'75 may be tight year, say insurers; buyers wary

By MARGARET LEROUX

NEW YORK—It was with good riddance rather than fond farewell that the insurance industry rang out 1974. Virtually all spokesmen agreed the year was one of the worst in history; featuring enormous underwriting losses, spiraling inflation and surpluses devoured by the stock market bear.

As a result of the beating the industry took in 1974, insurance buyers can expect recovery measures, in the form of higher insurance policy rates and an extremely tight market situation in 1975.

One analyst close to the insurance industry warned buyers to expect increased rates "across the board."

"It's pretty hard to be optimistic about 1975 with the rate of inflation we're experiencing," Raymond L. Dirks, formerly an insurance industry analyst and now an institutional salesman, said. "It's been a buyers' market for a long time, but it's not going to last."

Other insurance industry outlooks for 1975 include property—p. 8, casualty—p. 3 and legislative—p. 4.

J. E. Luecke, senior vp and underwriting manager at Kemper Insurance Co., told *Business Insurance* "increases in prices in all lines are in store."

"I'm not a pessimist," he noted, "but we could be faced with a capacity crunch if conditions get any worse."

Risk managers, too, see some tightening of insurance markets this year, coupled with higher rates and premiums. Daniel E. Sullivan, insurance manager for Northern Electric Co., Montreal, says "there's no doubt" in his mind that the cost of insurance is going up.

"One thing we see here in Canada is that the rate of inflation has been increasing all year, and you're going to have the 12% inflation built into any premium cost. I personally believe in insuring to value, and recognize that premiums will reflect the very high inflationary costs we have," Mr. Sullivan explained.

"As an insurance buyer I feel I'm going to have to work a little harder in the loss prevention field to assure

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Accounting rules to affect risk funding, could force firms to wipe out reserves

By SUSAN ALT

CHICAGO—The imminent adoption of new accounting rules proposed by the Financial Accounting Standards Board could force the removal of substantial reserves from the books of many large and small corporations that choose to self-insure or assume their risks.

The FASB is also expected to prohibit publicly-owned companies from setting aside earnings in the future for these loss reserves, unless companies can show that losses have already occurred and the amounts can be "reasonably estimated."

A third condition that must be present before enlarging accumulated reserves is the expectation of further events confirming the loss and the amount of it.

THE IMPACT of these rules, at worst, would be to "deny the risk manager the option to self-insure or use a captive insurance company, thus dictating the use of the commercial insurance market," declared the Risk and Insurance Management Society (RIMS, formerly the American Society of Insurance Management) in a formal letter sent to the FASB after it revealed the proposed rules.

The FASB, which determines standards of accounting for corporations whose statements are to be certified by public auditing firms, is trying to assure that investors are presented with an accurate picture of corporate operations.

No one argues with that laudable goal, but the battle rages over the methods to achieve it.

Many corporations have toted up ledger accounts totalling millions of dollars against the risk of losses which could arise out of uninsured of self-insured risks. These are sometimes referred to as reserves, although they are no more than bookkeeping entries called accruals used to reduce profits by debiting an expense category. The allotments or reserves can also be decreased by corporations in periods when higher profits are desired.

The overall effect is one of smoothing out wide swings in corporate earnings from one year to the next, a result the FASB believes is undesirable.

The accrual method of accounting involves recording income and expenses as earned or incurred regardless of when the payment was actually made or received.

The rules, proposed by the FASB in October, would also impose strict limitations on catastrophe reserves set up by insurance companies for possible future losses. These too, are merely bookkeeping accruals used in the corporate ledgers set up for shareholder reporting purposes.

PROPOSED FASB rules governing insurance company contingency reserves would limit the use of accrual accounting for captive insurance companies. Moreover, the FASB said in its proposed rules applying to corporations which self-insure or choose not to insure certain risks that it considers risks "transferred to an affiliated insurance company and not reinsured with an independent insurer" the same as uninsured risks for the purpose of determining whether reserves can be accumulated on the books.

SOME RISK managers are speculating that the Securities and Exchange Commission is guiding the FASB's hand on these rules, because the SEC believes there have been abuses of the very flexible rules now in effect on the use of accruals for future losses.

There may have been infrequent abuses during years when corporations made high profits, a few insurance managers conceded to *Business Insurance*. But most maintained that companies have not misused the privilege of apportioning foreseeable expenses or losses over multiple reporting periods.

Reaction among risk managers, brokers and consultants to the proposed rules ranges from:

- near-panic over a severe restriction this could place on a risk manager's options in funding risks, by limiting the use of captives and self-insurance;
- alarm because of an insurance market contraction this could cause by removing capacity added in recent years with the increase in captives;
- dismay at the emphasis the FASB places on the importance of transferring risks to commercial insurers;
- confusion over the vagueness of the drafted rules setting prior conditions necessary for reserving; to
- calm assurance that the rules could even help self-insurance and the use of captives to a certain extent.

IN ANY CASE, the Stamford, Ct.-based accounting standards body received strong response to its call for comment on the proposed guidelines. In all, the FASB received 192 letters from organizations which included RIMS and many of the nation's largest corporations which have commonly allocated dollars on their books for future estimated losses. Many of the responding companies also operate captive insurance underwriting subsidiaries, either as "pure" captives underwriting only parent company risks or as general insurers writing outside business as well.

The FASB is no longer accepting any comments, and expects to move into final deliberation in the near future, with the rules to be issued "hopefully in the first quarter of the year," according to a spokesman.

The fact that some companies accumulate reserves for some types of future losses and

Continued on page 2

Info for buyers

This special issue is the fifth annual guide to over 200 of the latest information sources available to risk managers and others involved in insurance-related jobs. These study guides are published by suppliers of insurance and loss prevention products, as well as consultants and other providers of services. The special section starts on page 37.

Biggest stories—1974 in review

- **BANK LIABILITY** for the value of safe deposit box contents was viewed as a possible outcome of court cases in California, where litigation involved a $40.8 million suit against United California Bank following a $5 million heist of safe deposit boxes from a UCB branch in a posh suburb. **February 18.** Banks began seeking insurance against such eventual liabilities. **June 24.**
- **VINYL CHLORIDE** was found to be a major new occupational hazard when B. F. Goodrich disclosed it had traced four worker deaths to a rare cancer caused by the chemical. **February 18.** The findings spurred worldwide investigations, safety standards set by OSHA, and alarm among underwriters and employers, as reported in the Apr. 1, May 27, June 10 and July 22 issues of this magazine.
- **THE WORST AIR CRASH** in history occurred when a Turkish Airlines DC10 jumbo jet when down outside Paris, killing 346. **March 18.** Shortly afterward, product liability suits totalling more than $134 million were filed against the U.S. maker of the craft because of alleged malfunction and safety problems. **April 17** and **April 29.**
- **PREGNANCY IS A DISABILITY,** said a federal district court, ruling against General Electric Co. in a case concerning disability benefits for pregnant employes. The landmark case, currently being appealed by GE, was seen as an indicator of court views of discriminatory benefit provisions under group plans. **April 29.**
- **LOSS RESERVES AND CAPTIVES** were topics tackled by the Financial Accounting Standards Board in new hearings on issues of self-insurance programs and disclosures by corporations. **April 29.**
- **CAPTIVE INSURANCE SUBSIDIARIES** were expanded into writing outside business (risks other than those of the parent company) in a major way, which was the focus of conversations at the spring ASIM conference in Toronto. **May 13.**

Continued on page 3

Rules may also have tax impact . . .

Continued from page 1

others don't is what the FASB is trying to correct by providing some consistency. The types of contingencies under review, cited in drafted rules include:

- uninsured risks ordinarily insured against (sometimes referred to as self-insured risks;)
- risk of losses from catastrophes assumed by property and casualty insurance and reinsurance companies;
- threat of expropriation of assets;
- pending or threatened litigation;
- actual or possible claims and assessments;
- guarantees of indebtedness of others;
- obligations of commercial banks under standby letters of credit;
- agreements to repurchase receivables that have been sold;
- warranty obligations.

Drafted rules would also make it mandatory for corporations to make rather detailed disclosures of "reasonably possible" future losses from uninsured risks even when they have not been accrued.

Drafted rules indicate that few, if any uninsured risks or self-insured risks (including those retained in a captive and not reinsured) could be reserved by charges against current earnings.

"Self-insurance does not transfer risks to outsiders and is, therefore, no insurance. To report activity when there has been none would obscure a fundamental difference in managerial policy between enterprises which transfer risks to others and those that do not," the FASB reasoned.

"These rules will, in effect, do away with captives," contended an irate observer. "Risk managers can still use a captive, sure, but they cannot accrue through a captive, and that's one of the main purposes of using a captive, to accrue for losses."

And a spokesman for RIMS added: "The effect of precluding a corporation from accruing for losses that have not yet occurred, but which experience and statistics show have a very strong possibility of occurring, will leave the risk manager little alternative than to insure these risks in the commercial market. If he chooses to self-insure or use a captive he will not be able to accrue for possible catastrophic losses. And because he may not want to face the possibility of experiencing a complete (catastrophic) loss in one fiscal year, his only alternative is to go to the commercial insurance market."

A. HUNTER LONG, former risk manager now with the national services division of Frank B. Hall Corp., sees the impact in a slightly different light, however. "The rules could mean the end of captives," he acknowledged, noting that if companies aren't allowed to create certain kinds of internal funds, they may want to create new kinds of external funds.

"On the financing side you're going to see some innovative approaches to funding for contingencies," he predicted. "From the insurance standpoint, maybe companies will go to a kind of retrospective approach like a participating plan. This will force major corporations to look more closely at risk management, which is good. There will be certain types of insurable risks they won't be able to fund for, and they'll have to focus on how to control them, which is the management side of risk management."

SO-CALLED participating plans were mentioned by several brokers and consultants as alternatives which could be used to fund risks should the FASB rules hamper some self-insurance or captive efforts. A participating plan, said Warren, McVeigh, Griffin & Huntington in its Practical Risk Management publication, is a fully insured plan, subject to participating dividends, in which the insured uses tax-deductible premium dollars to build a reserve with the insurer. This reserve can be recalled at any appropriate time, by having the insurer agree to declare dividends in an amount and at a time which is based on the insured's request.

Joseph A. Destein, president of the Anistics division of Alexander & Alexander, stated that "if risk managers conceptually believe that reserves are a necessity, they will have to find other ways to accomplish the same objective. The alternative that comes most directly to mind is working out some new kinds of insurable agreements with insurance companies. There may also be an expanded use of captives," he predicted.

ONE ADVANTAGE of using a captive as the vehicle for implementing some kinds of insurance agreements with traditional markets is that with a captive a company can take entire incurred losses as deductible expenses in a given period. Under a self-insured plan, a company can take a deduction only when the loss has been paid.

Some kinds of insured plans which brokers and consultants believe will benefit from any new FASB rules are ones involving better use of corporate cash kept in bank accounts. Some examples of such arrangements are split payment plans, under which a certain portion of the premium is paid with promissory notes; insured cash flow plans in which an insurer collects only minimum amounts during a policy year, usually paid losses and administrative expenses, with the balance paid on a retrospective basis; or the use of bank funds belonging to the insured such as compensating balances or special checking accounts from which the insurer can pay claims and expenses while the insured treats the fund as a deductible premium for insurance.

ONE KIND of plan using a captive as a reinsurance vehicle for an insured plan utilizes a traditional insurer as a fronting company. The insurered promises payment of losses with a letter of credit, or pays the cost of primary coverage plus expenses and profit to the insurer while taking the premium for the reinsured portion of the risk into the captive for investment. Further information is available from the Warren, McVeigh publication.

A possible solution to the need to continue apportioning projected losses by expensing dollars paid to captives would be to avoid consolidating a captive into the parent company's balance sheet for reporting purposes, said one risk management consultant. This consultant, however, is currently checking on the legality of such a practice. "If there is no consolidation, then it would be only an expense on the parent's side, not offset by income for the captive. The objective of all this is to get an expense shown on the books of the parent company to level income."

Although these accounting rules are strictly for financial reporting purposes, it is unclear what impact they could have on certain tax issues. One such issue is the matter of expensing (and therefore deducting from before-tax profits) self-insured workers' compensation losses which have been incurred (claims filed) but which have not yet been fully paid.

ANOTHER ISSUE is how much fuel this provides for the Internal Revenue Service position that dollars paid into captive insurers are not deductible as insurance premium expense because they represent a transfer of self-insurance reserves. Companies insuring through captives continue to fight this IRS position on a case by case basis, and some fear the FASB language merely reinforces the IRS.

Price Waterhouse & Co. partner and tax accountant Marianne Burge says that under the proposed rules, "the risk manager would still have three basic options . . . he can insure, noninsure or insure through a captive. I don't think the tax implications are that serious. It is regrettable that the board does not distinguish between the various forms of insurance, and does not differentiate between noninsurance and insurance with an affiliated insurance company.

"But I'm not sure it would completely destroy a taxpayer's defense of a captive," she continued. "It doesn't alter the situation of a captive. It will probably go to the courts, and then the merits of a captive will have to be defended."

This view is not universal, however. Rules by an accounting body using language that says captives are the same as self-insurance could clearly complicate the argument over deductions taken for premiums paid to captives,

Thus, "it would be very deleterious to the establishment and use of captive insurance companies," in the view of Charles Groves, chairman of the executive committee of Frank B. Hall Management Co., Denver, an advocate of Colorado captives.

The FASB's position that it doesn't want reserves on the books for uninsured losses is no major change from present rules, say some accountants. The rule "has always been that you don't set up reserves against future losses by setting aside earnings," said an auditor familiar with risk management accounting.

NORMALLY RISK managers don't do their own accounting, this magazine was told; that's generally the job of the accounting department. But risk managers at the very least have to provide certain information to the accounting department on past and projected losses to be paid, acting almost as actuaries in areas where firms are self-insured.

The companies which accrue for projected future losses as a usual practice—and there are many, according to knowledgeable sources—do so with a debit to insurance expense or a similar category of expenses, and a credit entry to accrued insurance or insurance payable account.

The FASB rules would still allow companies to set aside reserves out of retained earnings, with the proper disclosure to shareholders. ■

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BI names Wash. editor; LA staffer is appointed

NEW YORK—Richard L. Gordon was named Washington editor of *Business Insurance* and its sister publication, *Pensions & Investments.*

In another editorial move, the magazines added a full-time associate editor in Los Angeles, Joanne Gamblin.

At the same time, Marie Krackowiecki will leave *P&I* and rejoin the *Business Insurance* editorial staff as an associate editor, New York. Ms. Krackowiecki replaces Judi Talit, who left the company.

Mr. Gordon joined Crain Communications Inc., publisher of both magazines, in September, 1973, as an associate editor of *Pensions & Investments* after five years experience with the Trib newspaper in suburban Chicago, City News Bureau and the Wall Street Journal.

Ms. Gamlin joins Crain after freelancing as a business reporter for the past year. Previously, she was a reporter for Home Furnishings Daily in New York, Chicago and Los Angeles. ■

Exceptions: Medical malpractice and product liability

Casualty market could improve in '75, say some

By ELISABETH M. WECHSLER

CHICAGO—The outlook for the casualty market in 1975 represents a mix of cautious optimism and outright pessimism, depending on the area of coverage and the person being questioned.

"Companies that bought in on a loss basis will find premium increases in the future, said Leonard Pollack, assistant treasurer and director of insurance for Loews Corp. "I see a firming of the (casualty) market but don't think it'll be that bad," he said, qualifying his remarks by adding: "If the stock market goes up."

"AN INCREASE in insurance costs for 1975 is expected," said Charles T. Tagman Jr., senior consultant with Betterley Assoc., Boston. "There won't be a considerable impact on competitive business but insurance companies probably will want their money sooner," he added.

"If the condition of the security market, rate of inflation and rate of unemployment don't get any worse, then the underwriters will be able to cope," according to Joseph E. Luecke, senior vp and underwriter manager for the Kemper Insurance Co. Mr. Luecke added that if any one area does get worse, there could be "serious implications."

Warren G. Brockmeier of the Wyatt Co. thinks it's a "poor time to shop for insurance" because the market is tight. "Corporations will face increases from their insurance companies but they'll have little opportunity to improve on that (by shopping around)," he said.

"The broker will increase in importance in 1975," Mr. Brockmeier believes.

"Any submission (for bid) on casualty should spell out safety and quality control programs," Mr. Brockmeier advised.

"If the new financial accounting standards are adopted with the reserving for contingencies requirement, then I see an increase in industry-controlled captives," he said.

One area of casualty coverage that brings grim predictions for 1975 is medical malpractice coverage. "It's one of the most difficult areas facing the insurance market," said John L. Crosby, national service officer for casualty, Marsh & McLennan Inc.

One immediate solution he offered was to change from an occurrence basis to a claims-made basis. "The traditional way of insuring liability has been that the carrier of risk at the time the injury or accident occurred was the carrier that paid the loss regardless of when the claim was brought," Mr. Crosby said. The advantage of changing to a claims-made basis is that the insurance company can avoid predicting their costs too far in the future, he explained.

"THE TREND (in medical malpractice coverage) is fantastic," Betterley's Mr. Tagman said. "Individual buyers or societies will have a hard time in 1975. Some governmental bureau on a state or federal level may have to be set up," he said, adding that he could "see no-fault for medical malpractice in the next 10 years."

An assigned-risk plan in which all insurance companies in a given state are required to share in the risk was suggested by Wyatt's Mr. Brockmeier as a possible solution to the medical malpractice situation.

"Under this system you'd get a number of companies as administrators—probably the leading carriers in malpractice now—but all liability carriers in the state would share in the coverage and the risk," Mr. Brockmeier said.

Other markets for professional liability coverage are apparently in somewhat better shape. "Accountants, brokers and lawyers will have to stand on their own two feet," Mr. Brockmeier said, as far as obtaining their own coverage without an assigned risk plan. "Carriers are still willing to write that coverage."

Directors' and officers' liability "will tighten up mainly for insureds in industries hard hit by the economy," Mr. Brockmeier predicted. "For those industries underwriters will be more selective, premiums are going up and there'll be a limited choice of carriers."

Fiduciary liability insurance will be high-priced until "we find out what's involved," Mr. Brockmeier believes. "There's no standardization of policies yet." He predicts no significant settlements in 1975.

"ALL COMPANIES need some protection (for fiduciaries) but we have to look at costs," said Loews' Mr. Pollack. "We have to see what the policy really will cover. Will it be a fidelity-type policy or will it cover (fiduciary) misadjustment?"

"More errors and omissions coverage and fiduciary liability insurance is being purchased," says Jerry R. Lane, insurance manager for Darling & Co. "Both can provice the coverage. It depends how the pension plan is written;" he said. He added that his company will buy fiduciary liability insurance because "we must protect the individual fiduciary as trustee even though we feel we are observing the prudent man rule as it is."

Product liability coverage seems to be the hottest of the casualty lines next to professional liability. "People are more claims conscious," Mr. Lane said. Darling & Co. doesn't expect an increase in product liability claims, he said, because of internal quality controls and a low product liability exposure.

"The general trend in product liability is an increase in the number and severity of claims," said Mr. Brockmeier. "A couple of decades ago, carriers were making money on it. Now it's second (in claims) only to medical malpractice." He advised good product quality control and an emphasis on keeping adequate records.

"One of the problems (of product liability) is the long tail—the product often was made years ago," said Mr. Crosby of Marsh & McLennan. "It all ties into inflation and apparent liberal court judgments. What was charged for a premium five years ago based on the economy then could mean a loss today," he explained.

Mr. Tagman of Betterley predicts that product liability "will stand alone" in the future. In other words, underwriters will charge a premium for product liability as a separate line. He said that the liability cost in 1970 was about 7¢ per $100 in corporate sales. In 1973 the cost was 9.5¢ per $100 in sales, representing a 36% increase, he pointed out.

IN THE GENERAL liability area, Mr. Luecke of Kemper predicts overall rate increases "above 20%" for 1975.

Fireman's Fund Insurance Co. offers a "multi-cover" endorsement to comprehensive general liability (CGL) coverage, according to John Narita, underwriter for the San Francisco branch office. Included are 11 extensions, with restrictions in some areas, for a minimum premium of $25. Some of the extensions are: Blanket contractual, personal injury liability, fire or explosion, legal liability, broad form property damage and elimination of restrictions on care, custody and control, worldwide product liability and incidental medical malpractice for employes of the insured, Mr. Narita said.

"I see no problem with the umbrella liability," said Mr. Lane. "It's the primary coverage that's causing the problem."

IN THE WORKERS' compensation area, Mr. Brockmeier sees "substantial rate increases for states coming into line with recommended benefits of the national commission report." He added that coverage of occupational disease exposures is "hurting some industries like coal."

Mr. Lane predicts more problems in workers' compensation because of higher unemployment. "You'll find more workers getting hurt on the job" presumably to collect benefits, Mr. Lane pointed out.

"Increases for workers' compensation will average 10% to 12% higher, with 25% to 35% in some states," Kemper's Mr. Luecke predicts. "It's completely dependent on the legislated benefit levels and loss experience," he explained.

Kidnap and ransom insurance seems to have disappeared from the spotlight. "It's not a hot subject now, not even with banks," Mr. Brockmeier said. He cited the relative inactivity of extremist groups as the reason.

For airlines' liability insurance, Mr. Brockmeier believes there should be admitted liability for all injuries and death, with a maximum limit on damages. "There should be automatic payment of medical and funeral expenses, lost earnings and punitive damages," he said, adding that he doesn't think it will happen "until 1980 or so." ■

Top Stories—1974

• **D&O INSURANCE** underwritten by Lloyd's covered a $3.8 million settlement of suits by a bankruptcy trustee against R. Hoe & Co. officials. The record-setting payout under this kind of liability policy was supplemented with $1.3 million in damages paid by Hoe's auditors, a leading accounting firm, highlighting the growing liability risks for accountants who certify corporate statements. **June 10.**

• **MALPRACTICE INSURANCE** coverage for members of the New York State Medical Society was cancelled by Employers of Wausau, the signal of worsening problems for doctors hit with big damage suits and liable for skyrocketing jury awards. **January 21.** Later in the year (June 10) Argonaut underwrote that policy for New York medics, ending a seven-month search for an insurer. In July, yet another large group of doctors in Maryland lost their coverage.

• **BRITAIN'S LARGEST** peacetime disaster occurred when the Nypro chemical plant exploded and burned, killing 29. Insurance claims totalling more than $100 million were filed. The accident underscored increasing concern about property protection and conservation abroad. **June 24.**

• **THE SANTA BARBARA OIL SPILL** of 1969 caused disastrous destruction of animal life and California coastlines, sparking damage suits claiming millions of dollars. Four oil companies and a drilling firm settled out of court, agreeing to pay $9.7 million in insured damages to the state of California. **August 5.**

• **FEDERAL PENSION REFORM** became a reality with the signing of the Employe Retirement Income Security Act of 1974, after a long struggle, affecting nearly every employer offering group benefits. **August 19.** The far-reaching legislation occupied a major part of subsequent 1974 issues.

• **BIRTH CONTROL DEVICES** gained center stage when A. H. Robins was ordered by the Food and Drug Administration to stop selling its intrauterine device, the Dalkon Shield. Pharmaceutical manufacturers were said to be unable to buy all the liability insurance they thought necessary, especially for birth control drugs. **September 16.**

• **D&O CLAIMS** averaged just over a half-million dollars, said Wyatt Co. after completing its second survey of directors' and officers' liability insurance. Another finding: Over 57% of the 1,321 corporations participating in the survey buy D&O coverage, usually with a $5 million limit, although 10% of the firms have limits of $15 million or more. **October 14.**

• **THE NATIONAL STUDENT MARKETING** case went to trial, and a jury found two auditors guilty of stock fraud, portending expanded legal liabilities for certified public accountants and capping a year of trouble for auditors. **November 25.** CPA firms were faced throughout the year with tightening markets for professional liability insurance. **August 5.**

• **RAILROAD RISKS** are horrendous, said the Federal Railroad Administration when it declared there are 18,000 potential bombs riding the country's rails. **November 25.** Several years of poor loss experience coupled with unfavorable publicity about the lack of rail maintenance programs sent insurers running from the market. **December 9.** A series of rail disasters in 1973 and 1974, culminating in a Decatur, Il. railroad explosion which killed seven, injured 150 and blew part of the town off the map **(August 5)** caused the federal transportation safety board to take up the issue publicly. **December 9.**

• **EMPLOYE BENEFITS** costs soared with inflation, while a depressed stock market took the air out of the stock option balloon and deflated the value of pension and profit-sharing assets, causing employers to take it on the chin in in 1974. **December 9.**

• **GAS UTILITIES** capped nearly seven years of effort by activating a mutual liability risk underwriter domiciled in Bermuda. The mutual insurer will write coverage against liability risks which became difficult to insure in the general markets in recent years. **December 23.**

After flooding and fire had already marked 1974 as Australia's most disastrous year insurance-wise, Cyclone Tracy struck the country's northernmost port early Christmas morning, causing an estimated total insured loss of $260 million, according to Radio Australia. Estimated reconstruction costs of the devastated city could run as high as $655 million, according to unofficial sources.

Early this month, there was much confusion and a little accurate information regarding true loss figures. A London market source placed total losses at a much lower $100 million. Harold Talbot, vp in charge of international operations of New York's Marsh & McLennan, said even that figure is "extremely inflated. I just don't believe it's that high," said Mr. Talbot. "It's mostly simple risk business there, it's not a big industrial area."

Further insurance estimates were received from American International Group (AIG) where "net losses are estimated to be between $500,000 and $700,000," accordng to Peter Dalia, vp and comptroller. The majority of insurance claims will likely be domestic, relating to housing or auto insurance. Insurance companies are still waiting to hear final estimates from their representatives in Australia regarding major commercial holdings. Among the few isolated reports of specific damage totals, Qantas Airlines places total losses at $2.62 million. A large brewery has also been reported heavily damaged.

New Congress may put more push behind national health, no-fault

By RICHARD L. GORDON

WASHINGTON—Three major pieces of insurance legislation—all leftovers from last year—await a presumably more liberal 94th Congress when it convenes this month.

National health insurance, no-fault automobile insurance, and the extension and modification of the present nuclear liability insurance system all go back into the legislative hopper this year.

National health insurance, along with the pension reform bill, were among the major social bills in the 93rd Congress. The pension law, the Employe Retirement Income Security Act, was signed last Sept. 2 after several years of work.

National health insurance produced hours of testimony at hearings in both the Senate and House on more than a dozen different proposals, but none were ever reported out of committee.

THE HIGH water mark for national health insurance came late last summer, when Rep. Wilbur Mills (D-Ar.), then chairman of the House ways and means committee, began a last minute push, along with Sen. Kennedy, to report a bill out of his committee.

It took only 72 hours, however, for Rep. Mills to learn that his committee was too split on such key issues as financing to have a serious chance of agreeing on a compromise bill for presentation to the full House (*Business Insurance*, Sept. 16, 1974).

Rep. Mills will not be at the helm of the ways and means this year, a casualty of personal problems that suddenly hit the national press when he was found with a striptease dancer in the now famous Tidal Basin incident.

He is being replaced by Rep. Al Ullman (D.Or.), who led the ways and means committee in development of the pension reform bill last year.

There is some behind the scenes pushing and shoving underway, however, that could take national health insurance away from ways and means and give it to a revamped House interstate and foreign commerce committee, which will now be known as the commerce and health committee.

Rep. John Moss (D-Ca.), chairman last year of that committee's subcommittee on commerce and finance, is known to be interested in organizing a new subcommittee on health with a view to getting national health insurance shunted out of ways and means.

EVEN IF NATIONAL health insurance stays with ways and means, the new committee will be so filled with new faces that last year's committee will offer no basis for projecting what the new committee will do.

The new ways and means committee is being expanded to 37 members from 25. It's anticipated that as many as 23 of these will be Democrats, including 10 Democrats who are either freshmen or transfers from other House committees.

The new names probably will be J. J. Pickel (D-Tx.); Henry Helstoski (D-N.J.); Charles B. Rangel (D-N.Y.); William R. Cotter (D-Cn.); Fortney H. Stark (D-Ca.); James R. Jones (D-Ok.); Andrew Jacobs Jr (D-In.), a freshman; Abner J. Mikva (D-Il.); Martha Keys (D-Ka.), a freshman; and Joseph L. Fisher (D-Va.), a freshman.

Republican appointments to ways and means, Rep. Joel T. Broyhill (R-Va.) and Donald G. Brotsman (R-Co.), were defeated in the November elections. Two other Republican members, Reps. Harold R. Collier (R-Il.) and Charles E. Chamberlain (R-Mi.), retired at the end of the last session.

Down Pennsylvania Avenue at the White House, a spokesman for President Ford told *Business Insurance* the administration probably would submit a revised form of the Nixon administration Comprehensive Health Insurance Plan (CHIP).

THE SPOKESMAN said the President had placed himself solidly behind passage of a national health insurance plan last fall and offered to compromise with Congressional Democrats.

"The President hasn't made up his mind on what he will do (on national health) in 1975," the spokesman cautioned. He warned however, that if Congress were to pass a bill substantially more expensive than the administration believes acceptable, "Congress would have to find other programs to reduce."

One of the major legislative disappointments of 1974 was the inability of the House to produce a no-fault automobile insurance bill after the Senate had passed its version last spring (*Business Insurance*, May 13, 1974).

Rep. John Moss's (D-Ca.) House subcommittee on commerce and finance attempted to hold one mark-up session on a no-fault bill late in November, but the effort failed for lack of a quorum.

Sources close to the issue said the Democrats as a party have committed themselves to moving on no-fault this year. And House aides suggest much of the coming action will take place in the House rather than the Senate.

There will also be more than a dozen faces on the new House commerce and health committee, which handles this legislation. Eleven of 13 new Democratic members of the committee are expected to be freshmen.

THE FORD administration has maintained the position that it still favors state, rather than federal action on no-fault, but there have been signs that a change is possible.

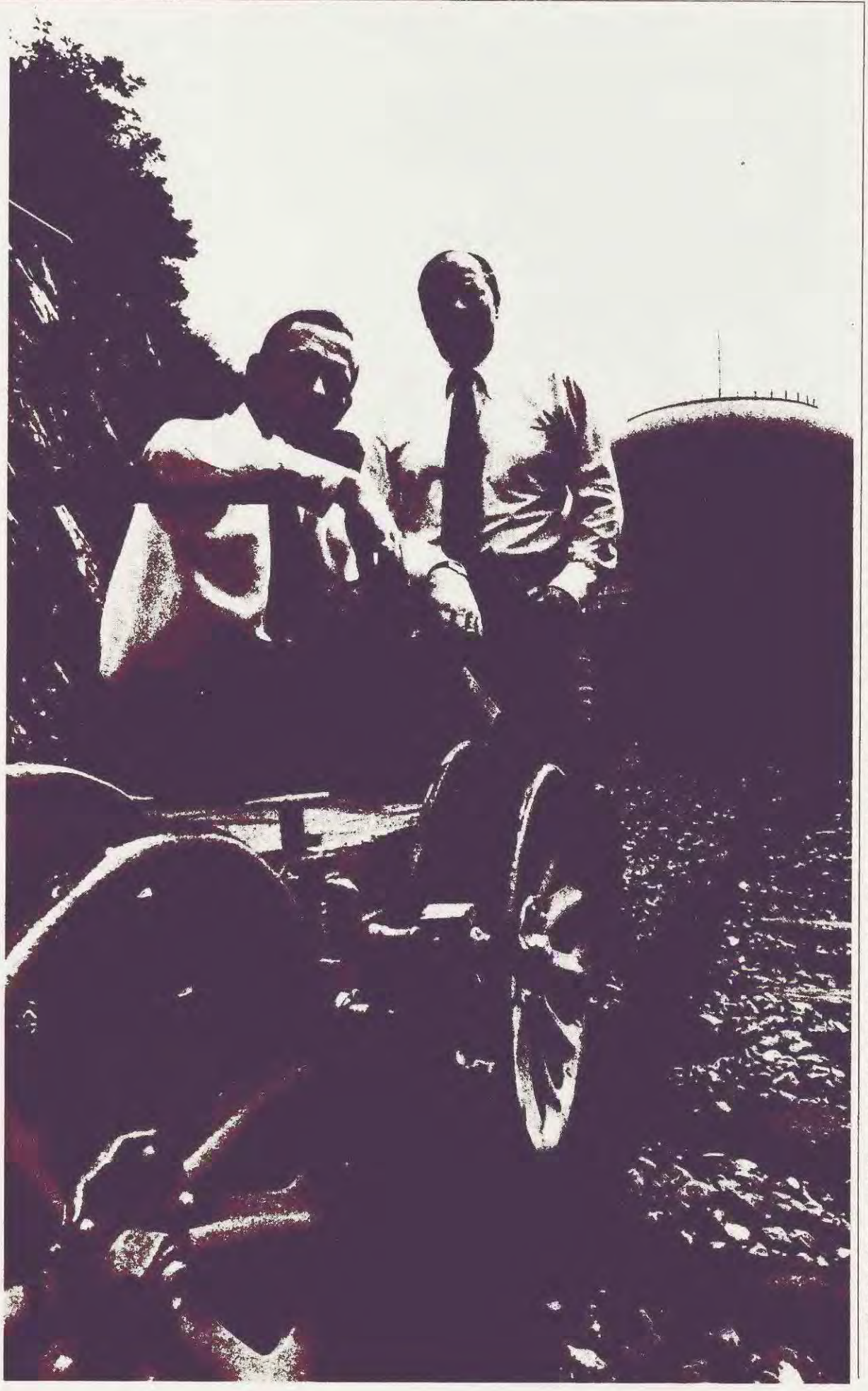
Former Attorney General William Saxbe, in a speech cleared by the White House, said this fall that if the states failed to move quickly a federal no-fault bill appeared inevitable (*Business Insurance*, November 25, 1974).

Lingering doubts in Congress about the latest Atomic Energy Commission (AEC) report on nuclear power plant safety produced a "technicality" in the bill passed by both the Senate and House that would have extended the Price-Andersen nuclear no-fault insurance law, which expires in 1977, for another five years.

This technicality, in turn, led to a White House veto of the final bill, leaving the whole issue up to the new Congress.

Congress wanted authority to recind the extension of the nuclear no-fault law if they were dissatisfied with the final version of the Rasmussen report, an AEC commissioned study that concluded nuclear power plant accidents were very unlikely, and damage, in any event, would not be enor-

Continued on page 6



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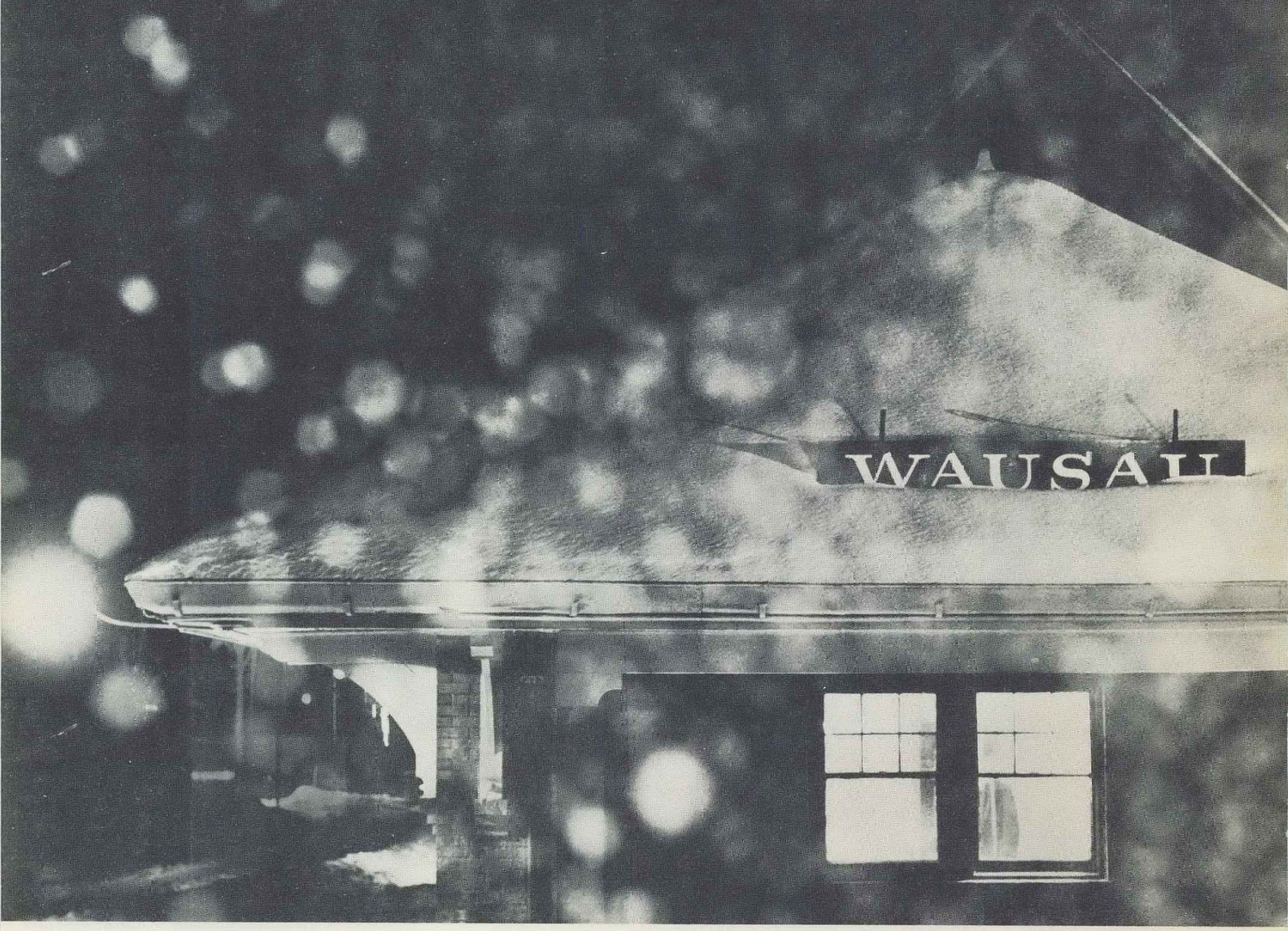

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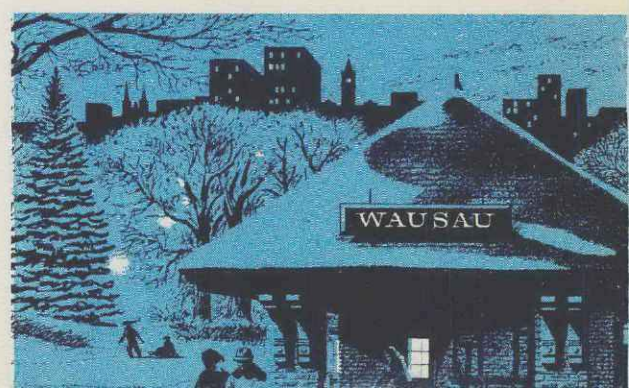

Regulators eye insurers more closely, but don't see any crisis for industry

WASHINGTON—With the stock market down, interest is up this year among state insurance commissioners examining the financial stability of insurance companies.

