

Captive insurance company operation put in perspective

Entire contents copyright 1968 by Advertising Publications Inc.

see page 20

Pension rules page 6
Lower comp costs . . page 10
Group auto page 27
Pepsico benefits . . . page 23

business insurance

for buyers of employe, property and liability protection

35¢ a copy; \$8 a year

January 15, 1968

Bunge ruling may void other salad oil suits

NEW YORK—Millions of dollars in claims against 16 insurance companies resulting from the salad oil scandal could be voided by a federal court ruling here.

The decision held that Bunge Corp., an export-import agent, couldn't collect from its insurance company for losses it suffered because it had already settled with American Express Co., whose warehousing subsidiary was held liable in the fraud.

The scandal, which resulted in an avalanche of claims and counterclaims, evolved in the early 1960's with the discovery of huge oil shortages in a warehouse operated by the American Express subsidiary.

American Express, which was operating under a lease from Allied Crude Vegetable Oil Refining Corp., was charged in suits as being negligent in managing the warehousing unit.

IN HIS DECISION Judge Sylvester J. Ryan also blocked Bunge's insurance carrier, London & Overseas Insurance Co., from taking over the claim from Bunge and proceeding against American Express.

According to the ruling by Judge Ryan, which released American Express from all prior claims because of its \$8,000,000 settlement with Bunge, the insurer could no longer "stand in the shoes" of Bunge and prosecute the claim under subrogation rights.

Bunge sought to claim an additional \$12,000,000 against London & Overseas but Judge Ryan's ruling closed the doors on both Bunge and its insurer.

At least 16 other insurance companies, faced with similar suits, are now said to be taking a close look at Judge Ryan's ruling before making settlements.

A LEGAL expert told *Business Insurance* that American Express settled with at least 35 other claimants, but he could not estimate the amount of those settlements or what insurance coverage, if any, the company had.

The source noted that the ruling by Judge Ryan could affect many lawsuits involving millions of dollars from other claimants affected by the scandal.

Bunge has appealed the Dec. 14 ruling by Judge Ryan to the second court of appeals, and its expected that the case will be heard in March.

Judge Ryan ruled that Bunge's

Continued on page 26



A cupola caves in

The cupola on the Five Seasons Restaurant, Easton, Mass., topples as the roof caves in in an early morning fire Dec. 30. The estimated \$200,000 loss closed a disastrous year in fire losses in which there was the greatest value increase since the San Francisco earthquake fire in 1906. See stories on page 2.

Wide World photo

Reducing insurance deficit could improve U.S. balance of payments

NEW YORK—Curtailling the use of foreign markets for insurance may help President Johnson's campaign to cut back overseas investment, a leading insurance executive told *Business Insurance*.

In addition, other insurance managers and brokers surveyed believe that any of the President's proposals, if adopted, will not act as a drag on insurance markets.

A "good place" to start improving the balance of payments deficit is in the area of export and import insurance, according to John B. Ricker Jr., president of Marine Office of America.

Millions of dollars in insurance premiums and commissions are lost by default to foreign underwriters and brokers, Mr. Ricker told *Business Insurance*.

"It gives you some idea of the magnitude of the problem," he

pointed out, "when you consider that we export \$29 billion of cargo every year and import \$26 billion. That's a lot of cargo and yet only 30% of it is covered in the U.S. insurance market."

Mr. Ricker said that the other 70% of insurance carried on U.S. exports and imports is controlled by foreign underwriters "not necessarily British." He estimated that an annual \$175,000,000 of insurance premiums leave the country as a result.

THE TIME HAS come, Mr. Ricker asserted, for American importers and exporters to realize how much better off they are controlling their own insurance—particularly in these days of "strung out credit" when the financial risk is switched to the seller during the period that any money is outstanding.

Electric utilities seek alternate sources for nuclear plant cover

NEW YORK—Electric utility companies, faced with a limited, high-priced nuclear insurance market, are considering the possibility of turning toward alternative sources of coverage—although they conceded that such a move won't happen overnight.

The utilities and suppliers, which have been forced to buy property and liability insurance from noncompetitive insurance associations, were reported exploring a reciprocal arrangement for property insurance or the purchase of excess coverage from London- or U.S.-based insurers.

One utility source pointed out it would be premature to consider a reciprocal at this time because not enough utility companies use nuclear power.

A REPORT FROM the Atomic Energy Commission estimated there are about 16 nuclear power plants currently operating in the U.S., with at least 83 scheduled for operation by 1973.

A spokesman for the AEC indicated the report was based on information received from utility companies and manufacturers and the figure could exceed the estimates.

For now, companies are limited to buying property damage insurance with limits of \$74,000,-

000 per risk from the Nuclear Energy Property Insurance Assn. (NEPIA) and the Mutual Atomic Energy Reinsurance Pool (MAERP).

A COMBINATION OF \$74,000,000 per risk for nuclear liability is available through the Nuclear Energy Liability Insurance Assn. (NELIA) and Mutual Atomic Energy Liability Underwriters (MAELU). In addition there is a \$486,000,000 government indemnity provided under the Price Anderson Act.

According to Arthur F. Williams, insurance manager of Consolidated Edison Co., New York, which has one nuclear generating station presently operating, another under construction and a third in the planning stage, the cost of nuclear insurance has become an increasingly vexing problem.

He pointed out that some companies estimate the cost of insurance on nuclear generating stations to be as much as 15 to 20 times the cost of coverage on conventional power plants with similar capacity.

THE HIGH COST of nuclear property insurance was pointed up by Justin A. Crockwell, insurance manager at Pacific Gas & Electric Co., San Francisco, who told *Business Insurance* that the major problems facing his company at its Diablo Canyon plant is working out a relationship with the nuclear insurance pool, which it is hoped will eventually provide coverage on an "economical basis."

While the cost of property insurance is high, according to buyers, the property pools pointed out that losses in 1966 almost equaled the premium—both estimated at \$3,000,000.

An accident which closed the Enrico Fermi Atomic Power Plant at Monroe, Mich. on Oct. 5, 1966, was estimated to have caused damages of about \$2,500,000. The plant is expected to remain closed until June, and Power Reactor Development Co., an operating combine headed by Detroit Edison Co., was reported by *Business Insurance* to be pre-

Continued on page 26

Morris resigns Ohio post for job with Continental of N.Y.

see page 26



Explosion and fire in Dunreith, Ind., almost totally destroyed this home. State trooper examines dwelling, one of many damaged in the small town.

Won't have all Dunreith claims for months, says Pennsy R R

DUNREITH, Ind.—The quiet village of Dunreith, population 236, made nationwide news on New Year's Day evening, when a westbound Pennsylvania Railroad freight side-swiped an eastbound Pennsy freight, causing a 27-car derailment, and an ensuing explosion and fire.

The fire forced evacuation of the people of Dunreith, extensively damaged buildings and demolished the Dunreith Canning Co. Dunreith is about 37 miles east of Indianapolis.

The self-insured Pennsylvania Railroad could provide little information to *Business Insurance*, inasmuch as the railroad is not allowed to give out data prior to an investigation by the Interstate Commerce Commission.

However, known damage to date includes broken windows, cracked plaster and wood in about 75 of the town's 100 wooden dwellings. Some homes burned to the ground. Water and gas lines were severed. Electrical lines were damaged, as were telephone facilities.

AND IN THE CASE of the Dunreith Canning Co., there is no phone because there is no factory. The cannery, the major industry in town, processed tomatoes and tomato juice. About

60% of the 1967 crop was packed and on the premises, and this loss, the owner thinks, will be about \$125,000 to \$150,000.

Assessment of the loss in machinery, equipment, and to the main factory building has not yet been made by Topliss & Harding, Inc., Chicago claims investigators for the canning company's insurer, Lansing B. Warner Inc.

Dunreith Canning Co. also owned small, one-room wood houses for migrant workers, situated alongside the factory; all of these were destroyed in the fire.

No claims have been filed as yet by the canning company. The Pennsylvania expects that the Dunreith claims in general will be slow to come in, since the townspeople will probably make repairs first and then file.

The eastbound freight carried five cars of "hazardous materials." A spokesman from the American Association of Railroads told *Business Insurance* that Department of Transportation regulations call for placarding of cars which contain dangerous articles, and that these cars must be positioned away from the engine and the caboose.

The "hazardous materials" on the freight consisted of one tank car of ethylene oxide, one car of vinyl chloride, one car of methyl methacrylate and two cars of acetone cyanohydrate. The last-mentioned chemical is extremely toxic in its liquid state, and in its gaseous state releases cyanide gas.

It was the ethylene oxide which caught fire, creating the

Continued on page 31

1967 fire losses show biggest rise since San Francisco quake

BOSTON—Fire losses were up \$200,000,000 in 1967, the biggest increase since 1906, the year of the San Francisco earthquake fire.

The largest single building loss in American history, Chicago's McCormick Place fire, plus a combination of other factors brought the total fire loss for 1967 over the \$2 billion mark.

In reviewing 1967, the National Fire Protection Assn. (NFPA) reported the figures.

The association said 1966 dollar losses increased \$159,000,000 over the previous year and in 1965 losses increased \$89,000,000.

PRINCIPALLY responsible for the 1967 increase, according to NFPA, were fires associated with civil disturbances in several U.S. cities, estimated to cost more than \$85,000,000, and a series of major fire disasters. Among the latter were a \$75,000,000 loss to the Apollo space project, Jan. 27; \$52,000,000 destruction of McCormick Place, Jan. 16; a \$30,000,000 oil refinery

fire in Lake Charles, La., Aug. 8; and a \$13,000,000 textile fire in Rossville, Ga., June 10.

More than \$1.7 billion of the total dollar loss represented damage to buildings and contents. Nonbuilding fires—those involving aircraft, ships, motor vehicles and similar equipment, as well as forests—cost about \$356,000,000.

The worst U.S. fire tragedy, according to NFPA, was a fire following a crash of an airliner near Cincinnati Nov. 20, in which 66 persons died. On June 23, an inflight fire caused the crash of an airliner near Blossburg, Pa., taking 34 lives, and on March 30, an airliner on a training flight crashed into a motel at Kenner, La., killing six aboard the aircraft and 13 motel occupants and causing \$650,000 damage to the motel.

DOLLAR LOSSES to the aircraft were not available from the commercial airline companies, according to the NFPA.

The worst fatal fire in a build-

ing occurred July 16 when a state-owned prison barracks in Berrydale, Fla., burned killing 38 prisoners. On Feb. 7 a penthouse restaurant fire in Montgomery, Ala., took 25 lives and caused \$100,000 damage.

There were two industrial plant fires each taking 11 lives—one was an Army munitions plant in Texarkana, Tex., Feb. 15; the other, a chemical plant fire in Hawthorne, N. J., Feb. 17, which caused \$3,650,000 damage.

INTERNATIONALLY, the worst loss of life in a fire since the Coconut Grove fire two decades ago occurred May 22 in Brussels, when a crowded department store burned, killing at least 322 persons and causing \$20,000,000 damage.

A fire aboard the aircraft carrier USS Forrestal off the coast of Viet Nam, July 10, killed 131 navy personnel and caused approximately \$135,000,000 damage to the Forrestal, aircraft and equipment aboard the giant carrier.

'67 ends with \$6,500,000 A&P fire

ELMSFORD, N.Y.—On the last day of 1967, a fire leveled an A&P grocery warehouse here, causing an estimated \$6,500,000 in damages to the building and contents. The fire burned for several days before it was quelled.

A&P, which up to then had "negligible" fire losses for the year, is insured through National Union Insurance Co. for damage to contents for an amount reported to be close to \$4,000,000.

The chain, however, carries a high deductible on property and contents damage and expects to absorb the major portion of the loss to inventory at the Elmsford outlet itself. Experts from Johnson & Higgins, A&P's broker, last week were sifting the rubble to determine whether any merchandise could be salvaged.

