from China must be prepared to assume the product liability for imported goods. This tends to be true with imports from all countries. Consumers direct their product liability suits toward the seller if the manufacturer is not accessible. This problem will be especially true of imports from Mainland China because of the remoteness of the maker.

SOME FOREIGN manufacturers of automobiles and electronic equipment have established brand names in the U.S. so that they will assume the product liability. It will be many years before any such name products will be sold in America by Mainland Chinese manufacturers. In the meantime, American importers should examine their imports with care to avoid assuming dangerous liability exposures. Product liability insurers in the U.S. undoubtedly will inquire what foreign imports might increase loss exposures.

Tourism to China will affect an entirely different segment of the insurance business. It is uncertain how fast the tourist trade will develop there. One airline president has estimated that China will go slowly in permitting tourists because of their fear of allowing foreigners to see their stage of development. Other people believe that the Chinese will aggressively promote tourism in order to acquire foreign exchange. It is likely that American tourists will spend more money in China than the Chinese will be permitted to spend here. The French Line recently announced that some members of a round-the-world cruise will be allowed to take a side trip from Hong Kong to Canton. It is interesting to note that the Chinese officials requested that those making the Canton trip stay overnight for two nights in Canton rather than make an overnight trip from Hong Kong as the French Line had suggested. It was not indicated whether this was to secure more money or for some other reason. No one can predict now whether the extension of tours to Mainland China will result in any increase in exposure to loss of passenger baggage, or accident to passengers. Insurers of tour groups will have to watch exposures and experience until a pattern develops.

U.S. airlines are eager to start service to Mainland China. They do not see any insurmountable obstacles once the Chinese government has given permission. Still uncertain in the world insurance market is when the hijacking of a plane by an organized group becomes a war damage loss. The problems of confiscation of property and unexpected detainment of tourists and businessmen all have implications for insurance losses.

Trade with Mainland China will not assume major proportions within any short time. Their total international trade is about $4 billion as compared to America's $80 billion. The impact on the American market will first be in the handicraft and utensil field. Shippers may find some difficulty in placing their insurance on exports to China. Insurance on imports from China will probably be in Chinese companies. All-risks coverage of Chinese insurance may not be as broad as American businessmen have been securing. The best advice to American traders is to make certain that they have the very best insurance coverage that can be secured for every shipment to and from Mainland China. ■

HPR . . .

Continued from preceding page

situation with the U.S., where competition has been essentially trans-continental since the completion in the last century of a continental transportation system, we will readily see that this reason alone is a powerful explanation of the European's historical disinterest in loss prevention vis-a-vis his American counterpart.

The smaller an economic market is, the smaller are the production and distribution units it creates. This is due primarily to the size of the market but also to the fact that such smaller, protected markets do not demand efficiency through economics. With the creation of the EEC, industries must expand their production facilities to meet the demands of an enlarged market. Bigger production facilities mean bigger fire areas, and bigger fire areas mean larger investment and profit subject to a single loss.

The HPR concept increases in attractiveness with the size of the investment and the profit subject to a single loss. It is therefore easy to see how a fragmented market leads to a lack of emphasis on the risk protection.

What has the establishment of the Common Market done to this situation? Well, for one thing, it has introduced foreign competition. The German manufacturer cannot any longer afford to wait out an extended interruption in production with the Italians, the French or the British ready and able to take over his heretofore unassailable market.

THE COMMON MARKET has turned the European Economic Community into a trading block of unprecedented size. While it is true that the prospect of an enlarged market has brought a constantly increasing influx of U.S. investment in Europe, it's also true that the growth of trade between community members has more than quadrupled in the past 10 years and that exports to non-member countries increased equally. It would be hard to minimize the impact of the EEC in world economics. It would be equally difficult and disastrous for the European industrialist to ignore the influence of long-scale economic developments on his day-to-day operations. From an economic point of view, the soil is ready for the HPR seed.

The second factor, and in my opinion the one that has had the greatest influence in the European's wait-and-see attitude toward the HPR concept, is the unrealistically low rate levels in most European countries. As I mentioned before, protection is never sold for its own sake. Comptrollers, treasurers, and financial vps demand that the cost of protection must be offset by proportional savings in insurance premiums. Until quite recently, the rates for most European industrial risks were too low for any reduction in premium granted to a well protected risk to be meaningful. It was mostly at this point that the mutuality of interest of which I spoke before broke down. To the underwriter any further depression in rate would make the risk economically uninsurable; to the buyer, the savings involved simply did not justify the cost of installing a complicated system of preventive and protective devices. At present, the industry is undergoing a healthy soul searching of its entire philosophy concerning tariffication based on outdated standards. Tariffs are being revised to reflect experience. The insurers' demands for higher rates that will more realistically reflect losses and expenses are being met. A good example of this is Germany, where historically inadequate fire rates have been substantially increased. In fact, HPR rating in West Germany might make great economic sense in the next five years.

The third factor is a direct development of the low rate levels and I would refer to it as the passive attitude of the European insurance market. We have to bear in mind that the indigenous insurance industry in Europe has been less than international in outlook and generally transacts industrial fire business as a sideline. Because of this, the degree of loss control expertise has been less than in the U.S., where such business is generally transacted by specialized companies or associations that underwrite on a continental or even worldwide basis. These organizations can afford to conduct and do conduct the research, testing and statistical work necessary to underwrite HPR business at rate levels that are low enough to encourage protection. Unfortunately, the European insurance industry has tended to treat industrial fire insurance as a sideline and has generally not adequately developed the engineering and rating criteria necessary to the development of the HPR concept. In consequence, the present application of HPR standards to European risks is to a great extent a purely academic exercise:

I REFERRED TO what I call the "HPR mentality" and I should clarify what I meant. When we talk HPR we are dealing primarily with a concept. We are basically selling an idea. Any salesman knows that his sales approach has to be psychologically attuned to the recipient, and that no matter how dazzling his sales technique is his efforts will be wasted unless the proper state of mind has been previously created in his prospective buyer. If this is the case with material goods, how much more pertinent it is when the "goods" being sold are intangible—such as the idea of protection. As the creation of the EEC has economically prepared Europe for the advent of the HPR concept the new relationship between employer and labor has psychologically conditioned it to accept and welcome a rating approach that recognizes the buyer's efforts to provide superior protection of his production facilities. The paternalistic employer is being replaced by the modern industrialist and this new man feels the pressures of the social system in which he functions and is conscious of the importance of the role he plays.

This type of industrialist is psychologically receptive to the idea of better loss control for its own sake and in the case of HPRs better loss control also means an economically sound proposal by way of premium savings. Therefore, receptiveness should turn into eagerness. ■

Mr. de Cespedes is a graduate of the University of Miami and the University of Michigan. He has been with Chubb & Son Inc. since 1966. He was in the commercial property domestic division for a year and a half and is now manager of the international division.

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Survey of foreign coverages may reveal savings

By ROBIN SUHRBIER

MINNEAPOLIS—A comprehensive international insurance survey of overseas operations may reveal avenues of cost saving for Control Data Corp.