As many as 60 insurance companies, many in property and casualty lines, were on "early warning" lists in New York, Illinois and California late last year.

But, the situation is not yet critical, according to Ohio insurance director Kenneth De Shetler, new president of the National Association of Insurance Commissioners (NAIC).

"There are always going to be some insurance companies in trouble, good times or bad," he told *Business Insurance*. "But we don't see it as being in any sense a crisis dimension."

"We don't think there's anything that needs to be done (at this time) or has to be done," he said.

Mr. De Shetler explained that he thought insurance commissioners across the country would be reluctant to take governmental steps to solve the problem of dwindling surpluses in insurance companies caused by depressed stock market values.

AND AT THE present, they don't see any impending crisis in capacity among property and casualty underwriters, he said.

"We don't see that kind of serious capacity cruch coming," he said. "There are still some companies that can take up the slack."

Paper methods to produce more surplus, such as letting the insurance companies value assets at book value rather than market, would defeat the purpose of getting more cash into the companies, he said.

He said he believed insurance commissioners would be paying more attention to the rate classification systems that property and casualty underwriters use, particularly in the auto insurance markets.

There is also the problem of medical malpractice insurance that many states will be under more pressure to deal with, he added.

In Ohio, Mr. De Shetler's department is just putting the finishing touches on a malpractice report that will call for immediate action by the Ohio legislature to study the whole issue.

MR. DE SHETLER explained that only a small percentage of injuries incurred during hospital stays are now reaching the courts —about 18,000 of a potential that could be as high as two million.

Even at the low percentages, he said some doctors in Ohio faced premiums as high as $14,000 a year.

"If that ever gets rolling, the potential for impact is enormous," he said, predicting that doctors, of necessity, would start practicing "defensive" medicine involving costly tests and procedures that otherwise might not be used.

The NAIC has marked out action in a number of areas for 1975, including:

- model minimum standards for health insurance policies;
- a model catastrophic health insurance bill;
- advertising rules for health and accident insurance;
- proposed rules for state insolvency funds for life insurance companies;
- model regulations on prepaid legal benefits plans;
- model variable life insurance regulations, although the NAIC's jurisdictional dispute with the Securities and Exchange Commission is still not settled.

One of the items on the 1973 NAIC agenda probably will take them back to Washington for some unfinished business relating to the pension reform law, which exempted pension plans from the regulatory authority of the states.

THE NAIC is to appoint a task force to work for the repeal or modification of the present exemption language in the bill.

And the NAIC will also have to go about picking a new president before 1975 is very old.

Mr. De Shetler, elected last month at the NAIC meeting in Mexico City, is being moved out of Ohio government in the shuffle of administration taking place following the November election victory of Republican John Rhodes over Democrat John Gilligan.

Mr. De Shetler will be replaced at the Ohio insurance department by Harry Jump, a former deputy insurance director in Ohio. ■

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Health . . .

Continued from page 4

mous.

The White House said this would have been unconstitutional and refused to approve the language.

The final report on safety is due early this year, as is another study, this one prompted by Sen. Abraham Ribicoff (D-Cn.).

Sen. Ribicoff pushed hard for an amendment that would have made nuclear plant operators liable for any damages that results from nuclear materials stolen from their facilities. Sen. Ribicoff is expected to resubmit that amendment this year.

THE PROPOSED bill would have established a retroactive premium system that would have raised the effective available insurance to in excess of $1 billion per plant this decade, considerably in excess of the present limit of $560 million per plant that is made available to plant operators by the federal government.

Private nuclear insurance underwriters also predicted that they would have capacity to write the entire $560 million now offered by the government within the next few years.

Before 1974 had ended, Sen. Edward M. Kennedy (D-Ma.) had aligned himself once again with the labor-supported Health Security approach to national health insurance legislation.

Sen. Kennedy had been one of the original sponsors of the Health Security bill, but bolted from that commitment to support a last minute compromise effort with Rep. Wilbur Mills (D-Ar.). ■

New Argonaut chief

Jerrold V. Jerome, a vp of Teledyne Inc., San Francisco, was named president of Argonaut Insurance Co., a wholly-owned subsidiary. Mr. Jerome was named president effective Dec. 5. He replaces Bruce A. Woolery who resigned unexpectedly.

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Insurers aim to avoid sloppy housekeeping practices of past

'74 property losses already forcing premiums up

By JUDI TALIT

NEW YORK—As the new year begins, property underwriters are busily evaluating their resolutions to avoid a replay of 1974's poor fire loss record, rate-cutting practices and poor industrial housekeeping practiced by corporate clients.

The year was a poor one for property underwriters. But it was good for the buyers, with soft prices and good availability. Corporate risk managers didn't see spiralling inflation affecting rates too drastically. But they did experience losses—some catastrophic.

As a result, 1975 may bring substantial changes. Insurers are promising higher rates and stricter compliance with fire prevention techniques.

"As far as I'm concerned, this is a very poor year in the property damage business, particularly on industrial property risks," Allendale Mutual Insurance Co., one of four Factory Mutual System companies, told *Business Insurance*.

ALLENDALE attributed this poor loss record to a high "loss frequency and amounts of loss higher than normal, plus tornadoes hitting the midwest."

But, the insurer is optimistic for 1975. "For two reasons 1975 is expected to be quite a bit better in the operational end. Insurance companies are attempting to adjust their positions both on loss prevention efforts and pricing; and if the economy continues at a less feverish pitch, the cyclical effect will make the market better."

Through this effort to better the underwriter's stance, the risk manager may just be the one to suffer. Allendale was just one of three Factory Mutual System companies to announce a rate increase late in 1974. Philadelphia Manufacturers and Protection Mutual Insurance Co. announced cutbacks in return on unabsorbed premium deposits in 1974.

Allendale said it would increase its rate of absorption on outstanding fire and supplemental premium deposits to 1.55% per month from 1.3% per month (*Business Insurance*, Nov. 25, 1974).

Philadelphia Manufacturer's president Don Moore reflected on the year past. "1974 was a bad year because losses ran high because of inflation and a high level of business activity in certain industries. Also, tornadoes did hit PM pretty hard compared to our competition."

PENDING PRODUCTION slow-ups and layoffs could help Philadelphia Mutual get back on its feet. "When a plant is congested and busy, housekeeping and maintenance take a backseat. With slowdowns in production and layoffs, it'll probably be better in 1975," Mr. Moore explained.

It is expected that rate-cutting practices by many property underwriters will end, the executive predicted.

"Competition is going to stabilize rates and be more selective. In 1974 our competition was quite willing to cut rates," Mr. Moore added.

Captives helped to make it a poor year for FM, offering them some stiff competition.

"Large industrial accounts set up captives for high loss activity lines. Companies are coming in wanting to self-insure with a low level of deductible. But, they still need our coverage on larger losses (over $100,000) plus our engineering service," the company president said.

The property reinsurance market suffered some big losses last year too. "The reinsurance market is going to stiffen its back. They're going to have to recuperate," Mr. Moore noted.

On the investment end, everyone in the insurance market suffered, he added. "We're all suffering in reduction of our portfolio values. Fortunately, FM has strong surpluses. Even with the operating losses, we're still in good shape," Philadelphia Mutual said.

Mr. Moore expects that 1975 will be more of a seller's market than was the 1974 market.

"WE EXPECT the market is going to stiffen up. The market has been very soft. It'll become more of a seller's market. Losses will drop off because of the reduction of business activity that everyone's predicting. And hopefully, mother nature will hold back on the tornadoes," he predicted.

The Factory Mutual System is embarking on a "back to basics" attitude for the coming year. FM clients can expect costs to remain relatively stable although "our clients are going to have to shoulder their share of our mutual responsibility on sprinklers and a good healthy attitude on loss prevention," Mr. Moore explained.

Factory Insurance Assn. (FIA) had a better year, according to general manager, P. J. Goodfellow.

"It was a satisfactory year, despite the pessimism in the news. We're looking forward to a good 1975. Looking at the overall year, we had some losses, but we were able to absorb them. It was a satisfactory year and I've got the figures to prove it," he told *Business Insurance*.

Kemper Insurance Co., competitor of both FM and FIA, reflected on the past year.

"For Kemper in 1974 we had some storms in April in the midwest and we had a bigger number than average fire losses; we have not had a typical good year in fire in 1974," chief underwriter, Joe Luecke said.

LOOKING AHEAD, "we see a need to get adequate insurance to value; we have to worry about what will be the impact of a depressed economy. We see a necessity for rating techniques to properly reflect costs for repairs and replacement," he added.

But, "we think that if conditions as they do exist don't get worse, there'll be no substantial tightening up of the property insurance market. We're looking at 1975 optimistically. Property is a little more durable than casualty,"

Continued on page 10

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Risk managers, regulators calmly riding out insurance industry crunch

NEW YORK—Risk managers are still calm about the fact that three state insurance regulators have placed at least 60 fire and casualty underwriters on "early warning lists," denoting detoriorating financial condition.

Early warning status means insurance companies require special attention and possible intervention by regulators to avert further financial erosion and improve companies' ability to meet potential policyholder claims.

The fire and casualty industry lost more than $1 billion during 1974, primarily attributed to high costs in claims settlements as well as low rates and premium income on some competitive commercial lines.

It has also been estimated that the industry lost about $7 billion in the value of its surplus reserves.

Chief deputy insurance commissioner in California, Lawrence C. Baker, Jr., said about 50 companies are being watched closely in that state, half of which are California-based firms.

SIX OF THOSE companies have already been placed into "conservatorship." This means that the companies are already insolvent statutorially speaking, but not commercially speaking.

New York insurance superintendent, Benjamin R. Schenck, told *Business Insurance* that "although no official early warning list exists here, we obviously have a number of companies we regard as requiring special attention. You can call it early warning but there's no official list." The indication from his department was that the underwriters are generally smaller firms.

What should a commercial policyholder do if the firm has coverage with these underwriters whose surplus reserves are not adequate to cover claims?

"My main advice would be to relax," Mr. Schenck said. "If the company is licensed in New York and there's no official action taken with respect to the company, don't get alarmed."

He urged risk managers to hold off on switching carriers. "Circumstances are not at the point where people need to be unduly concerned," he said.

Illinois director of insurance Robert B. Wilcox Jr. has set up an early warning list in that state. About half a dozen insurance companies are being investigated.

THE DIRECTOR doesn't anticipate any failures of these insurers. But, "they are facing more than ordinary problems," he said.

Continental Casualty Co., the major fire and casualty arm of the CNA Financial Corp. was not among the six listed by Mr. Wilcox, although he said that the department is in close contact with the company. Admittedly CNA's casualty and group health divisions are having financial problems.

A source close to the National Assn. of Insurance Commissioners (NAIC) said the publicity about insurer difficulties was "grossly exaggerated" and "mischievous."

He contended that insurance "companies are well in the black. People in the business are trying to get rates up. They're getting customers excited needlessly. Figures indicate nothing alarming."

Risk managers are aware of the situation, but are not very alarmed. They do, however, want to know who is on the lists.

Jesse Pagonis, insurance manager at Otis Elevator said, "I'm sure there's certain published information to look at. I don't know if you can get an official document," but there is information available, he assured others. He cited broker reports and underwriters' annual reports as worthwhile reading.

Although Otis hasn't had to deal with failing insurers, the insurance manager has thought about what he might do if the situation were to arise.

"IT DEPENDS on your exposure. If you have an outstanding loss that you're looking for collection on, look for a better market then and possibly switch carriers, depending on how bad they are." He is "reluctant to change companies that are pretty sound. I wouldn't switch. I don't think there's any immediate danger," he added.

Another risk manager expressed a similar opinion. "Fortunately, I can't conceive that my carrier is on that list. We have the largest companies. Our fire and extended coverage is with the Factory Mutual System," he said.

But, if put in that situation, "I'd be out to switch carriers or perhaps take on a higher retention of risk," he added.

U.S. Industries' vp of risk management S. Peter Law supported those viewpoints. "The carriers we deal with are basically prime carriers. Any one of them can run into trouble. But, I'm sure they wouldn't be some of the early ones." ■

Property . . .

Continued from page 8

Mr. Luecke continued.

After talking with property underwriters who are obviously concerned with stabilizing rates and winning back some exhorbitant losses experienced in 1974 from tornadoes, storms and fires, risk managers' responses were substantially more optimistic and indicating a wide disparity from underwriters' views.

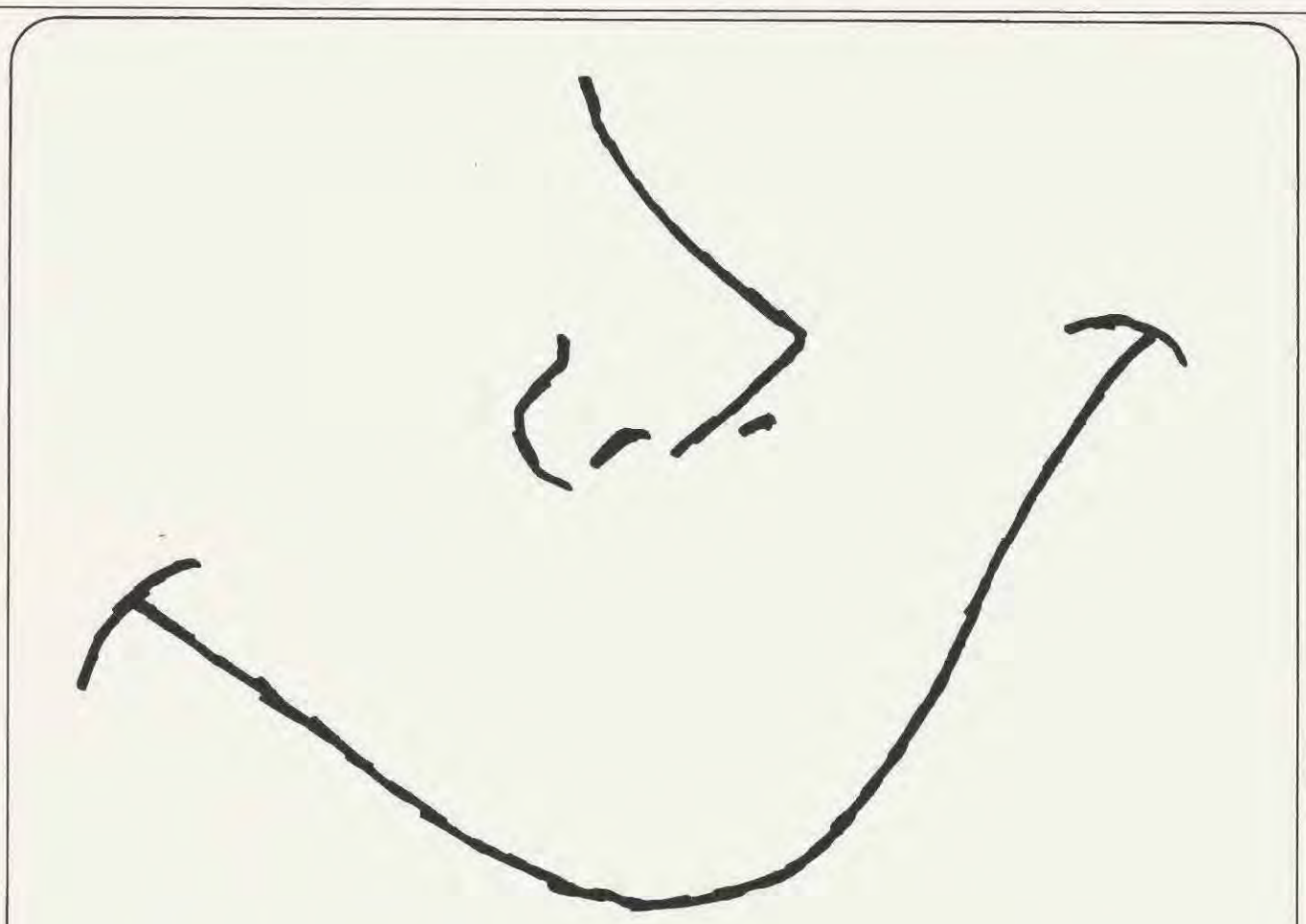
"We're pretty optimistic with regard to the property outlook. I think it will be remaining soft, meaning competitive and available, barring some unforeseen circumstances," insurance manager, John Olsen at Ingersoll Rand said.

1974 was a good year for Ingersall Rand, he said. "We even saw a loosening up on it like the DIC market. We put in a whole new world-wide property program and reduced our property cost by about $1 million."

Bob Rich, insurance manager at Gold Kist Inc. expressed a similar point of view.

"I don't expect as much tightening up as in the casualty market in 1975. Only a few of the large companies had underwriting losses in the property market."

But a risk manager at another concern was not so optimistic. "There's a lot of conversation on this. A lot of concern expressed by a lot of people. I don't know if they've seen a crunching on this, but there can't help but be a capacity crunch. Losses have turned bad and investments have gone bad, so it has to go up. Jumbos are going to have trouble getting those high limits and the smaller business will have the problem of availability," the risk manager predicted. ■



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ITT bails out Hartford Group with $127 mill

HARTFORD—International Telephone and Telegraph Corp. will transfer over $127 million into its Hartford Insurance Group, in order to boost its surplus account.

Under the action, ITT invested more than $92 million in capital in The Hartford before yearend and provided an additional approximate $35 million in cash in settlement of the 1974 intercompany accounts.

The surplus fund is money reserved for policy liabilities that cannot be covered with insurance premiums being paid by clients.

Insurance companies generally maintain a four to one ratio between premiums written and the surplus account. Recently, Hartford Fire said that as of Sept. 30, it had $1.7 billion in premiums written but only $273 million in its surplus fund, ratio of 6 to 1.

Harold S. Geneen, chairman and chief executive of ITT, said the transfer will strengthen The Hartford's underwriting capacity. The surplus account, he explained, has been adversely affected by the severe decline in the securities market.

HE SAID THAT other than cash, the assets to be transferred under a resolution approved by its board of directors are $90 million of tax-exempt bonds from the Puerto Rico Telephone Authority and real estate valued at more than $2 million. In return for the bonds, The Hartford will issue to ITT a new preferred stock.

At the same time, the Justice Department in mid-December raised the possibility that ITT may have to divest itself of The Hartford, as an alternative to the divestiture of Avis Inc., the car rental firm, and Levitt & Sons, the homebuilder.

The department asked a federal judge to appoint a "special master" to study the divestiture of the insurance subsidiary, a move which ITT said it will fight.

The Justice Department action was the first court move seeking divestiture of The Hartford since the controversial 1971 consent agreement under which ITT agreed to surrender three other subsidiaries while retaining The Hartford.

On the transfer of the $127 million, Herbert P. Schoen, president and chief executive officer of The Hartford, pointed out that as a whole the insurance industry suffered a loss in surplus estimated to be more than $6 billion as a result of the decline in the securities markets.

"This, in turn, has raised the possibility of some reduction in industry underwriting capacity," he asserted.

"Under these conditions, it is a distinct advantage for The Hartford to be able to draw upon the corporate resources of ITT to enhance our capacity to write more insurance," he said. ■

Libel suit against Crain is dismissed

CHICAGO—The libel suit brought against Crain Communications Inc., Rance Crain, president and editorial director, and Susan Alt, managing editor, alleging that an article in *Business Insurance* published November 19, 1973, was false and defamatory was dismissed "with prejudice."

Judge Mel R. Jiganti granted the defendants' motion to dismiss the amended complaint which had been filed in the matter.

The suit, asking $400,000, had been filed in Cook County circuit court by Insurance Programmers Inc., claiming damage resulting from the story. ■

Fire rate hike

The New York state insurance department approved a rate increase for the New York Property Insurance Underwriting Assn. The association requested an average statewide increase of 26.2% on fire and extended coverage premium rates.

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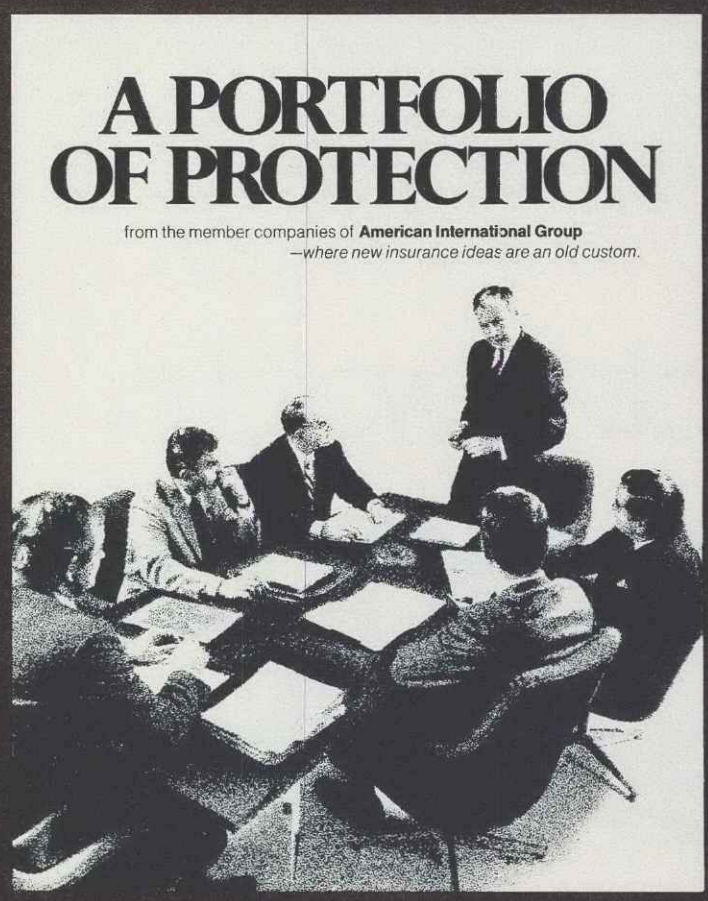

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PSRO standards could be malpractice defense

LOS ANGELES—Caspar W. Weinberger, Secretary of Health, Education and Welfare, told a seminar he favors changes in the law that would allow the quality of care standards to serve as a "complete defense" if it can be shown that doctors and hospitals involved in malpractice suits have abided by certain basic standards.

The standards are now being prepared as part of the federal Professional Standards Review Organization (PSRO) program that goes into effect in January, 1976.

Under PSRO, the quality of care given to hospitalized Medicare and Medicaid (Medi-Cal) patients will be evaluated by groups of doctors using the standards that have been drawn up by physicians. Such standards, reflecting the best of medical practice, could also be used to serve as a defense against a legal suit, Mr. Weinberger said.

However, he added, legislation would be needed to change the law so that PSRO standards could be used in this way.

Medical malpractice recently has reached crisis proportions nationally. Physicians now pay between $900 and $25,000 a year for malpractice premiums.

A RECENT report said the entire malpractice insurance market is facing possible collapse. Insurers are refusing to write malpractice policies following heavy losses stemming from large claim settlements. Awards of $1 million are not uncommon and one recent award was for $4 million.

In some cities, specialists such as neurosurgeons have announced they will no longer treat certain kinds of high-risk cases because of the likelihood of legal action if results are not good.

Hospital malpractice insurance rates also have skyrocketed. The annual premium paid by Stanford University Medical Center will jump from $500,000 in 1974 to more than $1 million in 1975.

Memorial Hospital of Long Beach, where former President Richard M. Nixon recently underwent surgery, expects to pay $820,000 for malpractice insurance in 1975, a jump from $340,000 this year. In 1965 the premium was $12,000.

Fear of lawsuits is a significant factor in the rising costs of health care. One example was provided by Dr. Theodore Cooper, former director of the National Heart Institute, who is now deputy assistant secretary of health. Whereas patients with uncomplicated coronary attacks commonly are hospitalized three to four weeks, there is reason to believe that 14 to 17 days may be enough, Dr. Cooper told the seminar.

EFFECTIVE JAN. 1, California's 580 major hospital will find their medical malpractice insurance premiums increased by an average of 75% while thousands of doctors throughout the state will pay even higher increases.

Executives of the California Hospital Assn., which has a malpractice insurance program covering 350 member hospitals, blamed the 40% to 180% increase on "frequency and severity of malpractice claims; inflation; and the economic ill health of insurance carriers."

Spokesmen for the huge University of California, which operates a number of medical facilities throughout the state, say U of C malpractice insurance rates will jump "nearly 180%."

Physician members of the San Francisco Medical Society now pay malpractice insurance rates ranging from $1,130 a year for low risk specialties to as much as $5,400 for high risk practices such as surgery, for policies providing $1 million to $3 million protection. Insurance carrier sources say the rates for doctors will increase an average of 70% to 75% as of Jan. 1.

"Doctors in the West are lucky," one insurance executive said. "In New York such high-risk specialists as neurosurgeons and anesthesiologists now pay as much as $14,000 a year in premiums for their medical malpractice insurance."

Much of the higher premium cost for the West is blamed on "substantially higher jury awards" in malpractice cases. These have grown, in California alone, from three malpractice jury awards in excess of $300,000 in 1969 to more than 30 in 1974. Since 1969 juries have handed down 16 $1 million or more awards against California hospitals and physicians. ■

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Eye no-fault malpractice insurance

HARTFORD—No-fault medical malpractice insurance is now being considered by the Connecticut State Medical Society to help ease rising premium costs.

Rates increased significantly this year in the first rate hike in four years under the group plan society members have with Aetna Life & Casualty of Hartford.

A total of $215 million in annual premiums has been paid collectively among Connecticut physicians, according to Dr. William Richards, executive director.

Premium payments now range from $678 annually for general practitioners to $5,258 annually for surgeons, according to Dr. Richards.

FORMATION OF a compulsory arbitration board to hear damage claims is also being reviewed by the society. The panel would resemble a workers' compensation commission in function, and be required to devise a schedule of fees for compensation covering loss of organs or bodily functions. This predetermined schedule would eliminate the need for court determination of claims.

"As I see it, from the studies I've seen, a literal no-fault plan would, in all probability, cost individual doctors as much or more than they're paying now," remarked John Pecorino, manager of the marketing department at Aetna Life & Casualty.

Currently, no states have no-fault malpractice insurance. ■

Storm damage

Insured damage estimated at $9 million resulted from a series of rain, wind and snow storms that swept through an eight state area of the midwest and northeast from Nov. 30 to Dec. 2 according to the property claims services, American Insurance Assn. The preliminary estimate includes damage to residential and commercial property and their contents as well as automobiles.

Issue warning about comp negligence law

TOPEKA—Kansas insurance commissioner Fletcher Bell recently warned insurance companies about possible misinterpretation or erroneous application of liability in the state's new comparative negligence law.

Since the law became effective on July 1, the commissioner's office has received complaints from policyholders who charged carriers with applying "predetermined percentages of negligence to liability claims regardless of individual facts involved."

Commissioner Bell issued the warning to avoid further confusion about the law, according to Larry Barry, special attorney to the commissioner. He said Mr. Bell had no specific examples of misinterpretation in mind when he prepared the bulletin for public distribution.

"THERE SHOULD be no basic difference in the way claims are handled (from the previous contributory negligence law)," Mr. Barry said, insurance companies should review each case individually, he emphasized.

Comparative negligence means that liability is shared according to the factual determinants of the incident. The contributory negligence law required a claimant to be virtually without fault in the accident in order to seek damages in court.

In some states, notably Wisconsin and Oklahoma, percentage patterns of negligence for certain types of accidents are recognized as valid, Mr. Barry explained. But he indicated that this was not the proper interpretation for the Kansas law.

"Just because we've switched from a contributory negligence to a comparative negligence law, it shouldn't make any difference in the individual case," he said. "Each case should be decided on the basis of its own facts," he added.

COMMISSIONER Bell's bulletin noted that"one of the primary aims of the comparative negligence law was to produce a greater degree of equity in the determination of legal liability. But because of the way it is possibly being applied by some insurers in some situations, a lesser degree of equity may have resulted."

Predetermination of degree of liability could constitute a violation of the Kansas unfair trade practices act, Commissioner Bell advised.

The Kansas comparative negligence law has a 50% guideline for recovery, Mr. Barry said. This means that a claimant must be 40% or less at fault in order to receive a damage award, he said. He acknowledged that near the 50% mark, a lot of cases are filed in the hope that the court will assign a lower-than-50% liability to the claimant.

In "pure" form, the comparative negligence law might allow an injured party to collect damages even though the incident in question was largely his fault. Theoretically, even if he was 99% at fault, he might recover 1% of the damages attributed to negligence by a defendant. (*Business Insurance*, April 29)

Some form of the comparative negligence law exists in the majority of states. ■

OSHA will extend time for comment

WASHINGTON—The period for comment on a new proposed standard for workplace noise levels has been extended to Jan. 22, the Occupational Safety and Health Administration said.

The comment period was originally to have closed Dec. 9.

The proposed rules would set job health standards limiting employe occupational noise exposure to 90 decibels over an eight-hour workday, 40-hour workweek. The rules also would require other measures such as audiometric testing and engineering or administrative controls to reduce exposure. ■

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editorial opinions

Early warnings

RECENT DISCLOSURES that insurance regulatory officials in three of the nation's largest states—New York, California and Illinois—have put more than 60 insurance companies on "early warning" status may not come as a surprise to knowledgeable insurance consumers, but it should concern them.

"Nearly 50 companies are being watched closely," Lawrence C. Baker Jr., chief deputy insurance commissioner for California, told the New York Times for an article Dec. 26.

"Most are small companies and about half of them are based in California," he added. "We are very concerned about an increasing number of companies which we perceive with surplus-to-premiums margins which don't allow for much error . . . they may not be able to cover claims."

Mr. Baker said that six fire and casualty companies in his state have already been placed into "conservatorship," meaning that the companies are already "insolvent, statutorially speaking but not commercially speaking."

For some insurance consumers—both individual and commercial policyholders—the "early warnings could be ominous. For, indeed, Mr. Baker told this magazine more than a month ago (Dec. 9) he believed some of the companies under his department's surveillance "won't make it."

Now is the time for increased vigilance on the part of insurance regulators and, yes, on the part of the consumers, too.

Regulators in three of the nation's largest states seem to have the situation well in hand at present; that is, they are watching potential insolvency situations and taking action where necessary. For example, some California insurers that are under the gun have been ordered to dispose of assets and stop writing some lines of business. Certainly there are insurers in other states similarly under the gun of a bad underwriting year coupled with falling securities markets. We hope regulators there are reacting as swiftly as they appear to be reacting in New York, Illinois and California.

It is a time for insurance consumers to look at the financial condition of their underwriters or those they may be seeking quotes from. In times of great uncertainty, as these times certainly are, risk managers should be as concerned about the financial strength of insurers underwriting their companies' risks as they are about price. Maybe more so.

Now's the time

SPEAKING OF PRICE—or the right price for insurance—one of the strongest cases on the subject we've heard lately comes from C. F. Schlueter, president of Employers Insurance of Wausau.

Mr. Schlueter, in a national advertising campaign headlined "Announcing something you may not want to hear. At first," convincingly takes off on the theme "you can't get something for nothing."

"This is why my message to all buyers of business insurance must be that our prices—like those of your other suppliers—are going up," says Mr. Schlueter. "If we lose business because of justified price increases, we'll have to live with it. What we can't live with are prices that won't support the kind of protection, the kind of quality service we offer—and you expect of us."

Mr. Schlueter points to a "silver lining" that is the nature of the insurance product—that losses can be controlled and reduced through prudent risk management. It's an advantage business people don't have with many other operating expenses.

Indeed this is the time for risk management to flourish. With a business turndown such as we now have, coupled with employe awareness at new highs, it will never be easier to bring good risk management and good loss control measures to every operating level within a company.

As Mr. Schlueter points out so well "There's not much you can do about your taxes, rents, transportation costs, or the price of raw materials. But the cost of your business insurance is still largely within your control. Soaring medical costs won't affect you if your business operations don't put people in hospitals. You're immune to the inflated price for repair or replacement of property that isn't damaged, destroyed or stolen."

Too many toes

THE RECENT crash of a Trans World Airlines jet on its approach to Dulles International Airport, unfortunate though it was, was apparently the final fuselage standing between the Federal Aviation Administration and an order to the nation's airlines to install a sophisticated device that warns pilots of a dangerously low landing approach or a hillside obstruction.

Fourteen months ago, this magazine—in an interview with a National Transportation Safety Board official—disclosed alleged footdragging on the part of the FAA over the instruments called ground proximity warning devices.

However, now that more than 30 of the world's airlines require them and now that a hundred or so more bodies have been recovered from a Virginia hillside the FAA has granted the airlines a full year to have them installed on commercial aircraft.

The FAA's footdragging on the matter is inexcusable. So, too—in retrospect, at least—is inaction on the part of aviation insurers and aviation risk managers. At the time of our initial story one aviation insurance executive told us, in effect, that the insurance industry could have precious little influence in the controversy. At the same time, the risk man for a major U.S. airline told us risk managers had little control over the "flight boys" (pilots) if the "boys" said to bug off.

It seems like a case of too many people being unwilling to step on too many tender toes. We hope there's a lesson in it for everyone. We hope there's one in it for us: Articles on the subject have appeared on these pages several times in the past 14 months. We now wish we had made bigger pests of ourselves.

letters

This column is a reader's forum. Letters are welcome. Address letters to the Editor of Business Insurance 708 Third Ave., New York, N.Y. 10017.

A just award

To the Editor: In the December 9 issue of *Business Insurance* you quote Roger Freeman Jr., president of Allendale Insurance Co., on the subject of fire loss prevention. As risk management consultants, we are constantly exhorting our clients to make every reasonable effort to reduce the chance of losses, not only fire but all losses. As I am sure Mr. Freeman would be the first to agree, loss is waste, and unnecessary waste should never be tolerated.

Now I think we all know that insurance rates are based on averages. There are an awful lot of insureds who aren't going to pay much attention to the FM engineer's recommendations, or to anyone else's, including mine. Nowhere in Mr. Freeman's article do I see any suggestion as to how those few who make a real effort to prevent losses will reap a just reward.

My experience with loss prevention reports is they rarely point out any advantage to the insured in compliance. There's little use telling a business man he should do something, unless you tell him how he should do it, why he should do it, and what's in it for him. Read some of your own loss reports, Mr. Freeman.

Stanley C. Brock
The Lukes-Brock Co., Milwaukee, Wi.

Malodor insurance

To the Editor: Velsicol has organized an odor control project to reduce the negative effects of malodors within its own plants and we would like to determine the insurance industry's position on these questions:

1. Is there such a thing as "malodor insurance" (which would compensate for lost production time due to bad smells?
2. Does the insurance industry practice malodor prevention as they do fire prevention?
3. Has the insurance industry examined the property protection potential of stench products (to spray the insides of condemned houses or abandoned refrigerators, etc.)?

Robert W. Harrington
Senior Project Manager, Market Development, Velsicol Chemical Corp., Chicago, Il.

Editor's note: We wonder if any risk managers have thought about this concept. We invite a response from someone who may have encountered this risk.

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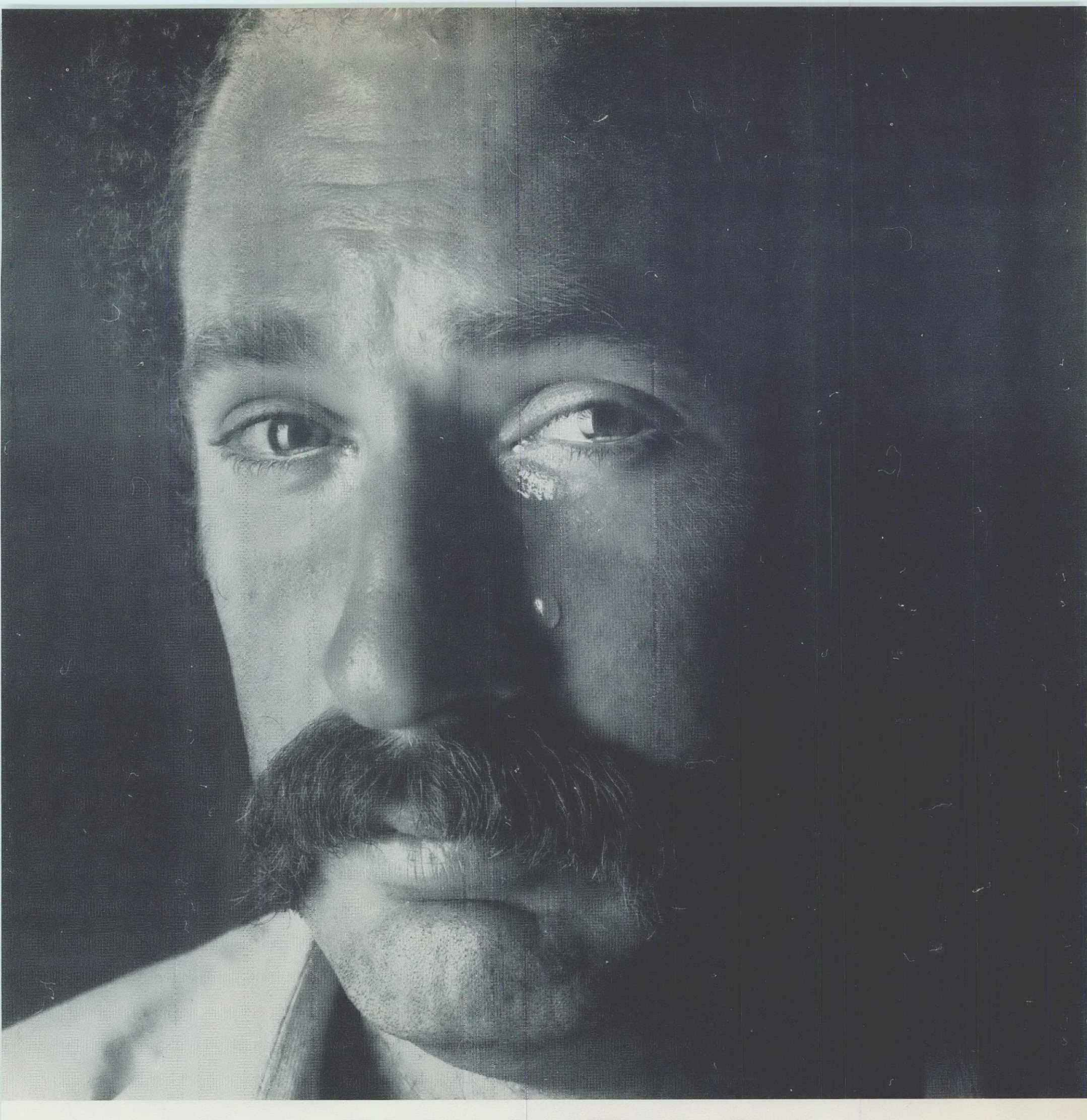

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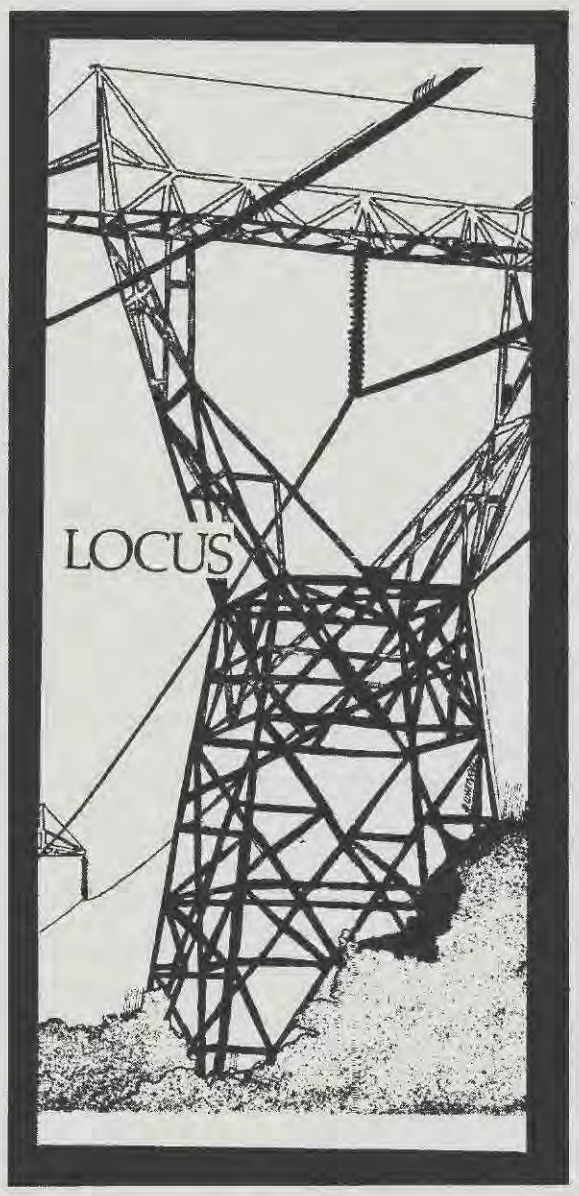


Commercial property and liability

• A. T. Kearney Inc., an international management consulting firm, has made available its survey on product liability claims experience in the United States. Pulling data from some 280 chief executives in 11 major industries, Kearney found that today's business manager is very aware of the growing risk of product liability claims. The survey indicates that a projected $50 billion in product liability claims could occur in 1975. Single copies are available free by writing 101 on the reader service card.