A&P DOESN'T own the Elmsford warehouse—the largest used by the chain in the metropolitan New York area. The landlord, Samuel Lemberg, said that in addition to fire insurance on the building itself he also has loss of rent coverage from another insurer.

A&P doesn't carry business interruption coverage because it's large enough to redirect opera-

tions to other locations without loss of time. The supermarket chain has diverted grocery products ticketed for the Elmsford warehouse to outlets in Brooklyn and Garden City.

Cause of the blaze, which was fought by four fire companies, was not known. The first alarm

was sounded by an ADT alarm service at 12:38 a.m. on Dec. 31, but an inspector reported an hour before that all was well. Observers at the blaze reported a strong air current in the warehouse which created a suction into the fire, but A&P could offer no reason for the current.

IRS rules deferred compensation taxes due at time of payment

WASHINGTON—An employee who is awarded supplemental compensation under a nonqualified, deferred compensation plan and elects to defer payment under the terms of the plan at the risk of substantial forfeiture provisions must not pay taxes on the income until it is actually received by him, the Internal Revenue Service ruled.

Section 1.451-2 of the income tax regulations provides that income is "constructively received" in the taxable year during which it is credited to the taxpayer's account, set apart for him, or otherwise made available so that he may obtain it at any time, the IRS pointed out. However, it said, income is not "constructively received" if the

taxpayer's control of its receipt is subject to substantial limitations or restrictions.

Under the plan involved in the ruling, awards of supplemental compensation are made to certain key employees and paid in equal cash installments in each of the four years beginning with the year in which the award is made.

THE EMPLOYEE'S right to receive each payment is contingent on certain conditions. These are that he will continue working for the employer, or, if he terminates his employment, that he will (1) not go into business in competition with his employer or go to work for a competing business.

Continued on page 25

Hall merges with California brokerage

NEW YORK—Frank B. Hall & Co., insurance broker here, has merged with Alexander, Sexton & Carr of California, San Francisco, and is reportedly negotiating to buy two other brokers, one in Los Angeles and another in Hawaii.

The name of the Alexander, Sexton firm has been changed to Frank B. Hall & Co. of California. Roger D. Lapham Jr., president of the California firm, becomes a director of the parent organization.

B. L. Johnston, president of Hall, and James Stewart and Charles Severs, vps, become directors of the firm's new California subsidiary. They are also directors of the parent firm.

Plumbers tell insurance costs

OAKLAND, Cal.—At least \$2.47 of the \$13.79 per hour that it costs a plumbing, heating and cooling contractor to stay in business in Alameda County is directly related to insurance.

The Plumbing Heating Cooling Contractors Assn. of Alameda County Inc., this week completed analysis of responses by members to a county-wide survey on their prices and their costs of remaining in business.

It was the organization's eighth survey since 1961 and was timed to follow by approximately three months, wage increases gained by plumbers' unions in the area.

"RESULTS of the survey," Dennis McDaniel, executive manager of the association, told *Business Insurance*, "provide the consumer a basis for buying our services wisely; gives our members a foundation for fair pricing; and provides the courts and arbiters with guidance ensuring equitable decisions."

He detailed the insurance costs for plumbers as follows: \$1.48 per hour, fringe benefits such as pension, health, welfare and dental, training, vacation and holiday; \$0.26, workmen's compensation insurance; \$0.26, state and federal unemployment insurance; \$0.08, liability insurance; \$0.34, Social Security; \$0.05, inventory insurance.

Safety emphasis keeps bridge's premiums low

By ROBIN MENZ

NORFOLK, VA.—Two annual inspections by a consulting engineer, interim inspections by a safety team and a highly trained police department assure travelers of the Chesapeake Bay Bridge Tunnel that safety is its most important product, tunnel authorities asserted.

"In the long run we all profit from an intricate safety and maintenance program," said J. Clyde Morris, executive director, while pointing to the low insurance premium cost of \$148,000.

The facility itself is covered by a \$75,000,000 all-risk property damage policy and an additional \$5,000,000 policy on buildings and contents. Under the three-year all-risk policy, the Chesapeake assumes ten deductible items ranging from \$50,000 to \$350,000 on the tunnels.

The Insurance Co. of North America has 30% of the property and use and occupancy coverages totaling \$140,000,000. The remainder has been assumed by a pool of 30 insurance companies. J. H. Frelinghuysen Corp., New York, placed the coverage for the facility.

THE CHESAPEAKE must be out of business for 21 days before it can begin collecting on its \$8,000,000 use and occupancy policy, said Mr. Morris. Only twice since the facility opened has it had to close. Once was for only a couple of hours.

The other time it was closed



Over and under the seas is the course of the Chesapeake Bay Bridge Tunnel which has a total length of 23 miles, with 17.6 across the water. A diesel boat "Surveyor" keeps a constant check on the bottom and quickly makes necessary repairs before serious problems develop.

for 14 days, after being rammed by a drifting, unmanned barge. Losses from this accident have not been fully computed yet, but are expected to be in excess of \$1,000,000. The bridge-tunnel has entered a suit against the barge owners for \$2,000,000.

Even with nearly 3,300 cars per day utilizing the facility, it

has not been able to break even for a number of reasons. But Mr. Morris pointed out that by saving money during construction and adding receipts from the sale of ferry boats and land, there have been sufficient funds to operate the facility since it opened in 1964, plus a substantial reserve.

He expects that with the coming opening of major access highways, the popularity of the Chesapeake will increase. He explained that the bridge tunnel was constructed with funds raised from a \$200,000,000 bond issue and must pay its own way from toll revenue.

Termed one of the five engi-

neering wonders of the world, the Chesapeake system of two bridges, two tunnels, four man-made islands and 12 miles of trestles, spans 17.6 miles over the bay from Norfolk-Virginia Beach to Cape Charles and intercepts two vital shipping channels. The system has earned the distinction of the longest crossing over and under the open sea.

Long before construction began, the bridge-tunnel commission was at work with engineers and architects on a design that would meet the forces of man and nature. Where the bridge-tunnel crosses the water, it is at the junction of the Chesapeake with the Atlantic ocean and the facility is exposed to all the influences of the open sea.

THE ALL-RISK property damage policy provides coverage for hurricane damage but according to Mr. Morris the bridge-tunnel is built to withstand winds "way above any known hurricane forces."

To guard against fire in the tunnels, protection devices such as a high pressure water system, chemical extinguishers and two vehicles designed specifically for the tunnels were installed.

The authority has invested in a twin diesel boat, the "Surveyor," which maintains a watchful eye on the bottom areas of the Bay along the route of the bridge-tunnel system, according to Mr. Morris. "Surveyor" itself is protected by a \$20,000 policy.

A safety crew and the facility's
Continued on page 30

Shippers move to cut both big and small losses

NEW YORK—The shipping industry—which awoke to an alarmingly high marine accident record after the Torrey Canyon disaster—is in the throes of a safety drive to cut not only similar catastrophic losses but also scores of smaller ones.

Hardly a week goes by—at sea or in port—when an incident does not occur that brings expensive claims to marine insurers.

Inexperienced personnel, lack of training, ship design, dangerous cargo, aging ships, harbor congestion, negligence and human error are only a few factors involved in maritime losses.

The Liverpool Underwriters Assn. noted in its annual report that the total tonnage lost in 1966 was 20% more than in 1965. The American Hull Insurance Syndicate reported that continuing major casualties at sea resulted in greater losses for insurance companies in 1966, compared with 1965, and in spite of broadly based increases in premium levels, it was the third successive year in which the syndicate suffered a serious underwriting loss.

WHILE FIGURES for 1967 were not available, a spokesman for the American Institute of Marine Underwriters expected another bad year—especially after the Torrey Canyon. The U.S. market insured that ship for \$8,500,000 of the total \$16,000,000 loss.

"Insurance rates are still going up but it's too early to tell by how much," said Gordon Carlyle, insurance manager of Mobil Oil Co. "Rates have been going up for the past three years," he said, "and the Torrey Canyon disaster certainly won't slow down the trend."

An attitude of "wait and see"

is how many buyers approach the current marine market, according to Mr. Carlyle.

The oil company executive contended that the U.S. insurance market is in "tough shape" but maintained that going to London will not solve any problems.

"U.S. COMPANIES should get together," he suggested, "and form an ocean marine pool or syndicate adequate to cope with any disasters or unexpected increases in marine losses.

"Right now, we have a small marine insurance pool but we still have to go to London for reinsurance support," said Mr. Carlyle.

He maintained that insurance companies have had a tough year but should concentrate on solving their own problems before the government steps in.

BRADFORD SMITH JR., chairman of the Insurance Co. of North America, said, "We are not out of the woods yet. Hull and cargo rates have drifted down to the point where there is nothing in the rate structure to provide for catastrophes like the Torrey Canyon."

Other insurance experts predict a rate increase of anywhere from 5% to 30% to offset the rising losses.

For the shipping companies, accidents go beyond increased premiums. Accidents, major or minor, disrupt time schedules and result in expensive cargo delays.

Solutions to navigation problems and soaring insurance rates are under constant study.

AT GULF OIL Corp., for instance, education is one method being used to keep insurance premiums down through accident prevention. A quarterly

seminar that includes lectures and courses in navigation safety and fire fighting is held for ship-board personnel.

Keeping crew members aware of safety measures, new equipment, and navigation rules and regulations is one way to avoid accidents, said Don Brown, marine insurance buyer for Gulf.

"We know," added Mr. Brown, "that a good safety record re-

duces our premium and we take every possible step to keep accidents, large and small, to a minimum."

If an accident occurs to a Gulf vessel, a team of investigators employed by the company is dispatched to the scene to determine the cause and make recommendations to avoid similar incidents.

According to Mr. Brown, all

Winds in Utah do \$100,000 in damages

SALT LAKE CITY—High winds blitzed three northern Utah counties in a pre-Christmas storm, leaving damages of nearly \$100,000 in their wake.

Frigid winds, with velocities estimated as high as 70 miles an hour, slashed through Salt Lake, Davis and Weber counties.

Davis county suffered about \$25,000 in glass breakage alone as large plate glass windows were shattered in numerous business firms. Hardest hit was the south end of Davis county where damage was estimated at \$15,000.

The glass breakage damage was the second highest in history in the south end of the county, exceeded only by a similar wind storm in 1959 when damage reached \$17,000.

"Virtually all businesses in Davis county were insured against wind damage because of the frequent high winds in the area," reported Ron Bradshaw, manager of Intermountain Paint and Glass Co., Bountiful, Utah.

The firm processed more than 200 claims in two days from both business and residents.



Ron Bradshaw, manager of a Bountiful, Utah, paint and glass firm, ponders more than 200 glass breakage claims.

Kaiser broadens hospital benefits package

PALO ALTO, Cal.—Kaiser Aerospace & Electronics has increased its major medical limits from \$25,000 to \$50,000 as part of an improved hospital benefits program.

The new provisions, underwritten by either the Kaiser Foundation health plan or an alternate New York Life Insurance Co. policy, also extend coverage to mentally deficient or physically infirm children, regardless of age, if they depend on a Kaiser employee for support.

In addition, coverage for unmarried college students will extend to their 25th birthdays instead of stopping at age 24.

"OUR HEALTH coverages are our biggest attraction," according to Edward M. Russell, per-

sonnel manager of the Kaiser division, "and we feel that nobody offers better. They're a great aid in recruiting. For example, women assemblers are attracted to the plan that provides free hospital benefits for themselves and their dependents. The only contribution they make is towards the major medical plan, and where will they find a higher limit?"

"We have a unique situation here which requires careful explanation at the time of hiring," commented Mr. Russell. "Also," he continued, "our coverages start on the first day of employment, and so we have to be absolutely certain that all employees understand that they have a choice of plans available."