Control Data, in accordance with its multinational philosophy, has asked one of its international insurance brokers, Alexander & Alexander, to make a survey of its international operations. A&A has been visiting Control Data's overseas subsidiaries and clients who have leased computers from Control Data. With guidance from the corporation's risk manager, A&A is looking at existing insurance programs, non-admitted laws, loss prevention programs and is conducting fire protection engineering surveys of major facilities.

"A&A was chosen as the consultant to do the survey after careful evaluation," according to Robert Abrahamson, CDC's corporate insurance manager.

Speculating about the results of the survey, he said, "the final report may indicate ways of exercising a greater degree of control by avoiding duplication of coverage and developing more consistant programs. We already know that some local coverages now being purchased are unnecessary."

HE MENTIONED that in some countries insurance contracts can be written for as long as 10 years and they are difficult to cancel mid-term. Once such contracts expire, then the coverages may be written into one of Control Data's worldwide policies, thereby reducing costs. Control Data found itself with such long-term contracts through acquisition of other companies.

Mr. Abrahamson contends that the basic problem of formulating an insurance program for foreign operations is one of communications.

international report

"First you must communicate what you are trying to achieve through a risk management program. This starts with defining, in laymen's terms, the risk management concept which is relatively new even in this country," he said. "Then you must educate your local management in the company's philosophy and get them to look at the whole corporate-wide picture before making decisions."

Mr. Abrahamson is responsible for developing Control Data's worldwide corporate insurance program. The Control Data Corp. includes Commercial Credit Co., a large, subsidiary financial institution with interests in insurance, diversified manufacturing and leasing, he pointed out.

At Control Data's European headquarters in Brussels the office of the vp of finance provides a coordinating effort for any of the insurance problems that may arise at its European subsidiaries. In the rest of the world, Mr. Abrahamson deals directly with subsidiary management.

MR. ABRAHAMSON is planning to hold a loss prevention seminar in Europe this spring for Control Data's engineering personnel and administrative staff plus representatives of its European insurers. In addition to solving current problems, he hopes to communicate what the company is doing worldwide in planning its insurance and loss prevention programs. "We also hope to generally improve communications between our country administrators, customer engineers and the insurance companies by a total risk management approach," he said.

When a Control Data computer is leased by a client, Control Data assumes the risk of loss or damage. The company's site planning group works with the client in designing the computer room, including the fire protection requirements. The customer engineering division is then responsible for maintenance that includes periodic inspections of all leased computers worldwide, from Stockholm to Saigon.

In countries where non-admitted insurance is permitted, the property coverage for leased computers comes under a blanket all risk property policy with the Appalachian Insurance Co. "In France, Israel, Portugal and Mexico we have elected to insure with local admitted carriers," Mr. Abrahamson said.

Affiliated FM Limited, London, underwrites the company's coverage in France, their largest foreign computer market. FM also provides a regular loss prevention program for Control Data clients who lease equipment and for its two manufacturing plants in France.

MR. ABRAHAMSON contends that Europe is ten years or more behind the U.S. in fire protection engineering but that they are becoming more sophisticated. He pointed to European insurers such as Factory Mutual and International brokers such as A&A, Marsh & McLennan and Johnson & Higgins as the leaders in creating an awareness among European industry that insurance costs can be minimized by controlling losses through loss prevention programs.

Control Data's corporate loss prevention and safety policy for personnel and plant protection is disseminated to each subsidiary but it is up to local management to tailor the prevention programs to their particular operations, whether it be a manufacturing plant, warehouse or a data processing center. Liability coverage for foreign operations is placed individually in each country in accordance with local customs and practices together with some guidance from the parent company.

"Our international casualty broker is presently Marsh & McLennan," Mr. Abrahamson said. However, he continued, "the Alexander & Alexander survey includes all aspects of casualty-property insurance, so there had to be some element of a cooperative effort between the two brokers."

A typical computer is valued at $1.5 million; however, the value may go as high as $10 million to $15 million. So far the only computer losses at a fixed site that Control Data has experienced have resulted from student unrest in Canada, Italy and the U.S. "Because of the nature of our business we are a good insurance risk to the underwriter," said Mr. Abrahamson.

A computer shipped from the U.S. to overseas locations goes via air under very tight security in the company of Control Data traffic personnel. None of the jets carrying computers has ever been hijacked but, according to Mr. Abrahamson, "this is an ever-present possibility, primarily because of the nature of the applications some of our large computers are used for."

Control Data shipments are covered by blanket war risk coverage arranged by A&A through Lloyd's of London. Rates may vary from day to day depending on the nature of the conditions in areas where shipments go. ■

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AFIA's super fire protection is effective, but it can be expensive

By PATRICK THOMAS

NEW YORK—European plant managers have not in the past been as sophisticated about fire protection as their American counterparts, according to two foreign insurance specialists, but AFIA's highly protected risk (HPR) program, and others like it, have been instituted successfully in some European factories. Nevertheless, they pointed out that the costs of such programs can be high enough to scare off a good deal of potential business.

The two men are Leslie W. Sage and David M. Evans, both AFIA vps. Mr. Sage is vp of underwriting while Mr. Evans just returned from the continent where he was European resident vp.

It was pointed out that the HPR program began in 1967 as the result of demands by American insureds that fire protection at their European sites be comparable to that of their domestic plants. Since that time, they said, the build-up has been a slow one.

"There are right now some 30 to 40 companies either in the mill or finished," Mr. Evans pointed out. "It's hard to give an exact number because they are in different categories—some are waiting for final inspection, others are awaiting management decisions as to whether to go ahead."

THE HPR program, which is causing all those management decisions, is a service provided by AFIA to those companies that show an interest in fire protection for plants. "We will provide the engineering and make the recommendations," Mr. Evans said. "Then, we hope the recommendations are followed and we get the insurance business."

Mr. Evans explained the procedure. "We can start from scratch, before the construction is even begun, or we can alter a building after its completion, though we prefer to start from scratch.

"Their engineers and architects get together with our engineers

international report

and they study the plans," he continued. "The AFIA engineers insist on certain things—fire doors, fire walls, sprinkler locations, location and capacity of water supply, hydrants, heat and smoke detection systems, the whole gamut of protection. They are usually things that are a matter of course here in the U.S.

"Then management adds up the bill and must decide whether the insurance premium saving over the years will balance out with the cost of providing the protection."

HE SAID that HPR standards were "almost exactly the same as the Factory Insurance Assn.'s."

To provide an example of what kind of saving can be achieved with the HPR program, another AFIA official, Henry Bame, told about a rubber tire plant in a small European country. He indicated that a tire factory would be considered hazardous from the fire protection standpoint.

"This particular plant is worth somewhere in the neighborhood of $45 million," he pointed out. "The normal insurance rate for this plant, without sprinklers or sophisticated fire protection equipment, would have been $101,250 per year."

Continued on page 52

Services . . .

Continued from page 38

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following the funds

Pension funds not likely to seek membership on stock exchanges

NEW YORK—The Securities and Exchange Commission's endorsement of institutional membership on stock exchanges contains a restrictive measure designed to discourage groups such as pension funds from obtaining seats in order to recapture commissions paid as brokers' fees.