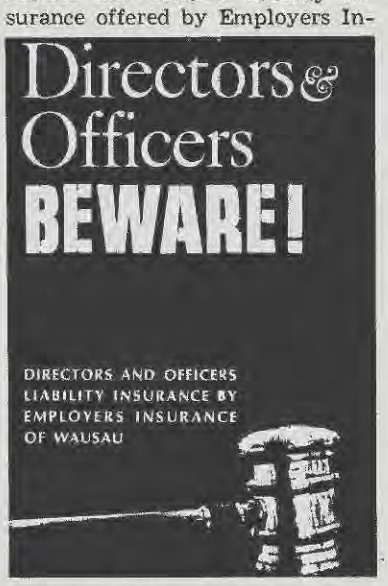
• Marine Office—Appleton & Cox Corp. (MOAC) has issued a report on its progress in the field of marine insurance: hull and marine liabilities; cargo; commercial inland marine; international; claims and recovery. A complete listing of MOAC affiliates and branch and service offices in the U.S. and Canada is also included in MOAC Report/1973. For a free copy write 102 on the reader service card.

• **MOAC Compass Points** for fall/winter 1974 focuses on the U.S. balance of payments problem and the role that marine insurance plays in it. The pamphlet, prepared by Marine Office—Appleton & Cox Corp., describes the deterioration of the U.S. balance of payments and the action marine underwriters can take to alleviate it. For a free copy write 103 on the reader service card.

• Warren G. Brockmeier, CPCU and director of risk management at Ebasco Services Inc., has given his advice on **How To Settle Losses Before They Occur** in a brochure published by Marshall and Stevens, multinational appraisers. Among the subjects included: "All Risk" coverage and its dangers; the problem of limitations; physical extent of damage; and consequential losses. For your free copy of the brochure write 104 on the reader service card.

• Marshall and Stevens, multinational appraisers, has prepared a concise folder, **How To Insure Your Insurance,** that points out some of the "traps" in the corporate insurance policy. The folder digests more than 40 years of experience helping clients make sure they are covered, current and ready in case of fire. For a free copy write 105 on the reader service card.

• **Directors and Officers Beware!** is a brochure that describes directors and officers liability insurance offered by Employers In-



surance of Wausau. The coverage is available to companies with assets in either the millions or the billions. For a copy of the free brochure write 118 on the card.

• **The Valuation Consultant** is a quarterly publication edited by Marshall and Stevens, multinational appraisers, to keep insurance executives and other corporate decision makers informed of significant developments affecting the valuation of assets. Brief reports cover wide ranging subjects including: new government regulations and rulings; changes in accounting procedures; landmark legal decisions; and new appraisal techniques. Alternate issues contain an updated chart of comparative building and equipment costs. To add your name to the mailing list write 106 on the reader service card.

• **Assets Management: The Financial and Systems Impact** is a brochure that describes key management decisions regarding employment of fixed assets. Prepared by American Valuation Consultants Inc., the brochure focuses on valuing assets for acquisitions (tax and accounting compliance) and insurance purposes, along with the computer systems approach to perpetuating these details and providing financial support. For a free copy write 107 on reader service card.

• **Pac-Facs** (programmed appropriation commitments—fixed asset control system) is a complete system used for the control of appropriations and construction-in-progress information. Designed by American Valuation Consultants Inc., it provides reporting of all cost, capital and expense, and time commitments—from the authorization of an expenditure to the beginning of fixed asset depreciation. For a descriptive brochure write 108 on the reader service card.

• **Bit-Facs** (book, insurance, tax fixed asset control system) is a system of fixed asset information for industrial, commercial and institutional users. Designed by American Valuation Consultants Inc., the system accommodates all requirements for accounting, tax (including ADR), insurance and maintenance information. For a descriptive brochure, write 109 on the card.

• A brochure describing the **HA Program in Risk Management** is now available. The main aim of the Insurance Institute of America's program is to teach the use of a logical process when making risk management decisions; the program ties risk management to the mainstream of management principles. For a free copy write 110 on the reader service card.

• Commercial quotes can be faster and more accurate, says Zurich-American Insurance Cos. in a brochure which describes **ZIP,** Zurich's instant price computer quote system. How ZIP operates on providing quotes on top security, the Z-A commercial package policy and actual agents' experiences are summarized. For a free copy of the brochure write 111 on the reader service card.

• The loss control services of M & M Protection Consultants, a service of Marsh & McLennan, are described in a brochure available from the company. For a free copy write 112 on the reader service card.

• **The Winning Safety Team: Buyer, Broker, Underwriter** is a pamphlet available from Johnson & Higgins. Written by A.J. Sluyter, a member of Johnson & Higgins' loss control department, the pamphlet was originally a paper presented at the Insurance Buyers Assn. of Pittsburgh in 1961. Updated to include federal safety legislation, it shows how the combined effort of buyer, broker and underwriter can successfully reduce casualty insurance costs. For a free copy write 113 on the reader service card.

• **LOCUS** (a loss control and underwriting system) briefly describes packaged services available through Synercon Corp. for al major ($20 million and up) construction projects worldwide. Included are risk management, on-site loss prevention and control and OSHA recordkeeping. This service is available to owners, prime contractors and consulting engineers. For a free copy write 114 on the reader service card.

• This booklet discusses how Arthur D. Little Inc. can provide technical backup and expert witness to attornies and insurance companies involved in **Product Liability Litigation.** Some case histories are included. For a free copy write 115 on the reader service card.

• Prepared by Wohlreich & Anderson, an article entitled **,FIPP** (financial institution protection policy) describes in depth the new comprehensive chattel mortgage policy now available for financial institutions. This article, by Bernard J. Daenzer, president of the Howden Swann Group, discusses the three sections of the new chattel mortgage wording, which covers filing and non-filing of chattel mortgages, lenders single interest in respect of automobiles and other chattel mortgages, as wall as physical damage to chattels repossessed by the assured. This article can be obtained by writing 116 on the reader service card.

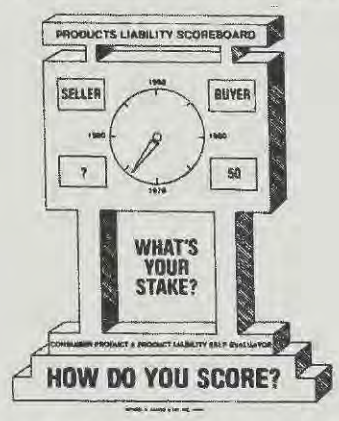
• An article entitled **Guide Lines for Writing DIC,** by Bernard Daenzer, president of the Howden Swann Group, has been prepared by Wohlreich & Anderson. The article discusses the advantages of establishing an aggressive DIC program in an agent's office regardless of size. A detailed check list of ten considerations is included, covering such items as evaluations, deductibles, perils excluded, etc. A copy of this article may be obtained by writing 117 on the reader service card.

• Improved Risk Mutuals is offering a brochure that shows how **You Can Get Burned.** It gives actual case histories to show the consequences of underinsurance, plus a chart showing the increase in replacement costs in recent years. For a free copy write 119 on the reader service card.

• Obtaining information in products liability cases is made easier with a questionnaire guideline available from Insurance Co. of North America. The questions refer to appropriate chapters and sections of a leading products liability legal reference service. For a free copy and a description of the Consumer Products Safety Act, write 121 on the reader service card.

• **Insurance for Contractors,** a revised and expanded 143-page book by Walter T. Derk, is now available. Entirely new material includes sections devoted to: understanding risk management, workers' compensation reforms, building insurance overhead into contract cost and instructions on charging retro rating plans. Cost is $5; discounts are available for orders of five or more. Write to Walter T. Derk, Fred. S. James & Co., 230 W. Monroe St., Chicago, Il. 60606.

• The **Products Liability Scoreboard,** a self-evaluating questionnaire from Fred. S. James & Co. Inc., can help companies that make or market consumer prod-



ucts to identify product liability exposures and take a first step toward compliance with the federal Consumer Product Safety Act. For a free copy write 120 on the reader service card.

• **Property-Liability Insurance Accounting** is a new textbook, developed by the Insurance Accounting and Statistical Assn., written by 17 leading U.S. authorities on property-liability insurance, and published for specific reference use by risk managers, accountants, actuaries and insurance company managers. Chapters cover subjects such as: How to estimate loss and loss expense liabilities; GAAP accounting; federal income taxation; audits and examinations. Cost is $18.50. Write to the publisher: Kenneth M. Lane, The Merritt Co., 1661 Ninth St., P.O. Box 1256, Santa Monica, Ca. 90406.

• **Retrospective Rating,** a textbook by John R. Stafford, teaches retro fundamentals and construction and includes many fully illustrated Plan D calculations. The third edition is completely updated, rewritten and expanded 30% with new treatments of the makeup and use of Table M, loss adjustment expense and selecting retro factors. Cost is $7.75. To order, write to John R. Stafford, J & M Publications, Dept. X, P.O. Box 338, Palatine, Il. 60067.

• In response to widespread concern by defense attorneys, medical professionals and insurers over the problems involved in medical malpractice claims, a **Medical Malpractice Position Paper** containing proposals and discussions of spe-

Continued on page 38

Continued from page 37
cific malpractice problems was recently released by the National Defense Research Institute (DRI). The proposals have won endorsement by the International Assn. of Insurance Counsel, the Federation of Insurance Counsel, the Assn. of Insurance Attorneys and DRI, which are four major voices of the defense bar. Copies of the paper are available for the handling fee of $1.00 each, prepaid (reduced handling fees are available on quantity orders), through the Defense Research Institute, 1100 W. Wells St., Milwaukee, Wi. 53233.

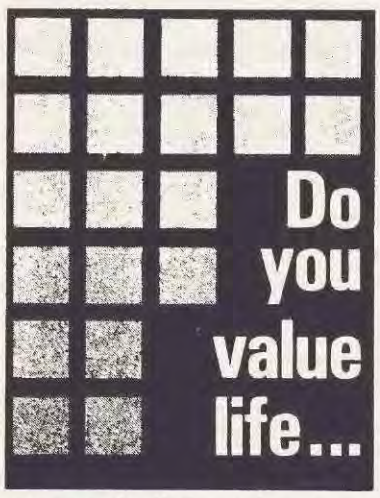
• Institutional Research Consultants is offering a legal report entitled **The Current Trend of Charitable Immunity as It Relates to Tort Liability.** The report details the charitable immunity doctrine in the United States, including definition, history and current trends. The latest court decisions and legislative action are also covered. The price is $5.00. Mail requests for the report to Institutional Research Consultants, 5725 Fremont Pike, Box 181, Stony Ridge, Oh. 43458.

• Shippers, consignees, ocean carriers, port and terminal operators, air terminal operators and insurance underwriters will find **Cargo Loss Prevention Recommendations** in a booklet prepared by the International Union of Marine Insurance. There is a special section on cargo loss prevention for containerized shipments. Copies are $1.00 and available from the International Insurance Monitor, 150 W. 28th St., New York, N.Y. 10001.

Employe benefits

• **Split-Dollar Life Insurance funded with the ICV 100,** published in November by Financial Assurance Inc. of Denver, describes a way of providing life insurance benefits to key personnel at small net cost to the company. Full immediate cash values are one advantage. Dun's Review called split-dollar life insurance "the hottest thing in executive insurance." For a free copy, write 201 on the reader service card.

• **Do You Value Life . . . Insurance Enough?",** a pamphlet prepared by the Prudential Insurance Co. of America in September, suggests many employers may be taking their group life insurance plans for granted. The brochure



recommends that employers review their plans to make sure they take full advantage of every benefit dollar spent. For a free copy, write 202 on the reader service card.

• Dental insurance not only meets the needs of the employe but can now fit the pocketbook of the employer. **PruDental,** a brochure prepared by the Prudential Insurance Co. of America, shows you how this can be done. For a free copy, write 203 on the reader service card.

• **Survivor Income Benefits from the Equitable,** published in October by the Equitable Life Assurance Society of the U.S., defines and describes examples of non-integrated and integrated SIB plans. It also reviews the role of group life and shows the percent of income replaced by 2x salary group life plan. A chart comparing the 2x plan versus the two SIB examples in meeting minimum income needs is provided. An SIB filmstrip is available on request. For a free copy of the brochure, write 204 on the reader service card.

• A guidebook which describes the design and administration factors for planning and choosing a dental health benefit program is being offered by Health Application Systems. To be published in March, the **Guidebook on Dental Benefit Programs** is aimed at risk managers and corporate financial and health benefit executives. For a free copy, write 205 on the reader service card.

• **Health Benefit Cost and Quality Control,** published this month by Health Application Systems, describes costs and controls similar to loss engineering for managing other corporate insurance programs. Controls are based on "patterns of treatment" computer programs. Data sheets will be provided with detailed information about systems functions. For a free copy, write 206 on the reader service card.

• General American Life Insurance Co. published four pamphlets to describe its qualified plan alternatives. They are: **The Thrift Allocator, The Profit-Sharing Allocator, The Money Purchase Allocator and Voluntary Contributions Option.** The pamphlets give highlights and list

key points and are available at no charge. Write 211 on the reader service card.

• Health Application Systems published **Medical Benefit Administration Systems** this month which describes the key features of the firm's medical benefit administration systems and the advantages they offer to sponsors of medical benefit programs—primarily corporations, union trust funds, Health Maintenance Organizations and government agencies. For a free copy of the descriptive brochure, write 207 on the reader service card.

• **Permanent Value Group Life —as a Supplement to Group Term,** published in September by Washington National Insurance Co., describes an option for employes insured under the carrier's group term contract. Basically, the alternative allows all or part of the group term life insurance to be supplemented with permanent life insurance having cash and loan values. The coverage becomes fully paid after 10 years

Six ways UAC handles claims for self-insureds are covered in one free book.

UAC can help keep your self-insurance program from becoming risky business. Our new booklet, "Six Services For Self-Insurers" explains why. And we want you to have a free copy.

It shows the UAC approach to handling claims for workmen's compensation, automobile, liability, property and transportation risks. How we tailor our services to meet your requirements in single assignments or complete claims administration. And how our 50 years experience and special services lead to claim settlements that are fast and fair.

One special service is our unique Dial-A-Claim. A toll-free telephone number for fast and efficient claims reporting 24 hours a day. Assuring you that a UAC adjuster can get to the scene of an accident or loss quickly. Anytime. Anywhere.

You'll find UAC adjusters just about everywhere. Over 3000 highly skilled specialists work out of 375 service locations across the country. And we're licensed to operate in all 50 states.

Our free booklet is just the beginning. For complete information on how we help self-insureds with reliable claims adjustments call any UAC office. Or write our head office in Chicago.

UNDERWRITERS ADJUSTING COMPANY
224 South Wacker Drive, Ch cago, Illinois 60606.

☐ Send me "Six Services For Self-Insurers."
☐ Have a UAC account executive contact me.

Name_____

Company_____

Address_____

City_____ State_____ Zip_____

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or upon retirement at age 65. For a free copy of the brochure, write 209 on the reader service card.

• Employers may offer an income tax preparation service to their employes for less than a penny per employe hour, according to **An Exciting Employe Benefit from H&R Block,** published in May. Year-round service is offered to employes at no additional charge to the employer or employe. For a free copy of the brochure which describes the details, write 210 on the reader service card.

• Northwestern National Life Insurance Co. is offering complimentary copies of **A Guide to Health Maintenance Organizations,** published in July, which answers such basic questions for employers as: What is an HMO? What are the advantages and disadvantages to the employer? To the employe? What laws govern HMOs? For a free copy, write 213 on the reader service card.

Info for buyers

• Anchor Corp.'s **An Investor's Handbook,** describes the types of financial services it offers. The brochure explains free services available to Anchor Group shareholders as well as the financial counseling, products and services which the firm and its affiliates provide. For a free copy of the brochure, write 214 on the reader service card.

• La Hacienda Treatment Center Inc. published a brochure which describes through text and photographs the philosophy and program of a private therapeutic hospital and rehabilitation center for the treatment of alcoholism and alcohol-related problems. Costs, insurance coverage, accommodations and location are given in **La Hacienda: A Successful Alcoholism Recovery Concept Put Into Practice. Successfully.** For a free copy, write 215 on the reader service card.

• Combined Insurance Co. of America has made available to agents and brokers a brochure-worksheet called **Image 10/40** which describes benefits and rates for a group long-term disability income plan for companies employing between 10 and 40 people. Requests should be made on company letterhead. For a free copy, write 216 on the reader service card.

• Personalized replies via letter in answer to requests about group long-term disability plans for employes will be given to employers free of charge by Combined Insurance Co. of America. Write to Ralph Jensen, Combined Insurance Co. of America, 5050 Broadway, Chicago, Il. 60640.

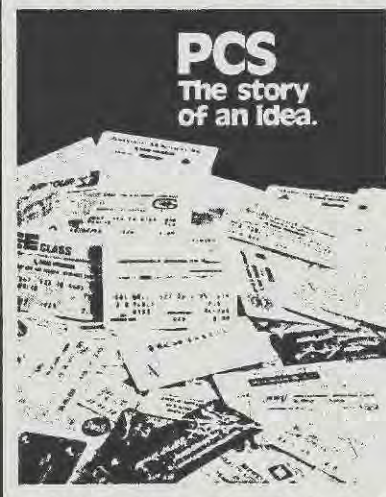
• **Incentive Dental Plan,** published in October by American Way Group Insurance Trust, describes a dental plan that pays increasing amounts of an individual's dental bills, provided the insured has diagnostic and preventative services performed annually. The plan is available to companies with three or more employes. For a free copy of the brochure, write 218 on the reader service card.

• **A Brief Look at the Health Maintenance Organization** type of health care plan . . . what it means to the employer and to his employes, published by Twin City Health Care Development Project, offers a basic explanation of HMO's and how they work. For a free copy of the brochure, write 219 on the reader service card.

• Arthur Young & Co. compiled an extensive description in early 1974 entitled **Compensating Executives: Meeting the Needs of Management Today.** The 73-page brochure covers a broad range of considerations which companies should know in planning executive compensation. The firm also assists employers with their compensation system. For a complimentary copy of the brochure, write 220 on the reader service card.

• Communitronics Inc., a subsidiary of Fred. S. James & Co. Inc., is offering a brochure that describes the company's program designed to **Tell your Employes about Their Benefits.** The program, called EmployesBIS, is a benefit information system which provides employes with an individual computerized benefit statement to inform them of their total compensation. Free descriptive brochures may be obtained by writing 221 on the reader service card.

• **The Story of an Idea,** published by Pharmaceutical Card System, briefly describes the pictorial history of third party prescription drug programs and details the ease



and convenience of a plastic card plan. Samples of forms and supplies utilized are included. For a complimentary copy, write 212 on the reader service card.

• **Prepaid Dental Care Technical Assistance Manual** covers alternative delivery systems, market analysis, benefit development and premium calculations. Written by Jerold M. Frankel, D.M.D., M.P.H., and Joseph Boffa, D.D.S., M.P.H., the manual is based on original studies done for the Harvard Community Health Plan. Cost of the manual is $2.75. Write to Jerold Enterprises Inc., 2 Larchwood Dr., Cambridge, Ma. 02138.

• Herman Hospital, Houston, offers direct assistance to companies that wish to develop or evaluate programs for troubled employes. For more information write to Troubled Employes Service System, 631 Hermann Professional Building, Houston, Tx. 77025, or call John Schaeffer at (713) 527-4023.

NOTE: Most items listed here are available without charge. For free material use the coupon in this issue or a postcard, indicating the item number. Material which is available at a price should be requested directly from the source, at the address given.

Continued on page 40

TO OBTAIN INFO FOR BUYERS DATA—USE THIS COUPON

business insurance

P. O. Box 395, Wilmette Illinois 60091

Please send me the following data (insert code number of each item wanted):

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Title _____

Company _____

Address _____

City/State/Zip _____

Nature of Company's Business _____

Essential you supply complete information.

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER FEBRUARY 28, 1975

Continued from page 39

• The Bureau of National Affairs has released a survey of employe health and welfare benefit plans in a cross-section of American business and public enterprises. Some results: Group life insurance is available in 99% of the responding companies; hospital surgical insurance—98%; dental care insurance—about one-eighth. For the complete report, **Employe Health and Welfare Benefits,** write the Bureau of National Affairs Inc., 1231 25th St., Washington, D.C. 20037. Copies are $5.00 each and multi-copy rates are available. For more information contact Frederick B. Tagg, communications manager, at the above address.

• **Washington Information: National Health Insurance** is a complete information service on the subject of national health insurance which includes monthly newsletters, special bulletins to keep subscribers informed on fast-breaking activities, summaries of House ways and means committee and Senate finance committee NHI testimony, etc. Subscribers are provided with a loose leaf binder including summaries of the major proposals and other basic resource documents. For subscription information write Washington Information: National Health Insurance, 399 Howard Blvd., Mt. Arlington, N.J. 07856.

• Protech Publications publishes **Dual Choice: HMO or Indemnity,** a book by Joseph N. Rosenfield. Copies are $3.00 but there is a 25% discount for *Business Insurance* subscribers. Write to the company, 2182 Dupont Dr., Irvine, Ca., 92664.

• A 12-minute sound/slide presentation tailored for management considering the Health Maintenance Organization option for their employes is available from Twin City Health Care Development Project for $250 for 71 slides and cassette tape ($50 per week rental). The presentation answers questions from businessmen about HMOs and illustrates how an HMO option can play an important role in a company's benefits program. Write to: Ms. Ruth Stack, director, Twin City Health Care Development Project, Federal Reserve Bank Building, Minneapolis, Mn. 55480.

• A 270-page reference based on a survey of all operating Health Maintenance Organizations is available by writing to: Ms. Ruth Stack, Director Twin City Health Care Development Project, Federal Reserve Bank Building, Minneapolis, Mn. 55480. The charges are $250 for the first copy and $100 for each additional copy. The report is designed for use by the benefits division of large companies and contains detailed information on each existing HMO, a map of its service area and comparison charts illustrating differences in plan size, benefits, costs, etc.

• **Health Maintenance Organizations,** published in May by Twin City Health Care Development Project, is a 56-page reference book on HMOs. It contains a general discussion about HMOs, their various organizational structures and modes of operation, and specific descriptions of 12 HMOs. An analysis of the impact of HMOs on employers, providers and consumers also is provided. The cost of the report is $5 and can be obtained from: Ms. Ruth Stack, Director, Twin City Health Care Development Project, Federal Reserve Bank Building, Minneapolis, Mn. 55480.

Pensions and profit sharing

• Blyth Eastman Dillon & Co. Inc. provides verbal descriptions and facsimiles of **Fund Monitoring Services** consisting of fund audit, performance measurement and portfolio evaluation to assist employe benefit fund administrators and money managers in maintaining greater management control over their investing activities. For a free copy, write 301 on the reader service card.

• The new pension reform law has defined the fiduciary liability of trustees, eliminated exculpatory provisions in trust documents and has cleared the way for the purchase of liability insurance for trustees and others they hire. An article entitled **The Latest Developments in Pension Trust Liability,** by Bernard J. Daenzer, president of Howden Swann

Self-insurance sounds so great, you wonder if there's a catch to it.

There is.

Even the briefest study of self-insurance reveals a couple of advantages so compelling, it's obvious why it's one of the hottest subjects among risk managers and financial executives in these tight money days:

- It can immediately put into your cash flow up to 75% of the amount you're now paying for risk protection.
- It can lead to long term capital savings which can be productively invested.

It gets even better

Additional investigation turns up some less apparent extras that make self-insurance even more attractive:

- A properly run program can give your company greater control over losses and over claims handling.
- It can actually improve both safety practices and employee relations.

Hold yourself back

But before you go charging off to commit for a self-retention program, you should dig even deeper into the subject. Because that's where you find the potential stumbling blocks.

The two factors that can make self-insurance programs end up costing more than they should are initial design and claims handling. If the program is not specifically tailored to the precise needs of your company, much of the hoped-for savings can be drained off. If the claims work is not carefully controlled, unpleasant surprises could rise up to greet you in future years.

Here comes the commercial

The answer to these potential dangers is experience. And in self-insurance, experience is practically synonymous with ARMS. In fact, the ARMS management team is one of the most experienced groups in the insurance industry.

What's it mean to you?

In the consultation and planning stage, you can have the assurance that the program tailored to your requirements will not sacrifice any protection against loss...and that you will have the benefit of the best safety engineering to reduce losses.

In the area of claims, the ARMS cadre of supervisory personnel has put together a nationwide pool of highly qualified experts who are called upon only when needed for a specific assignment. So you can be sure of skilled claims investigation and handling at all times...with a constant flow of accurate data so vital for prudent forecasting.

Make us prove it

Being so cautious and skeptical ourselves, we would never expect you to act on the basis of the necessarily limited data we have supplied so far. Write or call, giving an indication of your needs. In return, we will give you facts, figures and (most importantly) specific case histories of our work for organizations similar to yours.

arms ALL RISK MANAGEMENT SERVICES, INC.

One Penn Plaza, New York, N.Y. 10001. (212) 947-6068

Info for buyers

Group for Wohlreich & Anderson Ltd, is available free to interested parties. Write 302 on the reader service card.

• **Employes Retirement Income Security Act of 1974—An Overview,** published by Marsh & McLennan Inc., provides a brief and incisive analysis of the new law's highlights with respect to coverage, participation, vesting, survivors' income, disclosure and reporting, fiduciary responsibility, funding standards, plan termination insurance, benefit limitations and other provisions. For a free copy, write 304 on the reader service card.

• Alexander & Alexander Inc. published a brochure entitled **What Long-Term Inflation will do to the Social Security System** based on a speech given by Geoffrey N. Calvert at the Western Pension Conference in September. The publication points to deep-seated structural weaknesses in the Social Security system and how they may be undermined by long-term inflation. For a free copy, write 305 on the card.

• **The RADA Advantage in Terminal Funding,** published by Small, Parker, Ackerman, Blossom Inc., offers a description of the computerized market search made of group immediate annuity

contracts to obtain the most favorable purchase rates at normal and early retirement for participants under profit sharing and pension plans. For a free copy, write 303 on the reader service card.

• **Social Security Benefits & Taxes—Their Impact on the Economy & on Future Private Pensions,** published by Alexander & Alexander Inc. is based on a speech by Geoffrey N. Calvert given at the American Pension Conference in December, 1973. It raises questions regarding the future of the Social Security system and its likely future impact on private benefit plans. For a free copy, write 306 on the reader service card.

• A 17-page survey of the major aspects of the pension reform law is offered free by New England Mutual Life Insurance Co. Entitled **Highlights of the Employe Retirement Income Security Act of 1974** and published in September, the brochure includes HR-10 plans, IRA plans, eligibility, participation and coverage, minimum vesting, limitations on contributions and benefits, funding lump sum distributions, joint and survivor annuity, preemption, plus much more. For a free copy, write 307 on the reader service card.

• **Summary of the Employe Retirement Income Security Act of 1974,** published in October by Bayly, Martin & Fay Inc., is a 19-page overview of the new law and should help firms in making necessary modifications in pension programs to comply with the law. For a free copy, write 308 on the reader service card.

• **Coping with the Disclosure Requirements of the Employe Retirement Security Act of 1974,** offered free by Johnson & Higgins Inc., emphasizes benefit communications requirements of the new law. New techniques offer employers the opportunity to comply with the Act and to achieve employe appreciation and understanding. To obtain a free copy write 309 on the card.

• Johnson & Higgins Inc. offers a simplified and condensed explanation of the Employe Retirement Income Security Act of 1974, entitled **Employe Retirement Income Security Act of 1974: Summary and Comments.** It is published in the firm's Benefit Plan Bulletin, September issue. For a free copy, write 310 on the reader service card.

• Hay Assoc. and Huggins & Co. Inc. are making available **A Special Summary Report** on reporting and disclosure requirements under the new pension reform law. The summary presents analyses of requirements under Titles I, II and IV. Copies may be obtained by writing 311 on the reader service card.

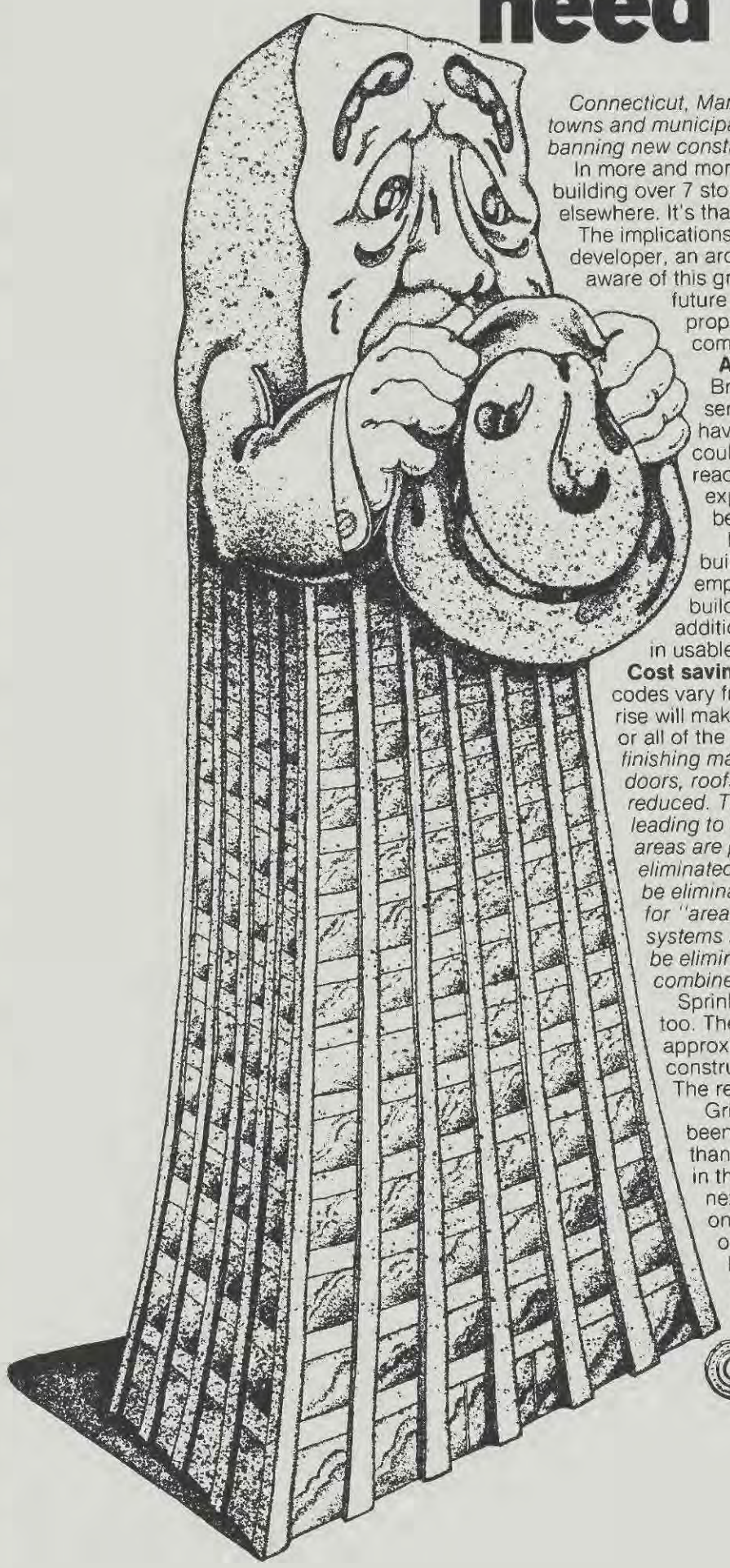
• Fred. S. James & Co. Inc. is offering a 67-page **Risk Guide** to the Employe Retirement Income Security Act of 1974. The guide provides a general background of the Act, positive action and alternatives to be considered, a worksheet designed to help prepare a parties-in-interest roster, a partial schedule of reporting and disclosure requirements and checklists for participation, vesting and funding. Copies may be obtained by writing 312 on the reader service card.

• Bi-Hex Inc. has introduced a computer-based cross-reference index to the new pension law. Called the **Pension Key*Dex,** the index groups 4,000 entries under some 400 key words used to describe the law and its provisions. Single copies are $25 or the annual subscription is $90. For more information write to Robert W. Grathwohl, C.L.U., vp of marketing, Bi-Hex Inc., 123 E. 37th St., New York, N.Y.

• Plan termination insurance is the subject of a question and answer pamphlet prepared by Connecticut General Insurance Corp. based on their interpretation of the new pension law. The pamphlet is specially designed to

Continued on page 42

Unsprinklered buildings need not apply.



Connecticut, Maryland, Massachusetts, Ohio and scores of cities, towns and municipalities have passed tough new building codes banning new construction of unsprinklered high rise buildings.

In more and more places across the U.S. you either sprinkler a building over 7 stories high, or you pack up your plans and build elsewhere. It's that simple, that open and shut.

The implications are clear: whether you're a building owner or developer, an architect or specifying engineer, you should be aware of this growing trend toward life safety. Facing the future *now* and learning all you can about sprinklering properly could save you money in the future when you come face to face with one of these tough new codes.

A question of ethics. The tragic fire in Sao Paulo, Brazil which claimed more than 200 lives raises a serious ethical question. Occupants of high rises have the right to expect protection from a fire that could leave them stranded hundreds of feet above the reach of fire department ladders and hoses. Many fire experts agree that a modern sprinkler system is the best way to insure that kind of safety.

Rental appeal. Many firms are insisting that their buildings be sprinkler protected for the safety of their employees. As this trend continues, non-sprinklered buildings will be at a decided rental disadvantage. In addition, sprinklers give building owners the maximum in usable rental space and provide more rental income.

Cost savings. Of course, permissive clauses in building codes vary from city to city, but sprinklering your next high rise will make it safer and could save you money in many or all of the following ways: *Flame spread ratings of surface finishing materials can be increased. Fire ratings of walls, doors, roofs, floors, beams, trusses and columns can be reduced. The distance between fire exits can be increased, leading to fewer stairways. Larger non-compartmented areas are permissible, and fire barrier requirements can be eliminated. Smokeproof entrance closures to exit stairs can be eliminated if stairways are pressurized. The requirement for "areas of refuge" can be waived. Manual fire alarm systems may be eliminated. Fire hoses and cabinets can be eliminated. Riser piping is permitted to serve as combined sprinkler riser and fire department standpipe.*

Sprinklers cost, it's true. But sprinklers save money, too. The average high rise can be sprinklered for approximately $1 a square foot. Why not investigate the construction cost savings involved in your next high rise. The results may surprise you.

Grinnell Fire Protection Systems Company, Inc. has been designing and building sprinkler systems for more than 120 years. We would be happy to work with you in the planning of an automatic sprinkler system in your next high rise building. If you'd like more information on how we can help, call the nearest Grinnell district office listed in the Yellow Pages, or write Grinnell Fire Protection Systems Company, Inc., 10 Dorrance Street, Providence, Rhode Island 02903.

Sold throughout Europe by Kopperschmidt Sprinkler G.m.b.H. Kallenkirchen Germany

GRINNELL
GRINNELL FIRE PROTECTION SYSTEMS COMPANY, INC

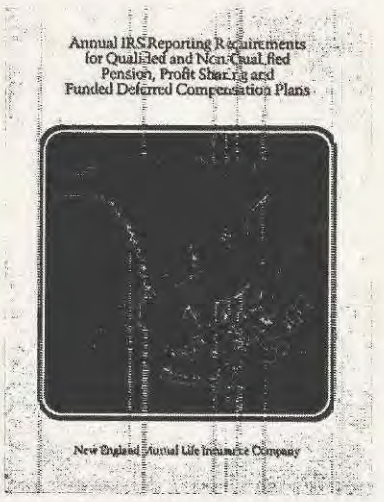
Continued from page 41
help small employers understand this subject. For a free copy write 313 on the reader service card.

• A survey of pension fund, health insurance and other benefit payments of 742 companies is available from the U.S. Chamber of Commerce. Fourteen manufacturing and six non-manufacturing industry classifications are covered. Copies of the survey are available at $3.00 each from the U.S. Chamber of Commerce, Washington, D.C. 20062.

• **New 1974 Pension Reform Highlights** is available for 10 cents (if requested on letterhead) from The America Group. The brochure, published in October, offers a digest of the highlights of the new law. It is less than 50 pages in length and comes in a pocket-size format. Write to: Robert Levy, Pension Representative Suite 306, The America Group, 3727 West 6th St., Los Angeles, Ca. 90020.

• **New 1974 Pension Reform Highlights,** offered by Commerce Clearing House Inc. for $1 (for two-copy minimum order), provides easy-to-grasp highlights of major benefits and changes in a booklet designed for widespread goodwill distribution. The 48-page publication, printed in September, can be obtained by writing to: James Golden, 4025 W. Peterson Ave., Chicago, Il. 60646.