The "unique situation" arises

because employees and their dependents have the choice of electing coverage either from the Kaiser Foundation health plan, or from New York Life Insurance Co. The Kaiser Foundation, well known throughout the western states, is a nonprofit medical service plan which is affiliated with the Kaiser Foundation's hospitals and medical centers.

The foundation employs teams of doctors representing the major specialties in medicine, and is considered a leader in this field. As its name implies, the foundation is intimately tied in with the vast Kaiser industrial complex, although individual outsiders may join the various medical plans if there are vacancies. The New York

Life coverage is the customary type offered by a private carrier.

THERE ARE TIMES, however, when the Kaiser Foundation plan may not always be suitable, and so a booklet describing both coverages is given to an employee at the time of hiring. The personnel department gives an explanation of similarities and differences in the plans. The decision is not permanently binding, because employees may change plans once a year, effective each Jan. 1.

Basically, the services offered by Kaiser Foundation are available only at specified locations catering to a given area. This coverage, therefore, is of more value to a permanently located employee. For a traveling sales-

man, or for an employee domiciled outside a service area, the commercial plan offers greater flexibility.

Two plans are available—one for hourly-rated employees, and another for salaried employees. The medical coverages are basically the same.

However, there are significant differences in life insurance coverages. For example, the hourly employees' limit of life insurance (noncontributory) is \$2,000, whereas for salaried employees the noncontributory limit is \$5,000. Salaried workers may also elect contributory supplemental coverage equal to twice the basic rate of their annual salary.

SALARIED EMPLOYEES also are covered for accidental death and dismemberment insurance up to an amount equal to twice the basic rate of annual pay. This is subject to a limit of \$250,000 for loss of life and total dismemberment, and \$125,000 for partial dismemberment. Coverage is underwritten by the Indemnity Insurance Co. of North America, a member of the INA Group.

In addition, salaried employees also are eligible for a retirement insurance program. At the time of retirement, the amount of group life in effect continues unchanged for one month. At the beginning of each month thereafter, the insurance in force is reduced by 1% and continues to be reduced on a monthly basis for 75 months until the insurance reaches a minimum of 25%. This minimum continues until death.

The group hospital-surgical plan for salaried employees con-

Continued on page 30

Need a Clean Sweep?



INSURANCE
POLICY

A short time ago, the president of an eastern university said that we are entering the "Age of the Scholar." Greater recognition is being given the physicist, the mathematician, the sociologist and those in other professional categories. Even a more analytical and reflective approach to the problems of management is developing.

One of the significant trends is the new role which the professional insurance consultant is achieving in

modern business. Like the doctor or surgeon, he is being sought for his individual resourcefulness. His ability to analyze and prescribe—like preventative medicine—is often the foundation of economic health and prosperity.

Fred. S. James & Co. is an organization of professional insurance analysts—world-wide in scope, yet personal in character. For over a century it has served a broad segment of American industry. Satisfied insur-

ance buyers everywhere have made ours one of the very large and dynamic organizations in the business. In the "Age of the Scholar" many insurance programs have become static, inflexible, inadequate. Need a clean sweep?

Chicago • New York • Philadelphia • Buffalo
• Pittsburgh • Minneapolis • Portland, Oregon
• Seattle • Los Angeles • San Francisco
• Oklahoma City • London



FRED. S. JAMES & Co.

Insurance Brokers and Consultants Since 1858

Industry hits seaman's bill on disability

WASHINGTON—The Secretary of Labor would be given authority to impose a gross premium tax on self-insurers and insurance companies to offset costs under proposed amendments to the Longshoremen's and Harbor Workers' Compensation Act, an industry spokesman testified.

Appearing before the Senate committee on labor and public welfare, Andrew Kalmykov, counsel for the American Insurance Assn., said that the measure would add considerably to the cost of compensation without providing additional benefits to the employee and his dependents.

The bill calls for an increase in the maximum weekly compensation for total disability from \$70 to \$105 and for a boost in the minimum from \$18 to \$35. It would also remove the \$24,000 maximum imposed by the present bill on aggregate temporary total disability benefits.

"The Congress performs a most valuable function in control over appropriations and revenue measures," Mr. Kalmykov said. "It is one which should not lightly be relinquished. This bill would delegate this important function to an administrative agency. This constitutes a far reaching precedent."

The expenses of administering the Longshoremen's Act, he contended, should be defrayed "in the same manner as that of the federal courts through general revenue."

Wausau Story

Reading time:
60 seconds

We're an insurance company.

Eighteen months ago,
one of our policyholder's
employees was seriously
hurt. Fidel Romero.

Our people in two states
went into action.

Air ambulance took Fidel to
the right hospital.

The right doctors.

One month later he had
recovered to begin life
second-handed. And again we

got the right people
to help. Rehabilitation
specialists. Psychologists
for determination.

Therapists for muscles.

Nurses to teach him how to
feed himself. Dress.

Write with a pencil. Type.

Patient people who have
nothing in common
with half-way.

Dedicated people who
make us proud to be an
insurance company.

Still, it isn't a completed
story. But for now,

Fidel has two workable hands.

And a son who doesn't
know the difference.



**Employers Insurance
of WAUSAU**

the people who know business insurance
like nobody else in the business.





washington watch

Showdown looms in '68 over U.S. rules for private pension plans

WASHINGTON—All signs indicate that 1968 will be a decisive year in the struggle over the issue of how much regulatory control the federal government should have over private pension plans.

The Treasury Department will be releasing its two long-awaited proposals, both of which are certain to bring the issue to a boil. One will outline a new Social Security integration formula in

place of the one proposed in 1965 which was withdrawn under heavy fire from industry. The other will take the form of legislation to establish minimum, mandatory requirements for vesting, funding and reinsurance of pension plans.

Political analysts predict that the latter may be mentioned in President Johnson's opening message to Congress. They point out that he is hungry for pro-

posals without price tags which have appeal to large segments of voters. For this reason he is likely to give the pension proposal more than normal emphasis, they predict.

IN ADDITION, Sen. Ralph Yarborough (D., Tex.) is expected to call for hearings and push for enactment of his administration-prompted proposal to beef up the Welfare and Pension

Plans Disclosure Act. And U.S. Rep. Martha Griffiths (D., Mich.) is certain to call additional hearings on pensions before her fiscal policy subcommittee.

The first hearings were held in the spring of 1966. Following those, the subcommittee released a controversial report entitled "Old-Age Income Assurance: An Outline of Issues and Alternatives," which stated in part that "by throwing a few cents to workers, managements can feather their own nests with dollars."

And further, "There is no good reason, from the standpoint of the public interest in pensions, why plans should be identified with employers or unions. Indeed, there are good reasons for keeping the funds and all aspects of pension administration clearly separate from employer and union."

Following the release of the report, academicians, pension experts and other interested parties were invited to submit papers which were to be included in a compendium on the subject. The first three volumes of the compendium were released on Dec. 28.

TO GET AN understanding of the atmosphere in which the battle over federal regulations will be fought, it might help to review three recent statements made on the issue representative of the general feelings of management, labor and government.

American Telephone & Telegraph and United Auto Workers' President Walter Reuther each had statements on the issue in the Griffiths subcommittee compendium.

And, on Dec. 29, William T. Gibb, deputy tax legislative counsel of the Treasury Department, made a speech to the American Finance Assn. describing in considerable depth the current thinking on pension plan funding and reinsurance of the interagency staff committee which is drafting the upcoming legislative proposals for the administration. He did not touch on the committee's ideas on vesting but said that this does not mean it is not working hard on draft-

ing proposals in this area.

Mr. Gibb cautioned that his speech consisted only of staff ideas and did not represent the position of the administration. He said the staff proposals represent a "considerable refinement" of the basic outline proposed in a speech last May by Assistant Secretary of Treasury Stanley Surrey.

Mr. Gibb said the basic goal of the staff recommendations is to "insure, to the extent practicable, full protection of vested benefits... against loss through plan termination." The major source of this protection under the proposal would be a combination of employer funding and termination insurance protection, he said.

BASICALLY THE staff proposal calls for a new funding standard which would require a plan to have, after 25 years, enough assets on hand at market value to meet its vested liabilities if the plan were terminated.

During the initial 25 years, the employer would be required to progress in a uniform manner to the 100% goal by having, at the end of each year, a progressively larger percentage of vested liabilities. The percentages would vary between old and new plans and provision would be made for adjustments in the formula if substantial benefit or other costly liberalizations are added to the plan either while it is progressing towards 100% funding or after it had reached that goal.

While the plan is progressing towards the full funding status it would be required to participate in a termination protection fund to cover its unfunded liabilities. The insurance protection would cover a plan's unfunded vested liabilities up to the difference between its funding target and its vested liabilities. It would not cover the difference between the amount an employer is required to have funded and that which he actually has funded. Thus, the termination fund would not be available to cover losses due to adverse investment experience if these losses lower its funding below the requirements.

Mr. Gibb said the committee
Continued on page 28

CONTRACTOR'S MULTIPLE LINE INSURANCE OVERSEAS

AIU CONTRACTOR'S MULTIPLE LINE INSURANCE OVERSEAS

protects construction projects from original site-clearing to successful completion. It offers broad coverage, subject to specified exclusions, from the beginning and automatically follows increasing values and activities. *It brings with it "on-the-spot" claim service in almost any country on earth.*

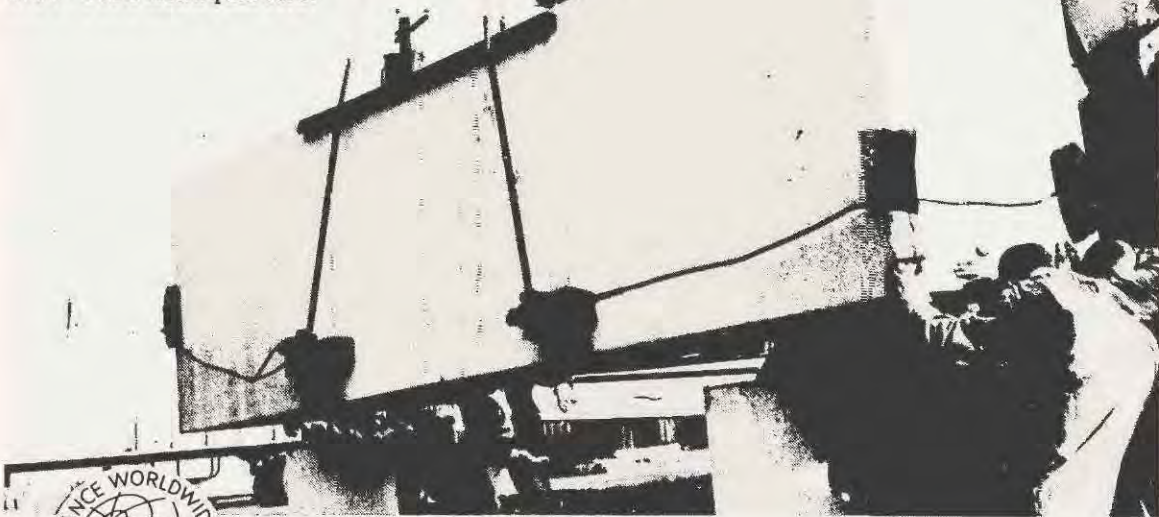
AIU CONTRACTOR'S MULTIPLE LINE INSURANCE OVERSEAS

is multiple-line insurance at its very best. To meet the insured's needs and desires it may include risks of property loss or damage along with liability risks both general and specific... machinery, equipment and tools as well as Workmen's Compensation for U. S. nationals or nationals of other countries... comprehensive general liability... raw materials... hoists and job-site vehicles... contingent and contractual liability obligations...

Insurance through **AIU** has encouraged the overseas expansion of American enterprise for nearly fifty years.

AIU CONTRACTOR'S MULTIPLE LINE INSURANCE OVERSEAS

could help that expansion continue for your company. Find out about it today. Ask your agent or broker about this insurance available through **AIU**, or write to Department 34 at our New York headquarters.