Currently, pension funds, mutual funds and insurance companies are barred from membership on the New York Stock Exchange and the American Stock Exchange. Under the new proposal, these institutions could obtain seats. However, their brokerage subsidiaries would be required to do a "predominant portion" of business with nonaffiliated firms.

The SEC has not specified what percentage of business would constitute a predominant portion. "We're trying to leave it up to the exchanges," explained an SEC spokesman. At a New Ycrk press conference, however, SEC officials mentioned a range of 75% to 90%.

Such a large percentage requirement would limit, if not negate altogether, pension fund membership. As one pensions director for a major corporation put it, "We have no desire to be in the brokerage business."

EVEN IF THE requirement were substantially reduced, several companies told *Business Insurance* that they are not equipped at present to handle their own investments. "We consider brokers' commissions a necessary research fee," noted one pension fund director. "Basically, we are desirous of the flow of outside information."

One actuary doubted the overall benefits of membership to pension funds. "My feeling is that the advantages in terms of costs and savings are dwarfed by the benefits that you can get from improving investment policies. I privately question whether the apparent advantage of owning a seat is likely to produce a net benefit," he commented.

According to some benefits managers, a transition from outside administered funds to an affiliated brokerage firm's control might create employe ill-will as well as financial strain.

"I PERSONALLY DON'T think most of these companies would seek membership," said one fund administrator. "Most of them like to keep the whole investment attitude in the hands of some third party to avoid criticism of their employes about handling of funds. If you do it on your own and things turn sour, you're too near at hand."

Another situation which might inhibit membership is the diversification of pension funds owned by large conglomerates. One official at such a company explained, "We have a great many pension plans and pension trusts. If they were all combined into one super trust, then the company might feel membership would be worthwhile, but I doubt it."

The SEC proposal is being given serious consideration by some companies with in-house management of funds. If the stock exchanges implement the plan, these companies have established fund administrations which could be converted into brokerage subsidiaries.

"It is absolutely a subject for serious consideration," said one such administrator. "I think any institutional memberships that are sought will be sought by in-house funds with a sizable in-house research operation."

NEW YORK City, which operates a pension fund in excess of $6 billion, requested a ruling over seven months ago concerning city membership on the New York Stock Exchange. However, the proposed requirements are not specifically what they were hoping for.

"If we would be required to buy and sell from the general public, can you tell me what savings we would have if we had to set up a brokerage firm?" asked an official at the comptroller's office. "The savings in commissions would be negated by the expenses."

Among the companies which will most definitely be seeking seats are large insurance firms with brokerage subsidiaries. The INA Corp., holding company for Insurance Co. of North America among other subsidiaries, has already announced that it plans to seek a seat for its investment banking house, Blyth & Co. When INA acquired Blyth two years ago, the banking house was removed from the exchange because of INA's insurance affiliations.

A spokesman at INA told *Business Insurance* that they did not intend to use Blyth to recapture commissions. "In the past we have followed an arm's length policy with Blyth, and we have no present plans to change that policy," he said. "We have a small firm, the INA Trading Corp., which has a seat on the Philadelphia-Baltimore-Washington Exchange and we have done some trading through it. But generally speaking, we tend to spread our security transactions around a good deal."

THE P-B-W exchange, which has allowed unrestricted institutional membership, plans to oppose the SEC stand. It has been reported that about half of the exchange's total trading volume is done by institutional brokerage affiliates whose primary function is to recapture commissions.

If the New York exchange does move to accept the SEC's proposals, implementation would not occur for at least six months due to exchange regulations and procedures. ■

Merger announced

Melvin A. Holmes, president of Frank B. Hall & Co. Inc. and Mark S. Fields, president of Growers Insurance Agency, a privately-owned Salinas, Cal., general insurance brokerage concern, have announced the merger of the two companies. Growers name will be changed to Frank B. Hall & Co. of California and will continue to be headed by Mr. Fields at its present offices.

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Report eyes overseas investments

WASHINGTON—According to a Commerce department staff study, the U.S. economy gains major benefits from foreign investments in overseas plants by U.S. multinational corporations. The study, "Policy Aspects of Foreign Investments by U.S. Multinational Corporations," notes that direct investment helps protect jobs domestically and benefits the U.S. trade account and balance of payments.

Refuting a number of claims made by organized labor that foreign manufacturing by U.S. firms exports a substantial number of domestic jobs, the study asserts: "In fact, those import categories

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which have experienced most rapid growth and are perhaps most responsible for dislocations of U.S. firms and displacement of U.S. workers (e.g., textiles, shoes, steel, and automobiles) are overwhelmingly the output of foreign-owned enterprises, not of U.S.-owned affiliates."

Furthermore, the report states, U.S. employment in industries with a high concentration of multinational corporations expands more rapidly than the national average, and U.S. multinational companies account for one-quarter of U.S. exports, thus providing a vital stimulus to employment and to the economy.

THE REPORT further states that most domestic firms choose to provide components to foreign subsidiaries or affiliates for more processing, "thereby protecting U.S. jobs to the extent permitted by international competitive conditions.