• New England Life's **Annual IRS Reporting Requirements for Qualified and Non-qualified Pension, Profit sharing and Funded Deferred Compensation Plans,** available in February, is an 86-page commentary on how to complete IRS reports for all qualified pension and profit-sharing plans. It contains sample completed forms, explanations, tips and short cuts. The cost is $5.95, which must accompany the order. For a copy of the booklet write to: Frank Malone, assistant vp, Pension marketing and coordination, New England Mutual Life Insurance Co., 501 Boylston St., Boston, Ma. 02117.



• **Commerce Clearing House Inc.** is offering for $4.50 a copy of **Pension Reform Act of 1974, Law and Explanation** published in September. The 400-page publication provides the full text of the new law and gives an explanation of its requirements and new features, plus major committee reports. For a copy, write to: James Golden, 4025 W. Peterson Ave., Chicago, Il. 60646.

• **Explanation of Pension Reform Act of 1974,** offered by Commerce Clearing House Inc. for $2 a copy, provides a detailed description of the new law. The 96-page publication covers who's affected by the law, when, how and what to do about it, but does not provide the law text or technical details. To obtain a copy, write to James Golden, 4025 W. Peterson Ave., Chicago, Il. 60646.

• **New Tax Savings Plans for Self-Employed,** published in September by Commerce Clearing House Inc., is available for $1.50 a copy. The 32-page publication provides a concise explanation of special new pension reform tax regulations and benefit rules for self-employed persons, pensioners, and a new do-it-yourself program for individuals. To obtain a copy, write to: James Golden, 4025 W. Peterson Ave., Chicago, Il. 60646.

• An audilex cassette tape explanation featuring compliance help on the new pension reform law is offered by Commerce Clearing House Inc. for $15. **The 1974 Pension Reform Act—A New Challenge** by Sidney Kess and published in September includes a copy of CCH's explanation of Pension Reform Act of 1974 and a quizzer, prepared under AICPA-approved guidelines on continuing education. Successful completion should qualify the listener for a one-hour continuing education credit, according to CCH. For a copy, write to: James Golden, 4025 W. Peterson Ave., Chicago, Il. 60646.

Is the ICV100 the ultimate business life insurance policy?

Probably not. Even we, who invented the immediate full cash value concept, intend to keep looking for ways to improve on it. But until we do —or until someone else does—the ICV 100 offers advantages never before available to business life insurance purchasers.

ICV 100 is a permanent, paid-up-at-65 life policy. Premiums compare favorably with those of other companies; but unlike any policy previously available, *ICV 100 has guaranteed cash values which are never less than the total amount of premiums paid.*

That means all the money paid in premiums is available for return upon demand upon surrender of the policy. Every cent—and from the first day.

If you need business life insurance for key man protection, or to fund a buy and sell agreement, it means the total of every premium payment remains a current asset, causing no impairment to the balance sheet or to current earnings.

If you are considering a split-dollar program for your key executives, it means the insured executive pays no part of the premium; and the employer's payments are always fully secured by the policy's cash value. **(Of course, the ICV 100 is also available for personal insurance coverage.)**

ICV 100 was designed specifically for the self-motivated insurance buyer. It is marketed by mail. If you wish to receive full details, including a sample policy, just complete the coupon below.

ICV 100™

Policy 8369

Financial Assurance, Inc. 900 Grant Street, P.O. Box 2040, Denver, Colorado 80201

Gentlemen: Please mail me the free information on ICV 100. I understand that filling out this coupon does not obligate me to purchase anything, or to take any other action.

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OCCUPATION_____

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Safety work comp and OSHA

• Two-thirds of all injuries account for only 6% of total injury cost, while 94% of the injury cost is derived from only 33% of the injured—**The Vital Few.** This brochure describes how Employers Insurance of Wausau uses mass statistics to pinpoint the causes and costs of major occupational injuries . . . and how, from these studies, technical guides are published, which include a self-analysis system to help control the major hazards of various types of industry. For a free copy write 402 on the reader service card.

• A brochure describing the **Liberty Mutual Insurance Co. Research Center** is now available. Several projects of interest to commercial policyholders are described, including studies in automotive safety, environmental

health services, industrial hygiene training services, occupational safety, property loss control, ergonomics research and product hazard evaluation. For a free copy write 401 on the reader service card.

• **OSHA-SPEC Litegard Lamp Protectors** are explained in this brochure from the Cadillac Plastic and Chemical Co. Designed to be used on bare light bulbs, the protectors meet OSHA requirements, the company says. For a free brochure write 403 on the reader service card.

• A brochure kit, entitled **Rehabilitation and Medical Care,** describes the need for and the benefits derived from coordination of rehabilitation and medical care, as provided by International Re-

habilitation Assoc. Inc. Also included is **Engineering the Road to Recovery,** which is a description of the rehabilitation concept and the use of the concept in accident and health, casualty and worker's compensation claims. **Questions and Answers about International Rehabilitation Assoc.** is the third brochure in the package. To receive the kit write 404 on the reader service card.

• Employers Insurance of Wausau and the Liberty Mutual Insurance Cos. have developed jointly a brochure on **Emergency Medical Service Systems . . . A Community Challenge.** It stresses the importance of improving emergency medical service in the community through public education, transportation, professional competency and regional planning. For a free copy write 405 on the reader service card.

• **Environmental Noise Abatement,** prepared by B&K Instruments Inc., gives a summary of acoustical terms and community noise criteria. Included is a brief history and summary of current status of noise control efforts in the areas of community planning,

community noise legislation, product design and industrial noise regulations. A tutorial section presents elements of acoustical notation in an easy-to-read fashion. Free copies may be obtained by writing 417 on reader service card.

• **Medical and Rehabilitation Services,** prepared by the Liberty Mutual Insurance Cos., is a 20-page booklet stressing the importance of the proper physical, occupational and psychological rehabilitation of injured workers to control the cost of disability and return the injured to the job as soon as possible consistent with sound medical judgment. For a free copy write 406 on the reader service card.

• M&M Protection Consultants, a service of Marsh & McLennan, has prepared **Occupational Safety and Health Act of 1970—A Status Review.** The 24-page booklet, published in May 1974, reviews the status of the Act and analyzes the developments put into effect by the act and predicts future occurrences. For a free copy write 407 on the reader service card.

• The International Safety Academy in Macon, Ga., has released a **Schedule of Winter Conferences 1975.** Conferences in Macon and elsewhere will focus on management of basic safety, total loss control, environmental health, motor fleet safety, scientific accident control, and advanced total loss control. For a free copy write 408 on the reader service card.

• Recognizing that many Japanese nationals are now working in the United States, Bayly, Martin & Fay Inc. has prepared a Japanese translation of the OSHA poster, **Safety and Health Protection on the Job.** The English version is printed alongside. Firms desiring a copy should write 409 on the reader service card.

Info for buyers

• A **Summary of the Employe Retirement Income Security Act of 1974** is available from Bayly, Martin & Fay Inc. The 19-page booklet re-states the main provisions of the Act for easy understanding. Free copies may be obtained by writing 410 on the reader service card.

• **Loss Control Service,** a new illustrated 12-page booklet of Leatherby Insurance Co., describes the multi-phased activity of the loss control consultant as-

Continued on page 44

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Shake hands with our president.

All 60 of him.

Continued from page 43

signed each workers' compensation risk and delves into personnel training courses, specialized construction operation assistance, fleet safety and visual aids. For a free copy write 411 on the reader service card.

• **The Severity Control Program** is a 12-page booklet describing a plan aimed at gaining confidence and rendering extra service to workers with serious injuries. The program is designed to head off litigation. For free copies write 412 on the reader service card.

• A conference-seminar for architects, structural engineers and others concerned with loss prevention, loss control and life safety will be held several times during 1975. The three-day meetings cover a broad range of problems relating to designing for hazard control. To obtain a descriptive brochure, entitled **Designing for Firesafety & Hazard Control,** write 413 on the reader service card. The cost of enrollment is $150.

• **General Industry OSHA Safety and Health Standards Digest,** prepared by Mandata Inc., is an alphabetical digest covering approximately 90% of the OSHA standards for general industry. Written in non-technical terms, it also contains a standards source keyed to the official standards in the Federal Register. To obtain a free copy write 414 on the reader service card.

• A sample computerized safety report called **Safety Management Scoreboard** is available from Corporate Systems Corp. The sample report includes analysis by frequency, severity, location, age group, length of service and body part injured. To obtain a copy write 415 on the reader service card.

• **What Would Happen to your Business if your Computer Were Fired?** This question is answered in a 12-page booklet by Fenwal Inc. Included is information on previous fires in electronic data

processing room fires. The booklet outlines the advantages of automatic Halon 1301 fire suppression systems for data processing installations. For a free brochure write 422 on the reader service card.

• **Consultants in Industrial Safety and Loss Prevention** is the title of a booklet describing basic safety program needs and consulting services available from Rolf Jensen & Assoc. Inc. A three phase approach is outlined for evaluating and conforming to OSHA and establishing an ongoing safety and loss prevention program. For a free copy write 416 on the reader service card.

• The Michigan Mutual Insurance group is offering in a 9" x 4" folder a **Digest of the Workers' Compensation Act of Michigan,** including a schedude of 1974 benefits and instructions for reporting occupational injuries and diseases. To obtain free copies, write 418 on the reader service card.

• Norris Industries is offering its **Buyers Guide** to portable fire extinguishers. The catalog describes and illustrates dry chemical, carbon dioxide and water extinguishers which meet all OSHA requirements for performance and operations. It also includes data on high-capacity wheeled dry chemical and carbon engines. For a free copy write 419 on the reader service card.

• Singer Safety Products Inc. is offering its **Safety Products Catalog #502.** It lists more than 100 products for personnel, equipment and area protection. A companion checklist identifies those products which meet OSHA standards. To obtain a free catalog write 420 on the reader service card.

• The Aetna Life and Casualty Co. has made available a kit concerning the Occupational Safety and Health Act entitled **Obligation or Opportunity.** The kit includes an introductory booklet pertaining to OSHA in general and three individual booklets; sources of information, premises inspection guide, and how to avoid duplicate recordkeeping on workmen's compensation. The kit may be obtained by writing 421 on the reader service card.

• **Massive Service Interruptions** are possible when a fire occurs in telecommunications equipment, according to a brochure by Fenwal Inc. Information is provided on possible ignition and the resulting damage to equipment and building caused by heat, smoke and fire. The booklet describes the advantages of automatic Halon 1301 fire suppression systems for telecommunication installations. To obtain a free copy write 423 on the reader service card.

• **The OSHA-SPEC Safety Products Buyers Guide** is now available from the Cadillac Plastic and Chemical Co. This 72-page color catalog carries over 3,000 items—including safety caps, goggles, protective clothing, fire extinguishers, etc. OSHA-SPEC safety products meet OSHA standards. For a free catalog write 424 on the card.

• **Firefighter's Protective Clothing & Equipment,** a 12-page brochure by Fyrepel Products Inc., is now available. Clothing, aluminized

garments, approach suits, entry suits and proximity suits are described. For a free copy write 432 on the reader service card.

• **We Insure a World of Work** is a description of Commercial Union workers' compensation plans. The brochure also explains the importance of a strong workers' compensation plan for the consumer and details the ways in which Commercial Union Assurance Cos. can assist in providing plans for a variety of businesses. For a free copy write 425 on the reader service card.

• **Fundamentals of Fire Extinguishment** is a folder explaining the basic elements and classification of fire, available from the Ansul Co. For a free copy write 426 on the reader service card.

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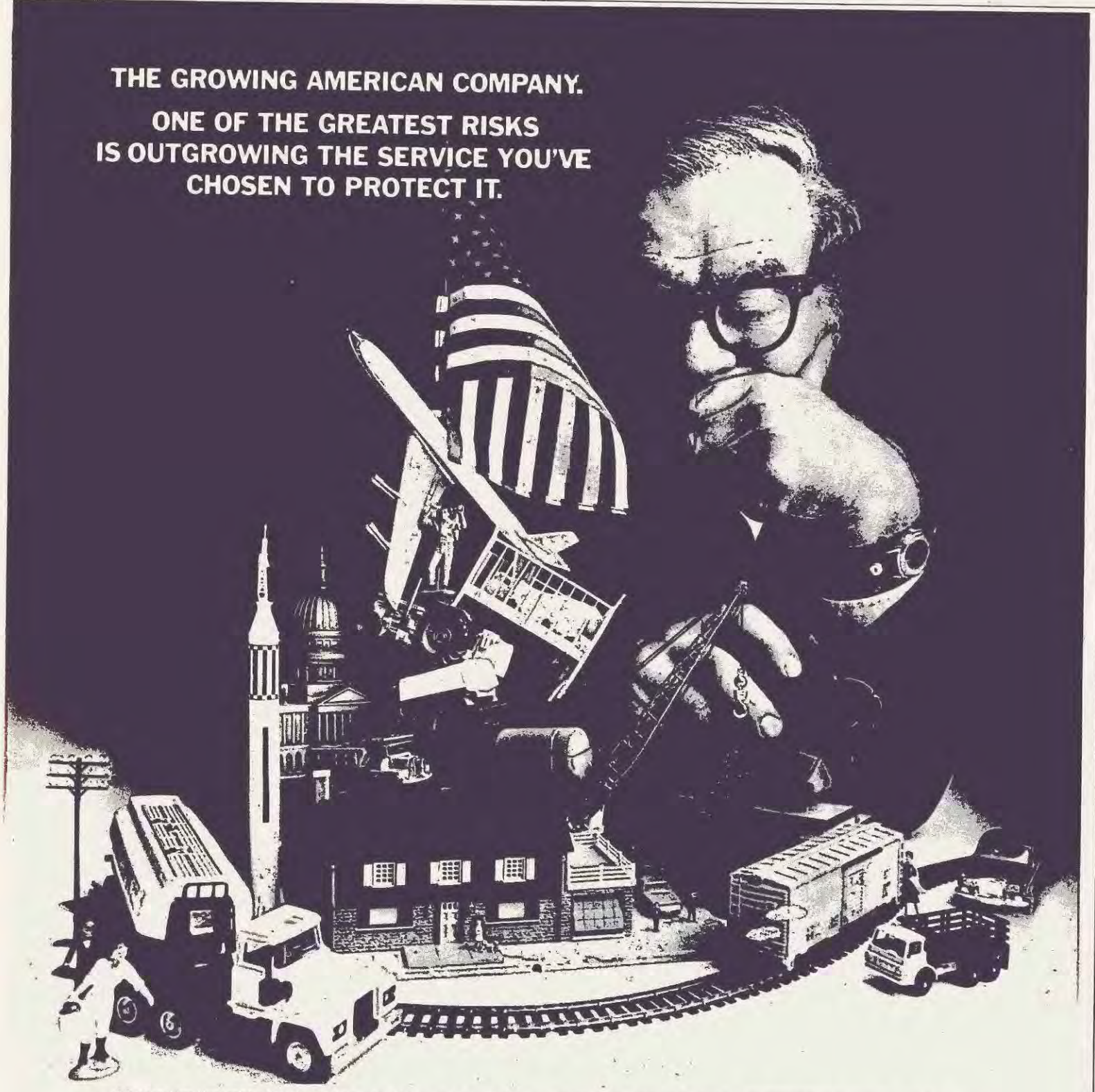

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Alexander & Alexander

Continued from page 44

• **The Rockwood Super Jet-X Foam System** is described in a brochure from the Rockwood Systems Corp. For a free copy write 427 on the reader service card.

• Rockwood Systems Corp. is making available its **Rockwood Firefighting Bulletin**, a listing of nozzles, foam equipment and other fire fighting equipment for industry. To obtain a free copy write 428 on the reader service card.

• Walter Kidde & Co. has released its illustrated catalog of **Fire/Intrusion Alarm Systems and Components.** System requirements are broken down into three categories: detection, control and annunciation. For a free copy write 429 on the reader service card.

• **Fire Extinguishing Systems & Equipment** by Walter Kidde & Co. are listed in a 12-page brochure that covers carbon dioxide, Halon 1301, dry chemical, Hi-Ex Foam and Sentinel pre-engineered dry chemical extinguishing systems. The brochure also contains a chart showing portable and wheeled fire extinguishers uses by type of agent and fire classification. To obtain a free copy write 430 on the reader service card.

• A descriptive brochure on the **Clark Thermadoor Cold Storage Fire Door** is available from the Clark Door Co. The brochure included specifications and a graph charting the temperature rise of the door during the Underwriter Laboratories three-hour fire test. Free copies may be obtained by writing 431 on the card.

• Fyrepel Products Inc. is offering a four-page brochure, **Heat Protective Clothing for Industry.** Various types of heat-resistant suits and accessories are described. To obtain a free copy write 433 on the reader service card.

• This brochure from X-Air Co. warns that if you **Mesh Around Long Enough, You're Liable to Get Burned.** The brochure describes X-Air grease filters for commercial kitchen exhaust canopies. The filters are Underwriters Laboratories classified, meet standards of the National Fire Protection Assn. and for fire codes, the brochure says. Free copies may be obtained by writing 434 on the reader service card.

• B&K Instruments is offering a brochure on its **SP-321 Digital Data System for Noise & Vibration Analysis.** The system prints out mean value, standard deviation and pseudo-histogram of the statistical data. An additional program computes the Environmental Protection Agency's day-night average sound level. For a free copy write 435 on the card.

• **Fire Module** describes mobile "quick-attack" fire fighting units for rescue operations and where delicate machinery or electronics are involved. Manufactured by CBF Systems, the units use Halon 1301. Free copies may be obtained by writing 436 on the reader service card.

NOTE: Most items listed here are available without charge. For free material use the coupon in this issue or a postcard, indicating the item number. Material which is available at a price should be requested directly from the source, at the address given.

Info for buyers

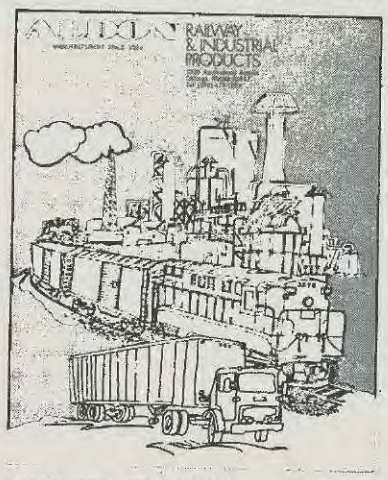
• This six-page illustrated brochure, **Insta-Wall,** describes the modular doorway, window and area enclosures that confine smoke and maximize effectiveness of Halon 1301 and other extinguishants in high risk production and storage areas such as EDP tape storage vaults. Prepared by Singer Safety Products Inc., brochures may be obtained at no cost by writing 438 on the reader service card.

• A four-page, illustrated brochure—**Screen Enclosure Systems**—describes three-and four-panel ready-to-install enclosures for noise reduction of compressors, pumps, generators and small production machinery. The brochure from Singer Partitions also shows how mobile acoustic screens are used as a barrier between noisy machinery and adjacent workers. For a free copy write 439 on the reader service card.

• Singer Partitions Inc. is offering its **Sound Products Catalog,** a 20-page illustrated listing of noise and vibration control products for industrial, commercial and institutional use, complete with technical performance data, installation techniques and diagrams. Free catalogs may be obtained by writing 440 on the card.

• **Air-Pak Products,** a Scott Aviation mini-catalog, describes the health and safety line of self-contained breathing apparatus approved for industrial and fire applications. For a free copy write 441 on the reader service card.

• The Aldon Co. is offering an illustrated catalog, **Railway & Industries Products.** The catalog describes specialty products for



truck and rail which conform to OSHA requirements. Free copies may be had by writing 437 on the reader service card.

• Corde Enterprises Inc. tells how to **Stop Unnecessary Water Damage!** in this four-page brochure. Described is the company's product, a sprinkler stopper, which is used to shut off activated sprinkler heads. For a free copy of the brochure write 442 on the reader service card.

• Sta-Put Enterprises Inc., maker of **Sta-Put Wheel Chocks,** is offering a brochure on its OSHA-approved product. The chocks are designed also to meet Department of Transportation requirements. For a free copy write 443 on the reader service card.

• The Autocall Division of Federal Sign & Signal Corp. is offering a brochure which tells how to **Increase Life Safety with this Evacuation Management System.** The brochure recommends the adoption of a standard fire alerting signal, voice command for

Continued on page 48

Meet the best plant emergency organization in the country.

They're your people who have worked with our people. When an emergency occurs, they know what to do!

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NOTE: THIS COUPON WILL NOT BE SERVICED AFTER FEBRUARY 28, 1975

Continued from page 47

evacuation and separate 2-way closed circuit telephone system for fire fighters' communication. To obtain a free copy write 444 on the reader service card.

• **CommFone System,** a brochure by the Autocall Division of Federal Sign & Signal Corp., describes a common talk, closed circuit fire fighters' communication system which permits fire fighters to talk to the fire commander, advising him of the situation in his area and then receiving instructions on how to proceed. It may be installed with or without a fire alarm system. Free brochures may be obtained by writing 445 on the reader service card.

• The 12-page mini-catalog of **Haws Safety Equipment** reproduces 39 pages of the Haws Drinking Faucet Co. major safety equipment catalog. Among the products illustrated are eye/face-wash fountains and sprays, drench showers and safety stations, decontamination equipment and other safety equipment for industry, schools and laboratories. For a free copy write 446 on the reader service card.

• This brochure describes the Honeywell TC-100 **Early Warning Smoke Detection System,** a solid state plug-in program which permits many fire management monitoring functions. A typical arrangement is diagrammed and cutaway pictures show components and construction. Free copies are available by writing 447 on the reader service card.

• **Fire and Security** problems in small and medium sized buildings can now be handled with systems integration technology. This booklet describes the Honeywell fire, security and equipment monitoring system. For a free copy write 448 on the reader service card.

• The Ansul Co. is offering a brochure which describes the uses, features and selection of **Ansul Cartridge-Operated Hand Portable Fire Extinguishers.** For a free copy write 449 on the reader service card.

• The Ansul Co. is offering a brochure which describes the **Ansul R-101 Fire Control Systems** for restaurant hood and duct fire protection. For a free copy of the brochure write 450 on the reader service card.

• **Ansul Sentry Hand Portable Fire Extinguishers** are described in a brochure from the Ansul Co. The brochure concentrates on the

selection of fire extinguishers in accordance with NFPA and OSHA standards. For a free copy write 451 on the reader service card.

• **Fire Protection Engineering** presents ECCO Service Inc.'s ability to assist the corporate insurance buyer, architects, contractors and engineers with fire protection design assistance, rate analysis and premium negotiation with insurance carriers. Free copies may be obtained by writing 452 on the reader service card.

• ECCO Service Inc. is offering **Safety Engineering and OSHA Compliance,** a brochure which describes the firm's services in simulated OSHA inspections, required record-keeping and established safety programs. For a free copy write 453 on the reader service card.

• Fire protection for electric generating plants is described in a brochure from "Automatic" Sprinkler Corp. **Special Hazard Fire Protection-Electric Generating Plants** covers both ordinary and special hazards associated with the turbine/generator, boiler, fuel supply, transformers and other vital plant systems. For a free copy write 454 on the reader service card.

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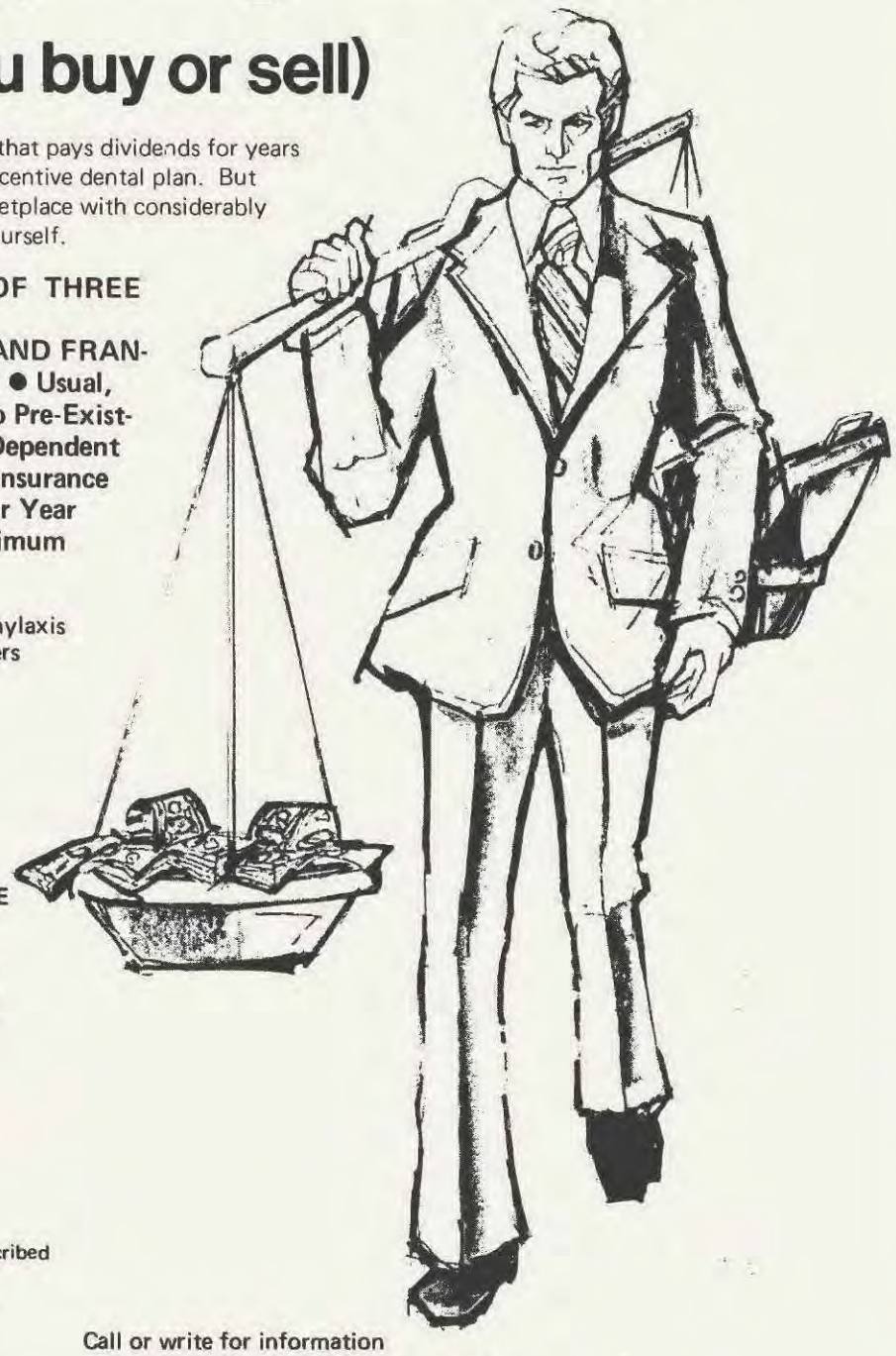
Now you can offer your clients an opportunity that pays dividends for years to come with American Way's comprehensive incentive dental plan. But best of all . . . it lets you return from your marketplace with considerably more money. Start now . . . but first, see for yourself.



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Administered By **American Way Corporation**
2530 Crawford, Evanston, Illinois 60201

Info for buyers

• A **Safety Training Manual** for automobile lessors is available from Rental Industry Services. The 58-page manual has chapters on accident prevention and loss control, critical few accident causes, employe and lessee selections, driver observation, accident investigation and emergency preparedness. Cost is $5; write to Frederick G. Paige, Rental Industry Services, 307 N.E. 1st St., Pompano Beach, Fl. 33060.

• A **Do-It-Yourself Safety Inspection Manual,** with 200 checklists keyed directly to OSHA standards, is available from Man & Manager Inc. The checklists are in loose-leaf form and provide a guide for detecting safety hazards on hundreds of jobs covered by OSHA regulations. Cost is $29.95. Write to E. A. Lowell, Man & Manager Inc., 87 Terminal Dr., Plainview, N.Y. 11803. A sample checklist and index of subjects is available free upon request.

• If you have ever asked, **What's a Sprinkler?**, order this brochure from Factory Mutual Engineering. A series of questions and answers, photographs and diagrams explain the history, structure and purpose of automatic fire sprinklers. Copies are ten cents each; write to the company at 1151 Boston-Providence Turnpike, Norwood, Ma. 02060.

• **The Control and Reduction of Industrial Noise** is an audio-visual packet, containing a 12-minute cassette and a 12-page booklet, depicting a 50% to 90% reduction in noise level of industrial machinery achieved with Sound Stopper partitions and enclosures.

Prepared by Singer Partitions Inc., the cassettes features "before and after" treatment of noise levels, while the booklet has photos of products in use. To order send $2 to R.W. Holub, Singer Partitions Inc., 444 N. Lake Shore Dr., Chicago, Ill. 60611.

• **Stored Plastics,** the new high challenge risk, is a brochure offered by Factory Mutual Engineering. Methods of storage to keeps fires to a minimum and the special problems of fighting a plastics fire are discussed. Copies are 25 cents each; write to the company at 1151 Boston-Providence Turnpike, Norwood, Ma. 02060.

• Allstate Insurance Co. has produced a film that shows a relation between **Attitudes, Emotions & Driving.** Six scenes trace the development of attitudes and emotions typical in home, school and office activities. Each scene ends with the individual preparing to drive. This format allows freedom to stop for discussion between each of the incidents. The film's price is $50. Write to the Loss Prevention Manager, F-3, Allstate Insurance Co., Allstate Plaza F-3, Northbrook, Il. 60062.

• Commerce Clearing House Inc. has released its **Field Operations Manual: Compilance Guidelines for the Occupational Safety and Health Act.** Reprinted from the official OSHA manual, it sets procedures for conducting inspections, issuing citations and imminent danger orders, proposing penalties, etc. Also included is a topical index for fast reference. Cost is $4. To order, write: James Golden, Commerce Clearing House Inc., 4025 W. Peterson Ave., Chicago, Il. 60646.

• **Occupational Safety and Health Standards for General Industry,** published by Commerce Clearing House Inc., contains standards issued by OSHA applicable to gen-

Continued on page 50

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And lately our business-business has really been growing.

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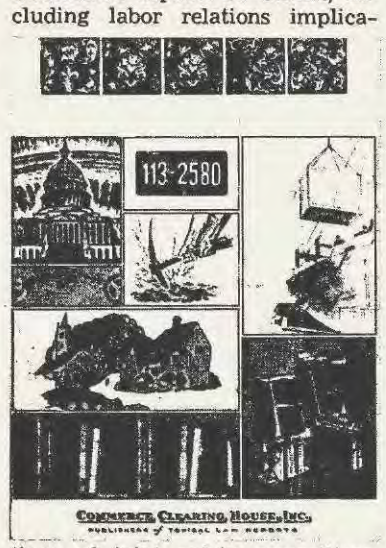
Continued from page 49
eral industry through June 3, 1974. OSHA's subject matter index is also included, along with the section number of the standards at the bottom of the pages. Cost is $4. To order, write: James Golden, Commerce Clearing House Inc., 4025 W. Peterson Ave., Chicago, Il. 60646.

• **Occupational Safety and Health Standards for the Construction Industry,** a Commerce Clearing House publication, reprints official standards issued by OSHA for the construction industry through June 3, 1974. Included are regulations for fire protection, equipment, storage, tools, ladders, cranes, motor vehicles and demolition. The subject matter index is OSHA-prepared. Cost is $2. To order, write: James Golden, Commerce Clearing House, 4025 W. Peterson Ave., Chicago, Il. 60646.

• Commerce Clearing House Inc. has produced a cassette tape program covering many of the least understood aspects of OSHA, including labor relations implications of joint safety committees, use of tape recorders during closing conferences, common mistakes in walkaround inspections and risks in filing variances. Called **XYZ's of OSHA,** the tape program is by Richard B. Berman and is housed in a vinyl album. Cost is $4. To order, write: James Golden, Commerce Clearing House Inc., 4025 W. Peterson Ave., Chicago, Il. 60646.



• The 1974 edition of **Guidebook to Occupational Safety and Health** is available from Commerce Clearing House Inc. Guidebook emphasizes help for employers to meet their duties and understand their rights under OSHA rules. Other topics covered are general duty, standards, inspections, citations, recordkeeping, etc. Cost is $7.50. To order, write: James Golden, 4025 W. Peterson Ave., Chicago, Il. 60646.

• A handbook for employes, **The Employee and OSHA,** has been prepared by the U.S. Department of Labor to answer the questions most often asked by workers. Information on job safety and health, employe rights and responsibilities under the 1970 federal job safety and health law, and the legislation's background is provided in the pocket-sized, 16-page booklet. Order from the Superintendent of Public Documents, Government Printing Office, Washington, D.C. 20402. Copies are 30 cents each, prepaid. Specify the title, plus March 1974, OSHA Publications 2099.

• American Insurance Assn. has released an employe-oriented pamphlet with on-the-job fire prevention tips, titled **No Work Till Further Notice Because of Fire.** It contains a number of dos and don'ts that includes the proper way to handle overheated machinery and oil-soaked rags. The pamphlet is available to *Business Insurance* readers in quantities of 100 for $2 or 1,000 for $15 from the American Insurance Assn., 85 John St., New York, N.Y. 10038.

• **Leased Fire Protection Systems** explores the alternatives to outright purchase of sprinkler systems. The booklet covers the effects of leasing on insurance premiums, capitalization and taxes. For a free copy write 455 on the reader service card.

• **Risk Management by Mandate** provides a chronology of federal safety and health legislation from the beginning of workers' compensation laws through the enactment of the OSH Act of 1970. Included are chapters on consumer and product liability and environmental and health risks. Copies are $5.95 plus shipping and handling. Write: Management Research & Development Institute Inc., 321 E. William St., Wichita, Ka. 67202.

• **Incendio!** is a 17-minute color film depicting a fire that took 179 lives and consumed much of the 25-floor Joelma Building in Sao Paulo, Brazil, on Feb. 1, 1974. Produced by the National Fire Protection Assn., the film emphasizes the need to build fire protection into highrise buildings. 16mm prints are $235 each from the NFPA Publications Sales Dept., 470 Atlantic Ave., Boston, Ma. 02210.

• **Code Call** is a fire protection code monitoring and advisory service which is offering subscriptions to its newsletter only for $25. Write to James M. Hammack, editor, Code Call, 100 Wilmot Road, Deerfield, Il. 60015.

• A 250-page book entitled **The Handbook of Property Conservation,** is being sold by the Factory Mutual System for $4.95 a copy, or $4.00 each for ten or more copies. Chapters include information on organizing for emergencies, automatic sprinklers, controlling hazards, and safe-guarding new construction. Inquiries and requests for the book should be addressed to the Director of Publications, Factory Mutual Engineering and Research, 1151 Boston-Providence Turnpike, Norwood, Ma. 02062.

Security

• **The New Sound of BABCO,** printed by BABCO Alarm Systems Inc. describes an electronic burglar alarm system for trucks. Some of the components are constant energy source, motion detector, magnetic sensors and electronic sound. For a free copy of the brochure, write 501 on the reader service card.

• Burns International Security Services publishes a brochure called **Five Disasters That Can Destroy Your Business.** The booklet summarizes how automatic electronic monitoring systems minimize threats from fire, explosion, water, sabotage and equipment failure. For a free copy, write 502 on the reader service card.

• **Protective Signaling System,** published by Federal Sign & Signal Corp., explains how one system combines fire, security, watch, sprinkler, temperature and other supervisory functions. A console containing a printing recorder where all information on supervised areas is automatically printed in English so that necessary action can be taken to protect life and property. For a free copy of the brochure, write 503 on the reader service card.

• Mosler Safe Co. publishes **Could this be the beginning of the end?** which describes the

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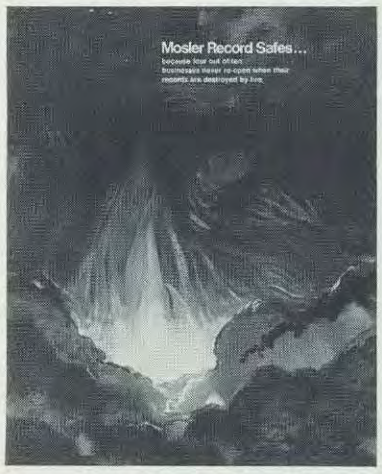
firm's Tapeguard safe, designed to protect computer media against hazards such as magnetic distortion, humidity, fire and theft. The safe allows storage flexibility and the insulation is U.L.-listed. For a free copy of the brochure, write 504 on the reader service card.

• **The Accessor Controlled Access System,** published by Mosler Safe Co. describes a card access control system designed as specialized security equipment. The system controls personnel access to restricted areas by means of magnetically-coded I.D. cards. For a free copy of the brochure, write 505 on the reader service card.

• **American Vault Doors,** published by Mosler Safe Co., describes modern walk-in safes and lists advantageous features of vault doors. According to the brochure, the safe gives "maximum operational efficiency which includes counter-spy combination dials." For a free copy of the brocure, write 506 on the card.

• Four out of 10 businesses never reopen when their records are destroyed by fire, says Mosler Safe Co., on the cover of its brochure describing **Record Safes.** The booklet presents information on how to make a decision about what kinds of safes are needed



for specific kinds of businesses and locations. The brochure describes different kinds of time-delay combination locks, and various kinds of construction providing protection against very hot fires or explosions. For a free copy, write number 508 on the reader service card.

• Ask your Tellers which of these center dots is smaller? The green or the blue? offers a color vision test on the cover of a brochure describing Mosler Safe Co.'s **Photoguard TV System.** The brochure tells how to obtain maximum surveillance and flexibility at a very low operating cost with a system of check fraud surveillance, extra hold-up protection and operations monitoring. For a free copy write 507 on the reader service card.

• A modular, portable cash storage vault is the topic of **The Go-Anywhere Vault,** published by Mosler Safe Co. The brochure describes the features of this safe-storage compartment which has the features of a bank vault but fits into small spaces. For a free copy, write number 509 on the reader service card.

• Methods of protecting against check fraud are discussed in Mosler Safe Co.'s brochure on **Surveillance** camera systems. Ask your tellers if these cubes have black bottoms or tops, says the brochure's cover, picturing classic optical illusion. Describing a forger is even harder, says Mosler in the brochure, using the differing answers to support its argument. The brochure describes the uses of programmed sequence cameras covering multiple teller stations. For a free copy, write number 510 on the reader service card.

Info for buyers

• The only way to be absolutely certain of a holdup man's appearance is with a photo, maintains Mosler Safe Co. in its brochure on **Hold-up Camera Systems** using high-resolution optics. The literature tells of the camera's ability to shoot four frames per second through a wide angle lens. For a free copy, write number 511 on the card.

• A descriptive brochure about automatic electronic alarm systems which can be connected to police stations or central monitoring locations is available from Mosler Safe Co. The brochure explains why certain alarm systems, including Mosler's Century system, qualify for insurance discounts on specific bank burglary policies. For a free copy write number 512 on the reader service card.