**AMERICAN
INTERNATIONAL
UNDERWRITERS**

102 MAIDEN LANE, NEW YORK 10005

*Offices, Agents, and Representatives
throughout the world.*

New fire detection system spots fire in milliseconds: AF officer

CLEVELAND—A fire detection and control system, pioneered by a manufacturer of fire protection equipment after the tragic death of five astronauts, spots a fire "in a blink of an eyelash."

Capt. D. I. Carter, aerospace medical division project officer at Brooks Air Force Base, said the new system developed by Automatic Sprinkler Corp. of America "responds to fire in milliseconds."

According to the company, the fire detection system should afford safer working conditions for the nation's astronauts, airmen, doctors and nurses, chemical and oil refinery workers and others.

Harry E. Figgie Jr., chairman and president of Automatic Sprinkler, announced that his firm was awarded two contracts to install the new fire detection systems in space environment simulators at Wright-Patterson Air Force Base, Cincinnati, and the Illinois Institute of Technology, Chicago.

After the twin tragedies killing the five men, the nation's astronauts were grounded and a Congressional investigation was undertaken to fix the cause of the fatalities and also to find a

means of reducing fire hazards in oxygen-rich atmospheres.

CAPT. CARTER said, "After an intensive period of private industry development and Air Force testing, we are now installing what we believe to be a satisfactory answer to this problem."

Mr. Figgie predicted that the engineering advances leading to development of this fire-protection system will find a host of practical applications in industry and commerce.

In another safety equipment development, the Scott Paper Co., Philadelphia, has developed, patented and manufactured "safom," a new foam which reduces fire and explosion hazards when installed in fuel tanks of aircraft and other vehicles. The board of directors of Wilson Pharmaceutical & Chemical Corp., Chicago, has approved construction of additional facilities to produce polyester resin which is used to make the foam.

Aetna to develop park

Aetna Life & Casualty, Hartford, will develop a multi-million dollar industrial park on 150 acres of company-acquired land in San Diego, Cal.

We know what you're thinking:
If every carrier has to charge the same rates
for Workmen's Comp, how can Fireman's Fund
charge less?

Well, frankly, no one can. Not overnight. But
Fireman's Fund can bring your net costs 'way, 'way
down—over the long run and the short.

Take the way we make war on accidents.
With the industry's finest staff of safety engineers,
we lock your business over from top to bottom.

To minimize hazards. To maximize safety. And
once your accidents go down, so do your premiums.
(Plus which, you get back any immediate
savings through our participating dividends.)

So much for safety. But accidents still will happen
—and when they do, Fireman's Fund moves fast.
With the finest treatment money can buy. Because
the sooner an injured worker is back on the job,
the better you'll feel at premium time.

Better safety engineering. Better claims service.

The two big reasons you do pay less through
Fireman's Fund. Which helps explain why we're
one of the fastest-growing carriers in the country.

So: if the high cost of Workmen's Comp
makes you angry, call your independent agent.
And ask to talk things over with the men
from Fireman's Fund.

We think you'll be happy the minute you see red.

FIREMAN'S FUND AMERICAN INSURANCE COMPANIES
Home Office: San Francisco, California



If you're paying
too much for
Workmen's Comp,
you ought
to see red.

FIREMAN'S



FUND

Gov. Rockefeller asks pool in N.Y. to write fire coverage in slums

NEW YORK—Failure of insurance companies in the state to voluntarily underwrite fire insurance in slum areas prompted Gov. Nelson Rockefeller to call for legislation establishing a pool of insurers to underwrite fire insurance.

The state department of insurance in a report to the governor, said such a pool would require participation in the pool by "substantially all insurers writing fire and extended coverage insurance in the state" and require the pool to insure, on request and in reasonable amounts, the residential and commercial properties objectively determined to be in insurable condition.

The establishment of a pool of insurers is the "fairest and most effective way of meeting the need for essential fire insurance in central city areas," the insurance department concluded.

STATE Insurance Superintendent Richard E. Stewart said one of the reasons such legislation was needed was the "tendency" of insurers to discourage underwriting fire insurance for slum areas.

Gov. Rockefeller, in a message to the state legislature, said that

such legislation was necessary to attract private business to the slums.

The insurance department also recommended that initial premium rates shall be the same as bureau rates for similar risks insured outside the pool but that, when and if the experience of any class of risks in the pool becomes statistically credible, the rates for that class shall be based on its own experience.

THE POOL of insurers, the department said, would include an inspection procedure for the determination of insurability.

The recommendations from the insurance department and Gov. Rockefeller's call for an insurance pool followed a test program which went into effect last April. Under the program, insurance companies were required to inspect buildings in slum areas before rejecting applications for fire insurance.

According to Mr. Stewart, "While the experimental inspection plan has improved the market for fire insurance and has had the strong and public-spirited support of many company executives, it has not fully met the need. Especially in view of

the apprehension within the insurance industry of a recurrence of last summer's riots, we can anticipate a long-term tightening of the market for fire and extended coverage insurance in the core areas of our cities.

"Accordingly, the long-term prospect for the unaided operation of the inspection plan is for it to be less successful in the future than it has been during the past nine months."

Insurance mergers

The finance-bank-insurance industry category, with 393 corporate consolidations, led all industry classifications in the number of mergers in 1967 for the third consecutive year, according to W. T. Grimm & Co., Chicago, financial consulting firm. Activity in this group last year was up 69% over the 232 consolidations effected in 1966.

Over-all, the Grimm study showed that 1967 merger activity was up 25% to 2,975 from the previous peak of 2,377 established in 1966. The wholesale-retail group placed second in activity with 235 mergers. Others in the top five were public utilities (234) and machinery and equipment (232).

info for buyers

To make it easy for *Business Insurance* readers to get additional information offered in editorial items below and advertising in this issue, Reader's Service cards are bound in at page 9. These cards should be used only for items that are offered *without charge*. Items shown below with a price have the complete address of the supplier and your requests for such items should be sent direct to the supplier with payment, indicating that you saw the notice in *Business Insurance*.

• **"Reciprocity-Portability"** contains highlights of regional seminars held by the National Foundation of Health, Welfare & Pension Plans Inc. on reciprocity and portability between pension funds, including case studies, forms, provisions, legal and legislative considerations. Copies are available to members at \$2.75 each; \$3.75 to nonmembers. Write: National Foundation of Health, Welfare & Pension Plans, P. O. Box 898, Elm Grove, Wis. 53122.

• **"Safety as It Applies to Supervisors"** is a 16-page booklet designed to assist supervisors in the prevention of industrial accidents. Compiled by the loss prevention department of Marsh & McLennan Inc., a copy of this booklet is available by writing No. 130 on the Reader Service Card.

• A comprehensive study of the air carrier's liability for loss or damage to cargo is contained in **"Analysis of Air Cargo Liability."** The booklet, published by the Atlantic Companies, analyzes the present posture of air law and freight practices as they are concerned with air carrier liability to cargo interests. Write No. 132 on the Reader Service Card for a free copy.

• **"Social Security Cash Benefits"** describes Social Security credits, tells how they are earned and how many are needed to qualify for benefits after retirement. This brochure, suitable for employee distribution, is published by U. S. Department of Health, Education and Welfare and is available at 10¢ a copy; \$5.25 per 100. Write: U. S. Government Printing Office, Washington, D.C. 20402.

• **"Guard Against Winter Fires Now!"** outlines the protective measures which can be used to control or minimize winter fire hazards. Prepared by Marsh & McLennan Inc., write No. 131 on the Reader Service Card for a free copy.

• **"The Shock Waves of a Fire!"** is part of a series of "Better Supervision" booklets designed for employee distribution. In addition to discussing the aftermath of an industrial fire, the booklet, published by Employers Insurance of Wausau, includes a section on the necessary steps of first aid for the industrial supervisor relating to plant accidents. Write No. 128 on the Reader Service Card for a free copy.

• A basic guide to sound internal control against the embezzler and an outline of the protection afforded by fidelity insurance are highlighted in **"Safeguards against Employee Dishonesty in Business."** Released through the Surety Assn. of America, single copies are available free. Write No. 124 on the Reader Service Card.

• **"The World's Principal Export Credit Insurance Systems,"** by Francis X. Scafuro, sets out the types of policies, coverages, requirements and premium rates for this insurance in 35 countries. The publication costs \$20. Write: International Export Credits Institute, 1 Liberty St., New York 10005.

• **"Recommendations for General Management Responsibility for Effects of Fire on Operations"** (1967 edition) covers the responsibilities of the president, members of the executive committee and others in policy-making positions. Also outlined in this National Fire Protection Assn. booklet is a method for evaluation of loss possibilities. The booklet is available at 50¢ per copy. Write: National Fire Protection Assn., 60 Battery-march St., Boston 02110.

• **"Testing for Public Safety,"** among other things, tells how Underwriters' Laboratories Inc. tests various materials, devices, constructions and methods to combat life, fire and casualty hazards. Released by Underwriters' Laboratories Inc., the booklet is available by writing No. 129 on the Reader Service Card.

• An **"Educational Program in Risk Management"** is directed to individuals involved with the responsibility for planning, implementing and controlling risk management activities. A brochure on this self-improvement program, developed by Insurance Institute of America, is available free. Write No. 116 on the Reader Service Card.

• **"Corporate International Insurance Programs"** discusses possible ways for management to handle its insurance and employee benefits in other countries. Single copies of the booklet, released by Johnson & Higgins, are available free by writing No. 126 on the Reader Service Card.

• **"APA Guidelines for Psychiatric Services Covered under Health Insurance Plans"** is a 32-page booklet designed to aid managers in collective bargaining agreements when negotiating with insurance carriers to improve coverage for mental disorders. A free copy of this booklet, released by American Psychiatric Assn., may be obtained by writing No. 122 on the Reader Service Card.

• **"Private Pension Plans and Public Interest"** acquaints readers with the issues which affect the future of private pension plans and serves as an information source on these issues. Published by Financial Executives Institute, a limited number of copies are available. For your free copy, write No. 127 on the Reader Service Card.

special purpose INSURANCE

what's that?

It's insurance created by Cameron and Colby for risks without precedent.

It's also the simplest, most direct means of providing protection for out-of-the-ordinary risks.

And Special Purpose Insurance is our business. Has been for more than twenty-five productive years . . . through Agents and Brokers.

Keep this in mind won't you. You'll save time and trouble — we are service oriented and believe in giving direct answers.

Multiple Line

CAMERON and COLBY CO.

60 Batterymarch Street, Boston, Mass. 02110

Telephone 617/426-8707

Flood insurance proponents face tough fight

WASHINGTON — Proponents of a workable federal-industry cooperative flood insurance bill face a tough battle when House and Senate conferees meet soon after Congress opens Jan. 15.

To be wholly workable in the manner conceived by the administration, the original flood bill will need the wholehearted backing of the insurance industry. The industry gave its support to the original proposal; however, the Senate and House both added amendments strongly opposed by insurance carriers.

The administration bill calls for establishment of a voluntary pool of companies to write flood insurance only in areas where there is sufficient data to produce an actuarially sound rate. The government will subsidize the difference between the actuarial rate and what is determined to be a "reasonable" or "chargeable" rate. Coverage will apply initially only to dwellings of four families or less, but Congress may later extend coverage to commercial properties.

IN ADDITION TO the subsidy program, the government would institute a program of excess loss reinsurance to aid the industry in meeting catastrophic losses. The secretary of the Department of Housing and Urban Development would be authorized to borrow up to \$500,000,000 from the Treasury to carry out the two phases of the program.

The Senate passed the measure by a voice vote. However, it adopted an amendment introduced by Sen. William Proxmire (D., Wis.) which would bar private insurance firms participating in the program from making a profit for five years. According to Sen. Proxmire, the amendment would assure government recovery of its reinsurance expenses.