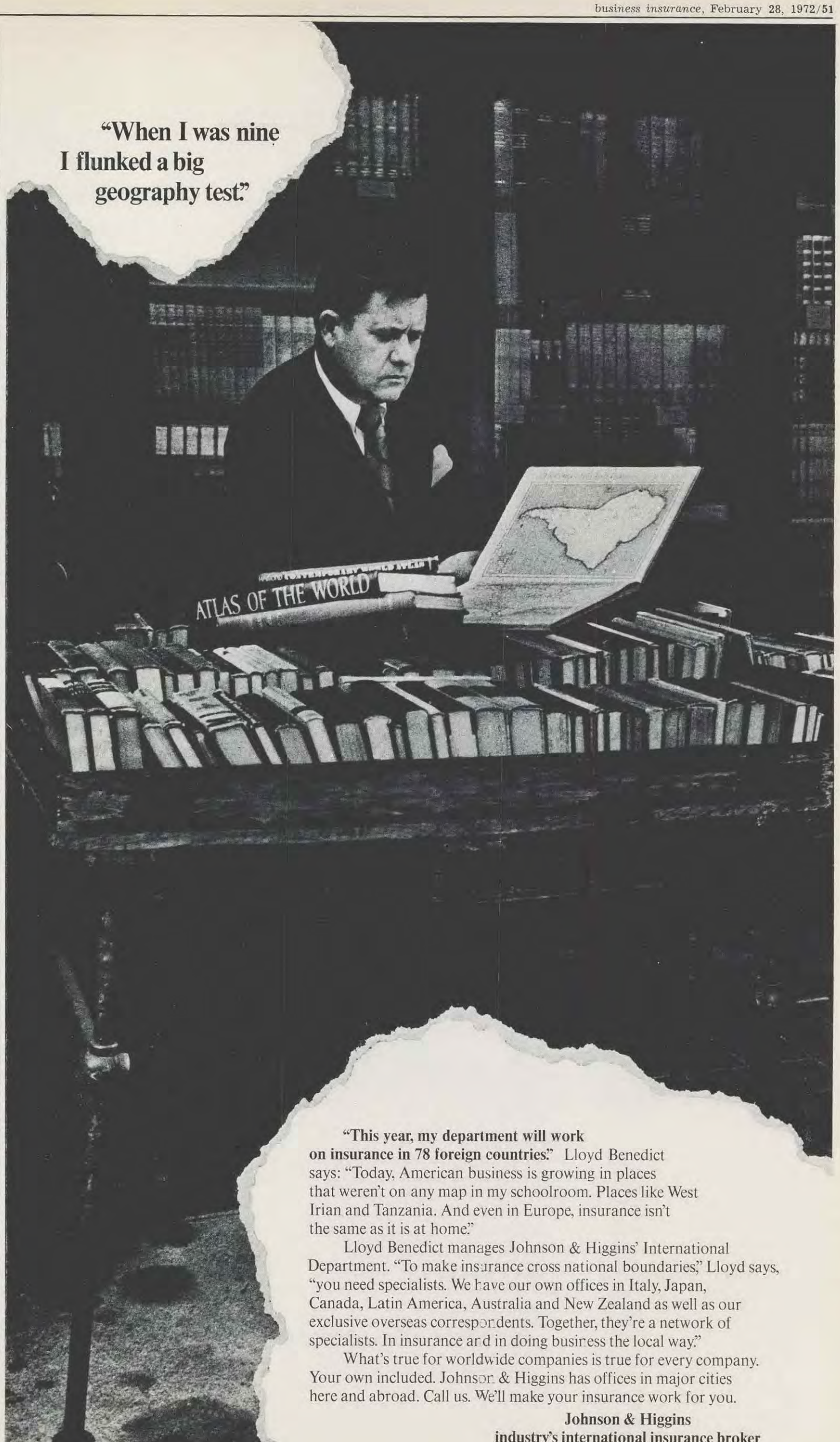
"In short," the department's study says, "if the products in question were not produced and supplied from abroad by U.S. affiliates, they would likely be supplied by foreign competitors. The choice, therefore, is often not between U.S. or foreign operations, but between foreign operations and no operations at all."

Juxtaposed to the Commerce department study is the Hartke-Burke bill, S. 2592, endorsed by some labor leaders, which would allow for stricter governmental regulation of specified foreign investments, increased taxes on overseas operations and would establish a federal agency to set quotas on imported goods and control the foreign use of U.S. patents.

The bill, now before the Senate finance committee with hearings scheduled for spring, has been opposed by the Nixon Administration, which has instituted a White House task force report on the subject. ■

Drugs recalled

Stocks of travel tablets used by vacationers have been recalled in Britain for their dosage to be altered. Boots, a U.K. pharmaceutical corporate, explained it had been told that tests in Japan showed that high dosage and prolonged use of Clioquinol, a drug used in this type of anti-diarrhea pill, were thought to be related to possible neurological disorders.



"This year, my department will work on insurance in 78 foreign countries." Lloyd Benedict says: "Today, American business is growing in places that weren't on any map in my schoolroom. Places like West Irian and Tanzania. And even in Europe, insurance isn't the same as it is at home."

Lloyd Benedict manages Johnson & Higgins' International Department. "To make insurance cross national boundaries," Lloyd says, "you need specialists. We have our own offices in Italy, Japan, Canada, Latin America, Australia and New Zealand as well as our exclusive overseas correspondents. Together, they're a network of specialists. In insurance and in doing business the local way."

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AFIA . . .

Continued from page 49

THE AFIA engineers drew a detailed map of the plant, showing, among other things, the location of all available sources of water. The risks that would be peculiar to a tire plant were noted and analyzed. Among the high risks were a very high amount of dust, which would increase the danger of explosions, and the fact that highly volatile chemicals were used as adhesives.

The recommendations for this plant were numerous, according to Mr. Bame.

"They needed a full sprinkling system with alarms, fire doors and walls, smoke and heat vents in the manufacturing building, fire-fighting equipment, emergency lights, skids for storage, hose houses and recording clocks for watchmen," he said, giving the impression that he was just getting started.

"They had to close openings in the basement walls and had to set up forced ventilation providing five complete room air changes per hour to reduce the amount of dust," he continued. "They use a combination of latex and gasoline in their tire coating operation so all the electrical equipment in that area had to be explosion proof and there had to be an automatic fire extiguisher.

"THEY ALSO had to provide two yard hydrants on 10-inch water mains, which were independent of the municipal water supply. There was a river nearby, within 200 or 300 feet, and suction had to be set up," he noted, pointing out that none of the above-mentioned safety precautions were required by law in that country.

The expense required to install the items needed to meet HPR standards could be very high, Mr. Bame admitted. "There are sometimes equipment shortages and much of the needed equipment has to be imported. The costs can be extremely high."

However, to ease the pain that might be experienced by someone looking at the costs of the equipment, Mr. Bame explained that the insurance premium for the plant was reduced by some 55% after the HPR program began.

international report

"Where they would have been paying $101,250 for their coverage, they are now paying an annual premium of $45,450. That's an annual saving of $55,800."

MR. EVANS said that the HPR program was in force throughout the Continent but that it was "strongest in Belgium, Germany and the Netherlands. One of the reasons is that there have been rate increases recently on non-protected risks in Belgium and the Netherlands."

Mr. Sage felt that the number of large fire losses in Europe during the past few years was attributable to the fact that "Europe is now going through a phase similar to what this country went through 15 or 20 years ago.

"Interest in HPR is now being shown by purely European companies," he continued, "because what happened here is now happening there. Plants in Europe are now larger than they have ever been. The rate of production has increased. In Germany, they are working full out at maximum capacity and plant managers don't want to close down for a couple of days so the fire safety standards can be checked out or hazards cleaned up. And there have been indications of sabotage by disgruntled employes at some firms."

Both men agreed that there had been little official encouragement for fire safety.

"IN TERMS of fire prevention," Mr. Evans emphasized, "governments have been of no help. It has taken some large losses to open their eyes. The HPR program is designed to reduce fire waste and governments should really be interested in it."

They said that there was more of an awareness of the fire hazard now and as that awareness grew, so would HPR.

"The orientation of the program so far has been toward American companies," Mr. Evans noted, "but word of mouth has made purely European companies aware of HPR."

If a company decides to utilize the program's services, a continuing process of maintenance begins, according to the two men.

Once the program goes into effect, AFIA must be notified of any change in construction or manufacturing process. AFIA engineers, who are recruited in Europe, given basic training in Belgium and sent to America for the Factory Insurance Assn.'s lab course, conduct periodic inspections of all HPR facilities.

"I can't emphasize enough the importance of housekeeping to the HPR program," Mr. Evans said. "Management must be made very aware of fire prevention.