• Modular design of electronic security systems in banks allows periodic upgrading, according to a descriptive brochure published by Mosler Safe Co. on the **Centurion 2000** system, which protects against robberies and burglaries. For a free copy, write number 513 on the reader service card.

• **Something Worth Investigating** is a brochure on types of investigative services, including pre-employment, internal, and insurance investigations with case histories. The brochure also explains the methods, policies and consultations offered by Advance Industrial Security Inc. Investigations for insurance companies and for organizations which are self-insured in areas such as workers' compensation, mysterious deaths and disappearance, property damage, auto and home accidents, and general liability, are discussed. For a free copy, write number 515 on the reader service card.

• **Security Systems** is a color brochure with pictures describing the various security needs of business and industry. It includes a cost checklist, and tips on how to improve security programs, by Advance Industrial Security Inc. For a free copy, write number 516 on the reader service card.

Continued on page 52

our president

in New York City is John F. Curry

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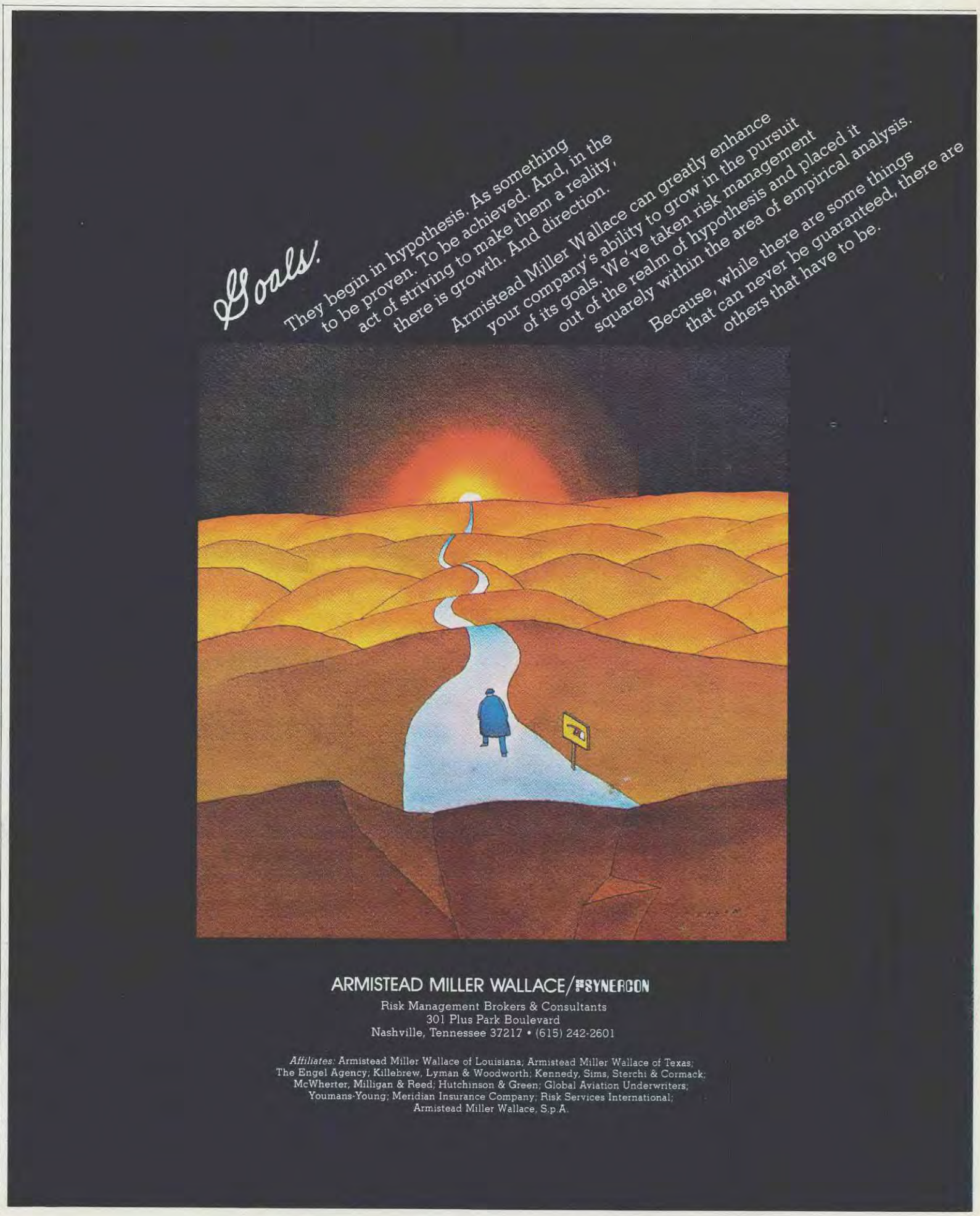

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Continued from page 51

• **Objective Security Programming** is a brochure offered by Wells Fargo Guard Service which describes this analytic approach to developing a total security system. This program can become a working guide for establishment of procedures, security equipment and services. For a free copy of the brochure write number 517 on the reader service card.

• **The Employe Screening Profile** is a discussion of pre-employment investigation for potential employes with a suggested implementation program, offered by Wells Fargo Guard Services. Your professional reputation is at stake each time you hire a new employe, the brochure maintains. The brochure includes a rundown of the costs involved in making hiring mistakes. For a free copy, write number 518 on the reader service card.

• **The Bank Cash Safe Alarm System** is a brochure which describes security for banks and savings and loan offices. It includes information on capacitance

protection, economies, operating details, and flexibility of the 4DCA alarm system of Mosler Safe Co. Write number 514 on the card.

• **Basic Planning for Pilferage Control** is a brochure from Wells Fargo Guard Services which describes methods and procedures essential for a successful basic theft and pilferage control program. It includes information on physical security plans and employe indoctrination methods. For a free copy, write number 519 on the reader service card.

• **The Physical Security Check List** is a questionnaire enumerating all of the areas around business premises which should have maximum security at all times. It includes basic questions every company should ask itself about these potential security risks: facility location, landscaping, fencing, exterior lighting, doors and windows and the kinds of locks used, key control, roof access to buildings, storage areas outside buildings, railroad spur lines, employe lockers, outside parking lots, company vehicles and fire protection. It is published by Security Services Inc. For a free copy, write number 520 on the reader service card.

• The uses of **Visible Index Key Control Systems** are described in this brochure from Telkee Inc., which gives particular attention to selecting the correct key control system. For a free copy, write number 521 on the reader service card.

• **Patrol and Inspection** is a brochure describing low-cost ways of maintaining physical inspections of premises during off-hours, nights and weekends, offered by Pinkerton's Inc. For a free copy, write number 522 on the reader service card.

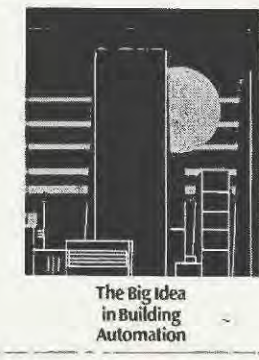
• Steps that can be taken to prevent hiring of undesirables or poor-risk employes are described in a brochure entitled **Investigation of Applicant Backgrounds,** from Pinkerton's Inc. For a free copy, write number 523 on the reader service card.

• **Security of Individuals** is a brochure available from Pinkerton's Inc. which presents a review of procedures to be followed in the case of threats against key business executives or members of their families. For a free copy, write number 524 on the reader service card.

• **Electronic Counter-Measures** is a brochure which details an alert to the vulnerability of most companies to the risk of intrusion through electronic devices, phone taps and computer manipulation. Pinkerton's Inc. will provide the free copy on request, by writing number 525 on the reader service card.

• **Insurance Claims Investigations** is a brochure reviewing steps that can be taken to keep justified insurance claims within bounds, and/or to arrive at equitable settlements or present justified defense, published by Pinkerton's Inc. For a free copy, write number 526 on the reader service card.

• **The Big Idea in Building Automation** is a brochure from Johnson Service Co. which describes the full range of building automation systems, including integration of all systems in a centralized control mechanism to

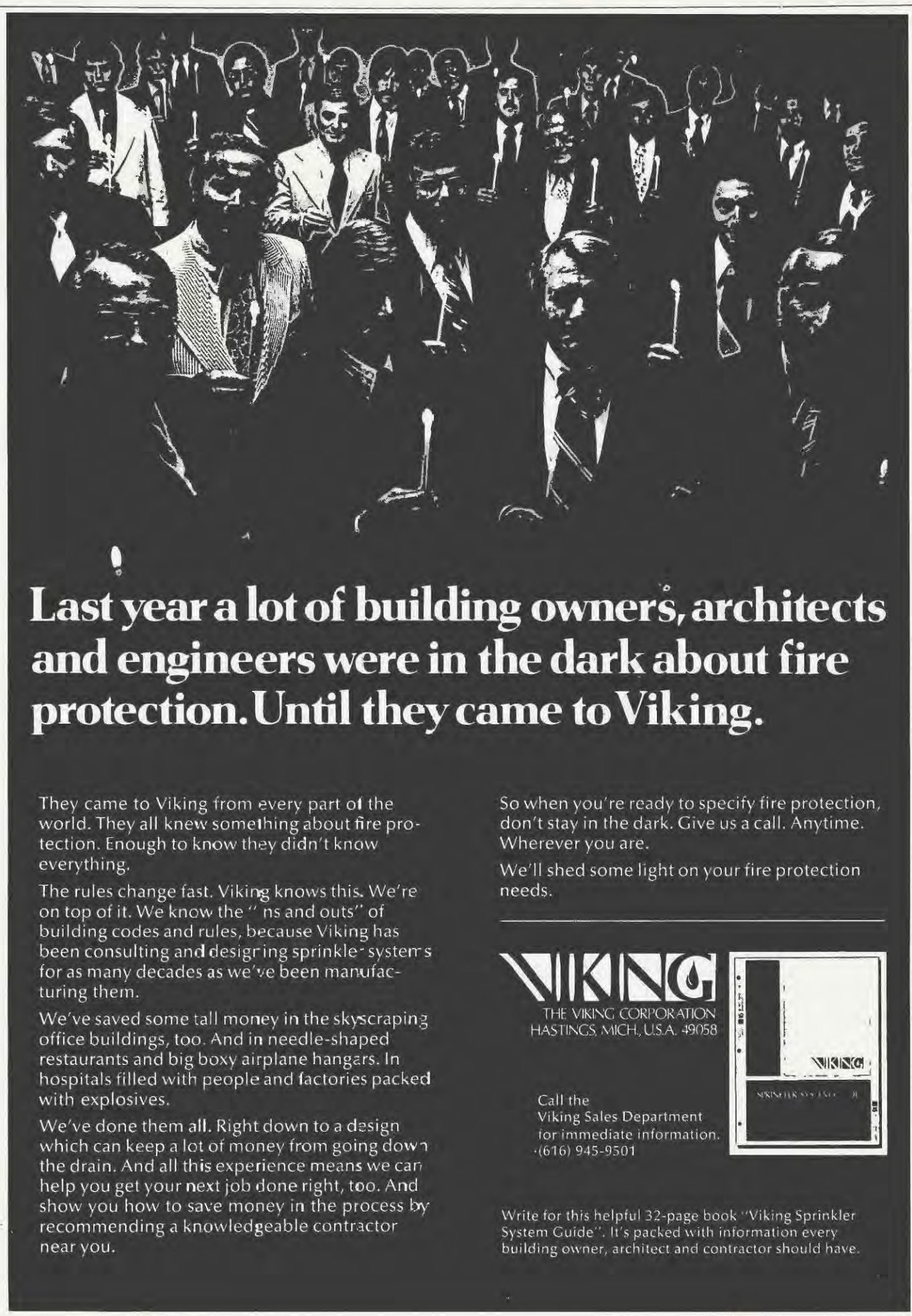


achieve cost savings. Individual system capabilities include heating, ventilation and air conditioning, security, firesafety, communications and lighting. For a free copy, write number 527 on the reader service card.

• **Computerized Security Management for Every Bank** is a brochure published by Johnson Service Co. which describes the capabilities of a computerized bank security system. Among the features of the automated system which are discussed are the capabilities to monitor safe and vault protection, intrusion and holdup alarms, fire detection and alarms, robbery alarms, watchtour, closed circuit television, audio systems and card access systems. For a free copy, write number 528 on the reader service card.

• Corde Locking Systems publishes a brochure on how to **Stop Office Machine Thefts.** The brochure describes various lock-down devices for stationary and portable machines such as valuable calculators. It also tells methods of safeguarding against unauthorized removal of such machines as typewriters, tape records, dictating equipment, audio-visual aids, adding machines and word processing equipment without affecting servicing or maintenance. For a free copy, write number 529 on the reader service card.

• **Records Retention Timetable** is a brochure published by Electric Wastebasket Corp. that answers the question: How long must you keep important papers? The eight-page folder describes retention periods as allowed by government authorities, and tells



how to dispose of records . . . including those on paper, ledgers, cards, film and microfilm, microfiche, plastic cards, carbon ribbon and punched tapes . . . without worry when the retention period is past. For a free copy, write number 530 on the reader service card.

• One-third of the working population in the U.S. should not be considered good risks for handling a company's money, merchandise or secrets, says a brochure on the **Reid Report**. The booklet describes the pencil and paper honesty test designed to measure job applicants' trustworthiness. For a free copy, write number 531 on the reader service card.

• **Glass Door Hardware** is a brochure which describes a full range of maximum security locks and latches for glass doors that swing or slide, published by Adams Rite Mfg. Co. For a free copy, write number 532 on the reader service card.

• Guardsmark Inc. publishes a unique booklet on **Kidnap/Extortion Threats** and security tips and procedures for the executive concerned with lessening vulnerability to kidnapping and extortion. The book also suggests ways to handle the situation when it

has occurred, and how to deal with the press. There is a special section for bankers. The brochure also presents some insurance questions which arise in kidnap-extortion cases. For a free copy, write number 533 on the reader service card.

• The Computer Security Institute publishes a **Portfolio of Membership Services** which describes the institute's bimonthly newsletter and tells of research projects in progress, including a cost/-benefit analysis of automatic fire suppression systems for computer facilities. For a free copy of the descriptive brochure, write number 534 on the reader service card.

• **Security Guidelines for Computer Installations** is a booklet published by Marsh & McLennan Protection Consultants which suggests methods and procedures to ensure the physical security of a wide variety of electronic data processing center installations. The threats to these EDP centers are posed by unauthorized intruders (foreign threats) and authorized personnel (domestic threats), the book notes. For a free copy, write number 535 on the reader service card.

• Crime protection for small businesses is the topic of **Crime Is Everybody's Business,** a brochure available from Zurich-American Insurance Cos. Included are 14 tips for protection of business property plus guidelines for keeping homes and apartments safe. For free copies write 536 on the reader service card.

• Dow Jones-Irwin Inc. has published **Security Procedures for Computer Systems** by Charles F. Hemphill Jr. and John M. Hemphill. The authors have had wide-ranging crime prevention experience and are familiar with systems and software development. They are both senior consultants with Wackenhut Systems Corp. The book is available at $11.95 per copy. Write to: Dow Jones-Irwin Inc., 1818 Ridge Road, Homewood, Ill. 60430.

• **How to Secure your Home Against Burglary,** published in October, is available for $1, or for 50¢ to NAMIA members. It offers step-by-step techniques for safeguarding a home or office against burglary. Write to: Randy Dyer, Room 640, Investment Building, 1511 K St. N.W., Washington, D.C. 20005.

Foreign insurance and benefits

• **Company Philosophy and Employe Benefits,** published by the International Dept. of the Swiss Life Insurance and Pension Co., describes various company types (ethnocentric, policentric, geocentric) as well as their implications in the multinational employe benefit field. Topics dealt with are: business objectives versus pension fund goals, targets, kind of benefits, priorities, eligibility, social security and funding aspects. For a free copy write 601 on the card.

• Marsh & McLennan Inc. has made available **Employe Benefits in Australia in the 1970s,** a booklet that examines the effect certain characteristics of the economy bear on employe benefit planning in the Commonwealth of Australia. Current practices as well as future trends are discussed. For a free copy write 602 on the card.

• **Employe Benefits in Portugal —The Changing Scene** explains in general terms the condition of employe benefits in Portugal today and the main findings of a 1973 survey of companies there. Published by Marsh & McLennan, the booklet presents the country's economic background, social security system and private plan practices. For a free copy write 604 on the card.

• **Multi/National Trends,** the bimonthly official publication of the Multi/National Business Assn., covers international business and multinational corporations. The November/December issue features articles on New Hebrides as a financial outpost, multinational corporations and pollution control and What Do They Want?, a unique "reader involvement"

Continued on page 54

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service. Future articles will include international insurance. The trial issue is $1.50; write to Richard E. Richter, executive director, Multi/National Business Assn., 10889 Wilshire Blvd., Los Angeles, Ca. 90024.

• **Employe Benefits in France—The French System** was designed by Marsh & McLennan Inc. to help international employers understand the special aspects of employe benefits in France, including the scope of the mandatory social programs and their limitations. Sections include terms of reference, retirement pensions and other benefit areas, health, disability, death, profit sharing and labor relations. For a free copy write 603 on the reader service card.

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• **Financial Report Series** is a series of risk cost reports showing total risk costs (insured and self-assumed) by line of coverage and risk group. Designed for financial managers, the reports summarize paid losses, recoveries, outstanding reserves and total losses. A free sample report is available from Corporate Systems Corp. by writing 701 on the reader service card.

• The Wyatt Co. is offering a pamphlet—**What to Look for in Captive Company and Self-Insurance Feasibility Studies**—that defines the objectives of a feasibility study and the factors to be considered in a study of this nature. The pamphlet is written by Warren G. Brockmeier, director of risk management services at Wyatt, and it originally appeared in Risk Management magazine. For a free copy write 702 on the reader service card.

• **How to Beat the High Cost of Insurance** is a brochure that outlines the advantages of self-insurance and describes the services that are available from ESIS Inc. (formerly Employers Self Insurance Service). ESIS provides complete administration of loss participation and self-insurance programs. For a free copy write 703 on the reader service card.

• The First Risk Management Cos. have prepared a brochure that describes their **Professional Counselling in Risk/Insurance/Financial Management.** The companies are consulting risk and insurance management firms, operating nationally and internationally. The professional qualifications of the firms' executive consultants are also described. For a free copy write 704 on the reader service card.

• Martin Boyer Co. Inc. is offering a descriptive brochure—**Full Services for the Self-Insurer**—which outlines various administrative, engineering, reporting and other services available to employers who self insure worker's compensation, general liability, automobile liability, other casualty lines and employe health and disability benefits. For a free copy write 705 on the reader service card.

• Managers of employe health and disability benefits can learn **How Martin Boyer Company Can Help You Self-Insure Your Program** . . . The brochure tells how the company will "work with you —and your broker—to tailor-make an employe benefit program that fits your specific needs." For a free copy write 706 on the reader service card.

• The advantages of self-insuring workers' compensation is described in **Self Insurance . . . Through Specialists,** avaliable from Self-Insurers' Management Corp. For a free copy, write 707 on the reader service card.

• **Self Funding,** a description of the modern answer to escalating cost and administrative workloads of group health and accident programs, is available from the National Health Care Corp. The brochure compares typical funding through insurance with a self funding program. For a free copy write 708 on the reader service card.

• A computer terminal in an attache case is the subject of **The Computer That Talks Financial Planning,** available from Computone Systems Inc. The brochure describes the ability of the terminal, called the KeyPact, to

figure business financial ratios, asset accumulation, pension programs, valuation of key man and valuation of a business, at any location with access to a telephone. For a free copy write 711 on the reader service card.

• Eldorado Service Corp., an affiliate of Eldorado Insurance Co., has made available **Claim Handling and Loss Control for Self-**

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- Earthquake
- Capacity Fire Placements—Manuscript Forms
- DIC (Difference in Conditions)
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- Restaurant Property Programs
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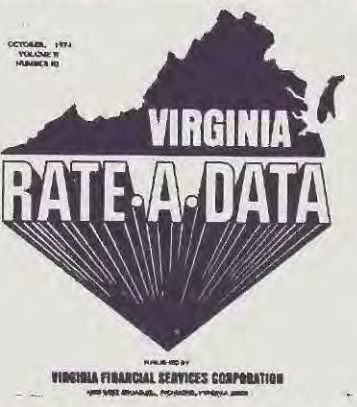
Insureds, a brochure in notebook binder form that describes the company's planning procedures, claims techniques and loss control service. A proposal and claims forms complete the kit. Presently limited to California and Oregon, the kit may be obtained by writing 709 on the reader service card.

• The requirements for an adequate independent data-processing system are detailed in **Risk Management Information Systems Specifications and Reports,** available from Corporate Systems Corp. The system described is designed for large risks at multiple locations, with a combination of insured and self-insured coverages. The type and frequency of computer reports needed are included. For a free copy write 710 on the reader service card.

• **Virginia Rate-A-Data** is a monthly publication which provides subscribers with a synopsis of each filing submitted to the Bureau of Insurance under the competitive pricing statue. It is



the only source from which this information can be obtained. The cost of Rate-A-Date is $200 per year. To obtain sample copies write Virginia Financial Services Corp., Suite 402, 6620 W. Broad St., Richmond, Va. 23230.

• The captive insurance company situation in Colorado is the subject of a brochure by Richard N. Marchand, CPCU. Starting with a history of the legislation that allowed captives in Colorado, the booklet explains the reasons for the relatively slow establishment of captives there. The booklet's conclusion is a generally affirmative answer to the question of its title, **Will Captive Insurers Take to the High Ground?** For free copies, write 712 on the reader service card.

General information

• **Closing in on GAAP,** from Washington National Insurance Co., describes the principles used by them to develop their financial statements. The booklet is designed to show how one company derived its reported earnings on a GAAP (generally accepted accounting practices) basis. For a free copy write 801 on the reader service card.

• Kemper Insurance Co. is offering **Guide,** a common sense introduction to insurance for individuals and families who are considering basic personal lines coverages. Making no recommendation of insurance companies from which insurance should be purchased, the booklet explains policy provisions and options in layman's language. For up to 50 free copies, write 802 on the reader service card.

• Kemper Insurance Cos. are offering a **Guide for the Family of the Alcoholic.** The booklet gives some ideas on how to cope, how to help the alcoholic, and how to help yourself and your family. For up to 50 copies free, write 804 on the reader service card.

• Kemper Insurance Cos. are offering a **Management Guide on Alcoholism and other Behavioral Problems,** a statement of Kemper's own company policy on this subject. The booklet is not offered as a model plan, but as a basis for building a program adaptable to a company's particular situation. For up to 50 free copies, write 805 on the reader service card.

• To provide supervisors and others with a basic understanding of alcoholism and to help them recognize some of the warning signs, the Kemper Insurance Cos. are offering a free booklet, **Detour Alcoholism Ahead.** For up to 50 copies free write 806 on the reader service card.

• Because many companies do not know **What To Do About the Employe With a Drinking Problem,** Kemper Insurance Cos. are offering a booklet which shows how to help reduce costs and retain valuable employes by initiating a positive response to this problem. For up to 50 copies free, write 807 on the reader service card.

• The Zurich-American approach to marketing insurance coverages to small- and medium-sized commercial risks is summed up in **What is Zurich-American?** Profiled are the five companies making up Z-A Insurance Companies and the types of property/casualty and life and disability income insurance coverages written by them. For a free copy of the brochure write 809 on the reader service card.

• A factual summary of information on the results of driving under the influence of alcohol has been prepared by the Kemper Insurance Cos. Entitled **The Way To Go,** the booklet is designed to urge

responsible drivers to avoid drinking alcohol before they drive. Write 803 on the card.

• Stewart, Smith, Mid America Inc. is offering a brochure on its new **Fair Employment Practices Liability** coverage. This policy indemnifies the insured employer for loss resulting from actual or alleged violations of Title VII of the Civil Rights Act of 1964, the Equal Employment Opportunity Act of 1972, the Equal Pay Act of 1963 and/or equivalent state or local fair employment practice laws. The coverage is for legal expenses. For a free brochure write 810 on the card.

• The commercial credit insurance offered by American Credit Insurance Co. of New York is described in **Q&A.** The booklet lists the common questions that arise pertaining to American credit insurance and the answers. In effect, it is a description of the mechanics of the policy. For a free copy write 812 on the reader service card.

Continued on page 58

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Firm_____

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Continued from page 57

• The personal deferred annuity concept is explained in a brochure prepared by Jamison & Co. For those individuals who have $10,000 or more saved and are in at least the 30% tax bracket, the annuity concept may save them taxes on their investment income. Internal Revenue Code 801 (G) provides that savings accounts may be considered an asset of an investment annuity contract and that interest income tax be deferred. For a free copy of the brochure write 813 on the reader service card.

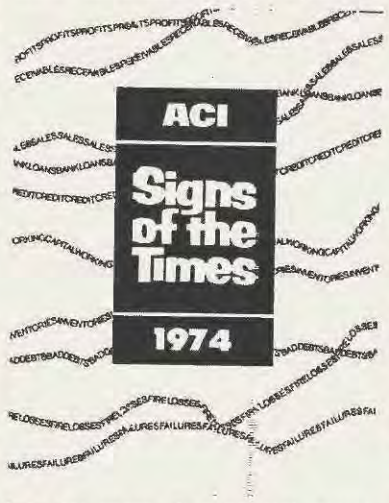
• The Underwriters Adjusting Co. is offering a **Directory of Service Locations** that can be used by risk managers to find adjusters in case of fire, accident or other loss. Claims assignment instructions for Quality Adjustment Inc., a division of UAC, is also included. For a free copy write 814 on the reader service card.

• **Total Claims Service,** published by Underwriters Adjusting Co., describes the company's comprehensive claims adjustment programs for firms that self insure. For a free copy write 815 on the reader service card.

• Underwriters Adjusting Co. has prepared an extensive monograph on **Hospital Liability.** The paper discusses investigative techniques, current trends and laws affecting hospital liability. For a free copy write 816 on the reader service card.

• Liability insurance for school administrators is the subject of a brochure from Stewart, Smith Mid America Inc. The brochure, entitled **Stewart, Smith Board of Education and Board of Governors, Regents or Trustees Liability Programs,** provides a series of questions and answers about the policies. For a free copy write 817 on the reader service card.

• American Credit Indemnity Co. of New York is offering **Signs of the Times**, a summary in chart form of credit trends over the



last ten years. The booklet shows failure trends in the United States and Canada, declining values of past due accounts and fire losses versus business failure liabilities. For a free copy write 811 on the reader service card.

• A brochure describing the **Stewart, Smith Public Official Liability Program** is available. The insurance program is available to public entities, its officials and employes. For a free copy write 818 on the reader service card.

• The Insurance Information Institute has released **Insurance Facts 1974,** a yearbook of factual and statistical information about property/casualty insurance and about losses resulting from natural disasters and accidents. Single copies are free by writing 819 on the reader service card; copies in quantity are $1.50.

• Gay & Taylor Inc., a multiple line claims adjusting company, has released a brochure describing services available, the company's history, quality control system and administrative personnel. Also included is a complete directory of all locations including address, telephone and management information of the more than 100 Gay & Taylor offices. For a free copy write 820 on the card.

• Eastman Kodak Co. has made available a descriptive brochure on its **New Recordak Reliant 450 Microfilmer,** a small- or medium-sized office microfilmer. For a free copy write 822 on the reader service card.

• **Recent Court Ruling Contradicts Precedent for Asset Valuation,** a reprint of a *Business Insurance* article by John C. Litcher, vp of the American Appraisal Co. Inc., is now available. The article discusses a recent California Supreme Court decision regarding consequences of using actual cash value versus fair market value. For a free copy write 823 on the reader service card.

• New York Life Insurance Co. has prepared a brochure entitled **Business Life Insurance: How It Can Keep Your Business In Business.** Through a series of possible real-life situations the brochure shows how this kind of insurance can assure business continuity and financial stability. For a free copy write 824 on the card.

• The American Appraisal Co. is offering **Continuous Service . . . For Property Control and Current values,** a description of its ongoing appraisal process. A reproduction of the Insurance Summary Report, which is produced after appraisal is made, is also included. For a free copy write 825 on the reader service card.

• In the last ten years, many companies have had to ask: **"What About Drugs and Employes?** This booklet from the Kemper Insurance Cos. outlines their corporate policy on drug abuse and contains information on how to recognize

drug-dependant employes, what to do once they are discovered and what management's role is in dealing with the problem. For up to 50 copies free write 808 on the reader service card.

• Highlights of a seminar held at the NAIA 1974 midyear meeting in London have been incorporated into a booklet entitled **How the Lloyd's Market Works.** The article traces the placement from the American correspondent, to the Lloyd's broker and eventually to the Lloyd's underwriter. Free copies may be obtained by writing 826 on the card.

• **Unwinding Business and Professional Problems: Part I—Partial Redemption** is a booklet produced by Provident Mutual Insurance Co. of Philadelphia. It points out the requirements of a properly arranged and beneficial stock redemption plan under

Congratulations: you didn't have a computer fire again last year.

You're one of the lucky ones.

Unfortunately too many companies last year did suffer major business interruptions due to fires in or near their computer rooms.

What's even more unfortunate is the fact that a lot of the damage, clean-up and downtime could have been avoided.

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These companies could have been protected by a high speed Fenwal Halon Fire Suppression System.

The system that snuffs out fires dry. Just seconds after they start.

And lets you get right back to work. No wet mess to clean up.

With some systems you've got

to evacuate a room before the extinguishing agent can go to work.

But because Halon 1301 is harmless to people, it can start snuffing out the flames immediately. Which gives you the fastest jump on the fire.

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With a Fenwal system there's virtually no clean-up, no shorted-out wires. No electrical shock hazards. No damage to tapes or records.

Fenwal's unique, modular system permits rapid agent discharge and easy extension of existing systems.

Why Push Your Luck?

The consequences of a computer fire are a lot more devastating than you might think. Despite all the precautions you take.

At Fenwal we've got documented proof that our Halon Fire Suppression Systems are *the* solution to the damage and downtime of computer room fires.

It's proof you can see for yourself. In a film called "The Fireaters".

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To arrange a viewing, call us at (617) 881-2000. Or write to Fenwal Incorporated, Ashland, MA 01721. A Division of Walter Kidde & Co., Inc. Our local, service-oriented distributors are listed in the yellow pages under "Fire Protection".

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Nobody in the world has more experience in fire and explosion suppression systems. FM Approved – UL Listed

Section 303 of the Internal Revenue Code. Also, the booklet is intended to provide a better understanding of life insurance and its application to business situations. For a free copy write 827 on the reader service card.

• **Unwinding Business and Professional Problems: Part IV—Corporate Ownership with Life Insurance** has been prepared by the Provident Mutual Insurance Co. of Philadelphia for the purpose of assisting the attorney in drafting agreements and other related instruments involving business life insurance. This booklet provides some explanation and discussion of the corporate buy-sell agreement, estate planning considerations, income tax considerations and cross purchase or stock redemption. For a free copy write 828 on the reader service card.

• **The Brown Brothers Adjusters Service Directory** lists all 48 branch offices of the company with addresses and day and night phone numbers of each office. A brief history of the chairman of

the board, president, supervisory staff and manager of each office is provided. Also included is a table of distances to the nearest Brown Brothers Adjusters' office. For a free copy write 821 on the reader service card.

• An exploded boiler need not interrupt business for long. A **Mobile Boiler Rental Primer,** available from Nationwide Boiler Rentals Inc., tells how the firm's services can start operation again within a few days after an explosion or malfunction. For a free descriptive brochure, write 829 on the reader service card.

• Pennsylvania insurance commissioner William J. Sheppard has prepared a folder on **How To Spot Insurance Rip-Offs: Thirty Dirty Tricks Forbidden by Pennsylvania Law.** The publication is a simplified summary of the Pennsylvania Unfair Insurance Practices Act of 1974. For a free copy write 830 on the reader service card.

• **Financial Statements of Member Companies** documents the underlying capacity and stability of Improved Risk Mutuals. A table in the brochure shows percentage of participation, date of establishment, admitted assets, liabilities and surplus to policyholders for each of the 17 IRM member companies. For copies write 831 on the card.

• **Management Oriented Claims Adjustments,** a brochure from ECCO Services Inc., explains the firm's ability to represent the corporate client in claim negotiations and settlement. Free copies may be obtained by writing 832 on the reader service card.

Info for buyers

• **Creative Property Engineering** is a brochure from RM/i Consultants which describes the firm's independent property loss prevention engineering consulting services, designed to pre-engineer new construction, newly acquired and existing properties to qualify for special risk treatment, as well as self insurance programs. Free copies may be obtained by writing 833 on the reader service card.

• **House-T-Mater** is an "insurance to value" program for residential property. It was developed to provide a means of determining the current replacement cost of dwellings of any age. For a free descriptive brochure from Automated Appraisal Systems, write 834 on the reader service card.

• **CIRCA—Commercial and Industrial Replacement Analysis** is a packet of descriptive literature from Automated Appraisal Systems outlining the CIRCA method of determining property replacement costs. Copies are available by writing 835 on the reader service card.

• **The Insurance of Charterer's Risk** is an article that explains the special legal liabilities imposed on those who ship overseas by charter. It covers the special characteristics of charter shipping and the unique liabilities they could incur. For a free copy write 837 on the reader service card.

Continued on page 60

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Title_____

Company_____

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In Canada, Burns is S.I.S. Limited, Toronto.

Continued from page 59

• **A full spectrum of services for business, insurers, agents and brokers** is a brochure that describes the many aspects of the Insurance Service Division of the INA Corp. INA companies that provide services in management, marketing, financing, and risk management are listed, along with a brief description of each and the address. For a free copy write 838 on the reader service card.

• A brochure describing the **Insurance Institute of America's Program in Risk Management** is now available. The program's main aim is to teach the use of a logical process when making risk management decisions; the program ties risk management to the mainstream of general management principles. For a free copy write 839 on the reader service card.

• McDonnell Aircraft Co. has recently begun a document reclamation service for firms whose business records have been accidently soaked by defective sprinkler systems, floods, broken water mains, sewers, fire suppression efforts, etc. For a copy of the brochure explaining this service write 840 on the reader service card.

• An article entitled **FIPP**, financial institution protection policy, describes in depth the new comprehensive chattel mortgage policy now available for financial institutions. This article, by Bernard J. Daenzer, president of Wohlreich & Anderson Ltd., discusses the three sections of the new chattel mortgage wording, which covers filing and non-filing of chattel mortgages, lenders single interest in respect of automobiles and other chattel mortgages, as well as physical damage to chattels repossessed by the assured. Write 841 on the card.

• **LOF protects Your Policyholders to Protect Your Interests,** according to a brochure which shows how Libbey-Owens-Ford Co. is working to help reduce expensive claim costs. The brochure

is designed to serve as a handy reference guide to automotive glass replacement. Free copies may be obtained by writing 836 on the reader service card.

• Stewart, Smith has available their new brochure describing the improved **Public Officials Program** available to public entities, its officials and employes. Coverage as described in the brochure provides protection for loss resulting from actual or alleged wrongful acts committed by the insured. For a free copy write 842 on the reader service card.

• **Reducing Plant Operations Cost** through more efficient fuel management heating and ventilation is the subject of a pamphlet prepared by the planned air management research department of Tepco Inc. For a free copy write 843 on the reader service card.

• A technical bulletin illustrated by photographs and engineering drawings describes the new UL listed **Grinnel Duraspeed Cleaning** sprinkler that is recessed and enclosed into a ceiling to provide an attractive, unobtrusive fire safety system. Included are a typical application, details of its operation and specifications. For a free copy write 844 on the reader service card.

• **Flood Insurance** questions and answers are available in a booklet from the Kemper Insurance Cos. The discussion follows from the opportunities available to property owners under the new national flood insurance act. For a free copy write 845 on the reader service card.

• Institutional Research Consultants is offering a legal report entitled **Uninsured Motorist Endorsement, What Is It All About?** The report explores most of the latest court cases and answers many complicated questions concerning the subject. It includes definition and duties of insured, what the standard endorsement includes, definition of uninsured automobile and how hit and run drivers are treated. Also included is a complete bibliography. The price is $5. Mail requests for the report to 5725 Fremont Pike, Box, 181, Stony Ridge, Ohio 45458.

• *Business Insurance* subscribers may receive a 33⅓% discount on **Werbel's General Insurance Primer and New York State Addendum** by submitting a copy of this listing. The paperbound books are training and orientation manuals for those involved in buying or managing property and casualty insurance. Included is a multiple choice quiz that is comparable to state brokers and agents examinations. The primer is $8.50 and the addendum is $3.50. Write to V. Merkel, manager, circulation Dept., Werbel Publishing Co. Inc., 595 Old Willets Path, Smithtown, New York 11787.

• **Werbel's Variable Annuities** is a concise explanation of variable annuities involving both definition and function. The operation of a fixed annuity is used as a comparison to illustrate special features of variable annuities and the workings of separate accounts. The cost is $1.50 but there is a 33⅓% discount for *Business Insurance* subscribers who submit a copy of this listing. Write to V. Merkel, manager, circulation Dept., Werbel Publishing Co. Inc., 595 Old Willets Path, Smithtown, New York 11787.

• Flood-damaged autos and farm machinery can be restored by following the guidelines in a booklet prepared by the American Insurance Assn. With first-step advice for owners and a checklist for mechanics, the booklet tells how to treat all parts of the vehicle, from the motor to the upholstery. The guide has been approved by major manufacturers of autos, trucks and tractors. Areas struck by flood may receive free copies, but for those in other areas the cost is 50 cents. Write American Insurance Assn., Claims Administration, Property Claims Services, 85 John St., New York, N.Y. 10038.

NOTE: Most items listed here are available without charge. For free material use the coupon in this issue or a postcard, indicating the item number. Material which is available at a price should be requested directly from the source, at the **address** given.