Industry representatives were

strongly opposed to the provision. One spokesman pointed out that it would "inevitably discourage maximum risk assumption by the private insurance industry and in practice this would increase the potential involvement of the government contrary to intent."

ONE PROVISION in the bill would allow the program to op-

erate solely with government funds if insurance companies decided against risking any capital. Under this plan, companies would act only as sales and servicing agents, and the government would assume the entire risk.

A House-passed amendment rejects the administration bill's open end financing plan which authorizes the \$500,000,000 fed-

eral subsidy fund and further withdrawals from the Treasury without reference to Congressional appropriations. Under the House bill, government funds would be provided only by regular appropriations.

Insurance companies have stated that they will pull out of the program, if it is exposed to the uncertainties of the yearly appropriations process. They say

they will not risk their own capital in insurance pools unless they are certain the government will pay its share, spokesmen say.

Significance of a workable federal-industry flood insurance program is highlighted by the number of proposals which have been introduced to create coverage for additional hard-to-underwrite risks such as earthquakes and landslides.

If you owned a skyscraper, you'd have nothing to worry about.

Except ...

fires and earthquakes, high winds, electrical storms, falling airplanes and shattering glass. Elevator breakdowns, workman's compensation, exploding boilers, rampaging rioters. And lots more.

In fact, you might own one of the world's tallest piles of worry.

Which makes every building owner or tenant a prime prospect for CU/NY's Multi-Peril Policy. With it an agent can insure both buildings and business personal property against virtually every worry. All with one low cost package policy that's easy to sell because it's competitively priced.

We're big in the worry department. CU/NY Multi-Peril policies also cover apartment houses, motels, retail stores, factories, dwellings, farms, you name it. Matter of fact, we'll insure anything from a fleet of ships to building a bridge.

If you'd like to know more about our Multi-Peril policies, speak to a CU/NY field man. Our Multiple Line Division works closely with him to make your selling job easier. And your detail work less worrisome.

COMMERCIAL UNION INSURANCE COMPANY OF NEW YORK

CU/NY the world's best worriers.

AFFILIATE/ THE PENNSYLVANIA INSURANCE COMPANY/ HEAD OFFICE: 200 PARK AVENUE, N.Y. 10017/ OFFICES IN MAJOR CITIES THROUGHOUT THE U. S.



Japan court rules family can collect

TOKYO—Japan's supreme court has ruled that the family of a person killed as the result of a traffic accident can claim damages which would have been payable to the victim, even if he failed to seek compensation before his death.

In a precedent-setting ruling, the court rendered a 9-4 decision which found the heirs to property owned by the victim are entitled to part of the damages which would have been paid to the victim.

The court declared that direct kin of a fatally injured person could claim compensation for the victim's "mental suffering" before death, and that his parents, spouse and children could also collect for their mental agony.

The case dates back to August, 1961, when Tajuro Iso, 70, died five days after being hit by a truck owned by Bando Shipping Co. Mr. Iso failed to ask for compensation from the trucking firm before his death, but Mrs. Kin Kurosui, 66, his sister, joined with three of her brother's kin in seeking a total compensation of \$1,666, as the four inheritors of Mr. Iso's estate.

A nephew who had taken care of Mr. Iso and paid medical fees settled out of court for about \$335. The other plaintiffs dropped away after a Utsunomiya district court decision went against them.

Barton-Malow safety education cuts its workmen's comp costs

DETROIT—Four years ago, Barton-Malow Co., a general contractor, paid a workmen's compensation premium that was 19% over the industry average in Michigan.

For 1967, the company's premium is 37% below the industry average. Moreover, if recent years are an indication, a sizeable chunk of that will be returned to Barton-Malow as dividends and refunds from the insurance carrier, Michigan Mutual Liability Co. of Detroit.

The firm's accident rate is about 13 per million man-hours worked. Michigan Mutual terms the rate low for industry generally and unusually low for a company in its construction field.

Barton-Malow receives experience credit under a plan that takes into account accidents during three previous years, excluding the most recent year. Also, in common with other large corporations, Barton-Malow benefits from retrospective rating, under which a portion of the annual premium may be returned based on the previous year's experience.

BEN MAIBACH, president of Barton-Malow, personally guides the safety program of his company. In a *Business Insurance* interview, he expressed satisfaction at reducing the cost of workmen's compensation, a major expense of his company's \$5

million payroll. But as an ordained minister, Mr. Maibach said he is more pleased by a reduction in injuries from the safety activities of the firm.

Mr. Maibach, who joined Barton-Malow in 1938 as a laborer, holds that workers should be educated in safety rather than be ordered to follow safe procedures.

"A construction man is likely to be a show-off who prides himself on his ability to do hazardous work. If you try to police the man, you challenge him to outsmart the inspectors," he said.

His theory was shaped by an incident several years ago, Mr. Maibach said. During the clean-up of a building job that had



General contractor for the Henry Ford Centennial Library in Dearborn, Mich., Barton-Malow Co. holds that construction workers, who by their nature are "show-offs," should be educated in safety rather than be ordered to follow safety procedures.

been free of accidents, a man working in a pit with inflammable materials lit a cigarette and was killed. "There were 'no smoking' signs all around," said Mr. Maibach.

THE EDUCATION effort includes company-sponsored classes in life saving techniques held once or twice a year for supervisors and foremen. About 100 employees carry current American Red Cross cards, and at least one trained safety man is assigned to each of the company's construction projects.

On small jobs, the project supervisor is responsible for safety. On major projects, the cost of first aid and safety men is figured into bids and clearly labeled as part of the estimate.

A supervisor's safety duties weigh heaviest after an accident, Mr. Maibach indicated. When there's an injury or a death, the supervisor tells the worker's closest relatives. He also has to send Mr. Maibach a written report, relating how the accident happened and suggesting how it could have been avoided. "This is one of the worst punishments the fellows have," the executive said.

He credits Michigan Mutual for many of the activities that help hold his company's insurance costs down.

Michigan Mutual has been Barton-Malow's workmen's compensation carrier for 35 years,

and many of the contractor's present safety policies stem from talks between Mr. Maibach and the insurer's safety consultants and account executive.

Michigan Mutual inspects each Barton-Malow project periodically and reports needed changes

Continued on page 24

GROUP LIFE WITH PAID-UP VALUES

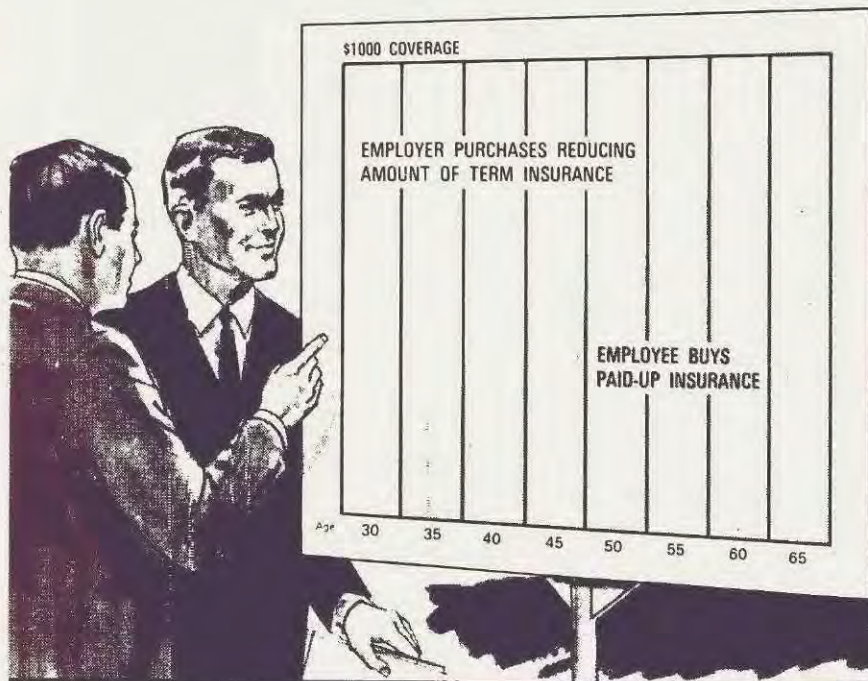
is insurance worth living for . . .

Your employees will quickly recognize what we're talking about when they can take either a substantial paid-up policy or the cash value of their paid-up insurance upon retirement or termination of employment. Best of all, the cash value of their paid-up insurance is never less than what employees have contributed to the plan.

Continuation of coverage under a conventional group life plan can become expensive as costs increase yearly due to the effect of advancing age on term premiums. NWNL's Group Paid-Up solves this dilemma by enabling employees to finance post-retirement life insurance during productive working years. At the same time it stabilizes insurance costs by continuously reducing the amount of term insurance purchased under the plan.

example . . .

employee enters plan at age 30
contributes \$1.00 per month
has \$1,000 level amount of insurance
owns \$1,026.36 of paid-up insurance with
a cash value of \$668.16 at age 65



Group Paid-Up is available to firms with as few as 10 employees and may be installed in addition to an existing group life insurance plan. For more information, write Phil Larson, Second Vice President and Group Sales Manager, at the Home Office.



**NORTHWESTERN NATIONAL
LIFE INSURANCE COMPANY**
BOX 20 • MINNEAPOLIS, MINNESOTA 55440

Our C.I.A. man in Lisbon

. . . can be your Corporate Insurance Attache there or throughout Free Europe. He's your private expert on laws and custom, advising you on proper coverage, company responsibilities, operating conditions . . . even smoothing the way for other corporate activities or personnel.

Your C. I. A. can also carry out large underwriting of major companies. Reliably, too, for he works through an association of established, owner-operated brokerage firms staffed with high-caliber professionals. He's all "pro" himself . . . and he's yours when you specify Donnelly.

A SUPERIOR INSURANCE SERVICE
Donnelly Brothers
INSURANCE AGENTS AND BROKERS

24 Lackawanna Pl., Millburn, New Jersey 07041 / Phone: 379-6000 / Cable Donbro.

Complete Brokerage Facilities in: Atlanta • Boston • Chicago • Cleveland • Dallas • Detroit • Indianapolis • Jacksonville • Kansas City • Louisville • Los Angeles • Milwaukee • New York • Oakland • Philadelphia • Pittsburgh • Portland • Saint Paul . . . and Foreign Affiliates in: Amsterdam • London • Milan • Paris • Rome • Toronto • Zurich

'Persistent' recovery policy cuts Parke, Davis fleet coverage cost

By ROGER SIMPSON

DETROIT—Both penalties and rewards for drivers may play a part in keeping a company's fleet accident rate low.

But a statistic that matters more than the accident rate on corporate ledger sheets is the total cost to the company of its fleet insurance program. Parke, Davis & Co. demonstrates that thorough and "persistent" techniques for recovering physical damage losses from third parties can sharply reduce fleet insurance costs.

In a *Business Insurance* interview, E. Dean Damon, Parke, Davis, insurance manager, said his company's recovery program returns 35% of the total cost of self-insuring the physical damage portion of its fleet coverage.

"WE RECOVER ABOUT 70% of the cost of accidents in which there is any recovery potential at all," Mr. Damon said. "Our leasing company tells us that the rate for industry in general is around 45%."

From corporate headquarters Mr. Damon supervises insurance and loss prevention programs for fleet cars used by 1,100 sales representatives of the pharmaceuticals manufacturer.

Fifteen years ago, Parke, Davis took insurance worries out of the hands of its salesmen when it first leased cars for their use. Liability coverage was assigned at that time to a commercial carrier — currently Aetna Life and Casualty.

The company reasoned, though, that it could administer losses to its own fleet vehicles as well as an insurer could.

ON THE AVERAGE, Parke, Davis's insurance department receives 750 physical damage reports a year. The routine processing and the "follow through" that has given the company its above average recovery rate are handled by two persons. Herbert Johnson, Mr. Damon's assistant, devotes part of his time to physical damage cases.