"This is a service we provide the customer to assist him to prevent fire loss," he continued, "and, in case of loss, to indemnify him. What it boils down to is summed up by what one of our assureds said: 'I'm in the business of manufacturing automobiles, not collecting on my insurance policies.' " ■

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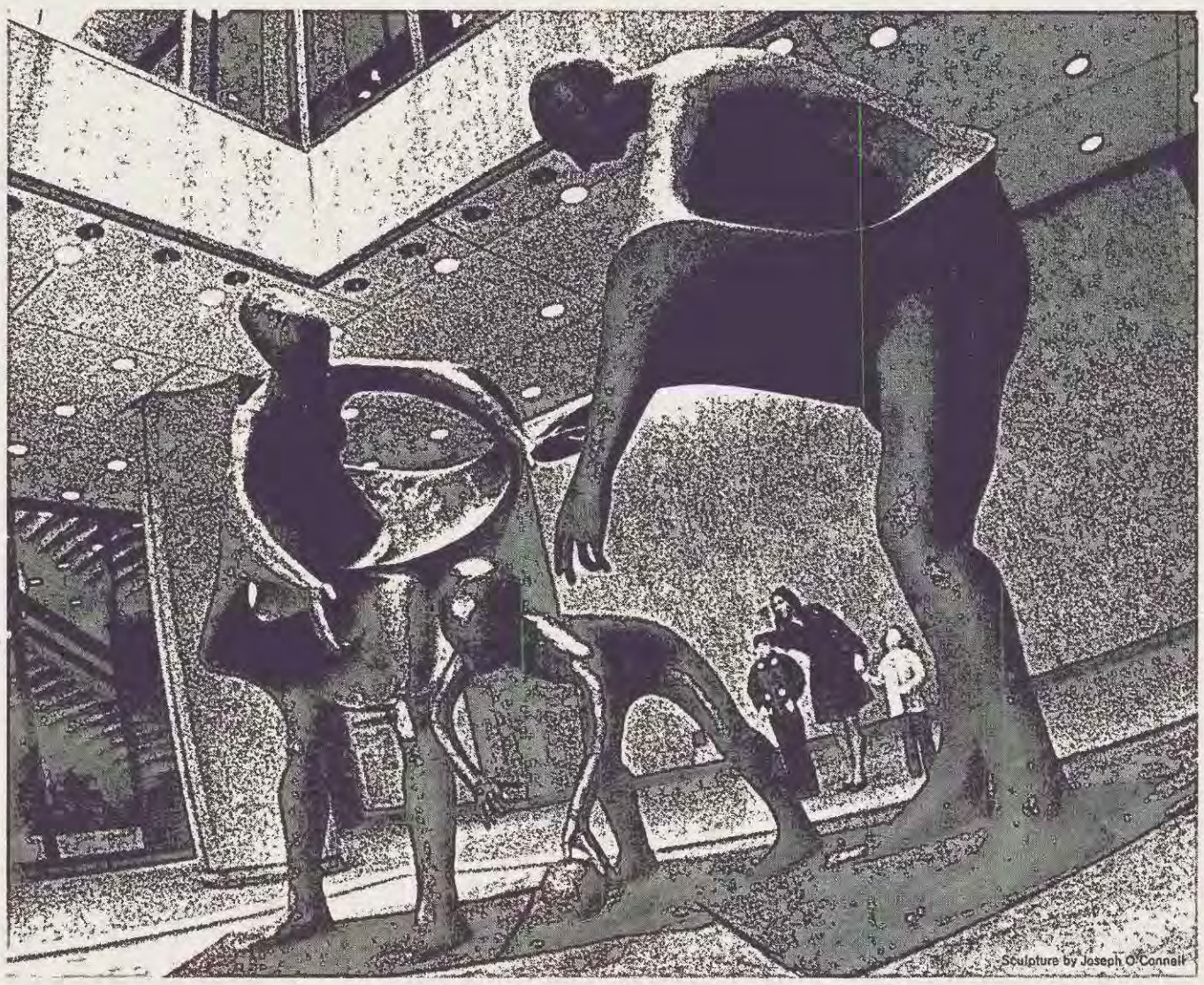

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Culture rules benefits in Orient, says actuary

CHICAGO—So you think you have problems with employe benefits and compensation?

Consider the case of a multinational company that decided to open a branch in the Far East in November.

In December its Oriental employes expected (and got) one month's salary as a Christmas bonus. Then, only two months later, Chinese New Year rolled around and the Far Eastern staff expected (and got) another month's salary as a bonus.

Such are the employe benefits problems tackled daily by Dr. Che Lin, one of the few consulting actuaries in the Far East, who recently opened an office in Hong Kong for Marsh & McLennan International.

international report

"WHAT THE AMERICAN firm coming into the Far East must know is that most social security

Dr. Che Lin

systems are just now developing, so the employer must provide benefits that would come from government sources in many Western countries," Dr. Lin explained on a recent visit to Chicago.

"Nevertheless the overall cost of the compensation package is much lower in the Orient, though benefits may take different forms than we know in the United States and the United Kingdom," he said.

Dr. Lin told *Business Insurance* that tradition and paternalism, rather than sound business practices, generally govern the design of fringe benefits in the Orient.

"Many companies located in the Far East are confronted with the fact that most of their employes were hired after World War II, when industrialization came to many areas, and that these employes are just now moving into retirement or into family situations in which employe benefits are more and more important," the Hong Kong visitor said.

GROUP LIFE insurance, group accident insurance and disability coverage are already considered

Continued on page 54

$48 million tunnel cover

HONG KONG—Construction work is proceeding toward the intended fall completion date of a mile-long tunnel under Hong Kong harbor. The tunnel will supply the island's first road link with the mainland.

The tunnel is insured under an all-risk policy for $48 million, with a third-party limit of $2.4 million. For any one accident Lloyd's share of this insurance is a little more than 20%.

In addition to third-party cover under contractors' indemnity, excess third-party cover has been placed at Lloyd's. Brokers involved in this major risk at Lloyd's are Alfred Blackmore and Co. Ltd. ■

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U.K. got 79% of U.S. reinsurance in 1969

WASHINGTON—In 1969 U.S. insurance companies paid $425.5 million for reinsurance from foreign insurers, 79% of which went to the British market, according to a Department of Commerce survey. The survey shows that $274.2 million was recovered for losses.

international report

U.S. insurance companies received $205.7 million in reinsurance premiums from foreign insurers in 1969, 65% of which came from Western Europe. Losses paid out on foreign reinsurance business totaled $163.2 million for the year.

The $151.3 million difference between premiums paid out by U.S. insurers and losses collected, said the survey, "is attributable in large measure to increased reinsurance premiums and reduced losses even with the loss caused by the Hurricane Camille." The $151.3 million excess figure, the report stated, is the highest ever. ■

Culture . . .

Continued from page 53

important benefits, he added, but retirement compensation is now becoming an important issue.

Maternity benefits are typically provided as soon as an employe is hired, he reported, but many Oriental births take place at home and the cost is not great.

Profit-sharing plans have made their bow in the Far East, but, according to Dr. Lin, "they are just beginning." And stock options are unheard of as employe benefits.

"Many companies in the Orient are family run," he explained, "and therefore one cannot see the balance sheet as one does with publicly traded companies in the U.S."