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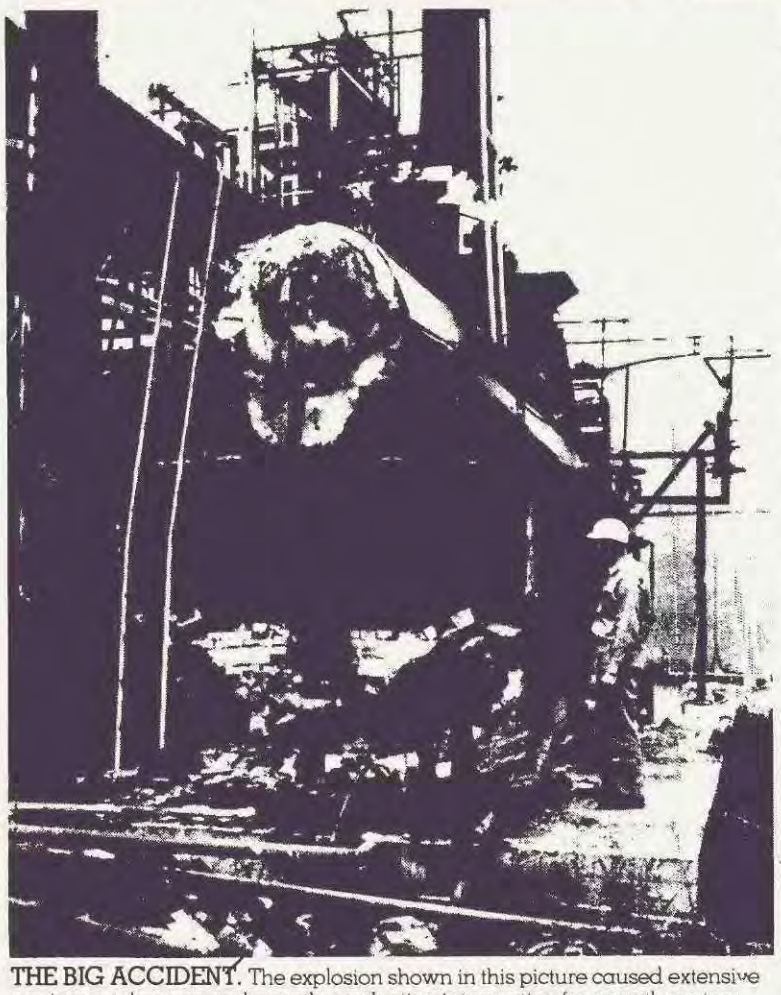

THE BIG ACCIDENT. The explosion shown in this picture caused extensive equipment damage and a costly production interruption for a southwestern chemical company. Accidents involving pressure vessels, generators, heating and cooling systems, and all kinds of mechanical and electrical equipment happen every day. In factories, hospitals, hotels, office buildings, schools, you name it. Many could be prevented.

If you believe the Big Accident can only happen to the other guy, we should talk. Before it happens to you. We know that 60 percent of all accidents caused by power-producing equipment can be prevented by proper maintenance and efficient inspections, and that's why we should talk.

Our 800 loss prevention specialists have had more experience with more kinds of equipment than all other boiler and machinery insurance companies combined. They make more inspections in a month than most insurance companies make in a year. Their assignment is to help keep the Big Accident from happening to you. For our protection certainly. But you benefit, too. Nobody wants an accident. Call us Before it's too late.

In Atlanta call Pete Peterson; in Baltimore, Bill Finlay; in Boston, Jack Flodin; in Chicago, Dave Carlson; in Cincinnati, Fred Voges; in Cleveland, Bill Stewart; in Denver, John Cline; in Detroit, Russ Driscoll; in Hartford, Jim Miller; in Houston, Otto Postma; in Los Angeles, Fred Chadwick; in Minneapolis, John Arenz; in New Orleans, Bob Greeson; in New York, Jim Thompson; in Philadelphia, Bill Mount; in Pittsburgh, Walt Durell; in St. Louis, Bernie O'Connor; in San Francisco, Jim Baas; in Seattle, Charlie Marsh; in Syracuse, Dick Fish. Let's talk.

HARTFORD STEAM BOILER INSPECTION AND INSURANCE

• **Practical Risk Management: a Guide for the Part-time Risk Manager or Insurance Buyer** compiles 12 articles by Edward W. Siver that originally appeared in Risk Management magazine. Topics include insurance management, loss prevention, risk retention and catastrophe planning. Copies are $2.00, available from the American Society of Insurance Management, Dept. RM, 205 East 42nd St., New York, N.Y. 10017. Bulk prices are available.

• **Risk Management Reports,** a series of objective, well-researched discussions of risk management topics, is published by *Business Insurance*, a Crain Communications publication, yet the reports are editorially independent of the magazine. There are six issues a year, and each concentrates on a special topic, such as risk management in Europe, product liability control and the risk management function in management. Subscription is $60 per year. Write *Business Insurance*, 740 N. Rush St., Chicago, Il. 60611. Checks or money orders should be made payable to Risk Management Reports.

• Keith Shipton Developments Ltd., a London-based risk management consultant firm, has released **Aspects of Pollution associated with the Process Industries,** the first in a series of timely studies. The booklet surveys the environmental, disposal and control problems of chemicals in the process industries. Written by D. H. Napier, an expert in the field of industrial chemical safety, the study provides a general analysis and details the effects of specific chemicals. Copies are available from the publishers, Woodhead-Faulkner Ltd., 7 Rose Crescent Cambridge, England. Cost is 1.50 British pounds sterling (about $3.50) plus 25 pence for postage and handling.

• The 1974 edition of the *Business Insurance* **Directory of Commercial Insurance Agents and Brokers** is available. The directory contains information—including financial data—on leading insurance agents and brokers serving corporate consumers of insurance and employe benefit plans. In addition, editorial features analyze the agency and brokerage business. The single copy price is $4.95; quantity orders (10 or more) are $3.95 per copy. For copies of the directory write to Business Insurance Directory, 740 N. Rush St., Chicago, Il. 60611. Checks or money orders should be made payable to *Business Insurance* magazine.

• The revised edition of **Digest of Bank Insurance** is available from the American Bankers Assoc. It covers all areas of bank insurance: evaluation of various bank insurance contracts, advice on assumption transfer and other risk-handling methods and insight into the coverages offered by essential and optional policies. The digest is kept up to date by periodic supplements that easily fit into its loose-leaf binder. Copies are $17.50 each. Write the Order Processing Dept., American Bankers Assoc., 1120 Connecticut Ave., N.W., Washington, D.C. 20036.

• **Werbel's General Insurance Guide** is a 2,400 page, loose-leaf insurance encyclopedia covering virtually all forms of property and casualty insurance. It contains interpretations of contracts, court citations and loss procedures. It is revised quarterly and the first two revisions are free. Cost is $27 before Feb. 1, 1975; $36 thereafter. *Business Insurance* subscribers will receive a 33⅓% discount if they submit a copy of this listing. Write to V. Merkel, manager, circulation Dept., Werbel Publishing Co. Inc., 595 Old Willers Path, Smithtown, New York 11787. ■

Forms new company

R. B. Jones Corp. of Kansas City, Mo., recently announced the formation of a new company—R. B. Jones Employe Plans Inc. It will operate initially in five offices: Kansas City, Chicago, New York, Wichita and Tulsa followed later by a coast-to-coast network operation. A spokesman for the new venture said one of the reasons for its formation is to help employers understand and comply with the new federal pension law and assist them with group insurance plans, benefit communications, third party administration, variable annuities, stock 303 redemption arrangements and estate planning.

Some different approaches to surplus lines.

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Business Insurance book review

Blame poor management for white collar crime: Firmness not rigidity

MIND YOUR OWN BUSINESS, by Norman Jaspan, head of Norman Jaspan & Assoc.; published in 1974 by Prentice-Hall Inc., Englewood Cliffs, N.J. $7.95.

Reviewed by
ELISABETH M. WECHSLER

People are basically honest when they come to work for you, but all too often the workplace becomes a school for dishonesty, says author Norman Jaspan in his newly-released book, Mind Your Own Business.

"The malpractices that receive the least attention are those committed by the employe who holds a position of trust, whose opportunity is great, whose method is less subject to question and frequently the last to be suspected," Mr. Jaspan writes.

Dishonesty, Mr. Jaspan maintains, is stimulated by group pressure, by example, by temptation and most of all by poor management.

Having identified poor management as the major pitfall, Mr. Jaspan proceeds to offer insights rather than true solutions to the problem of white collar crime.

Case histories comprise the bulk of the book. They help the reader understand how a security problem can develop. The specific solutions are interesting in a academic sort of way, but they are not directly transferable to another business situation.

"DOES THE average businessman know that street crime runs a poor second, both in terms of dollars lost and in number of participants, to business thefts?" Mr. Jaspan asks hypothetically.

The largest percentage of the nearly $5 billion stolen annually by employes is attributable to supervisory and executive personnel "in spite of generous fringe benefits and incentive programs aimed at motivating employes to be loyal and productive," Mr. Jaspan claims.

"Prosperity breeds dishonesty and neglect, whereas recession exposes losses and creates new threats particularly on the white collar level," Mr. Jaspan writes. "Some executives assume that automation and computers will reduce the possibility of embezzlement because the machine is immune to corruption and temptation. However, human beings operate the equipment," he points out.

People bent on collusion can beat any system, according to Mr. Jaspan. "The more a business is oriented to figures on paper instead of to human beings, the more prone it is to dishonesty."

Why do employes defraud their employers? Greed is only one reason, Mr. Jaspan writes. Others are: The urge to punish, spite and sabotage, status, the self-effacing egotist and (of course) love.

Mr. Jaspan advises the management reader to ruminate over these questions:

- How much of what I think is based on fact, and how much on the way I hope things are going?
- How old are my facts? When was the last time I thoroughly investigated this situation? Sometimes an honest answer can be surprising.
- What is the breaking point for each of my most trusted associates? What is my breaking point? The last question, when faced honestly, can lead to interesting speculation "for we all have a breaking point."

THE AUTHOR includes a "shortage control checklist" to exemplify the type of employe, inventory, physical and bookkeeping controls every business "should consider."

"A casual approach toward security controls may seem pleasant in the short run," Mr. Jaspan writes, "but management's manifestation of the attitude that it doesn't take controls seriously will inevitably engender lack of respect for those controls down the line."

On the other hand, Mr. Jaspan warns, "rigidity of policy can provide another incentive for managers, and in turn for their subordinates, to practice evasion and ultimate dishonesty. Firmness must not be allowed to become rigidity. The taut ship is desirable; the ship that is over-encumbered will not perform well."

Communications between management and employes is hailed by Mr. Jaspan as a universal antidote: "Good communications is rather a state of corporate mind, a willingness and eagerness that superior and subordinate relate to each other, even if they do not have favorable news to impart . . . (it) should not be thought of as a transmission belt that always carries a full load of meaningful exchange."

NO SECURITY program will be effective when limited to physical protection measures such as lockup devices, alarm systems, surveillance equipment, anti-intrusion devices or guard coverage, Mr. Jaspan suggests. "These are essential features, some of which may have to be employed as part of a total security program," he adds.

Some of the most far-reaching security problems are procedural in nature, he writes. For example,

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geographically separated but solidly together. They excel in providing PROfessional group insurance service. Consistent success, the kind that only comes from a lot of dedication, places Don, Jim and Harry among Provident's top group PROducers. Small wonder they are respected by brokers, appreciated by Provident policyholders, and unendeared by competitors.

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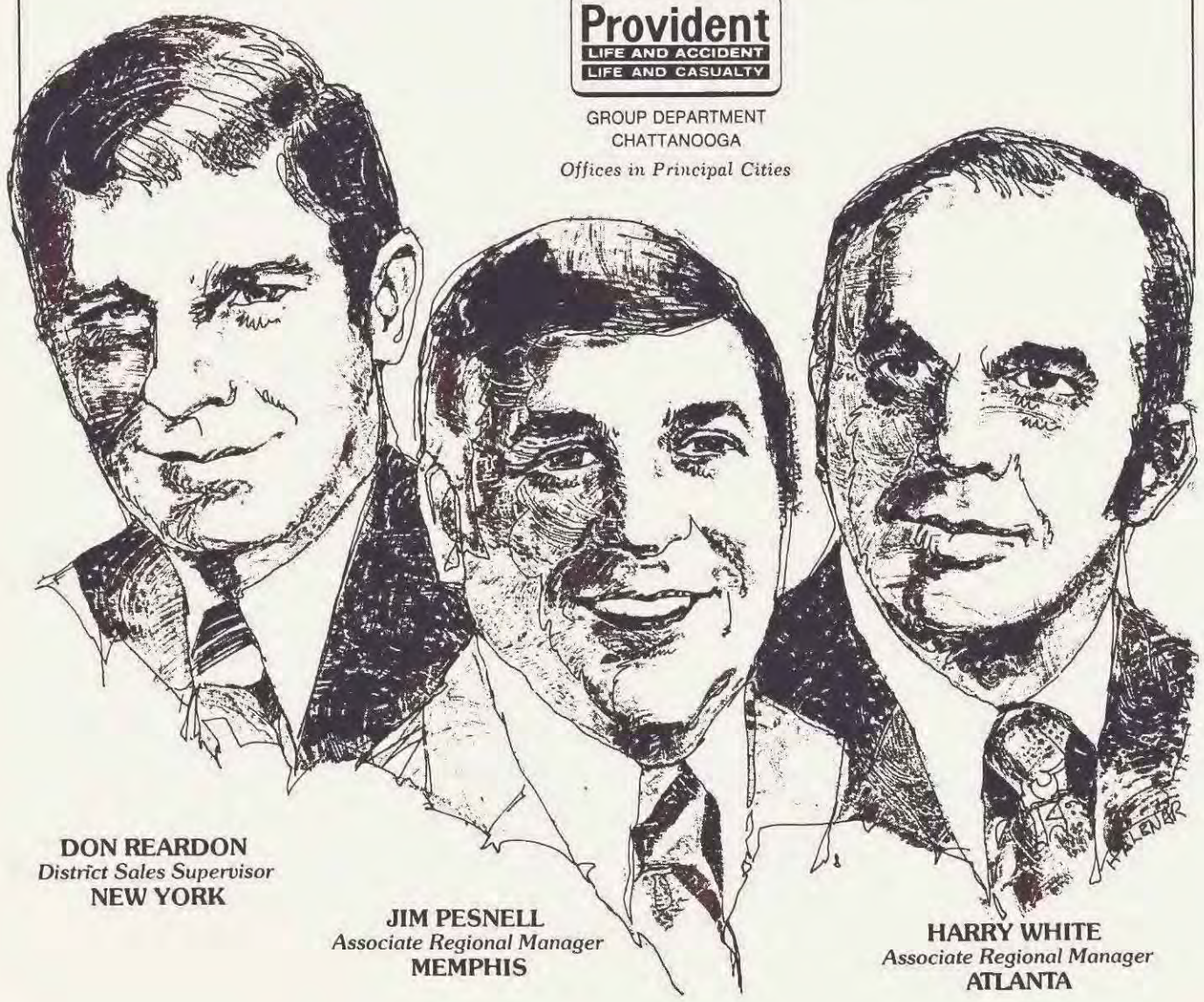

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our chief

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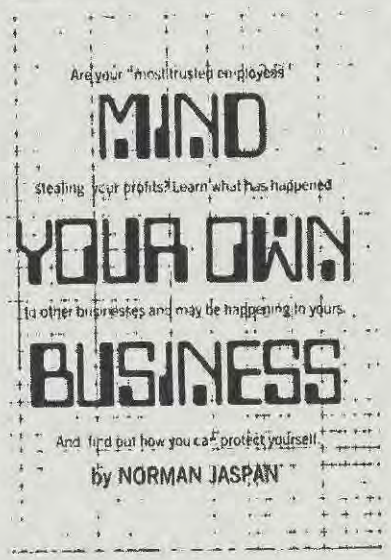

separating facilities for shipping and receiving may help a business keep unloading and verification functions undisturbed by the loading operation of the outgoing product, Mr. Jaspan says.

Constant detractors throughout the book, in this reviewer's opinion, are the not-so-subtle sales pitches for Norman Jaspan & Assoc. The author often refers to clients whose effusive compliments about the firm run something like this: "Jaspan is really an expert practicing psychologist without knowing it."

Mr. Jaspan also has a habit of describing a situation that sounds unsolvable, thus setting up his firm for accolades of heroism because it then steps in and rectifies the situation.

FOR EXAMPLE, one chapter entitled Security You Can Afford, claims that businesses should have one individual at a high level in the company to coordinate and execute security plans. "But most companies do not have such an individual," Mr. Jaspan continues. "This is where a professional comes in," leaving little doubt in the sentences that follow that what he's recommending is his own consulting firm.

"Some companies try to get at (the problem) through lie detector tests and electronic surveillance equipment," Mr. Jaspan writes. "This is not the way to do it. We get at the truth in a simpler way. We talk to people . . . and bring a combination of . . . sound principles of behavioral science, general knowledge of how people act and react in organizations and specific knowledge and in-depth understanding of the particular industry or function that is under study," he says.

"A SIMPLER interview can accomplish a great deal," he continues. "The interviewer builds up an authoritative picture of the organization under study, with particular emphasis on what is wrong. The employe discloses facts he didn't even know he possessed." Apparently, the process is easy if you have Norman Jaspan or his knowhow.

At the back of the book is a question and answer section which offers a good summary of the author's insights emphasized in the rest of the book. It might serve as as a good introduction also, and along with a random sampling of case studies, may save the reader from poring over each page. ■

Japan okays insurance for devaluation

TOKYO—An export insurance system against losses in export value arising from fluctuations in floating foreign currencies has been approved by the Japanese government.

Yashuhire Nakasone, minster for trade and industry, said the cabinet had approved the system in a partial revision of the Export Insurance law.

Under the new system, the government would compensate for losses when a foreign currency involved in export contracts was revalued by 3% or more from the time of signing the contracts.

Currencies covered by the system include: U.S. dollars, sterling, the D-mark, French and Swiss francs.

Premium cost is 1.5% per year on an individual contract basis and .8% per year on a comprehensive contract basis.

Maximum payment under the system is 17% of a contract. and the insurance is applicable to those contracts with a settlement period of more than two years but less than 15 years. ■

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Report contends medical no-fault 'more costly than present system'

PORTLAND, OR.—Application of no-fault to the medical malpractice liability area "would be more costly than the present tort system," according to a report presented to the annual American Medical Assn. (AMA) convention here.

"Many physicians believe that no-fault such as in the automobile field might be applicable to medical malpractice," said Report Y, prepared by the Medical Liability Commission and referred to an AMA committee for further study. "But the treatment (that) may or may not have been rendered, may or may not have caused or contributed to the patient's ultimate injury. Complex investigations and costly litigation would still be required to determine whether a patient's injury was compensable," the report advised.

Peer review should function to reduce the incidence of malpractice claims, it recommended. 'Strong and equitable rules regarding admission to and continuation of practice should be established," Report Y continued.

"MALPRACTICE MUST be addressed on a state-by-state basis," the report stated. "It is probably safe to say that there is a pressing need to bring about a complete restructuring of the existing tort system as it applies to professional liability. This could well result in some type of administrative-regulated injury-oriented compensable system," the report stated.

Report Y called on state and county medical societies to work at persuading insurance carriers to continue their coverage. One of the ways the report said this could be accomplished is by having physicians accepting premium increases based on documented loss experiences. Requests for substantial rate increases should always be accompanied by full financial disclosure, the report advised.

Organized medicine should cooperate with insurance carriers in establishing justifiable rates with state insurance commissioners it continued.

Physicians need to be convinced of the importance of a good physician-patient relationship as far as the incidence of malpractice is concerned, the report stated. An "informed and intelligent consent form" should be obtained from patients before significant procedures are undertaken, it recommended.

REPORT Y ALSO advised that the problems of medical malpractice be brought "forcefully to the attention of the public using all means available to accomplish this purpose."

Among the suggestions for strategy were one-hour specials aired on the major networks four times a year during prime time. "The objective would to be to make contribution to public understanding. There would be no attempt to make the programs self-serving," Report Y stated.

The report then went on to cite nine reasons for going to the public with the medical malpractice publicity campaign, one of which was to balance the media's "destructive tendency to emphasize the negative aspects of health care."

Topping the list was the need "to position the AMA at the center of health care and to show its concern for improving and extending health care to more Americans," an apparent allusion to the AMA's concern over proposed national health insurance legislation.

It was also recommended that malpractice insurance rates be established so that current premiums cover anticipated future losses.

"Reason and common sense should also prevail when establishing compensable amounts in such cases," the report continued. "Out of every premium dollar paid for malpractice insurance, only 16 cents actually reaches the pocket of successful claimants," the report said.

Long-range legislative recommendations were included in the report:

- limiting punitive damage awards as with workers' compensation;
- avoiding duplication of reimbursement for medical costs in settlements;
- establishing "reversionary trusts" in order to prevent persons other than the injured party from receiving large lump sum settlements;
- instituting statutes of limitations;
- using a sliding scale for contingency legal fees;
- omitting the amount of damages sought in a claim because of its inflammatory effect on the public; and establishing a mediation service composed of judges, doctors and lawyers to decide whether a malpractice claim is valid and to suggest a settlement figure. ■

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NEW YORK—The General Adjustment Bureau (GAB) announced the establishment of teams of specialized subrogation investigators available to customers in each of 14 major cities throughout the U.S.

Team members who possess a variety of specific professional credentials or experience will be available on immediate call to assist in the investigation of losses or claims of potentially large proportions.

The specialties of GAB's subrogation investigation teams include: accounting, auto, boiler, blasting, casualty, civil, electrical, mechanical, and safety engineers, damage and value appraisers, general adjuster, heavy equipment, liability, property, transportation and special agents for investigation.

THE TEAMS have been organized in New York, Philadelphia, Pittsburgh, Baltimore, Richmond, Charleston, Atlanta, Chicago, Dallas, Houston, Minneapolis, Kansas City, Mo., Los Angeles and San Francisco.

Another service, subrogation outside services, (S.O.S.) is also available for investigation on smaller losses handled by company desk adjusters or by mail.

A booklet describing the two services and a list of the individual specialists in each area may be obtained from Management Services, GAB, 123 William St., New York, N.Y. 10038. ■

Industry can no longer depend on securities market to 'bail them out'

NEW YORK—The insurance industry must find and implement a better system to head off company insolvencies, as well as develop a method of handling them when they do occur.

That was just one conclusion reached by the panel of insurance executives, regulators and a financial analyst at the fourth annual meeting of the Insurance Services Office here last month.

The financial analyst on the panel, Donald Kramer of Oppenheimer & Co., said that the property/liability insurance business can no longer depend heavily on the securities market for financial success.

Dr. Edwin S. Overman, president of the American Institute for Property and Liability Underwriters Inc., served as moderator at the meeting, which addressed the issue: "Do regulation and competition operate in the consumer interest?"

DR. OVERMAN cited a general feeling among the participants that insurers should concentrate on reducing costs and turning an underwriting profit, rather than relying on the securities market to "bail them out."

Guaranty funds are not heading off insolvencies, Robert E. Dineen, consultant to the National Assn. of Insurance Commissioners said. What is needed, he contends, is more professionalism on both sides—the regulators and the companies—to spot company failures.

President of the St. Paul Cos., Carl B. Drake Jr. also rejected post-assessment funds, saying they are "highly undesirable."

Archie Boe, chairman of the board, Allstate Insurance Co., pointed out that his company had been assessed $15 million as a result of the Gateway insolvency.

"We have to have a better system both for stopping insolvencies and for taking care of them once they happen," he said.

"What we need here is a little ingenuity," Frederick J. Orth, chairman of the board, Unigard Mutual Insurance Co. said after rejecting a federal system as an alternative.

Many state insurance departments lack the staff competence to prevent company failures, Mr. Kramer said.

"You need analysis to head off insolvencies," he said, saying there were aspects of the Gateway situation which were visible before the insolvency actually came about.

The industry has not put enough pressure on the governors and legislatures to increase insurance department budgets and therefore increase their capabilities in dealing with insolvencies, Mr. Boe said.

He was "optimistic that if the McKinsey report is followed we can do a good job," Mr. Boe said. ■

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Several years ago Sanger & Altgelt, one of San Antonio's leading agencies, was called upon to put together the insurance package for a large risk. The coverages were detailed and submitted to several large carriers. In every case, they were rejected.

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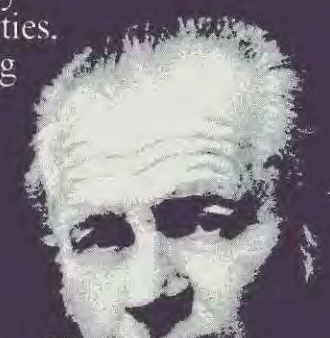
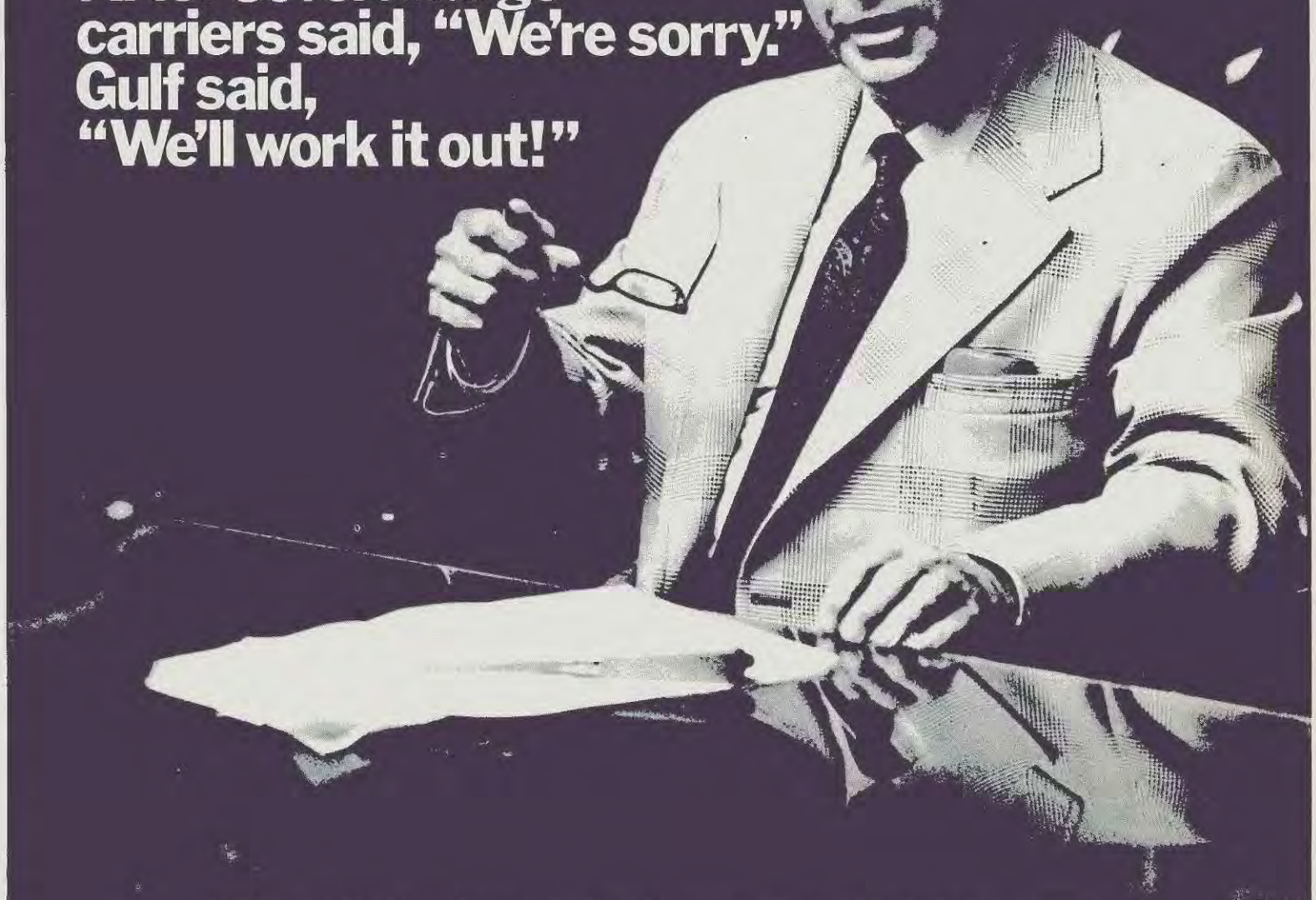


After several large carriers said, "We're sorry." Gulf said, "We'll work it out!"



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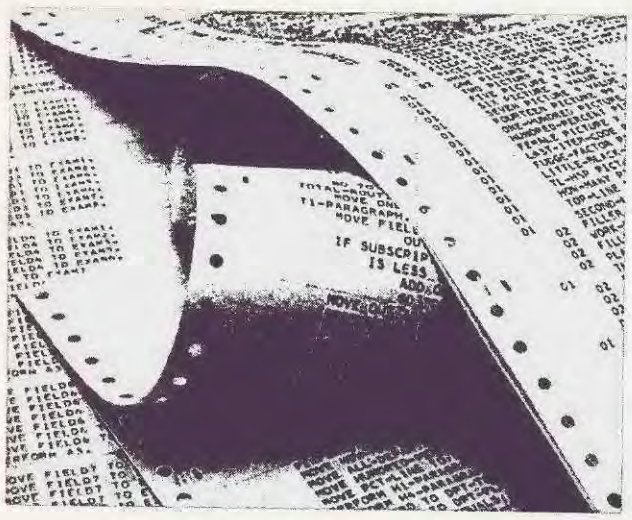
Progress With American Industry

On-line Health Care

A nurse's station in a major hospital. 12 noon. A video display reveals the medications and charts for this hour's rounds. Simultaneously, another machine gives a working print-out. Through information supplied by the computerized system, medications have already been processed and special meals prepared. The nurse begins the patient care.

On another floor, a doctor, using a lightpen device, gets a complete patient history; on the keyboard he inserts a medical change. Instantly the information is relayed to all appropriate departments.



From accounting and admissions to radiology and laboratories, the computerized medical system completely stores—and instantly relays—information on medical histories, drug data, patient locations, billing charges and other pertinent statistics. The efficient system for the hospital provides better medical care for the patient.

And, as more and more medical research and information accumulates, the system's memory can become an aid in diagnosis and cure.

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business insurance

PERSPECTIVE

Era of rapid growth ahead for dental benefit plans cost control suggested

"There are nearly 1 billion untreated cavities in the nation; five for each American. Half the adults have periodontal disease; 25 million have lost their teeth; 25 million more have lost half their teeth.

By JOHN H. GODDARD
vp, group insurance
The Equitable Life Assurance Society

THE PUBLICITY IN the recent past concerning the dental benefit programs agreed to in major union negotiations—specifically the auto, steel and aluminum contracts—would encourage the belief that dental coverage is new on the employe benefit market scene. Actually, that is far from accurate. Dental plans have been around for almost 20 years. During this period, however, the growth rate has been relatively slow—with noted acceleration only in the last five or six years.

There are probably two underlying reasons why we are now embarking on what most of us expect will be an era of significant and rapid growth in dental coverage. First, there is the relatively mature level of benefits now provided under group hospital, surgical and medical programs for those traditionally higher-priority types of care. Second, is the clear need for dental care on the part of much of the population, and thus the need for a benefit program to help meet the costs of such care. Successful products and services are usually designed to fill a demonstrated need.

TO EXPAND SLIGHTLY on these points, during the first 20 years or so of their development, health insurance benefit programs generally lagged behind the cost of hospital room and board and surgical charges and coverages for ancillary care was even more limited. By the mid-fifties, however, with major medical on the scene and many hospital benefit programs providing room and board benefits approaching the semi-private level, and surgical benefits relating more reasonably to charges, attention began to turn to other forms and types of coverages such as extended care and dental insurance.

As to the need aspect of dental coverage, the American Society of Preventive Dentistry has statistics which are alarming. There are nearly 1 billion untreated cavities in the nation: five, on the average, for each American. Half the adults have periodontal disease; 25 million have lost their teeth, while 25 million more have lost half their teeth. Our nationwide bill for dental care in 1974 will top $5 billion, more than two and a half times the amount as recently as 1960.

Dental benefit programs were developed first on the East and West Coasts with retail store employes and municipal or public employe organizations. The trend extended inland from both coasts at a steadily increasing rate, and by the end of the sixties, dental benefits had become part of the total benefit program of many companies—both large and small.

The UAW, steel and aluminum contracts providing for comprehensive and extensive dental benefit programs paid by the employer, brought us to where we are today.

In approaching the subject of dental coverage and plan design, consider first the types of care and treatment that dentistry represents:

- Diagnostic—oral examinations, x-rays and laboratory tests to determine the type of treatment, if any, the patient requires.
- Preventive—prophylaxis, fluoride treatment and other services designed to prevent dental decay.
- Restorative—fillings, crowns, and inlays used to restore the functional use of the patient's natural teeth.
- Endodontics—treatment of diseases of the dental pulp, such as root canal therapy.
- Periodontics—treatment of diseases of the surrounding and supporting tissues of the teeth.
- Prosthodontic—replacement of missing teeth and structures by artificial devices such as dentures and bridgework.
- Oral surgery—surgical treatment of diseases, injuries and defects of the jaw.
- Orthodontics—prevention and correction of dental and oral anomalies, through the use of braces, retainers and other correctional devices.

TO MATCH THESE elements of dental care to plan design, the provisions included in any specific plan will vary depending upon the scope of coverage, level of benefits, type of benefit formula and the kind of benefits administration selected.

Some of the more important aspects, generally, of all plans are the definition of covered charges, the amount of benefits, plan limitations, and such recent provisions as predetermination of benefits and appropriateness of care.

Covered dental charges normally include the full range of services, although some plans, particularly for cost reasons, may exclude orthodontics.

The amount of benefits is determined by several factors. Deductibles may be waived for preventive and restorative care, and under some plans, such as UAW and steel, no deductible is applicable. Reimbursement under non-scheduled plans is typically 80% of the reasonable and customary charges for diagnostic, preventive, restorative, endodontic and periodontic services; while all other covered

Continued on following page

Mass marketing has benefits for everyone

"For the employer [mass merchandising] offers the opportunity to install for his employes a highly visible and useful benefit, without undergoing the staggering costs that so many other benefits entail."

By PETER S. PAULEY
President
Pitt & Pauley, Inc.
Greenwich, Conn.

I BELIEVE FIRMLY that mass merchandising insurance is the wave of the future. Why? Simply put, because it is the ideal product—it offers something for everyone.

For the employe, it is a chance to get the kinds of varied, personal coverages that he needs—auto, life, homeowners, etc.—but so often has been unable to afford.

For the employer, it offers the opportunity to install for his employes a highly visible and useful benefit, without undergoing the staggering costs that so many other benefits entail.

And for the carrier, it offers the chance to create more sales (and more potential customers for future sales) without winkling them out of the woodwork one by one.

Some years ago Thomas Carlyle wrote, "The lions would not eat Daniel. the lions were very big and very ferocious and very hungry. But they drew the line at prophets."

So, maybe my neck is out. And maybe some of you lions out there will decide to eat me anyway. But I don't think so. Because my feelings about the future of mass merchandised insurance are solidly rooted —rooted in our own experience.

We started working in the mass marketing field just a little over two years ago. At the time it was not much more than a cloud on the horizon. Our company, Pitt & Pauley, was and is one of the largest general agencies in Connecticut. Business was good, but we were looking for new fields to conquer.

Mass marketing looked like a good field. It was a new one, not too much was known about it. How should it be organized how sold, how would it be underwritten and how viewed by carriers, once they got their feet wet? There were a lot of questions, and maybe the most important one was, how would you, the people who had to make the buying decision. respond to it? We didn't have any of these answers. But then, neither did anyone else.

SO, THE FIRST THING we did was to form a separate division of Pitt & Pauley to concentrate solely on mass merchandising. We hired a marketing agency and they came up with a name for us—People Protectors.

We prepared a complete package of printed materials and we sent out a lot of letters to company management detailing the advantages of this new way to provide insurance. We cited low cost, employee-owned, payroll deduction, cash value, no physical exam, minimal cost to the employer, a highly visible employe benefit, etc., etc. Then we sat back to see what would happen Zero. Nothing. Not a murmur.

So, we took a leaf from our prior selling experience and went after our potential prospect companies on a person-to-person basis. We emphasized in face-to-face discussions the same things we had been saying in our mailings, it is a highly visible benefit, it saves the employes money, practically a word-for-word recap.

And after listening to us and bombarding us with questions, our prospects were all for installing the very program which had left them unmoved when they had been approached only by direct mail!

Now there was a lesson for all of us. If we hadn't been able to sell these potential buyers through letters only, neither—we all realized—could we hope to sell their employes without giving them a chance to listen to the whole story and then to air their questions and reservations.

For a program to be a success, it is essential that the installer be given the opportunity to talk directly with employes and to meet with them face-to-face, through

Continued on following page

business insurance

PERSPECTIVE

Dental . . .

Continued from preceding page
services are paid on a 50% or 60% basis. Benefit plans usually provide an overall calendar year maximum of $500 or $1,000 per individual with internal maximums for a course of orthodontic treatment of an amount such as $500.

PLAN LIMITATIONS would generally provide for the exclusion of dentistry for cosmetic purposes and allow reimbursement for a maximum of two routine oral examinations in any one year. There may be limitations on the initial installation or addition to a denture or bridgework, so that benefits are provided only for teeth extracted after the individual became insured; and there may also be limitations on replacement or alteration of bridgework or dentures to attempt, usually through time requirements, to exclude frequent non-essential changes. Orthodontics are only covered under a course of treatment that commenced after the effective date of the individual's insurance. The coordination of benefits provision also has become increasingly important as the volume of dental insurance in force has grown.

Predetermination of benefits (also referred to as treatment plans, preauthorization, prefiling, etc.) are plan provisions that require the individual to submit to the insurance carrier a description, prepared by his dentist, of the work to be done before actual treatment commences. The purpose of predetermination of benefit is to enable the provider to confirm eligibility and to inform both the employe and the dentist in advance whether the proposed services will be covered and the fee that will be considered in determing benefits. Such advice tends to discourage recommending unnecessary or more costly types of treatment than needed.

Appropriateness of care provisions, in effect, state that the plan will only pay for the least expensive type of treatment required to restore the patient's dental health. In some plans this provision is only applicable to more elective, costly types of covered services.

A variety of formulas has been developed to determine how and how much benefits are payable under dental insurance. These formulas use different combinations of deductibles, coinsurance, maximums, and definitions of covered charges. Dental plans can usually be separated into two broad categories—scheduled and non-scheduled, the latter sometimes referred to as comprehensive. As with scheduled surgical plans, scheduled dental plans provide specific allowances that come within the scope of the plan. Over the past few years, some of the schedules developed by insurance carriers and others have flowed out of union negotiations.

SCHEDULED PLANS have several advantages. Employes have a clear understanding of the benefits they will receive for various types of dental care. Also, the scheduled limits on benefits provide an important element of claims cost control during a period of uncertainty as to the future level of dental fees. Liberalizing benefits at some future date by increasing the scheduled allowance is a deliberate act for which an employer may obtain "credit" either in terms of employe relations or in assigning a value for union negotiations.

Among the disadvantages, however, the schedule may not be a good fit for the pattern of relative dental charges in a given area; and for an employer with employes at various geographical locations, the schedule selected might be appropriate for the level of fees at one location but not another. While it can also be argued that scheduled dental plans are contrary to the recent trend towards comprehensive, non-scheduled medical and surgical plans, it should be noted that the latter trend followed many years of experience gained in writing scheduled medical and surgical benefits.

Under non-scheduled or comprehensive plans, after an initial deductible of usually $25 or $50 per individual each calendar year, these plans reimburse a percentage of the "reasonable and customary" dental charges. Again, these plans usually have an overall calendar year maximum of $500 or $1,000 per individual, and there may be internal maximums such as $500 for a course of orthodontic treatment.