"We simply refuse to accept 'no' for an answer," said Mr. Damon in explaining how the department pursues third party settlements. "We demand to know why a claim is denied."

The persistence pays off, Mr. Damon said. Often, insurers reverse themselves after once denying claims to settle for some or all of the amount asked by Parke, Davis, he said.

Cases in which "significant amounts" are at stake (as little as \$200 or \$300) may be referred to attorneys to seek recovery on a contingent fee basis.

Mr. Johnson said that he strives to recover from third parties in some accidents that an insurance company would classify as preventable. "If there is any negligence on the part of our driver, the insurance com-

pany might classify the accident preventable. We call it non-chargeable and attempt to collect," he said.

"In short," he said, "if our car is hit, we assume for recovery purposes that the other driver is responsible."

If a Parke, Davis sales representative is the sole cause of an accident, the company absorbs the cost of damage to the ve-

hicle.

However, the driver who repeats such "chargeable" accidents is reported by the insurance department to the branch manager. "He usually gets some special attention," Mr. Damon said.

PARKE, DAVIS salesmen are given safety information programs once or twice a year in

their branch offices by the carrier. The company also participates in an incentive program sponsored by the Ford division, Ford Motor Co.

Under the Ford program, Parke, Davis drivers who complete a month without an accident qualify for a contest in which the winner is given the use of a Ford division car for one month.

In a six-month contest, drivers qualify for Ford-sponsored prizes of a stereo-television console, a color tv set and a transistor radio.

The Ford contest has been in effect for a year and a half, but

Parke, Davis is hesitant to employ other incentives fairly common in industry, such as buttons, prize points or safety "diplomas," Mr. Damon said.

"It is hard to assess the value of incentive programs. We're dealing with sophisticated salesmen who can't be treated like a bunch of kids."

"The driving ability of these men is a secondary concern to us. We have to remember that the man who is a poor driver may also be a top notch producer. This is a factor that must be considered in designing an effective safe-driving program for our salesmen."

ever wondered what a who's who of insurance brokers would look like?

ALASKA, Anchorage, LaBow, Haynes Co. of Alaska Inc.
ALABAMA, Birmingham, Independent Insurance Agents, Inc.
Mobile, Thames & Batre
ARIZONA, Phoenix, National-Heard Insurance Agency
ARKANSAS, Little Rock, Rector, Means & Rowland, Inc.
CALIFORNIA
Los Angeles, Kindler, Laucchi & Day
San Francisco, Clifton & Company
CANADA
British Columbia, Vancouver
Durham & Bates Agencies Ltd.
Manitoba, Winnipeg, Ryan Agency Limited
Ontario, Toronto, Tomenson, Saunders Limited
Quebec, Montreal, The E. A. Whitehead Co.
Saskatchewan, Regina, Duckett's Limited
COLORADO, Denver, Van Schaack & Company
CONNECTICUT, Hartford, Goodwin, Loomis & Britton
FLORIDA, Jacksonville, Donald A. Bolton & Company
Miami, D. R. Mead & Company
GEORGIA, Atlanta, Durlap & Company
Savannah, Palmer & Cay, Inc.
IDAHO, Boise, Stein-McMurray Insurance Agency
ILLINOIS, Chicago
Stewart-Keator-Kessberger & Lederer, Inc.
INDIANA, Indianapolis
Robert N. Bowen & Associates, Inc.
IOWA, Des Moines, LaMair-Mulock-Condon Co.
KANSAS, Wichita, The Wheeler Kelly & Haggy Ins., Inc.
KENTUCKY, Louisville, Nahm and Turner, Incorporated
LOUISIANA, New Orleans, Gillis, Hulst & Colcock, Inc.
MAINE, Portland, Morse, Payson & Noyes
MARYLAND, Baltimore, Riggs-Warfield-Roloson, Inc.
MASSACHUSETTS, Boston, Boit, Dalton & Church Incorporated
Lowell, Fred C. Church & Co.
MEXICO, Mexico City, Kennedy & Hijo, A.P.
MICHIGAN, Detroit, General Underwriters, Inc.

MINNESOTA, Minneapolis, Wirt Wilson & Company
MISSISSIPPI, Jackson, Fox-Everett, Inc.
MISSOURI, St. Louis
Lawton-Byrne-Bruner Insurance Agency Co.
NEBRASKA, Lincoln, Weaver-Minier Company, Ltd.
Omaha, Jones-Weaver-Minier-Martland
NEW YORK, Buffalo, Laverack & Haines, Inc.
New York, Despard & Co., Inc.
NORTH CAROLINA, Charlotte, James J. Harris & Company
NORTH DAKOTA, Fargo, Warner and Company
OHIO, Cincinnati, A. W. Shell & Company
Cleveland, The W. F. Ryan Corporation
OKLAHOMA, Tulsa, DeSelms, Bogart & Hall
OREGON, Portland, Jewett, Barton, Leavy & Kern
PENNSYLVANIA, Philadelphia, O-W & Criddle Associates, Inc.
Pittsburgh, O-W & Criddle Associates, Inc.
PUERTO RICO, San Juan, Barros & Carrion, Inc.
SOUTH CAROLINA, Columbia, Boyle-Vaughan Agency
TENNESSEE, Kingsport, Bennett & Edwards Agency, Inc.
Memphis, E. H. Crump & Company
TEXAS, Dallas, Munger-Moore & Associates
Houston, Houston, Stevenson & Cummings
UTAH, Salt Lake City, Ed. D. Smith & Sons
VIRGINIA, Richmond, DeJarnette & Paul
Roanoke, Chas. Lunsford Sons and Izard, Inc.
WASHINGTON, D. C., Howard & Hoffman, Inc.
WASHINGTON, Seattle, LaBow, Haynes Company Inc.
WEST VIRGINIA, Charleston,
McDonough-Caperton-Shepherd-Goldsmith
WISCONSIN, Milwaukee, Carney-Rutter Agency, Inc.

ARGENTINA, AUSTRALIA, BELGIUM, COLOMBIA, ECUADOR,
FRANCE, GERMANY, ITALY, NETHERLANDS, NEW ZEALAND,
PERU, VENEZUELA

now you know

These firms comprise the world's most powerful network of independent insurance brokers—the I.S.A.

A network that can serve you with on-the-spot insurance representation virtually anywhere, any time.

(Or break language barriers, assist with financial contacts and sources of market information. Provide easy entree to any number of circles.)

I.S.A. brokers ARE the predominating insurance forces in their areas and there's a member near you. Explore their services, domestic as well as foreign. See what it can mean to have more than sixty home-office first teams at your command.

INSURANCE SERVICE ASSOCIATES



Hanson joins Fireman's

John L. Hanson has been named employee benefits representative in the San Francisco branch office of Fireman's Fund American Life Insurance Co., to serve the Northern California territory. Mr. Hanson, in the insurance business since 1958, has served as employee benefits representative for companies in Pittsburgh and Syracuse as well as here.

Aeroquip worries about nuclear risks cover

JACKSON, Mich.—Although it has what it believes to be the most comprehensive insurance program it can buy, the international Aeroquip Corp. headquartered here is finding its big worry lies in coverage it has in connection with products for the nuclear industry.

"This is a real problem we are not happy about," explained Frederic W. Corwin, corporation secretary. "We simply haven't been able to find a way to plug the gap."

He was talking about the blanket coverage given such operations as nuclear power plants both during construction and later during operation. He says most of them have \$50,000/\$100,000 deductible clauses despite high total coverage figures ranging well into the millions.

HE POINTED OUT that Aeroquip supplies a great deal of equipment for this type of installation and as a result comes under the blanket coverage.

"The thing we don't know," Mr. Corwin said, "is whether or not the nuclear plant operator might be able to come back on the parts manufacturers, in case of a nuclear incident, to seek reimbursement for the deductible amounts."

"Of course, the ideal solution would be to obtain a hold-harmless agreement, but this really isn't practical. One reason is that when we supply many of the products, we don't actually know how some of them may be used. That same reason is why we haven't been able to find any way to insure ourselves against such an eventuality."

Mr. Corwin pointed out, too, that the company does have general product liability and suits occasionally are filed in this area, "but those suits drag on sometimes for years." He did not feel that basic product liability insurance would include products used in a nuclear installation.

Mr. Corwin added that the government covers possible excess claims above the amount of insurance held by the plant operators, but does not cover the deductible amounts.

The loophole of insurance coverage is all the more a matter of concern to the company in the light of the extent of coverage it holds in every other direction.

Property damage is covered



Frederic W. Corwin

for U.S. and Canadian plants under two policies written by Factory Insurance Assn. and the Factory Mutuals. These are written on the basis of the cost of

reproduction rather than actual cash value. The policies include interruption of production losses. Both property damage and interruption have a \$5,000 deductible.

GENERAL LIABILITY for company-owned cars and non-owned cars is covered for all locations in the U.S. and Canada by Travelers Insurance Co. Mr. Corwin declined to disclose limits of the coverage but indicated it was sufficiently high to meet any foreseeable situation.

Travelers also provides general comprehensive liability insurance, including product liability.

One unusual phase of Aeroquip's insurance program is designed especially for Aeroquip by the Aircraft Builders Council, an insurance group specializing

in this type of policy. This covers the three company-owned aircraft on a per seat basis.

IN ADDITION, the policy includes what is termed "grounding insurance." This is designed to protect the company against claims which might be made if aircraft using Aeroquip parts might be grounded either by the Federal Aviation Administration or the Civil Aeronautics Board.

When the agencies might suspect a faulty part in certain types of aircraft, the planes in the classification have been known to be grounded with resulting losses to the airlines. The policy covers this possibility.

Mr. Corwin says that subsidiaries and associate companies in other countries obtain similar coverage through insurance

firms in their own countries.

These include Aeroquip G.m.b.h. in Germany; Aeroquip Sudamerica Industria e Comercio, S.A. in Brazil; Aeroquip Mexicana, S.A., Mexico; Edward Yates & Sons Ltd., England, and Toyo Joint Co. Ltd., Japan.

MR. CORWIN INDICATED the company has had to develop an expanding insurance program because of the rapid growth the firm has shown over the last ten years through its domestic industrial divisions, Marman, Barco and Republic Rubber, as well as in overseas operations.

Nature of that expansion is apparent in the fact that net sales in 1958 were \$35,686,930, compared with net sales for the fiscal year ending Sept. 30, 1967, of \$123,444,427.

Policies cover sales lost in devaluation

TOKYO—Some Japanese exporters who may lose contracts in the United Kingdom and Hong Kong because of the recent pound devaluation are protected by export insurance system compensation, according to Japan's Export Insurance Assn. The association interprets certain contract cancellations resulting from currency devaluation as an "accident" and permits compensation payment.

Under the export insurance system, exporters' simple losses from exchange rate changes, including devaluation, are not covered. But when cancellation of an export contract by a foreign importer is deemed an accident, under guidelines in a 1965-manual, then insurance applies.

Such a case would involve a situation where an exporter pays in dollars for products which the final buyer purchases for pounds.



Buyers urged to take greater interest in rehabilitating employees

CHICAGO—A claims cost control supervisor and rehabilitation coordinator for a large carrier has urged risk managers to take a more active interest in the rehabilitation of injured employees to cut insurance costs and make certain the best interests of the injured party are served.

Marvin Brantman of Continental National American Group told *Business Insurance* that buyers investigate the rehabilitation philosophy of their carrier's workmen's compensation, salary continuance and liability policies.

"Most insurance companies are equipped to issue claim checks quickly," Mr. Brantman

said, "but today, carriers must do more, restoring the injured party to useful service."

HE SAID that some carriers are spelling out the rehabilitation rights of injured parties in salary continuance and workmen's compensations policies. "The workmen's compensation carriers are real leaders in this field," He said. "Salary continuance and now liability are following suit."