DR. LIN, who holds a master's degree and a doctorate from the Wharton school of business at University of Pennsylvania, served as the de facto insurance commissioner of Taiwan (Nationalist China) while he maintained an office in the Philippines. His title was "advisor on insurance to the minister of finance" on the island.

In his new assignment, Dr. Lin will serve as a consulting actuary on employe benefits in the Far East area ranging from Japan to Singapore.

He says of the property-liability insurance market in the Orient that it is "just opening up in reinsurance." The concentration of values in tankers and other locations poses a problem for the insurance facilities available in the Far East, yet international insurance sources seem now to be able to provide sufficient capacity, according to Dr. Lin. ■

Key word . . .

Continued from page 25

such as Switzerland, or even as far away as Australia, could apply for reciprocal facilities.

"I AGREE that the concept may seem far-fetched, and it will be up to U.S. insurance interests to decide what they want their administration to do, in any case, if this happens.

"But my view is that the facility will be there, to be taken advantage of. The purpose of the Common Market is to provide freedom of trade and services throughout its member nations in Western Europe. But because insurance is worldwide, the concept is being extended to other countries in any part of the world.

"The only problem will be that because American insurance laws are on a state-controlled basis, in some cases there will be difficulty in unifying them so as to comply with the future Common Market requirements, unless U.S. operators agree to moving under federal control." ■

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How do you think workmen's comp should be reformed?

The first comprehensive examination of the 60-year-old state system of workmen's compensation is now being conducted by the National Commission on State Workmen's Compensation Laws. Members of the commission have invited Business Insurance readers to express their views in this survey, and results of the survey will be considered as the commission drafts its final report for submission to the President in June. Fill in this questionnaire now and mail to Workmen's Compensation Survey, Business Insurance, 740 Rush St., Chicago, Ill. 60611. Be sure to indicate your name, title and company. This information wil remain confidential, but it is needed to provide the commission with an authentic survey of corporate insurance buyers.

1. **On the regulation of workmen's compensation, I favor:**
   - ☐ Continued regulation by the states without federal action.
   - ☐ Regulation by the states under uniform federal guidelines spelling out minimal coverages and procedures.
   - ☐ Federal takeover of workmen's compensation as an adjunct to Social Security.
2. **On meeting employer obligations under workmen's compensation, I favor:**
   - ☐ Allowing responsible employers to self-insure provided they offer good administration and proof of solvency.
   - ☐ Allowing states to prohibit self-insurance.
3. **On supplementing workmen's compensation benefits voluntarily or under union contracts, my company:**
   - ☐ Does not supplement workmen's compensation benefits.
   - ☐ Supplements by keeping work-injured employes on the payroll at a percentage of their regular pay.
   - ☐ Supplements with coverage under occupational disability insurance.
4. **About 20% of the nation's work force is not now covered by workmen's compensation because of numerical exemptions, excluded industries and voluntary laws in some states. On this question, I would:**
   - ☐ Leave present state law undisturbed.
   - ☐ Adopt federal guidelines to require coverage for most of the unprotected workers, with a form of interim coverage provided by the federal government.
5. **Do you have any suggestions for improving the administration of workmen's compensation, such as uniform forms, easier ways to report to state industrial commissions or other means?**
6. **Do you have any suggestions about how workmen's compensation litigation could be reduced?**

My name is _____ My title is _____

Company or organization _____

Address _____

Number of employes _____

Questionnaires must be mailed by March 15.

Seven 707s rescue dragline

SYDNEY, Australia—The world's second largest dragline was working at 2 a.m. on Monday, Feb. 1, 1971. It had been built in the U.S. by the Marion Power Shovel Co., had a 275-foot boom, and had been in operation in Australia since the latter part of 1967. It was being used to remove overburden, consisting of rock and soil, consistently in excess of 100 feet deep over a coal seam ranging from 10 feet to 25 feet in thickness.

The operator had just dumped 130 cubic yards of overburden, weighing approximately 195 tons, and was swinging the dragline back into a position where it could refill its bucket when the boom collapsed.

As soon as the loss occurred, it was assigned to F. G. Pumfrey, Wyatt & Co., loss adjusters at Brisbane, Australia. There was no replacement boom available and the key to the rebuilding of the machine and resumption of operations was a new boom that would have to be constructed at the site.

WHILE MATERIALS for a spare boom had been ordered

international report

some months previously, they were not scheduled for manufacture or delivery for approximately eight months. An investigation as to the availability of steel for a new boom in Australia showed that material of the proper quality and quantity was not available. When the search turned to the Marion Power Shovel Co. in the U.S., it was found that although it had begun to stockpile special steel for the construction of a new boom, its supply was inadequate.

It finally became necessary to have Bethlehem Steel Corp. make an emergency rolling of the required steel. When the boom materials had been fabricated, they were flown in seven 707 jet freighters from Cleveland to Brisbane. The total elapsed flying time for each jet was approximately 22 hours and covered approximately 13,000 miles. The materials shipped consisted of twelve high-strength, steel structual shapes rolled at the Bethlehem, Pa., plant of the Bethlehem

Continued on page 58

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• **Effects of Nixon's Economic Plan on Insurance Programs** is the topic of a recent article by Henry G. Parker III, manager of the international operations of Chubb & Son Inc., reprinted from the Journal of Commerce. The report examines the principle changes affecting international insurance programs of U.S. multinational corporations. Particular emphasis is put on changes in the insurance valuation of overseas plants, equipment and inventory and application of Phase II controls to premium rates for contracts insuring overseas properties and liabilities. For a copy, write the international division, Chubb & Son Inc., 90 John St., New York, N.Y. 10038.

• **International Credit and Finance in the 1970's,** a brochure by Francis X. Boylan, assistant vice president of Alexander & Alexander Inc., examines the Export Expansion Finance Act of 1972 and its implications in regard to a closer partnership of the Export-Import Bank of the U.S. and the Foreign Credit Insurance Assn. For a free copy write the director of communications, Alexander & Alexander Inc., 225 Broadway, New York, N.Y. 10007.

• Wohlreich & Anderson Ltd. has made available a booklet concerning **Overseas Builders Risks.** The pamphlet discusses many of the problems which often confront agents, brokers and insureds engaged in overseas operations. For a free copy write the company at 55 John St., New York, N.Y. 10038.

• **COPE, Combined Overseas Protection for Executives,** details coverages in a new plan including personal property and personal effects, comprehensive personal liability, personal excess and catastrophe liability and credit card liability. The booklet outlines coverage, various options and costs, eligibility requirements and other data. Write COPE, St. Paul Mercury Insurance Co., 18th floor, 110 William St., New York, N.Y. 10038.

• **Personal Insurance For The Expatriate Employee,** a reprint from the International Insurance Monitor by George C. Byrne, personal lines manager—international division, Chubb & Son, is available by writing the international division, Chubb & Son Inc., 90 John St., New York, N.Y. 10038.