One of the advantages of a non-scheduled plan is its ability to "fit" the pattern of dental fees charged in a given area and the difference in fee levels from one location to another. Also, the comprehensive approach keeps benefit levels current without plan modifications as fees increase.

COST-WISE, HOWEVER, non-scheduled plans are much more susceptible to rising costs, and the employer forfeits any potential employe relations value for providing increases of "improvements" in the level of benefits. Another possible disadvantage is in the area of employe understanding and acceptance of the benefit decisions made at time of claim . . . if and when the decision on a particular claim recognizes less than the dentist's full fee as the reasonable and customary charge for benefit determination purposes.

Inflation is a term which requires no explanation—at what rate will dental fees increase and to what extent do the plan provisions dictate that such increases will be registered in terms of increased plan costs?

Initial plan costs also assume a given rate of utilization of dental care and there could be influences which will increase such utilization in the future—again with the potential to increase plan costs. This is both a general and a plan-specific question; for example, increased awareness of the plan and its provisions may lead to increased utilization on the part of the employes.

ANOTHER IMPORTANT consideration is a condition that can be described as the bulge, it is reasonable to expect that a new plan will serve initially to finance in part the accumulated neglect of dental care during the pre-plan period. A related consideration is the extent to which advance notice of the adoption of a plan will result in the deferment of dental care until the effective date of the plan with the result that the first "year" may in fact represent fifteen or eighteen or more months of dental care.

In considering the adoption of a group dental insurance plan, the buyer will be particularly concerned about the ability to exercise effective claim cost control. A dental relative value schedule should be developed and used by the provider of services since there is no nationally recognized relative value schedule for dental procedures. Periodic revisions should be made in this schedule as experience increases and charging patterns change.

Customary fee level factors serve as a meaningful tool to determine the customary level of fees by geographical area, and it is necessary to apply area conversion factors to the allowances shown in the relative value study. These should be reviewed and updated periodically.

A fee analysis for specific procedures is done by the provider to permit it to analyze the level of fees by specific procedure and by area for the more common dental procedures.

Through claim studies, the provider should be able to make studies on the dental charges incurred under a group's plan where this data may be useful for plan evaluation purposes.

A STANDARD CLAIM form, the form developed by the uniform forms committee of the Health Insurance Council, is generally used to obtain the information required to evaluate and pay benefits. This form has been approved by the American Dental Assn., and as a result, it should be readily completed by any dentist the insured selects.

Claim evaluation guidelines must be developed through claim approver training and technical reference material which emphasizes an understanding of policy provisions and limitations and teaches approvers how to detect non-covered services or abuse of the plan.

Through the administration of coordination of benefits, the techniques originally developed to produce maximum savings under group hospital, surgical and medical plans are being applied successfully to dental insurance as the volume of this coverage grows. ■

Mr. Goddard joined The Equitable group department in 1948. From 1950 to 1964 he held several managerial positions in the group field organization. He was elected assistant vp in 1966, regional vp group affairs in 1967, and vp in 1969. Mr. Goddard was named head of the group service department in December 1969, and in January 1971 he became head of group insurance services department.

Mass . . .

Continued from preceding page
group sessions or on an individual basis. Only in this way can their questions, both asked and unasked, be answered to the point where they want to take advantage of the benefit being offered. The system works. Time after time, our "prospects" become our customers.

OUR "NEW" PROSPECTS, of course, are the people who evaluate these programs, study them to see if they fit the needs of the company and the employes, and present them to the management as a benefit which, among other things, can make the company more competitive in the volatile, never-ending search to get and hold good people.

If you install a PDPI program in your company, you will want to know are you getting a good deal. You are if you follow some hard-bought principles which we offer herewith.

1. If the program is to succeed, it needs not only the approval of management, but its wholehearted cooperation as well. This does not mean at all that employes should be bludegoned into the program, but it does mean that the company should make full use of its own communications facilities to let the employes know how good it is. That it has investigated thoroughly what the program is offering and believes that it is good for the employes. Good for their peace of mind and their pocketbooks.

If properly done, the program will be presented to your employes as a benefit provided for them by the company. If access to them is denied to the installer, the program is just not going to go. Few people will sign up. Everyone, including the employes, is going to know the program was a failure. And when the unsuccessful enrollment period is over, the recruiters will leave. Guess who will be left with the black eye for a benefit program that didn't get off the ground? You're right!

2. Make sure the program is your own, not that of some carrier. In preparing materials for the employes, care should be taken to make the materials coincide as much as possible with the style and manner that employes are used to getting from management. Your logotype should be used, preferably on an attractive brochure, and all materials should be integrated with other employe benefit motifs. Generally speaking, we have found that promotion material from the insurance companies is not too satisfactory. Often there is too much stress on the insurance company itself, at the expense of the benefits to the employes.

3. You should try to set up a program of periodic reminders to employes that the payroll deduction for insurance is to make it more convenient and economical for them to get the coverages they need. This can help to remove the bugaboo of "zero paycheck"; the fear that too many deductions will result in too little net pay for the employe. The reminder, which can be in the form of a simple payroll envelope stuffer, can point out that the employe would have to make the payments anyway to get the needed coverage, and without the program he would have to pay more.

ONCE YOU INSTALL a personal insurance enrollment program in your company, what can you expect in the way of materials and support from the installers? Here's a typical schedule of what one service firm offers clients:

- A letter, over the signature of the chief executive officer, to all employes, announcing the company's participation in the benefit program.
- A letter, following the first one, over the signature of the risk manager or the employe benefit manager, giving details of the program and referring to the chief executive's letter.
- On start-up date, a pay envelope stuffer received by each employe with details of the program.
- On the same day, posters on the company bulletin boards, spelling out the program and containing a takeaway card from which the employe can figure just how much insurance he will receive for his age and the amount of weekly or monthly deduction he selects.
- Group meetings scheduled where insurance counselors can explain the program on a face-to-face basis and answer questions.
- Individual talks with those employes who wish to discuss details with counselors.
- Applications received and payroll deductions cards filled out and processed.
- Follow-up meetings scheduled on a mutually agreed-upon basis.

Procedures vary, from company to company, of course, but we have found that a schedule such as this touches all the necessary bases so that everyone is fully informed and continues to be kept informed as to what the new benefits can accomplish for them.

NOW A WORD about billing arrangement: You should insist that the carrier set up a program to reconcile the monthly bills that it presents to the company. That is, the insurance company should not merely present a bill for what it believes to be the proper monthly payment, and expect your company to do the individual record-keeping. Instead, insist that you merely supply the insurance company with a monthly check and a computer tape or card showing each individual's deductions. It is then up to the carrier to reconcile this material with its own and to inform you of discrepancies, if they exist.

An alternative to this is to install a personal insurance program outside of payroll deduction. There are several leading carriers which will bill the employe at home, usually on a quarterly basis (some even have a monthly plan). In most cases, there is no interest charge for this method of payment, which saves the employe money right there. And, this eliminates any concern on the part of your payroll department.

This, then, is mass merchandising insurance as I see it today and tomorrow. We're still learning how to handle it, how to communicate its advantages in the best way, and how to sell it.

We've studied PDPI from every angle. We know. I hope you'll study it too. Because once you do check it out as thoroughly as I have, I'm sure you'll share my enthusiasm for it. And then I won't be eaten by the lions. ■

Diocese takes forward pew as benefit provider

LOS ANGELES—With rampant inflation chipping away at the assets of the nation's once-prestigious institutions, it might be a a surprise to learn that some of them are right up front in the employe benefit area.

The Los Angeles Diocese of the Protestant Episcopal Church, the largest diocese in California, has, for example, just last summer added limited dental care to its group health package. For the last two years, the same package has been notable for the inclusion of limited psychiatric care. The coverage is for clergy as well as the diocese's other employes.

"Having completed several good years in group health coverage, we had accumulated a surplus which we felt we could apply to a limited dental program without incurring any sizeable financial difficulties," said Don Ogaard, assistant treasurer and assistant secretary for the diocese, in an interview with *Business Insurance*.

PROTESTANT Episcopal dioceses, he explained, are composed of two entities: Financially self-sufficient parishes that are incorporated and can buy their own insurance, and missions with property owned and insured by the diocese. Out of 141 churches in the L.A. diocese, 40 are dependent missions.

Moreover, structurally the diocese is only one of two corporations that comprise the body known as the diocese of L.A.

The other corporation is known as the "corporation of the bishop of the Protestant Episcopal church, a corporation sole," and is composed of property given or willed to the bishop. The property of this corporation is insured by Church Insurance Co., a New York-based property/casualty/workers' compensation insurance carrier. With total assets of $11,669,976 as of December 31, 1973, Church Insurance Co. is a wholly-owned subsidiary of the Church Pension Fund which pays benefits to the denomination's clergy throughout the United States.

Mr. Ogaard, who buys insurance only for the diocese and not for the corporation sole, said that two brokers and two carriers handle the insurance needs of the diocese itself. While it is not a broker, Charter Insurance Agency acts as servicing agent for Church Insurance Co. in Southern California.

For the diocese's group health plan, Mr. Ogaard said that Marsh & McLennan is the broker and Provident Life Insurance Co. is the carrier.

THE MAJOR medical limit was lifted from $10,000 to $200,000 earlier this year as part of the enhancement program for group health, Mr. Ogaard said.

At the same time, hospitalization was upgraded from coverage for stays in a three-bed ward to a semi-private room. Life insurance, free for all clergy but contributory for anyone else in the diocese, pays a benefit of $15,000 a year.

For 1975 or 1976, long-term disability coverage is a possibility, noted Mr. Ogaard. He said that the two-year-old program for limited psychiatric care has drawn a moderately good response.

"Up to four to five years ago, the diocese offered mere bread and butter coverage," he observed.

A blanket property policy protects all the property in the missions and the church-sponsored institutions such as homes for the aged and for orphans. The policy, written by Church Insurance Co. contains no limit on fire, according to Mr. Ogaard.

A blanket liability policy with a $3 million limit is held by the diocese, through Cassius E. Culberson of Pasadena, a broker who has been negogiating this policy for the diocese for 40 years.

Workers' compensation, too, is purchased by Mr. Culbertson. A modest loss control program and generally orderly comportment by persons who work in the diocese have paid off, according to Mr. Ogaard, in a good loss ratio and a continuing stream of dividends. ■

Liner/Pollack merger

John Liner Assoc. Inc., an international insurance consulting firm based in Wellesley Hills, Ma., announced its merger with the practice of Wm. B. Pollock Jr., based in Worcester, Ma. Mr. Pollock is retiring and Thomas C. Radziewicz will join the firm as a senior consultant.

There's a new definition of LOSS CONTROL in workers' compensation

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Insurers to pay $1.4 million to settle polyurethane fire subrogation claims

SAN FRANCISCO—Nineteen insurance companies will pay a total of $1.4 million to Kern County Land Co. to settle subrogation claims resulting from a fire in 1970 which destroyed a huge fruit storage complex owned by Kern.

American Home Assurance Co., Fireman's Fund Insurance Co., and St. Paul Fire & Marine Insurance Co. will pay the largest share of the out-of-court settlement.

A group of 16 other insurance carriers will also pay smaller damage sums, according to John B. Hook, partner in the law firm of Long & Levit, which represented all the insurers.

They had underwritten risks for Sealzit division of the Flintkote Co., a major U.S. urethane foam manufacturer and installer. The settlement ends a series of subrogation claims against Sealzit.

THE FIRE took place at Bakersfield, Ca. Jan. 5, 1970, when the storage complex was in the final stages of construction. A plumber using a blowtorch to "sweat" pipes accidentally set fire to the polyurethane foam insulation which had been sprayed on the interior surfaces of the structure. The building was totally destroyed in a matter of minutes; there were no injuries.

Mr. Hook spoke of "the highly flammable nature" of the polyurethane foam, and charged that the foam insulation "had been represented by the manufacturer to be non-burning." Mr. Hook said there have been a number of similar polyurethane subrogation cases settled recently in this country, but this case was the largest to date for the polyurethane industry.

"Although the product did, technically, qualify as non-burning according to certain industry standards, plaintiffs claimed in their lawsuit that industry standards were unrealistic and misleading since the product tests used in formulating the standards were from inadequate samples and were made under conditions which did not approximate the practical application of polyurethane foam in the construction industry," he said.

As a defense to the subrogation action, attorneys for the polyurethane manufacturer contended the suit was barred because of a subrogation waiver and a mutual release provision of the construction contract which covered the complex.

DEFENDANTS CLAIMED that improper construction techniques were used during the building and that fire doors were "wired open," sprinklers were not properly installed, and there was no adequate water supply. Defendants also said Kern County Land Co. was barred by the doctrine of assumption of risk, because it had prior knowledge of "flammable propensities of the product," having made some prior tests. They also pointed out that a Kern County Land Co. subsidiary manufactured and distributed the same polyurethane product complained about.

The stock and equipment insurers who did not have subrogation waiver problems did, in fact, recover 100% of their losses in the settlement distribution, less their legal costs.

The trial was scheduled for Kern County superior court at Fresno in the near future. Robert Brady Williamson, associate professor of engineering science at the University of California at Berkeley, prepared information to be used in the trial. He also was largely responsible for a recent television documentary on the fire hazards posed by polyurethane foam.

The insurers of stock and equipment in the building, and who were involved in smaller subrogation claims, included Century Insurance Co., Commercial Union Assurance Co., Employers Mutual Liability Insurance Co., Employers Mutual Fire Insurance Co., Glens Falls Insurance Co., Globe Indemnity Co., Hartford Accident & Indemnity Co., Hartford Fire Insurance Co., Insurance Co. of North America, National Fire Insurance Co., Reliance Insurance Co., Royal Insurance Co. Ltd., Transamerica Insurance Co., Travelers Insurance Co., Travelers Indemnity Co., and United Pacific Insurance Co. ■

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PBGC hires Friend Co. to do actuarial work

WASHINGTON—The Pension Benefit Guaranty Corp. (PBGC) hired Edward H. Friend Co., Washington-based actuarial consultants, to develop methods for determining the financial ability of terminated pension plans to pay promised benefits.

PBGC's $81,000 contract with Friend also includes development of methods to be used in determining what benefits should be paid to participants of terminated plans and when PBGC financial aid will be necessary to meet these obligations.

Bidding was closed Dec. 9 on another study of a sensitive matter for PBGC—this one to develop methods for PBGC to use in determining the net worth of corporations that have sponsored a new terminated pension plan.

These methods will be used in determining the sponsor's "contingent" liability to PBGC in the event the plan has insufficient funds to meet its pension obligations.

The pension reform law, which established PBGC as the government-operated pension reinsurance agency, permits PBGC to assess plan sponsors for up to 30% of their net assets to recover any funds PBGC must spend to meet pension benefits promised plan participants.

THE FRIEND project is to be completed by Jan. 26, PBGC officials said. No date has been set for awarding the contract on net worth determinations, but PBGC has targeted a completion date for 20 weeks after the contract is let.

Both projects are considered very important because they will enable PBGC to begin processing the 200 or more pension termination filings now awaiting action by the agency, which was established Sept. 2.

Edward H. Friend Co. has previously done actuarial work for such varied federal agencies as the Atomic Energy Commission, and the Health, Education and Welfare Department, company officials said.

Friend also has private pension fund clients across the nation in both the private and public sectors, according to the company.

Managing the PBGC project for Friend is Elizabeth C. Poston, formerly a top actuary with the Treasury Department. ■

College risk group

The insurance committee of the 13 four-year state colleges and universities in the state of Michigan has been reorganized as the Michigan College and University Risk Management Officers Assn. The insurance committee was originally established by the Michigan Council of State College Presidents in 1971. Named chairman of the University Risk Management Officers Assn. was William Ryan, insurance manager for the University of Michigan. Richard Light of Oakland University was named vice chairman.

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Court says Monsanto benefit plan permitted

ST. LOUIS—A 10-year battle between Monsanto Co. and the Missouri department of insurance ended when the state supreme court said Monsanto's self-insured employe benefit plan isn't an insurance business which would be regulated by the department.

The regulatory agency first sued Monsanto in April, 1964, shortly after Monsanto changed from a fully-insured group health, medical and disability benefit plan under Metropolitan Life Insurance Co. to a self-insured, self-administered plan using Metropolitan as excess insurer.

The department said this constituted an "insurance business," and Monsanto was not authorized to be in the insurance business. In October of 1973, the department specified penalties of $185 million in the case, stemming from six years of illegal insurance transactions at a rate of at least one claim per year for some 70,000 employes.

MONSANTO SAID a year ago it looked for a favorable ruling when the case was appealed, even though it was decided in favor of the department of insurance in late 1973 by a circuit court. Monsanto appealed to the state high court in early 1974.

The company has continued administering its self-insured benefits program throughout the litigation.

The state supreme court judges cited six cases in jurisdictions around the country which have found that self-insured programs were not the same as "insurance business" by the employers. Most of the cases cited pertained to the issue of attempted assessment of premium or franchise taxes for the transaction of insurance business. In each case the court held that an employer wasn't engaging in insurance business by providing benefits to employes.

The court emphasized that Monsanto was maintaining this benefit plan exclusively for employes and their dependants, and was not soliciting the public as a commercial insurer. "It is not in the business of attempting to make either a profit or accumulate a surplus from the operation of its sickness and medical plan," the court reasoned, in establishing that self-insurance is not an "insurance business."

This suit focused on an issue that has since been resolved with the amendment of a state law about self-insurance. *(Business Insurance,* Sept. 24, 1973.) The amendment provides that self-insured programs are legal in the state and not subject to penalties as insurance. ■

Stewart resigns posts

George J. Stewart relinquished his directorships and other offices in the U.S. and Canadian companies of the Stewart Wrightson insurance group Dec. 31, 1974. Mr. Stewart is the Founder of the Stewart, Smith organization and is the lifetime honorary president of Stewart Wrightson, Ltd.

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Hull covers held in controlled pattern

Airfreighter flying high over success in cutting aviation insurance costs

By JOANNE GAMLIN

LOS ANGELES—Befitting the largest all-cargo airline in the world which is reasserting its dominance by buying huge 747F Freightmasters, aviation hull insurance is the largest dollar policy held by The Flying Tiger Line.

Kal Besenczky, risk manager for the airfreight company, a wholly-owned subsidiary of Tiger International, points out that outside of employe benefits, aviation coverage—including aviation and cargo liability—represents 60% to 70% of the firm's total insurance costs. It is also the central reason why the young risk manager can boast of being in the unique position of being certain that his premium costs will not take a flying leap in 1975.

"Flying Tiger's aviation coverages are written on an annual rerate basis," he explained to *Business Insurance*. "We have obtained decreases over the last four years and we're confident that in 1975 we won't be confronted with any substantial rate hikes.

"In fact, we believe we can hold the line on aviation insurance costs until 1976—at least."

THE LONDON market, through the Los Angeles office of Johnson & Higgins, provides the bulk of the hull and liability coverages. The limit on the first is equivalent, said Mr. Besenczky, to "the aggregate value of Flying Tiger's fleet of 18 DC8-63s and two 747s or $220 million."

The deductible for the giant aircraft hull coverage, he continued, follows the standard pattern for the airline industry. On a per occurence basis, it amounts to 1% of the insured value of each aircraft.

"For a DC8-63, this comes to $100,000 which is about as low as a deductible on such an aircraft can go," he said, to date, he added, the London market has been the best place to procure aviation coverage. Despite the economic and political turmoil that is now rocking that nation, Mr. Besenczky does not anticipate any near-term repercussions in the insurance market.

FLYING TIGER'S aviation liability insurance consists of a primary and three excess layers. It is also in the London market via J&H, Los Angeles. Of this policy, Mr. Besenczky would only state that his company's loss ratio has been good.

Mr. Besenczky joined Flying Tiger four years ago after working five years for Travelers Insurance Co. in Southern California. He quickly points out that when it comes to cargo liability insurance, the scene switches to the U.S. mainland.

A year ago, Hartford Casualty Insurance Co. replaced Insurance Co. of North America (INA) as the carrier for the air freight company's cargo liability coverage because, according to the risk manager, "we decided to keep the retention ourselves." He says INA had the policy on a retrospective basis and was reaping profits from this arrangement.

"CARGO LIABILITY is a matter of a multitude of small losses," he elaborated. "For this reason, we concluded that we would be ahead financially if we assumed these risks ourselves."

The result: A plan having a $25,000 per occurrence deductible, regarded as high in the airline industry, brokered by Fred. S. James in San Francisco.

To control the never-ending flow of small claims that result from its deductible, Flying Tiger maintains a sizeable in-house staff.

The young, $190 million company, was founded by a group of World War II pilots who shared an exotic background of having fought in China and Burma. Transporting cargo internationally by air became feasible in 1969, when Flying Tiger won certification to fly to Asia. For Flying Tiger, this was an expansion opportunity which, until the recent surge in fuel prices, brought rapidly expanding profits to the ambitious company.

The overseas business demands that Flying Tiger's property insurance protect air terminals in Asia as well as those in the United States. For this job, the company has an HPR policy, written by Arkwright-Boston, of the Factory Mutual System along with various non-HPR policies from American Home Assurance Co. and Applachian Insurance Co. The policies have limits in the $50 million to $60 million area and were negotiated by Johnson & Higgins.

HOWEVER, private cargo terminals such as the new $7.5 million structure at John F. Kennedy International airport, are only the prime objects of protection for the property policies. Other exposures include cargo handling, unlicensed ground equipment and spare parts for aircraft.

Flying Tiger terminals, are

scattered throughout the North American continent. The company, is also in the midst of a vigorous terminal expansion campaign. The JFK structure, for instance, was redesigned to handle 1.4 million pounds of freight; the Chicago terminal has been nearly doubled in size.

A SEPARATE earthquake rider to the property policy protects the terminals owned by the company on the West Coast. It does not cover terminals, such as the one in San Francisco, which are leased, however.

"When it's completed in January, the terminals in Seattle will have earthquake protection," added Mr. Besenczky. "And so will the terminal in Anchorage, which will be used to store equipment."

It is in terminal cargo handling operations that Flying Tiger's safety and theft prevention programs assume sharp focus. Because theft is a chronic problem at the terminals, the new JFK structure has a sophisticated private security force using a closed circuit, video tape replay television system, replete with six cameras endlessly sweeping the terminal interior.

Mr. Besenczky, who has a monitoring role in loss prevention, points out that a director of safety is in charge of the aviation aspects of loss control. It is his job to implement measures aimed at controlling ground accidents.

"Most losses in workmen's compensation arise from the accidents suffered by mechanics and ramp service workers," recounted Mr. Besenczky, noting that the cargo department maintains its own safety staff.

"I INTERFACE between the safety people and our insurance brokers and underwriters," he said.

Mr. Besenczky conceives of his job far more in terms of risk management than insurance management, but acknowledges that some impediments exist to using such optimal risk management tools as self-insurance. These restrictions arise from the provisions of various aircraft financial agreements and from the fact that

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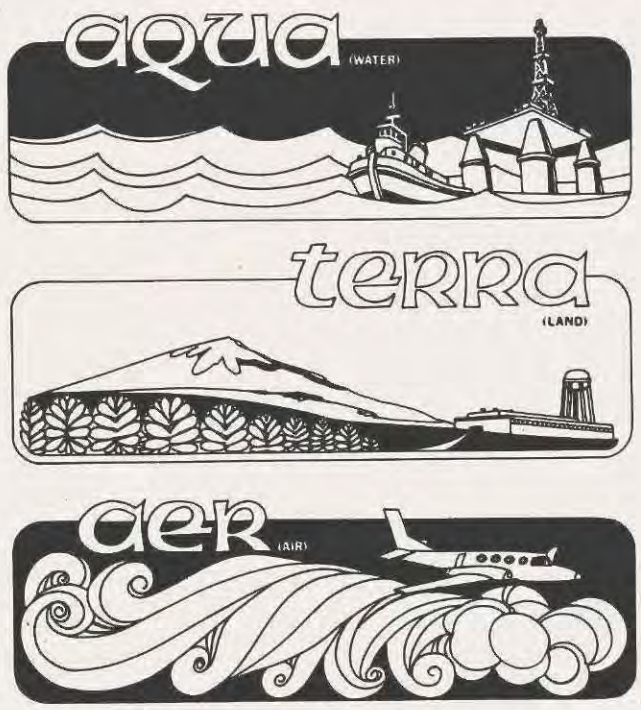

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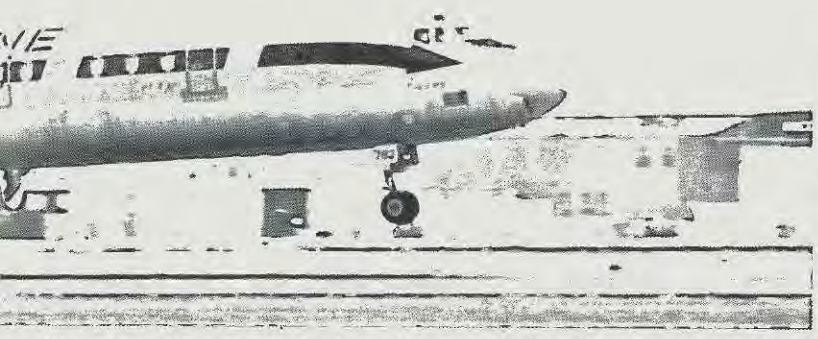

the economic aspects of the air transportation industry are strictly regulated by the government through the Civil Aeronautics Board.

AMERICAN HOME re-enters the Flying Tiger picture as the underwriter of directors' and officers' liability insurance, through J&H. Thus far, losses under the policy have been zero, continued Mr. Besenczky. Yet he acknowledges that, like other risk managers, he is concerned about the ramifications of the Employe Retirement Income Security Act of 1974 on officers and directors who act as fiduciaries of the company's $20 million pension fund.

Workers' compensation coverage will be written for Flying Tiger by Employers Insurance Co. of Wausau, which also covers the Tiger Leasing Group, another wholly-owned subsidiary of Tiger International. Fred S. James, San Francisco, is the broker.

"One reason we selected Employers of Wausau, after dropping INA last January, was that Tiger Leasing recommended it," he said bluntly, pointing out that the Chicago-based leasing company maintains its own insurance department.

THE SWITCH to Employers was also made, he adds, because of its good record in financial and service operations.

A factor that complicates Flying Tiger's comp coverage is the requirement that pilots who fly international routes be covered by the Longshoremen and Harbor Workers Act.

"Because the law has a cost-of-living escalator, the act translates into sharply higher comp payouts," he explained. "It means that our entire staff of 470 pilots—they are members of the Airline Pilots Assn. (ALPA)—are eligible for a maximum death benefit for survivors of $250 a week. Thus, depending on the age of the survivors and their offspring, the total benefit payout could be as much as a half million dollars."

Is he worried? "Not much," replied Mr. Besenczky. "For one thing, our pilots have a good comp record." Indeed, he says that Flying Tiger is receiving workers' compensation dividends, the result of its 40% loss ratio.

MR. BESENCZKY, who maintains an activist role in property, liability and workers' compensation steps to the sidelines when it comes to employe benefits. The personnel department designs non-contributory benefits programs, except for optional life benefits. Mr. Besenczky, however handles negotiations with the insurers and assesses the financial impact of the policies chosen.

Underwriting major medical and life insurance is Equitable Life Assurance Co., with Johnson & Higgins as broker.

A limited dental policy, in effect for three years, is provided by Occidental Life Insurance Co.

Continental Casualty supplies Flying Tiger with specialized accidental death and dismemberment coverage. The need for an elaborate AD&D policy arises from the fact that the company's international flight operations incur war risks. Mr. Besenczky points out that even his company's 70 flight attendants, who are members of the Teamsters union, enter into the war risk equation.

"Altogether our employe benefits program is a complex one," he says. "After all, we deal with four diverse groups of employes: administrative people, mechanics and ramp service workers, pilots and flight attendants."

Mr. Besenczky is an infrequent participant in the Los Angeles chapter of ASIM. But he makes it a point to attend the twice-yearly meetings of the Air Transport Assn's insurance committee. ■

Award crash victim over $1 million

CLAYTON, MO.—A consent judgment awarding $1,050,000 to Robert Whitney, 21, of Bremerton, Wa., as a result of an Ozark Air Lines crash here in 1973, was entered in St. Louis County circuit court.

Mr. Whitney was a passenger on an Ozark plane that crashed July 23, 1973, while approaching the Lambert-St. Louis airpost during a thunderstorm. He was one of eight persons who survived the crash that killed 36.

Mr. Whitney, a former paratrooper, had filed a $5 million suit saying he suffered severe injuries and was rendered a quadruplegic.

His parents, who had filed suit as well asserting extensive medical expenses, were awarded $450,000 in a second consent judgment. ■

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the legal brief

Insurers obliged to tell policyholders facts before they're used in court

IN ORDER TO admit an insurance application and other testimony into evidence, an insurance company must comply with a contract provision for furnishing a copy of the application for a group credit life policy to the beneficiary or insured prior to the latter's death, according to the Appellate Court of Illinois.

Here Peter and Katherine Schafer (Schafer) obtained a real estate loan from the First National Bank (First) giving a mortgage as security. Schafer submitted a written application to Valley Forge Life Insurance Co. (Valley) seeking insurance on his life under a group policy issued by Valley to First. In the application Schafer represented that he was in good health and that he had not consulted for or been treated for illness.

The group life insurance policy between Valley and First contained a provision that any statements made by the insured would be deemed representations and not warranties, and no such statement could be used in a contest "unless a copy of the instrument containing the statement . . . has been furnished to such person or his beneficiary."

The abstracts published in this column were prepared by Cases Unlimited Inc., Evanston, Il.

A certificate of insurance has been delivered to Schafer without the application attached. Schafer was later killed in an automobile accident and when his widow applied for the policy proceeds Valley denied liability claiming Schafer had made the statements on the application with respect to his health. Suit was then brought by Schafer's widow seeking recovery for the use and benefit of First. The trial court ruled in favor of Valley following a showing that Schafer had recently been treated for a heart condition which was not shown on the application.

On appeal, Schafer's widow contended that the trial court should not have ruled for Valley because Valley had not furnished Schafer with a copy of the application prior to his death as required under the basic group policy. The appellate court agreed with the widow and reversed the trial court, pointing out that the purpose of this provision "is to provide an opportunity to review the application while the insured is still alive and to correct misstatements which may appear therein." This requirement, the court emphasized, "may not be complied with by furnishing a copy after insurer's death as it is then too late to serve this purpose." *Schafer* v. *Valley Forge Life Insurance Co.*, Appellate Court of Illinois, Second District, Oct. 4, 1974, Dixon, J. 318 N.E.2d 308. (BI/01/F.-$2)

Burglary indemnity

The Supreme Judicial Court of Maine ruled that the expression "force and violence" in an indemnity insurance policy covering burglary does not require any particular degree of force as a prerequisite but only that whatever force is used must be "illegitimate."

Philmore Ross (Ross) owned and operated a clothing store insured by Travelers Indemnity Co. (Travelers). Included in the policy was an indemnity covering burglary. The policy definition of burglary required a taking of property from the premises by "a person making felonious entry therein or exit therefrom by actual force and violence as evidenced by visible marks made by tools . . ." Ross closed and secured his store at 9:00 p.m. on the evening of August 6, 1971.

Either later that evening or early the following morning, thieves gained entrance to the store and removed clothing valued at $14,452. Two wooden bars mounted on brackets through which spikes were driven had been in place to protect against inward pressure on a rear door. The burglars exited through this door, removing some of the spikes and leaving the bars on the floor. The jury awarded Ross $16,850, which included recovery for business interruption.

On appeal, Travelers contended that this policy did not provide coverage since there was no physical damage to the interior of the premises at the place of exit sufficient to prove actual force and violence. Travelers based its position on the fact that in order to exit it was only necessary for the thieves to remove the bars by lifting them from the brackets and that the removal of the spikes was "unnecessary to effectuate a felonious exit." However, the court concluded that coverage did, in fact, exist because the insurance policy did not specify that force and violence must be necessary to accomplish a "burglarious exit." The physical damage required by the policy, the court noted, was satisfied by the removal of the spikes from the brackets. *Ross* v. *Travelers Indemnity Co.*, Supreme Judicial Court of Maine, Oct. 2, 1974, Archibald, J. 325 A.2d 768. (BI/02/F.-$2)

Professional liability

A Delaware trial court ruled that the use of the words "each claim" in the deductible provisions of an architect's and engineer's professional liability policy providing errors and omissions coverage did not refer to an incident or accident but referred to the rights arising from such incident or accident.

In this case a partnership of consulting engineers(Lamberton) purchased a professional liability policy from Travelers Indemnity Co. (Travelers) in connection with their professional services in the design and construction of the Second Delaware Memorial Bridge. The policy provided for a limit of liability of $1,000,000 aggregate, and for a $10,000 deductible with respect to "each claim." During the policy period an incident occurred in connection with the construction work wherein a wooden form collapsed while concrete was being poured. The collapse caused injury and death to several persons. Eight injured workers and the estate of one deceased workman filed actions which were ultimately settled. At issue, however, was whether the $10,000 deductible applied to each separate settled claim for a total deductible of $80,000.

Lamberton contended that the words "each claim" were ambiguous and that the insurance contract should be construed strongly in his favor as the insured. Travelers did not think that the words were ambiguous. The court stated that "Plain words may not be twisted under the guise of construction to give them an unintended meaning because to do so would be to rewrite a contract of insurance that was not contemplated by the parties."

The court concluded that based on theory, the dictionary, and the insurance agreement taken in its entirety, the words "each claim" clearly referred to each claim that may be filed against Lamberton as a result of something he had done or had failed to do, and thus the deductible provision of $10,000 applied to each claim filed against him. *Lamberton* v. *Travelers Indemnity Co.*, Superior Court of Delaware, New Castle, Aug. 20, 1974 Tease, J. 325 A.2d 104. (BI/03/F.-$2)

Armored cars

Here the St. Joseph Trust Co. of South Bend, In., whose money was stolen from an armored car, brought an action against the armored car's insurer and insurance agents. A United States district court ruled against the bank because the truck was only manned by one guard and the policy required that two guards be aboard the truck. The insurance company had denied coverage on these grounds, but the bank contended that the insurance company was still liable for its loss because the company failed to inform the bank that two guards were required on the truck.

The court rejected the bank's contention, noting that in reply to a bank inquiry for a list of excluded losses, the insurance agency described the three primary exclusions in the policy. It was evident to the court that this statement did not constitute a misrepresentation, negligent act or waiver, as the bank argued, for the simple reason that the requirement that two guards be on the truck was not an "excluded" loss. This requirement, the court emphasized, was part of the basic definition of the insurance policy "and could no more be considered an excluded loss than would the requirement that the money transported be in one of the listed armored trucks."

The court was also influenced by the fact that the bank knew that the armored car service's former insurance policy contained the "two guard" requirement and had continued to do business with the armored car service. The court reasoned that even if the insurance company's statement constituted a misrepresentation, it could not have induced the bank to continue to use the armored car service and could not have caused the loss. *St. Joseph Bank & T. Co., So. Bend, In.* v. *Sun Ins. Co. of N.Y.*, United States District Court for the Northern Grant, J. 380 F. Supp. 890. (BI/04/F.-$2)

Bankers' blanket bond

In this unusual case the Western National Bank of Casper, Wy. (Western), brought suit against the Hawkeye-Security Insurance Co. (Hawkeye), which had issued to Western a bankers' blanket

Continued on page 75

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Class action ups crash suits to $770 million

NEW YORK—Damage suits arising out of the Turkish Airlines DC10 that crashed near Paris last March (*Business Insurance*, Nov. 11) now seek more than $770 million, with the filing of a new class action in U.S. district court, Los Angeles, which asks $670 million from four defendants.

Demanding a jury trial, the class action cites McDonnell Douglas Corp., General Dynamics Corp., the U.S. government and Turkish Airlines defendants in the case.

The latest big suit was filed by Doris Leah Kalinsky, on behalf of heirs, beneficiaries and personal representatives of 335 passengers killed in the air crash "and any other persons, other than defendants in this case, who might have legally recognizable claims arising out of the subject air crash," the complaint said.

The class action seeks recovery for compensatory and punitive damages in the amount of $10 million against all the defendants.

IT ALSO seeks $10 million for fraud damages of the defendants, plus punitive damages as determined "appropriate by the jury to be awarded all plaintiffs."

In the third cause of action—negligence—the suit calls for $11 million in damages.

In the fourth case of action against McDonnell Douglas, General Dynamics and Turkish Airlines, the plaintiff seeks $11 million for a breach of warranty by the defendants.

In addition, the plaintiff seeks $10 million against General Dynamics, Turkish Airlines and McDonnell Douglas for "strict tort liability" in the air crash.

IN THE SIXTH cause of action against all the defendants, the plaintiff seeks $1 million for "conscious pain and suffering."

In the seventh cause of action against General Dynamics, Turkish Airlines and McDonnell Douglas, the suit seeks "the aggregate sum of $670 million to be divided among the members of the class" for punitive damages.

The suit also asks that defendants pay reasonable attorney fees, expenses and costs incurred "by bringing and trying these causes of action," the complaint said.

"I don't think the judge will let this go" because he has already said an earlier class action could proceed, the law firm for Turkish Airlines told *Business Insurance*.

SEVERAL MONTHS ago, Judge Hall ruled that 346 passenger suits already filed could proceed as a class action. This decision is now under appeal.

It has been speculated by some involved that the first class action will be dropped to allow this new $670 million suit to proceed.

McDonnell Douglas' primary product liability insurer is Associated Aviation Underwriters (AAU). The aircraft manufacturer has insured limits of $15 million with AAU.

Lloyd's is the excess product liability insurer to a limit of $150 million. (*Business Insurance*, Apr. 1, 1974.) ■

Legal brief . . .

Continued from page 74

bond. Western sought to recover the sum of $17,800 which it had voluntarily paid to a depositor for a loss incurred when a deposit sack, which contained checks and currency, lodged in the chute of a night depository and was removed by another customer.

In ruling for Western, the United States District Court for the District of Wyoming acknowledged that the contents of the deposit sack were not property "deposited" within the meaning of the bankers' blanket bond covering property deposited or lodged within any offices or premises of the bank. However, the court held that it was property "lodged" on or within the premises.

Although the depositor had agreed to use the night depository at its sole risk, the court concluded that Western was entitled to recover its voluntary reimbursement to the depositor under its blanket bond. The bond covered any loss of property occurring with or without negligence through larceny while the property was, or was supposed to be, lodged within any offices or premises, regardless of whether the bank was liable for the loss.