"In many cases, the insurance buyer must represent the injured employee for the company," Mr. Brantman said.

"The insurance manager should keep in touch with the injured employee's claim. Don't

just trust the carrier to take care of everything, if only to evaluate the carrier's service and whether the carrier has a rehabilitation philosophy.

"Some insureds and their brokers require approval rights before any settlement is made and sometime carriers can not contact the injured employee unless the employer (and sometimes the broker) gives authorization."

MR. BRANTMAN also said that risk managers should actively promote in their companies a hire-the-handicapped philosophy, especially retaining rehabilitated employees.

With salary continuance

claimants, Mr. Brantman said, insurance manager must take into account other income sources, such as state temporary disability payments, social security payments and personal disability insurance policies. "It is also important to note that this income is tax free," he said.

Most policies take these income sources into consideration and keep benefits at 60% to 70% of an employee's regular earnings, he said. "There is a danger that excessive disability payment can rob an injured employee of the motivation needed to rehabilitate him."

Mr. Brantman said one of the major workmen's compensation carriers has estimated that it saves more than \$1,000 per case in routine industrial injuries when rehabilitation therapy is used.

IN 130 SPINAL CORD injury cases, Liberty Mutual reported that 40% of the claimants were

returned to employment with a total net savings estimated of \$3,700,000 after rehabilitation costs were deducted.

One new rehabilitation idea is granting trial work periods while disability benefits continue in full or in part. For example, a young art teacher, after an automobile accident, was left a permanent paraplegic. He was determined to return to work but feared that if he did so, his lifetime accident disability benefits would be cancelled.

The carrier assured the young teacher that if he was successful in getting a job, it would not terminate his claim and would keep it open. In return, he agreed that his benefits would be suspended if he earned more than the \$300 a month he was getting in disability payments.

He went ahead with physiotherapy, got a part time job teaching on an hourly basis and finally landed a one-year contract for a full time job.

IN ANOTHER case, a doctor with a \$2,500 monthly disability policy, was forced to stop work because of heart disease and diabetes at age 50.

The carrier promised that his benefits would continue during a training program in the specialty of allergies. The carrier agreed to pay him his benefit less the amount of salary the hospital was paying him for his residency.

"It's not possible to tell how much the carriers might ultimately save in these two cases," Mr. Brantman said, "but they don't stand to lose anything either."

If you've ignored corporate insurance cost analysis, we understand why. Who wants to sort through a mess of gobbledygook?

So we did something about it.

We came up with a system called IRIS* that makes the gobbledygook plain talk.

In other words, IRIS translates complicated numerical data into understandable information.

IRIS answers questions: What is your loss frequency by location? The average claim age? What location has the highest loss record? The lowest? Why? Are there any patterns, trends, relationships be-

tween one claim and another? Where? Why?

IRIS tells you when and where your insurance costs are out of line, in language you understand, in time to do something about it.

Simple, isn't it?

It could be IRIS is exactly what you need to manage insurance costs as efficiently as you manage other corporate expenditures.

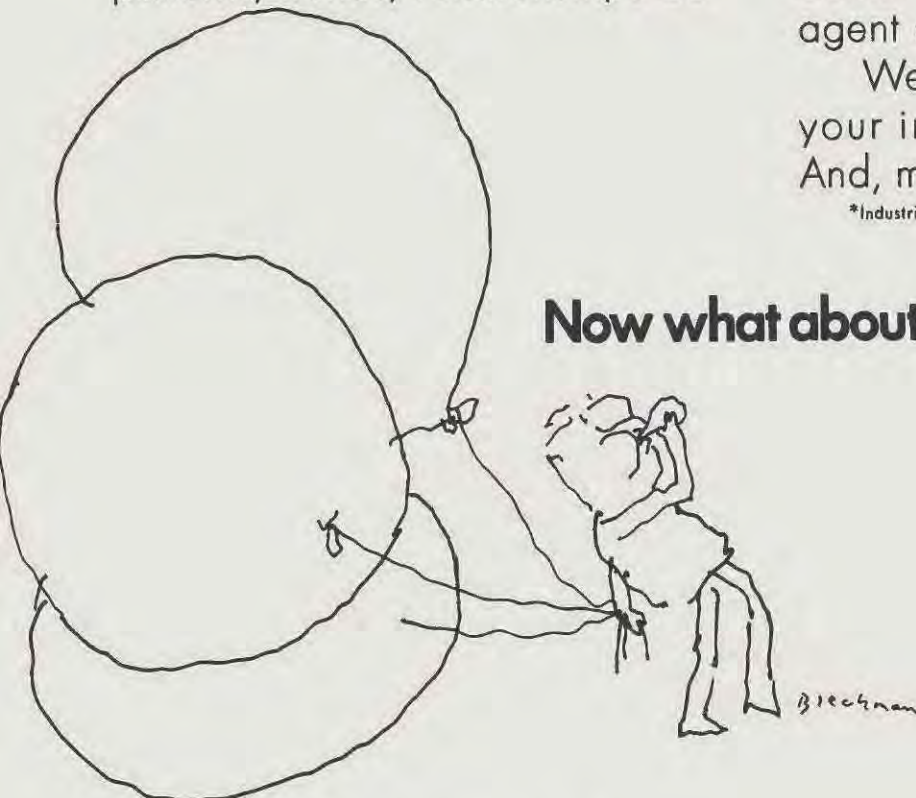
Another thing: We can integrate IRIS into your present cost analysis system, so you can see a relationship between insurance costs and other business factors.

If you'd like more information about IRIS, call your insurance agent or drop us a note.

We'll help you find out where your insurance money is going. And, most important, why.

*Industrial Risk Information System

Now what about insurance costs?



CNA CONTINENTAL NATIONAL AMERICAN GROUP
Dept. 18WX, Continental Center, 310 S. Michigan Ave., Chicago, Illinois 60604

Continental Casualty Co.; American Casualty Co. of Reading, Pa.; National Fire Insurance Co. of Hartford; Transcontinental Insurance Co.; Transportation Insurance Co.; Valley Forge Insurance Co.; Valley Forge Life Insurance Co.



**WOHLREICH
&
ANDERSON
Ltd.**

Underwriting Managers

B. J. DAENZER, President

55 JOHN STREET • NEW YORK, N.Y. 10038

Phone: 349-3020

HOWDEN SWANN GROUP

We offer you and your company your choice of the broadest coverages, the highest limits in

**DIRECTORS & OFFICERS
LIABILITY INSURANCE**

PLUS

**CORPORATION
REIMBURSEMENT**

underwritten in the world's most experienced markets.

W and A works exclusively through agents & brokers

but this coupon will bring you full information.

Mail to W and A—55 John Street—New York, N. Y. 10038. BI-8-1

Your firm or broker _____

Address _____

City _____ State _____

opinions

A workable solution

In a three-part series concluded in our last issue, *Business Insurance* took a long look at the problems of both employee and employer after an employee suffers a heart attack. It was brought out that employers are reluctant to hire workers with previous histories of heart trouble because of out-of-date workmen's compensation laws.

The laws in some states hold that a person who suffers a heart attack on the job is entitled to compensation whether or not the attack was caused by his work. Medical experts, however, point out that often heart attacks are not caused by what the employee does on the job.

The American Heart Assn. believes that customary and usual work for an individual is not a cause of heart attacks, although unusual strain might be. The association contends that courts and industrial commissions must be convinced that their present interpretation of workmen's compensation laws is too strict if the cardiac is to have the opportunity of becoming a working member of society.

It's our opinion that the employer pays for a worker's heart attack indirectly if he chooses not to hire him, via relief rolls and other tax supported welfare programs. We think the attitude of Inland Steel Co., which makes it a practice to rehire cardiacs and to find appropriate work for them, is a sound and workable solution to the problem. Inland is one of several companies with extensive cardiac rehabilitation programs.

As Joseph L. Block, chairman of the Chicago-based steel company, explained to this publication, "There's a place in industry for the worker with heart disease." Mr. Block went on to say that before an employee who has suffered a heart attack can come back to work a physical examination must pinpoint the precise nature of the worker's condition and a job must be found which matches his ability to work without undue hazard to his welfare.

But, said Mr. Block, the most important factor is a cooperative attitude on the part of unions with respect to seniority rules and job assignments, the demands for health examinations, pensions and workmen's compensation laws.

Sometimes unions don't exactly relish the idea of allowing an employer to give a worker a physical examination once he's been hired, and employees continue to harbor the suspicion that they will be fired if a checkup reveals a heart ailment.

We think an understanding attitude on the part of both labor and management is essential to helping the cardiac. If he can't find a spot in today's industry, he'll become just one more drag on an economy that is already overburdened with individuals who find it difficult to get work.

What's in a name?

A group of corporate risk managers held a provocative discussion the other day about how their titles have evolved with their function and importance in the corporate structure.

Originally many companies employed insurance clerks whose job it was to check premiums charged against manual rates and to keep records of when insurance policies lapsed. They fulfilled only a clerk's function, never questioning the necessity for coverages or

business insurance

for buyers of employee, property and liability protection

RANCE CRAIN, Editor
Senior Editors: New York—WILLIAM A. GUEST, Chicago—LOUIS HAUGH.
Associates: New York—GEORGE YOUNG, ROBIN MENZ, Chicago—BONNIE PROVENZANO, San Francisco—KENNETH R. MACDONALD. Correspondents in all principal cities.
BURTON ROVENS, art director.

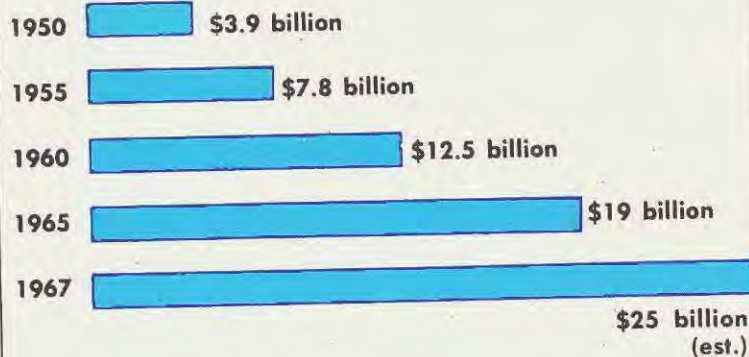
Contributing Editors: DONALD BERRY, insurance manager, Borden Co., New York.
THOMAS J. LASKOWSKI, safety and claims supervisor, Transit Insurance Administrators, San Francisco.
CHARLES LEVINSON, insurance manager, Port of New York Authority.
ELLIOT BEIER, manager of pension and profit sharing services, Maxwell Ohlman & Co., New York.
J. E. BENOIT, head of insurance division, Expo '67, Montreal.
CARL J. VOGT, supervisor of workmen's compensation, General Tire & Rubber Co., Akron.
H. CHARLES KWASHA, partner, Kwasha Lipton Co., Englewood Cliffs, N.J.
HOWARD L. PECK, partner, Hewitt Associates, Libertyville, Ill.
BION H. FRANCIS, insurance manager, Crucible Steel, Pittsburgh.
J. P. OLSEN, insurance manager, Ingersoll-Rand Co., New York.
NED MILLER, partner, Romm, Miller & Lazarus, New York.

MYRON A. HARTENFELD, publishing director
ALFRED MALECKI, advertising director
DALE BOENISCH, administrative assistant and production manager
District managers: New York—CHARLES A. HORVATH.
Chicago—LAMAR R. LEAHY, WILLIAM SUDSBROOK.
Assistants: MRS. JOAN ECHEVERRIA, BERNICE STELTER

Published by Advertising Publications, Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion, Marketing Insights.
G. D. CRAIN, JR., chairman
S. R. BERNSTEIN, president
M. A. HARTENFELD, vice-president and business manager
G. D. LEWIS, vice-president, sales
J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, D. J. CLEARY, JR., vice-presidents.
G. R. CRAIN, secretary and treasurer, J. H. TERRY, assistant secretary and assistant treasurer.