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international report

• The Foreign Credit Insurance Assn. has issued a **Summary of Export Credit Insurance** describing the commercial credit and political risk insurance provided by FCIA in cooperation with the Export-Import Bank of the U.S. The brochure is one of a number of materials detailing this vital risk protection in a kit for U.S. exporters, bankers and insurance brokers. These complimentary kits are available by writing the business development department, Foreign Credit Insurance Assn., 250 Broadway, New York, N.Y. 10007.

• The third issue of the **INSUROPE NEWSCOPE** has just been published, containing information about the most recent developments in statutory and supplementary employe benefits in seven European countries. Copies are available, free of charge, from the Insurope Secretariat, 45 Boulevard Bischoffsheim, 1000 Brussels, Belgium.

• **The Character of Lloyd's** contains a nutshell history, anecdotes and a description of the workings of the world's oldest insurance organization. For your free copy write Wohlreich & Anderson Ltd., 55 John St., New York, N.Y. 10038.

• Chubb & Son has updated its **International Employees Personal Insurance Plan** by the addition of optional transit coverage and personal accident insurance. The newly revised brochure outlining the plan is available upon request from the international division, Chubb & Son Inc., 90 John St., New York, N.Y. 10038.

• **Employe Benefits Trends and Practices in the Far East** is a brochure produced by Marsh & McLennan International. The booklet offers a country-by-country look at the current benefits situation and the new trends which appear to be developing in the Far East. For your copy write the company, 70 Pine St., New York, N.Y. 10005.

• **Johnson & Higgins International Bulletin, January, 1972,** includes items on social security changes in Japan, Canada, Portugal and Germany and discusses

the future of international agreements on social security. Other topics include pension strategies in the United Kingdom and recent developments in Australian regarding superannuation. For a free copy write Donald R. Marcy, consultant, Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

• **Concepts in Global Insurance Coverage** is a new 10-page brochure describing the Chubb approach to property and liability risks peculiar to the multinational corporation. The booklet includes several packaging techniques which assist the corporate insurance buyer and his broker in obtaining a centralized, unified insurance program with standardized policy formats. For a copy, write the international division, Chubb & Son Inc., 90 John St., New York, N.Y. 10038.

• The International Benefits Information Service offers the **IBIS Briefing Service,** a monthly newsletter highlighting current developments in the international employe benefits field and **IBIS Reference Manuals,** continuously updated, loose-leaf manuals for countries which are important industrially and have well developed employe benefit structures. Both services are available on a subscription basis. For more information write IBIS, 1251 Ave. of the Americas, New York, N.Y. 10020, or Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606.

• The Swiss Life Insurance and Pension Co. has made available **Legislative Developments in Switzerland,** a summary of recent legal developments and their effect on the Swiss three-pillar concept of state social security occupational schemes and provisions by individuals. For your free copy write the international department, Swiss Life Insurance and Pension Co., General Guisan Quai 40, 8022, Zurich, Switzerland.

• The Marine Office—Appleton & Cox Corp. has made available a reprint of **Marine Insurance Today—and Tomorrow** by John B. Ricker Jr., charman of MOAC. The article deals with most major aspects of marine insurance in relation to the changing world situation. For copies contact MOAC, 123 William St., New York, N.Y. 10038.

• **Contractors All Risk Insurance,** presented by American International Underwriters, explains in detail all the coverages AIU can provide a contractor or builder doing business overseas, as well as the special engineering and claims facilities the company has to offer. To order write American International Underwriters, Dept. A-14, 102 Maiden Ln., New York, N.Y. 10005.

• George B. Buck Consulting Actuaries Inc. has produced **Canadian Government Issues New Rules Affecting Pension Plans,** an explanatory summary of a Canadian Department of National Revenue circular pertaining to pension plans and the tax deductibility of employer contributions in Canada. Write the company at 2 Penn Plaza, New York, N.Y. 10001 for copies.

• American International Underwriters has made available **General Third Party Liability Insurance,** a brochure explaining the need for third-party liability insurance overseas and the various exposures that AIU can cover under its broad policy format. For your free copy write the company at 102 Maiden Ln., New York, N.Y. 10005, indicating Dept. A-14.

• Marsh & McLennan International, 70 Pine St., New York, N.Y. 10005 has made available a speech by Don Boden, managing director of the company's Benefits International Ltd., London, entitled **European Employee Benefits.** The booklet deals with the current European situation and its problems, emphasizing (among other things) the functions of a global pension plan and organizational approaches in establishing international operation pension plans. The pamphlet includes charts, graphs and other explanatory aids and is available from the company.

• **Swiss Life's Master Cover Contract** explains the purpose and outlines a number of the features of Swiss Life's umbrella agreement for multinational firms. The booklet is free by writing the company's international department, General Guisan Quai 40, 8022 Zurich, Switzerland.

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Dragline . . .

Continued from page 55

Steel Corp., each 37 feet long, and weighing 10,000 pounds. Also included was pipe of various lengths and assorted crane hardware.

The cost of producing the boom materials by Bethlehem Steel Corp. and Marion Power Shovel Co. was $375,000. The cost of air freight to Brisbane for the specially chartered jets ran $390,000

The extreme expediting measures taken to get the dragline back into operation were necessary because with the huge machine not running, coal production at the mine was virtually at a standstill. The coal from the mine would normally have been delivered to Japanese steel mills through Mitsui, a partner in the mining venture, and also to Australia's booming aluminum industry. The dragline was completely rebuilt and commenced normal operations at 4:45 p.m. on April 16, 1971, having experienced a down time of 75 days.

THE DRAGLINE is electrically powered, weighs 6,600 tons, and the bucket alone weights 150 tons. The dragline removes overburden from the coal seam at a rate of 6,500 tons per hour. The machine operates 24 hours a day, seven days a week.

The total property damage and business interruption loss, after application of the deductibles, was well in excess of $3 million.

The all-risk property damage and business interruption coverage for the mining equipment had been placed by Peabody Coal Co. through Louis Lange Jr., vp and director of R. B. Jones Corp. in Kansas City, and Peter Gaffaney, managing director of R. B. Jones (Australia) Ltd. in Sydney. Capacity had been obtained through many insurance markets, principally in Lloyd's and British companies through the London brokerage firm of Hogg, Robinson & Gardner Mountain (Insurance)

international report

Ltd., and in U.S. and Australian insurance companies.

In placing the coverage, R. B. Jones' engineers' estimates of the probable maximum loss were quite accurate, except that the reconstruction of the Marion type 8900 dragline was accomplished in less time than was anticipated because the boom sections were flown to Australia rather than taken by ship.