Here the court pointed out that the night depository was a place of deposit and articles were "lodged" there for purposes of safeguarding. "The property was held, whether gratuitously or not, by Western and under the plain and clear language of the bond, Hawkeye was liable. The satchel was the corpus of bank larceny. The loss, therefore, was of property lodged on the premises that was lost due to larceny." *Western Nat. Bank of Casper* v. *Hawkeye-Security Ins. Co.*, United States District Court for the District of Wyoming, Sept. 10, 1974, Kerr, J. 380 F. Supp. 508. (BI/05/F.-$2) ■

(Copies of the entire decisions described in this column may be obtained by writing to Business Insurance, *attn. Managing Editor, 740 N. Rush St., Chicago, Il. 60611. Please enclose a check made out to Cases Unlimited Inc., for $2.00 to cover the cost of each case you order, and specify the code number of the opinion, which is at the end of each brief.)*

ISO executives

John W. Carleton, senior vp, Liberty Mutual Insurance Co., was elected chairman of the board of directors of the Insurance Services Office. He succeeds George G. P. Knapp, senior vp, Chubb & Son Inc. Edward B. Budd, senior vp, Travelers Insurance Co., was elected vice chairman at ISO's annual meeting. Daniel J. McNamara was reelected president.

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Pension law requires funding, actuarial revisions

Editor's note: This is the sixth in a series of articles on the impact of the Employe Retirement Income Security Act of 1974. Others have looked at termination costs, actuarial and fiduciary standards in terms of their impact on pension funds, their administrators, managers and trustees. The series is also being run in Pensions & Investments.

By PAUL H. JACKSON
Consulting actuary
The Wyatt Co.

THE PENSION Reform Act signed into law by President Ford on Labor Day 1974 will require the systematic funding of all private pension plans. It will require the use of an acceptable actuarial cost method and the use of actuarial assumptions which are reasonable in the aggregate. The law limits the choice of cost method and prohibits a change in the cost method unless the approval of the Secretary of the Treasury is obtained. It requires that the minimum contribution be funded and requires faster amortization of any unfunded past service liability than had been previously required by IRS rules.

The new law requires experience gains and losses to be amortized separately and prohibits the immediate recognition of actuarial gains in determining the minimum contribution. It will permit larger tax deductible contributions. And, the law provides for enforcement of these rules by imposing tax penalties on plan sponsors for any funding deficiencies and by requiring certification as to the propriety of the actuarial assumptions and methods.

All of this is included in a bill whose main thrust is the establishment of reasonable minimum standards for vesting, participation and accrual of benefits, and the insurance of lost rights under terminated plans.

The law will be implemented by extensive regulations from both the Treasury and Labor Departments and there may even be some operating rules set forth by the Pension Benefit Guaranty Corp. which will have some effect on funding decisions. Thus, most of the technical questions that arise today cannot be answered for many months until regulations are issued by the Treasury and Labor Departments. Even then, clarifying interpretations will no doubt be necessary and the very size of the undertaking suggests that inconsistencies, conflicting opinion and confusion will be with us for a long time.

AN ACTUARIAL cost method is simply an orderly program for arranging for the payment of costs under a pension plan. Generally, these methods are intended to develop sufficient assets so that the full cost of future benefits for an individual employe will be met by the time of his retirement. The actuarial cost method tends to set the patterns of annual cost under the plan and, using a percentage of payroll, this cost may decrease, remain stable, or increase depending on the particular actuarial cost method used.

Some of the acceptable actuarial cost methods are unit credit, entry-age normal, attained age normal, aggregate cost and entry-age normal with frozen initial liability. And, there are many variations in the operational details under each of these basic methods. In essence, the unit credit method involves a pension cost for a given individual that rises continuously from entry into services to a maximum for the year before retirement.

The entry-age normal method develops a cost that is a level percentage of pay from hire to retirement, while the attained age normal method develops pension costs as a level percentage of pay from the attained age to retirement. The aggregate method develops pension costs for the total group as a level percentage of their future pay. These are the "normal costs" under the particular cost methods.

Through the process of specifying a normal cost, each of these actuarial cost methods determines a past service liability, i.e., the aggregate amount that would be on hand if normal costs had always been paid. To the extent that assets fall short of this liability, there is an unfunded past service liability that is usually amortized over a period of years. The sum of the normal cost and the payment required for any unfunded past service is the revised contribution for the year. The aggregate cost method spreads all pension costs over future payroll so that there is no separate past service liability or amortization therefor.

THOSE ACTUARIAL cost methods which provide for normal costs on a leval basis from entry or attained age to retirement, such as the entry-age normal or attained age normal methods, will simultaneously develop higher past service liabilities than would the unit credit method because the early year normal costs by the unit credit method are the lowest of all. Generally where a cost method develops lower initial annual contributions, those contributions would tend to rise over a period of year to a higher ultimate level and, similarly, a cost method developing relatively high initial contributions would have a pattern of costs declining to a lower ultimate level.

Under the former law and regulation, the choice of actuarial cost method was up to the employer and could be freely changed subject only to the constraints of financial disclosure. Under the new law, the original choice of method is up to the plan sponsor, but once it has been chosen the actuarial cost method may not be changed without the approval of the Secretary of Treasury.

The new law specifically brands both the "pay-as-you-go" and "terminal funding" cost methods unacceptable for use in connection with pension plans. This requirement appears in the Labor section of the bill so that employers maintaining unfunded, informal out-of-pocket pension programs will have to stop that practice, presumably replacing it with a formal plan that qualifies under the new rules.

In those cases where employers are unable to afford the added cost of advance funding in addition to the payment of current benefits, the informal programs will presumably have to be discontinued, although it is likely that a continuation of pension payments to the employes who have already retired would be permitted as fair and proper.

TERMINAL FUNDING is an actuarial cost method under which the full cost of future benefits is set aside in a fund or purchased from an insurance company upon the retirement of a given individual. This method has not been used for the funding of formal qualified retirement plans in the past. The terminal funding method, however, is similar in principle to the one-year-term cost method that is often used for the funding of death and disability benefits under retirement plans. It may well be that all benefits under a pension plan will have to be funded on the basis used for age retirement benefits in the future.

The actual level of cost that emerges under an actuarial cost method depends on the assumptions used as to the rate of interest, mortality, disability, withdrawal from service, early retirement, and so on that are necessary for the purposes of actuarial valuation. If the assumptions are conservative and the actuarial experience is more favorable than expected, experience gains emerge and the level of annual cost in future years will be gradually reduced. On the other hand, if the assumptions are inadequate, experience losses will emerge and the level of annual costs will rise.

PRIOR TO THE new law, the choice of actuarial assumptions was usually left to the judgment of the actuary, but in some situations the plan sponsor may have dictated the assumptions. The new law requires that actuarial assumptions must, in the aggregate, be reasonable, must take into account both actual experience under the plan and future expectation and must offer the actuary's best estimate of anticipated experience under the plan. Further, the actuary must certify the reasonableness of the method and assumptions.

In the past, actuaries have been notably successful in predicting the incidence of death and disability for particular employe groups. Other factors such as the rate of early retirement, withdrawal from service, or election of option have been less susceptible of accurate forecasting because they depend on personal decisions rather than natural processes.

SOME OF THE most important actuarial assumptions, on the other hand, such as the rate of interest, rate of pay increase, and cost of living, have not been stable enough in recent years to permit accurate forecasting. Henceforth, the law will require the actuary to use his best estimate as to these items and, further, the committee reports indicate that these actuarial assumptions and methods are to be applied consistently for all purposes of the plan such as financial disclosure, tax deductions and financial reporting.

The new law will require the actuary to summarize his results in a "funding standard account" which is to be charged with the normal cost of the plan, the mini-

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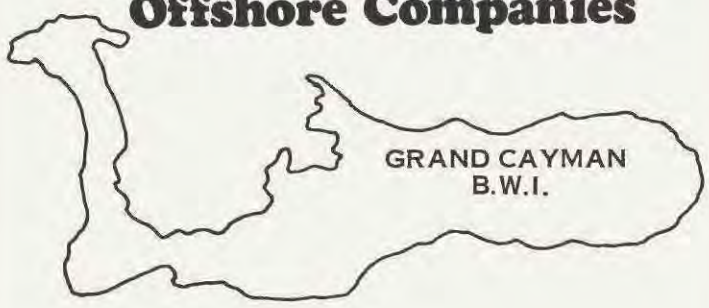

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mum amortization requirement for past service and experience losses and is to be credited with the interest the actual contribution to the plan, and the maximum allowable amortization credit for experience gains. Essentially, past service must be funded over a 30-year period (40 for multi-employer plans) except for past service existing on the effective date of the act which can be amortized over a 40-year period.

THE FUNDING standard account will thus show a positive balance so long as the employer has met the minimum funding requirements in the act. If there should be a negative balance indicating a deficiency in contribution, an excise tax of 5% of the deficiency is imposed on the employer and if the deficiency is not contributed to the plan within 90 days (in addition to the payment of the 5% excise tax), a second excise tax equal to 100% of the deficiency is then imposed on the offending employer. These excise taxes are not tax deductible.

The law formalizes a full funding test that had been a part of the IRS regulations. A plan is considered to be fully funded if assets exceed past service liabilities plus the normal cost for the current year.

To the extent that a contribution brings a plan beyond this fully funded position, that excess contribution would not be deductible currently for tax purposes. Where the past service liability is not directly determined by the actuarial cost method—such as under the aggregate, frozen initial or attained age normal methods—then the entry-age normal method may be used to determine the past service liabilities for this full funding limitation. The law also permits the use of an alternate minimum funding standard but this complication will probably not be used very frequently in practice.

Under the old rules an employer could contribute and deduct from taxable corporate income pension contributions in a given year equal to the normal cost for a qualified pension plan plus a minimum of interest on the unfunded past service liability and a maximum of 10% of that unfunded liability.

THE NEW LAW permits the amortization of unfunded past service liability over a period as short as 10 years or over a period as long as 30 years. Thus, at 6% interest, by way of example, the old rules permitted a contribution range from 6% to 10% of the unfunded past service liability in addition to normal cost. The new rules will permit a contribution range from roughly 7% to 13% of the unfunded past service liability.

Under the former law, an employer could contribute up to 5% of payroll into a qualified pension plan without testing for minimums and maximums but this 5% rule has been eliminated by the new legislation.

In the past, assets could be valued on any reasonable basis that was consistently used. For years the most common method was initial cost, or "book value," this was used by trustees as a check on their handling of the funds and resulted in very stable contribution requirements.

Under the new law, assets must be valued at either fair market value or on a method approved by the Secretary of the Treasury that is reasonably related to fair market value. Probably initial cost value or book value would not meet this test indefinitely. The law specifically permits the valuation of bonds on an amortized basis and the use of amortized value may thus increase.

It is not known what methods will be approved by the Secretary of Treasury, but rumors abound that an asset value differing from market value by more than 10% of market value may not be reasonably related thereto. Such a simplistic approach would be most unfortunate but perhaps the Treasury will outperform the rumors in this regard.

FOR THE MOST part, these new requirements freeze existing methods and eliminate flexibility in the handling of experience gains and losses, asset valuation, and the like. It is understood that where the aggregate cost or frozen initial methods are used there are no experience gains or losses developing under Treasury definition which must be amortized so that these methods would serve to simplify the valuation process.

The variability in market values and their impact on pension costs might well lead to a greater investment in bonds and their valuation on an amortization basis as is specifically permitted in the law, but the freedom to use conservative asset valuation methods for common stocks in order to minimize fluctations in contribution requirements will probably be severely restricted by the forthcoming regulations. The requirement that the actuary use his best estimate will lead to added expenses under may plans in collecting the experience results to demonstrate the reasonableness of the assumptions even though those results may be statistically insignificant.

About the only definite statement that can be made at this time is that the actuarial valuation process for a defined benefit pension plan has been made more complex and more difficult. Some would maintain that the actuarial valuation process was never understandable, even at its simplest. Hopefully, the Treasury and Labor regulations will permit the use of approximations of various sorts in order to hold down the added expenses all of these new forms and procedures must necessarily entail. After all, there should be no disagreement on the point that it is desirable to maximize the portion of employer pension cost that actually goes to the covered employes in benefits after their retirement, and hold at minimal levels, as in the past, the portion going to administrators, actuaries, consultants and the government. ■

Mr. Jackson is a consulting actuary in the Washington office of Wyatt Co. Before joining Wyatt, he was assistant vp of Aetna Life Insurance Co. in the group insurance department.

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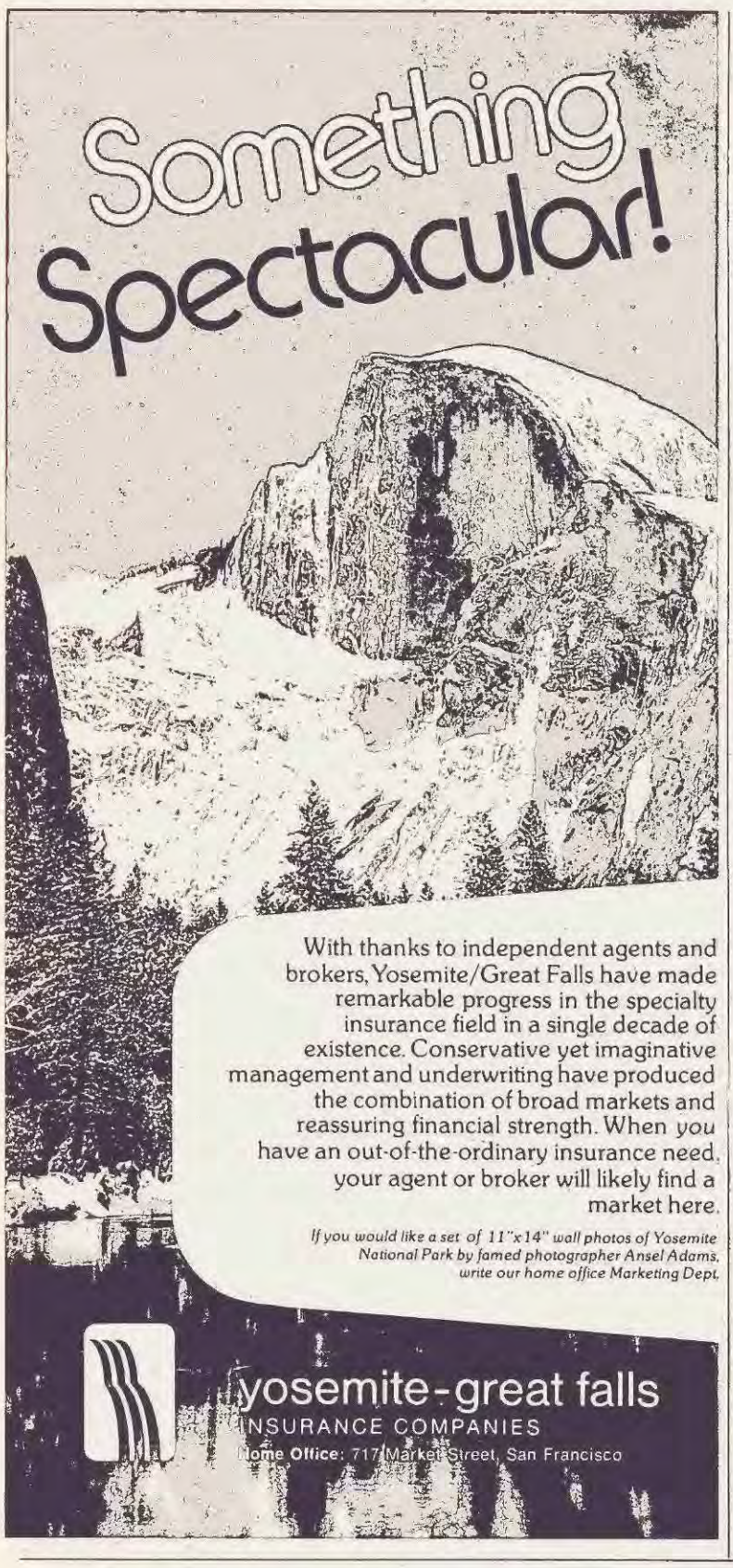

Industry outlook . . .

Continued from page 1

that major losses won't happen, and do things to stop losses. I will also go into the marketplace and look a little harder to keep costs down because they're getting completely out of hand," he continued.

Although Mr. Sullivan has not had any underwriters' notices yet of policy surtaxes or rate hikes, he is gearing up for increases. But he hesitates when asked if the insurance industry is entirely justified in rushing to increase rates. "I think some underwriters are looking for rate increases that may not be justified," he carefully stated, stressing the word 'may.'

MR. SULLIVAN acknowledged that there have been heavy losses in some lines which may actuarially justify rate hikes, but said the industry's recent actions seeking higher rates "may be a bit quick." Mr. Sullivan also said that despite his concern about proposed rate increases, dollar premium costs are justifiably rising to reflect inflated values of what is insured.

Property insurance, business interruption insurance and "those areas of casualty insurance where premiums are based on sales or payroll where inflation is already reflected" are areas where he believes rate hikes may not be warranted.

Burton Carbino, insurance manager for Schlumberger Ltd., foresees "a very definite constriction in the cash flow plans that have become popular in the last few years." That's where the insurers are "really beginning to hurt," because they need more dollars to work with, he added.

This doesn't mean that corporate interest in cash flow plans will wane.

On the contrary, "there will be very definitely strong corporate interest in cash flow plans for the very same reason . . . a need for more dollars to work with," Mr. Carbino reasoned.

He predicted "less competitive bidding by underwriters, more selectivity in taking on risks, and a definite tightening in the market. It's going to be a seller's market." To support this prediction, Mr. Carbino noted that his own company recently remarketed several insurance programs, only to have three of the "top insurance companies" decline to consider our account, "because they're turning down new business."

"Multinationals will increasingly use non-traditional markets" such as European underwriters for foreign risks, Mr. Carbino also predicted.

"We will go into that world marketplace, not just on property insurance but also primary liability coverage. I see that in Europe, markets are still readily available. There is a 12 to 24 month lag in Europe before markets react to what happens in the U.S. There is also a lag in the recovery in Europe, so that when the markets there tighten, it's time to come back here. European markets have not had the claims experience that we've had in this country," he stated.

Mr. Carbino said that Schlumberger was able to "dramatically reduce our rates and improve programs" for physical damage coverage and a major liability exposure by going into the international market during the recent revamp of the corporate insurance program.

ROBERT RICH, director of corporate insurance for Atlanta-based Gold Kist Inc., also anticipates "some problems" with tight markets, "primarily in casualty lines. I think we will continue to experience difficulty until the stock market turns around."

Mr. Rich intends to take a close look at the lists of underwriting results for insurance companies before he goes into the markets prior to next July's renewal dates, in order to know which insurers to approach and how to approach the markets. He's already heard talk of 25% minimum increases in premiums during 1975.

One market seemingly headed for a capacity crunch is medical malpractice insurance.

"Time is running out for the private market for medical malpractice insurance," a spokesman for St. Paul Fire & Marine Insurance Co., primary underwriters for malpractice insurance, said.

"We don't want to be the dominant writer, we just can't take up the slack ourselves," the spokesman continued.

One in every 10 physicians insured with St. Paul had a malpractice claim pending in 1974, the spokesman noted. "This compares to one in 13 in 1973 and one in 23 five years ago." There were a total 5,015 malpractice claims pending against St. Paul insureds in 1974, he added, compared to 2,115 claims in 1969.

St. Paul's average reserve per claim has also skyrocketed; from $6,705 per claim in 1969 to $12,534 in 1974. All these factors have led St. Paul to limit its growth in the malpractice market and to seek sizable increases in rates on present outstanding policies, the spokesman said.

THE FINANCIAL condition of the insurance industry is a matter of top concern to industry regulators. Noting that the outlook for 1975 "doesn't seem to favorable," Benjamin R. Schenck, superintendent of insurance for the state of New York said commissioners would be keeping close tabs on the industry in the future. "We will want to be sure insurance companies aren't overextending."

The Hartford Insurance Group, which recently received a $126 million capital infusion from its parent company, ITT, "is confident that the industry will be able to meet the demands of the marketplace, despite the problems from inflation and the downturn in the securities market," a spokesman said.

"This would, however, require that it be able to charge adequate rates," the spokesman continued.

In contrast to insurance industry spokesman, brokers were generally optimistic about prospects for 1975. "I'm very bullish on the big brokerage firms," a spokesman for Frank B. Hall stated. "We're one of the few industries that will do well in the new year."

A recently published research report by the Wood Gundy Institute predicted increased earnings of approximately 15% for leading brokerage firms in 1975.

LARGE BROKERAGE firms claim that their best results occur in periods of restricted underwriting capacity, the report stated, because market leverage improves as premium rates increase.

The presidents of the two leading insurance brokerage firms, Marsh & McLennan and Alexander & Alexander, both predicted more business for the London market in 1975.

"In any capacity crunch, London will see more business," J. M. Regan Jr., Marsh & McLennan's chief executive said.

Kenneth Soubry, president of Alexander & Alexander concurred. "Foreign markets may be in a little stronger position in the coming year," he stated. The increases in premiums and capacity shortages foreseen by most brokers "will increase the complexity of risk management," he added.

Several brokers criticized insurance industry market practices. "In good times they try to give away business," J. W. Tucker, president, R. B. Jones, noted. "Now when the market is bad, they will probably overreact and endeavor to price the product at tremendous increases to make up for their underwriting losses. I just hope they don't try to make it up in one year," he added.

Both Mr. Tucker and Marsh & McLennan's Mr. Regan predicted a highly competitive year for brokers in 1975. "We'll probably work harder in the market this year than in the past few," Mr. Regan noted. ■

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Correspondents in All Other States

Testing labs for NASA and computers for betting

'Astonishing variety' of Wyle plants are covered under blanket policy

By JOANNE GAMLIN

EL SEGUNDO, CA.—At first blush, the nearly $40 million property policy held by Wyle Laboratories may not sound all that impressive. But it becomes more interesting when realizing that it protects an astonishing variety of facilities—an acoustics lab in Huntsville, Al. serving NASA and other agencies, and a plant here that manufactures computer terminals used in New York City's off-track betting parlors.

A thriving, $135 million concern begun in 1949 as a laboratory for the functional and environmental testing of aircraft components, Wyle's business today has broadened into widely diverse fields: electronics distribution, industrial manufacturing and transportation.

ITS CORPORATE insurance program—including some interesting novelties such as testing liability insurance—admittedly has grown somewhat more slowly than company sales which soared 28% from fiscal 1973 to 1974 and shot up another 15% during the three months ended July 31.

However, points out Jim Drew, the new corporate insurance director, in an interview with *Business Insurance*, employe benefits did experience a substantial leap in 1973. That year, a corporate pension plan was started and a 24-hour fully paid, personal accident policy, was added to Wyle's list of employe benefits.

With a limit of just under $40 million, the property policy is the largest dollar policy held by the multifaceted firm on the business side. It is underwritten by Factory Insurance Assn. through Marsh & McLennan and embraces earthquake risks for all Wyle property. The company's plants are concentrated in the states of Ohio, Florida, Alabama and California.

To supplement this policy, Wyle maintains separate difference-in-conditions coverage, complete with a variety of limits over a single $5,000 deductible. Under the DIC policy, such objects as patterns and dies and personal property are protected.

At the same time, the risk of business interruption is insured by an over-$10 million policy written by FIA through Marsh & McLennan. The deductible is $10,000.

General and auto liability, by contrast, are purchased by Wyle direct from Liberty Mutual Insurance Co., Boston, with a "modest" deductible. An umbrella liability policy from Stonewall Insurance Co., Birmingham, Al., is held by the company to cover the excess layers over the Liberty Mutual policy.

DIRECTORS' and officers' liability insurance, written by Harbor Insurance Co., a division of Union-America Corp., carries the standard $20,000 deductible.

Wyle executives have briefly debated whether or not their standard D&O coverage will protect them in their roles as fiduciaries of their company's infant pension plan, Mr. Drew revealed. The question arises, of course, out of the Employe Retirement Income Security Act of 1974.

The liability column, too, is testing insurance. It insures against the risks of product damage incurred by the welter of testing labs maintained by Wyle. Not surprisingly, the coverage is written in London.

The collection of art objects selected by founder Frank S. Wyle and displayed strategically throughout the headquarters offices here is covered by a fine arts floater, arranged by Marsh & McLennan. The carrier is Royal Exchange Assurance, London.

PRODUCT LIABILITY coverage is part of the general liability policy from Liberty Mutual, continued Mr. Drew. "Electronics and aerospace are safety conscious industries," he observes. "At Wyle, I think we have an excellent program, under the direction of a safety engineer."

He added that when he grows more familiar with his new job, with its raft of responsibilities including the pension plan, he will shoulder a decisive role in loss prevention.

Before last September when Mr. Drew assumed responsibility for administering corporate insurance, he managed all data systems and procedures and handled the duties of the fleet manager responsible for the extensive car leasing program for the corporation. An 11-year employe at Wyle, he was also coordinator with the actuaries in the establishment of the Wyle retirement plan.

"I jumped at the chance to attend a three-day seminar on the principles of insurance buying, sponsored by the American Management Assn.," he related.

"The experience was great. What made it outstanding is the fact that our instructor, a Johnson & Higgins vice president, was forthright enough to warn us against accepting every assertion by carriers and brokers at face value," he elaborated.

EVEN IN early December, Mr. Drew, obviously a flexible man, had not slackened his studies in insurance. He was taking a 12-month correspondence course sponsored by Liberty Mutual. The cash flow advantages of self-insurance, he acknowledged, are a mystery he hopes to decipher during the course.

Self-insurance plays its accustomed role in workers' compensation at Wyle Laboratories. That is, the company relies on self-insurance in states where it is legal, mainly Alabama, Florida and Ohio. In all other states except California, Wyle insures comp on a retrospective basis. In the Golden State, where self-insurance is perfectly legal, the company uses a straight deductible. The underwriter is Liberty Mutual.

"Our comp loss ratio has been good this year," Mr. Drew asserted, "which you might say is the payoff for our ambitious safety program."

Johnson & Higgins is the broker for Wyle's employe benefit program, which Mr. Drew feels can compete with that of any other corporation in the aerospace field. Smaller brokers are relied on solely in special instances, he explains, "such as our Redwing Carriers Inc., a motor freight subsidiary in the southeast.

"There we use Dixie Insurance Co. of Winston-Salem, N.C." he said, noting that travel is a big component of his job.

Wyle's comprehensive medical insurance pays a maximum of $250,000. It pays 100% after the first $300 of accidental injury charges and 80% of other covered charges after a $75 deductible. At that point, the plan pays 100% of covered charges after an employe has made a $500 out-of-pocket payment in any calendar year.

Bankers Life Co., Des Moines, Ia., underwrites the company's general medical coverage along with the life insurance and AD&D coverage.

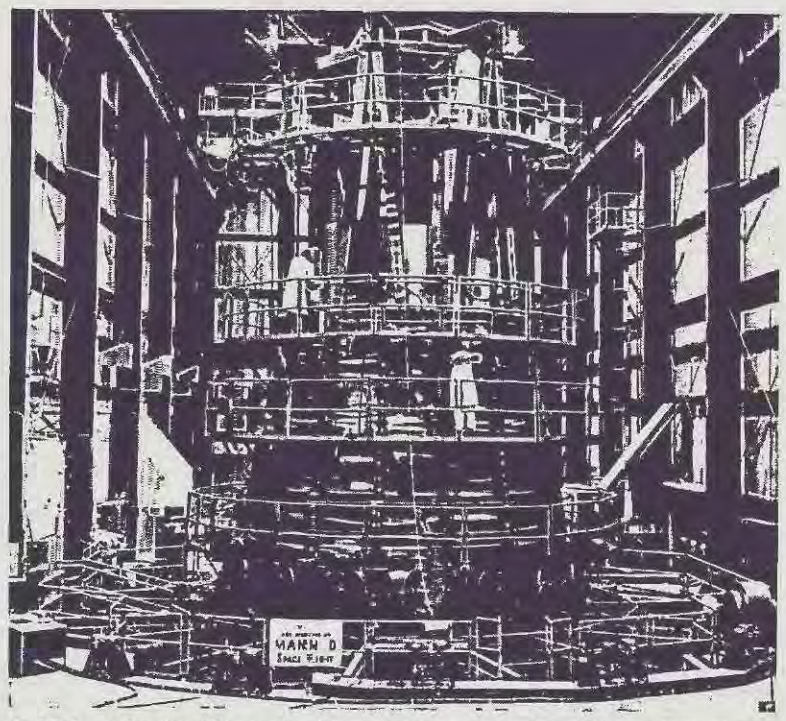
Union Mutual Life Insurance Co., Portland, Me., is the underwriter for the company's long term disability insurance. This plan pays 60% of an eligible insured's monthly salary to a maximum benefit of $2,000 a month, less any amount received under workers' compensation, state or federal disability benefits, Social Security or disability benefits from another insurance policy.

WYLE'S NEW addition to its benefits package, its new personal accident insurance policy, is underwritten by Bankers Multiple Line Insurance Co. The policy covers accidents that occur anywhere, even in airplanes.

Policy benefits range from $25,000 to $250,000.

Mr. Drew replaced Thomas Jones, who resigned last September to set up shop as an insurance consultant. Mr. Drew is forthright about his heavy reliance on brokers during his early days in the insurance department.

"The first thing I did when I began this job was to call my brokers together and ask for aid," he acknowledged. Their response he recalled, "was generous." He now reports to Kenneth M. Carpenter, senior vice president, finance. ■



A 60 foot Apollo "Short Stack" undergoes a combined load test at The Wyle Laboratories' Huntsville Facility.

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Lopez takes new Merck insurance job

Peter F. Lopez was named manager of property and casualty insurance for Merck & Co. Inc., New York, a newly created position in the company. He reports to Richard Landers, risk manager. Mr. Lopez was formerly insurance associate with Merck, a position he assumed when he joined the company in November 1973. Prior to that he was manager of the insurance department for Marine Transport Lines Inc., New York.

* * *

Mike Murphy was named insurance manager for PepsiCo Transportation division of PepsiCo Inc. The transportation division is based in Oklahoma City, Ok. Mr. Murphy, 28, was formerly vp of Rodg Dougherty & Co., insurance brokers and consultants. He reports to John G. Kneassey, vp of risk management and is responsible for casualty and workers' compensation insurance. Mr. Murphy replaces **Sid Knight** who was promoted to vp of loss control for National Trailer Convoy Inc., a PepsiCo subsidiary.

* * *

Walter E. Beaumont was named risk manager at Foss Launch & Tug Co., Seattle, a division of Dillingham Corp. The risk manager position is newly-created. Mr. Beaumont succeeds **Donald J. Rader,** insurance manager, who retired after eight years with the company. Mr. Beaumont's reorganized responsibilities include all property and casualty insurance programs, and the newly-added loss prevention programs. The department's size is being increased by one person, to a five person staff.

* * *

Charles A. Foster joined Eltra Corp. in New York as director of corporate insurance, reporting to F. Fredlock Babb, treasurer. Mr. Foster is responsible for development and administration of the company's general and employe benefit insurance and pension programs. Previously, he was director of benefits for TWA, director of insurance and benefits for SMC Corp., and director of insurance and benefits for George A. Fuller Co. He succeeds William Quinn, who left the company to join Englehard Minerals & Chemicals Co., as reported.

* * *

William F. Schaefer, who retired Dec. 31 as director of insurance and real estate for Libbey-Owens-Ford Co., Toledo, has been replaced by **Thomas A. Lenton,** 34. Mr. Schaefer took early retirement. He was with LOF since 1934. Mr. Lenton reports to Robert W. Huber, treasurer, and is responsible for property and liability insurance programs. He was formerly in the insurance department at Owens-Illinois Inc., Toledo.

* * *

Henry M. Anderson was named director of insurance risk and property management for the state of Ohio, a newly created position. Mr. Anderson will be responsible for setting up and managing the new bureau of risk management for Ohio, in Columbus. He was formerly director of insurance for Ohio State University. In his new position, Mr. Anderson will have a staff of six. Also new in the state risk management department is **David Beck,** assistant to the director, responsible for property and casualty management. He was formerly with the Ohio department of insurance.

* * *

James Roesch was put in charge of risk management and insurance for Ohio State University, Columbus, replacing Henry R. Anderson, who left to be director of insurance for the state of Ohio. Following Mr. Anderson's departure, the university reorganized the department by consolidating insurance with employe benefits in the personnel services division. Mr. Roesch was formerly Mr. Anderson's assistant. He now reports to **Lee Schurr,** manager of benefits administration, who joined the university three months ago. Mr. Schurr came from Automatic Sprinkler Corp. of America, where he was assistant industrial relations manager.

* * *

Michael F. McCarthy was named director of risk management for ITT Rayonier Inc., New York, replacing Michael Waskon, who recently left the company. Mr. McCarthy reports to R. Alan Prosswimmer, treasurer. Mr. McCarthy, who is in the finance and control department, is responsible for handling all insurance programs for company operations in the U.S. and Canada. He was formerly corporate insurance manager for Crawford & Russell Inc. of Stamford, Ct., and before that was in the corporate insurance department of Pan American World Airways in New York.

* * *

G. Carlton Revels was named risk manager for Dibrell Bros. Inc., Danville, Va., a large diviersified importer-exporter of tobacco products. The position is newly created. Mr. Revels was formerly assistant risk manager for Gold Kist Inc., Atlanta, reporting to Robert Rich. No replacement has yet been named.

* * *

Jon Cady was named risk and insurance manager for Dames & Moore, Los Angeles, an engineering consultant firm. He replaces **Leigh S. Grant,** who was promoted to assistant controller. Mr. Cady was formerly with Johnson & Higgins where he worked in the area of self-insurance. ■

FAIR plan loss for '74 $9 million

BOSTON, MA.—The FAIR Plan, (Massachusetts Property Underwriting Insurance Assn.) sustained an underwriting loss estimated at more than $9 million for the fiscal year ended Sept. 30, association officials announced.

Based on preliminary, unaudited figures, the deficit reflects an earned/loss ratio of 143.4, a 9.9% dollar loss increase over the previous fiscal year.

Lewis M. Eisaman, board chairman, noted a further drop in policies issued and written premiums during fiscal 1974.

"We shall continue to encourage the depopulation of the plan," he told the annual meeting of the association. "However any further significant movement in that direction may be hampered by the present economic crises, which is producing declines in the surpluses of insurers and in some instances creating capacity problems," he added.

Depopulation of the plan is occurring primarily in commercial writings, Mr. Eisaman said, pointing to a drop of 43.8% in the number of such policies issued in fiscal 1974 from 1973.

As a result, the former 57-43% ratio of habitational to commercial business now measures 60% habitational and 40% commercial, Mr. Eisaman added.

In response to proposals for an immediate certification of coverage procedure, Mr. Eisaman told the meeting that the board had authorized for implementation Jan. 1, subject to approval of the state insurance commissioner, a program to provide the applicant and producer with immediate coverage "in those instances where time prohibits the normal processing of an application for coverage." ■

Foundation grants

Five $1,000 research grants will be awarded by the Harry J. Loman Foundation, Media, Pa. to successful applicants seeking research on the effect of inflation and recession on the insurance market; the effect of mass merchandising, direct billing and other innovations on competition; and an evaluation of the residual market mechanisms. Fellows will receive $300 upon receipt of the award and $700 when the project is complete.

dates for buyers

Jan. 20-21: Health maintenance organizations will be studied at an Advanced Management Research International Inc. conference at the Hyatt Regency-O'Hare in Chicago. (Also Washington, D.C. and Los Angeles at later dates.) For more information write to AMR International, 1370 Avenue of the Americas, New York, N.Y. 10019.

Jan. 27-29: An intensive three-day seminar, aimed at improving the risk manager's use and understanding of accounting information, will be held at the University of Dallas graduate school of management. For more information write to Professor Bruce Evans, executive director, Risk Management Institute, University of Dallas, Irving, Tx. 75061.

Jan. 27-29: The 27th annual Institute on Federal Taxation sponsored by the University of Southern California Law Center will meet in Los Angeles. This year's focus is on executive compensation, business and corporate tax planning and the recent pension legislation, the latter being presented by a panel of tax practitioners specializing in the pension and profit-sharing area. For further information, write Dudley M. Lang, chairman, USC Tax Institute, Law Center, University of Southern California, University Park, Los Angeles, Ca. 90007. (213) 746-7557.

Jan. 27-29: The fundamentals of employe benefits will be the subject of an American Management Assn. course to be held in New York. Group insurance pensions, profit-sharing and communication of benefits are among the topics. For more information write to the AMA, 135 W. 50th St., New York, N.Y. 10020.

Jan. 20-22: The principles and practices of insurance buying will be explained at an American Management Assn. course to be held for the first time in Orlando, Fl. For more information write to the AMA, 135 W. 50th St., New York, N.Y. 10020.

Feb. 3-7: A short course in insurance and a governmental risk management seminar will be held at the University of Arizona, Tucson, sponsored by the college of business and public administration and the division of continuing education. The insurance course will be held the first two days and cost is $100; the seminar for risk managers of governmental organizations follows and costs $200. Both courses are $250. For more information write Kent Alexander, coordinator of business conferences, Continuing Education, University of Arizona, Tucson, Az. 85721.

Feb. 9-11: The sixth annual bank security conference, sponsored by the Bank Administration Institute, will be held in Dallas. Alarm systems, protection of computerized data, the effectiveness of bank guards and a general session on kidnapping and extortion will be among the featured topics. For more information write to the Bank Administration Institute, P.O. Box 500, Park Ridge, Ill. 60068.

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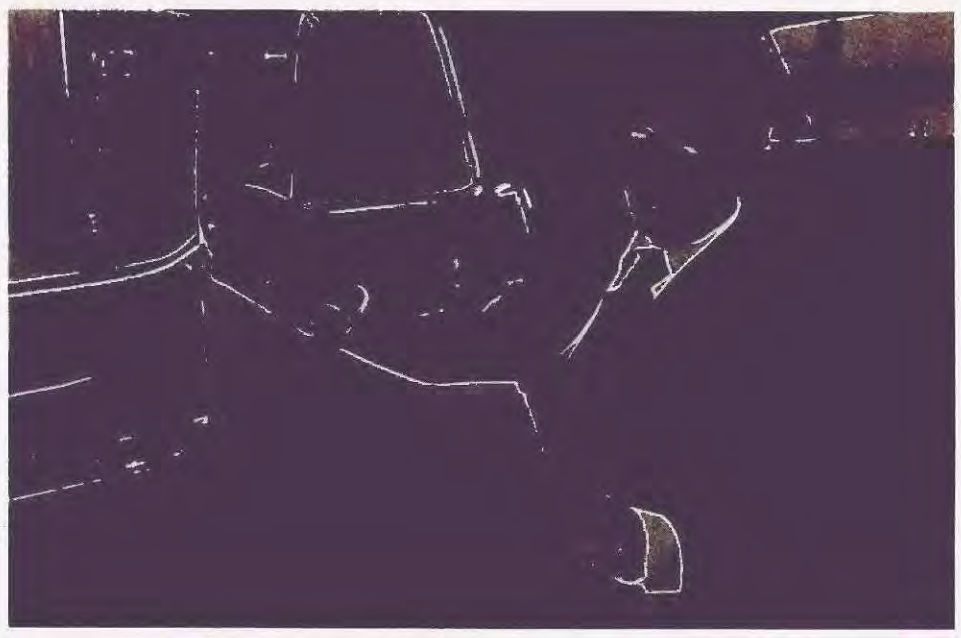

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