Now Thiess-Peabody Mitsui Coal Pty. Ltd. has the spare materials for a second boom on the premises in Australia so that if a loss should be encountered, the down time would be considerably less than before. Aso, several small draglines are now in operation at the mine to reduce the heavy reliance formerly placed on the large dragline. ■

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RATES AND CLOSING TIME: *$2.00 per line, minimum charge $8.00.* **Cash with order.** *Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of $18.00 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611.*

PROFESSIONALS & EXECUTIVES

We know of opportunities in corporate insurance departments & with insurance companies in Casualty, Property, Life, Accident & Health, Group & Employee Benefit Insurance with salaries from $16,000 to $40,000. Openings for Regional & Field Sales Manager, Agency Director, Employee Benefits Manager, Actuary, Corporate Insurance Director, Administrative Officer, Underwriting Officer, Mortgage Loan Director & similar managerial positions. Replies receive confidential, personalized treatment; 23 years in personnel consulting; employers pay fees. **R. H. Huntington, TOMSETT ASSOCIATES, INC., 117 S. 17 St., Philadelphia, Pa. 19103**

GET RESULTS HERE

ASSISTANT INSURANCE MANAGER

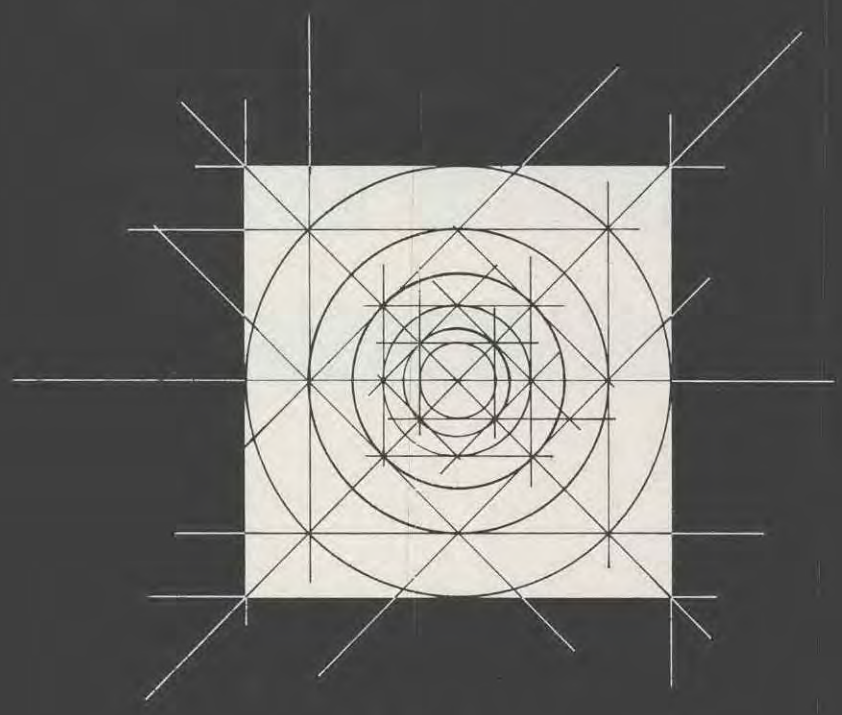
A multi-plant, midwestern based company is currently seeking an individual to assist the Corporate Insurance Manager in the risk management function. The incumbent will report directly to the Manager with supervisory responsibility for department staff. Responsibilities will include development, analysis, evaluation and establishment of insurance and self-insurance programs to include risk reduction and elimination.

Requirements include minimum of 5 years' experience with a Corporate Insurance Department; working knowledge of marine, fire, casualty, fidelity, and surety coverage and claims.

For consideration, forward resume including salary history to:

Box 225, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

AN EQUAL OPPORTUNITY EMPLOYER M/F



The shape of things to come.

Be ready!

If you are the person in your *group* or *association* that picks the policies your organization makes available to its membership, then consider the shape of the future. Most medical policies, for example, cover only a limited portion of regular hospital expenses. The real cost of hospitalization—and continuing family expenses at home—can be much more.

Bankers Security's Hospital Indemnity Plan, now available* for your organization, can provide each insured member with *cash* during his hospitalization. Benefits of up to $1,000 per month are paid directly to the individual for use *at his discretion, and regardless of any other benefits he receives.* Premiums are low and coverage can be extended to a member's spouse and children, too. ** in most states*

Bankers' Hospital Indemnity Plan has the shape of tomorrow — today.

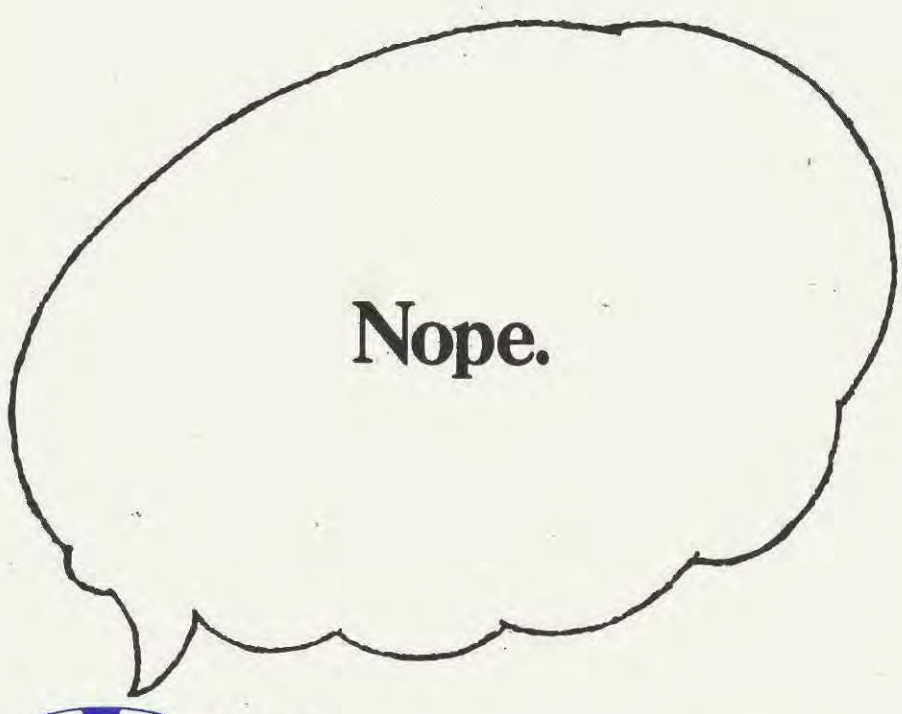
Bankers Security

Leaders in Insurance for Better Living.

CONTACT YOUR NEAREST BANKERS GENERAL AGENT OR WRITE:

Bankers Security Life Insurance Society, Executive Office, 1701 Pennsylvania Avenue, N.W., Washington, D.C., 20006 ■ Home Office: New York City

If you only have one business–is there any reason you need more than one business insurance policy?



No sir.

If you have several different policies, you probably have several too many. Your coverage might over-lap in some areas, or may leave you unprotected in others.

Or both.

One policy is all you need: Allstate's Business Package Policy.

It fits almost every type of business and offers almost every type of coverage.

All your Property and Liability insurance is in the package. Plus, if you want it, Automobile, Business Income, Burglary, Vandalism insurance . . . the works.

As much or as little as you want.

It's simple: one premium, one agent, one company. And just one more reason you should hook-up with Allstate.

If you're like most, you'll save money.

Think *one:* Allstate. Next time you need a quote, call us.

Allstate®
BUSINESS INSURANCE

Available in most states. Allstate Insurance Company.