Cable address: ADAGEAPI
Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New York 10017 (YU 6-5050); National Press Bldg., Washington, D.C. 20004 (RE 7-7659); 1018 Fisher Bldg., Detroit 48202 (TR 2-7211); 6404 Wilshire Blvd., Los Angeles 90048 (OLive 1-3710); San Francisco (GR 4-8532).
35 cents a copy, \$8 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra.
WILLIAM STRONG, circulation director. Four weeks' notice required for change of address. Address all subscription correspondence to ELOISE D'OVIDIO, circulation services manager.
Business Publications Audit of Circulations membership applied for.

Benefits are booming



These are totals of employer and employee contributions to employee benefit plans. Included are contributions for life insurance and death benefits; accidental death and dismemberment benefits; health benefits including hospitalization, surgical and regular medical benefits, and major medical coverage; temporary disability, and retirement benefits. Benefit contributions are now increasing at the rate of \$2 billion annually, bringing current contributions to an estimated \$25 billion. Employee benefits reached \$7.8 billion in 1960 and \$13 billion in 1965.

Source: Social Security Administration,
U. S. Department of Health, Education, and Welfare.

whether their companies' risks were adequately covered.

Next came insurance buyers who were far more discriminating about the policies they purchased and far more demanding about the protection and services offered by insurance carriers.

Insurance buyers soon came to be called insurance managers in recognition of their growing involvement in meeting corporate needs with appropriate insurance purchases.

Today we think of these men as risk managers, intimately involved in every major corporate decision ranging from expansions to mergers to product development. Risk managers are relied upon to anticipate every contingency of company operations and to assure that these contingencies are covered by self-insurance funds or outside insurance coverage.

But risk managers do much more. They are concerned as much with loss prevention as with insurance coverage. They have become important parts of modern management team.

As one risk manager put it, "The last thing I do is buy insurance." That's why he doesn't think of himself any longer as an insurance clerk, an insurance buyer or an insurance manager. Being a risk manager requires a man to see an infinite number of dimensions and coverage requirements in every corporate decision.

Wilmington (Del.) Morning News

Modernized Insurance Law

It is a massive document—the revised state insurance code recently up for discussion in the state capital. And not too much has been heard yet in either praise or criticism of it from the insurance industry or the responsible state authorities.

It cannot be said that the study and the drafting of legislation were accomplished under an unfair deadline. Two years have elapsed since the legislature, at Insurance Commissioner Robert A. Short's behest, put up the funds for the project.

Mr. Short has indicated he is reasonably well satisfied with the draft, and will be better satisfied when some omissions are taken care of. One glaring omission from the new code is any provision for competitive bidding in the field of public risk. This hole, says Mr. Short, is to be filled by a supplementary bill being readied for introduction.

There can be no question that the taxpaying public is entitled to the purchase of fire and other insurance on state-owned buildings, vehicles, and the like, by competitive bidding on standard specifications. Mr. Short estimates that the state has saved \$1.5 million in the short time this new practice has been in effect. And the state's adoption of self-insurance up to \$100,000 in fire damage, a year, has resulted in substantial savings in premiums paid out. Insurance on public property is at last taking its proper place among other services and goods as something to be bought in the competitive marketplace.

Providence (R.I.) Journal

Sharing the Burden

The Senate has approved a proposal to set up a system of government-subsidized insurance for property owners in 40 flood-prone areas of the country, and there is much merit in the plan. But the system, as reported by the wire services, appears dangerously lax in requiring state and local action to discourage construction in the high risk flood areas.

When nature strikes an extraordinary and shattering blow at a community, such as Fairbanks, Alaska, or at an area, such as hurricane-flood prone beaches in New England, there is cause to look to the federal government to undertake a larger share in protection, a share that is beyond the means of the communities and states.

Under the new Senate program, the Department of Housing and Urban Revelopment would administer a system permitting the federal government to pay part of the costs of premiums for policyholders in areas subjected in the past to severe flood damage. Sen. Harrison A. Williams Jr., Democrat of New Jersey, said the plan "fills a serious gap" in existing insurance systems.

letters

Objects to forms

To the Editor: I read with interest the copies of your new publication and am certainly enthusiastic about the fact that we may finally have a magazine which is directed to, and will give information to, the corporate insurance manager. There certainly has been a gap in this area as most insurance publications are directed to the brokers or agents in the field.

I am also hoping that your publication will provide a forum for the exchange of information as well as possibly an avenue which may be used to bring to the attention of the insurance companies problems which may be common to people who purchase insurance and possibly correct any errors or difficulty through this type of forum. A perfect example of this is the forms that are presently in use in order to develop the proper information and premiums for business interruption insurance.

I think the form now in use is common to most insurance companies and it is apparent from this form that it was developed many years ago, possibly by someone who was not quite familiar with accounting procedures; and despite the many complaints and inquiries that we have personally made to our insurance carrier in connection with this form, it seems that they are more or less saddled with it.

It would be interesting to ascertain whether other insurance buyers have also had problems with their accounting departments in connection with completion of this form and even when it is properly completed, if they are certain as to just what is covered by it.

Certainly, if all insurance buyers are plagued with the problem of business interruption forms as they are used today, it would call for a change in the forms but, of course, it must be impressed on the insurance companies that the change must be made with the help of an accounting firm so that accountants who are obliged to develop the information for the forms will be able to interpret them intelligently.

Thank you for this opportunity to more or less start the ball rolling on the problems of insurance buyers and I would certainly like to hear the comments of other insurance buyers who may be having similar problems and possibly if we pool our knowledge and energies we may all benefit from the results.

I. Roberts,
General Credit Manager,
Bulova Watch Co.,
Flushing, N.Y.

'Welcome and useful'

To the Editor: I have read your magazine with interest. It is most welcome and useful.

The contents are varied as to all types of insurance coverage, past, present and future.

The articles in regard to fringe benefits, cost and control are most interesting as this is a large cost for labor in all companies.

Your magazine will be helpful in keeping abreast of today's growing markets for all insurance risks.

B. J. Satterwhite,
Insurance Manager,
LTV Electrosystems, Inc.,
Greenville, Tex.

Continued on page 22

Fireman's Fund okays deductions for mutual funds, alters benefits

SAN FRANCISCO—A growing interest in mutual funds by the staff of Fireman's Fund American Insurance Cos. has resulted in the company approving payroll deductions toward the purchase of shares in the Commonwealth Group of Mutual Funds. The new benefit will begin this month.

The Commonwealth Group, which consists of four funds, was affiliated with the Fund American Cos. in 1966. The new employee benefit is a direct result.

The plan will be available to all full-time permanent employees who are 25 years old and have completed one year of service.

AN EMPLOYEE MUST have at least \$100 available to begin the investment program, and must authorize payroll deductions on a regular basis. Deductions may range from a minimum of \$5 a payroll period up to 10% of gross salary. Once a year, additional shares may be purchased by a single lump sum deposit.

The Fund American will pay the customary sales charge of 9.29% on each \$100 of shares purchased by an employee. This \$9.29 represents a taxable benefit to the employee and must be reported as "other compensation."

Other new year improvements in employee benefits include giving each regular employee an automatic \$2,000 of group life insurance at no cost. The same amount of protection is available in the event of accidental death.

The "per disability" deductible has been removed from the medical expense plan and has been replaced by an annual \$75 deductible.

The plan then pays 80% of the next \$2,500 of covered expenses and after that pays 100% of expenses up to a maximum lifetime benefit of \$40,000 per person.

Places Detroit riot losses at \$33,000,000

DETROIT—Direct insured losses in this city's July riots totaled about \$33,000,000, well below interim industry estimates, according to David J. Dykhous, Michigan insurance commissioner.

All but a handful of companies reported their losses during the period July 23-31 to the insurance bureau, Mr. Dykhous said. The few insurers that haven't reported losses had little, if any, business in the riot area, he said.

An industry trade group estimated insured losses of \$85,000,000 not long after the riot smoke cleared. As recently as a month ago, an official of the General Adjustment Bureau Inc., said the final figure would be below \$60,000,000.

Of the total \$32,916,838 loss, extended coverage accounted for \$16,049,857. Fire losses incurred amounted to \$5,573,706.

Losses under commercial multiple peril policies were \$6,967,463, homeowners' multiperil losses \$851,790 and inland marine \$2,215,623.

Other losses included allied extended coverage lines \$68,472, automobile physical damage \$142,640, plate glass \$96,143, burglary and theft \$416,352 and all other lines \$534,787.

To keep staff members aware of company benefits and their effects, Fireman's Fund American has also prepared personalized annual statements of benefits for its more than 10,000 employees.

"Initial reaction has been exceptionally good," said Harry Dunkerton, personnel secretary. "In fact, employees are writing in to tell us how pleased they are with their statements."

The individual accounting is being carried out on electronic computers by Alextronics Corp., Baltimore, a division of Alexander & Alexander. A study has revealed that for every dollar of payroll, the company has paid an estimated 22.8¢ for employee fringe benefits.

"EVERY EMPLOYEE account will be updated and a new report distributed each year," said Jack B. McCowan, vp of personnel. "In this way, all staff members will be aware of the precise scope of their company benefits. Without realizing it," he continued, "employees are being paid a lot more than the amount shown in their pay checks."

Commenting in a recent staff letter on the Alextronics study, Fred H. Merrill, Fireman's chairman, also pointed out how costly it would be to duplicate the employee benefits program on an individual basis.

"The personalized reports are divided into two major sections," explained Mr. McCowan. "One section shows protection against financial loss arising

from sickness, accident or death, and the other lists benefits at retirement and thereafter. Also shown will be the annual value of the over-all benefit program."

LISTED FIRST ARE expenses covered under the company's group medical program, which last year paid out in excess of \$1,000,000 in benefits. In addition, the statement spells out how many full- and half-weeks' salary an employee is qualified for in the event of disability arising from accident and sickness.

Also shown is the lump sum value of an incentive savings plan which can be drawn upon in the event of disability. The pro-

ceeds of the basic and supplementary group life insurance are programmed together with Social Security benefits. In this way, a beneficiary knows clearly how much to depend upon in lump sum payments and monthly income, Mr. McCowan said.

The calculations for the company's retirement program are made by projecting salary to retirement date. "It's impractical to forecast salary changes and promotion," explained Mr. McCowan. The estimated income from Social Security is then added to the retirement figure to show the maximum benefit.

FOR EMPLOYEES WHO participate in the company's incentive and savings retirement program and who are accumulating additional retirement funds, there is a section showing interest as of the preceding Dec. 31.

Each individual statement concludes by showing the estimated annual value of benefits plus the contributions paid by Fireman's Fund American. "This really makes employees realize just what the company is doing for them; we know of one case where the statement prevented the loss of a key employee," commented Mr. Dunkerton.

Principals throughout the country described the plan to supervisors and department heads, who in turn spread the word to groups of employees. "Wherever possible, we tried to do it on an individual basis," Mr. Dunkerton stated.

"We hope in this way," concluded Mr. McCowan, "that all staff members will be aware of the precise scope of their company benefits, thereby enabling them to plan their future financial security."



The Company that fights for key people the way it used to fight for key people is going to lose the fight for key people.

If you go into the arena depending on salary to win—and keep—key people, you're going to be outpointed. Salary is something the Government chews up . . . in ever-increasing hunks.

You need benefit programs—the kind that are fresher, more sophisticated, more appealing. The kind to separate your company from that competitive com-

pany . . . the one just as hungry for talent as you are.

That's where Provident Mutual comes in. We view the whole wide spread of our benefit programs as recruiting tools. This means we do more shaping and tailoring than almost any other carrier around. *This* helps explain why our Group Life in force gained 33% in 1967.

We'd like to tell you

more. About Group Paid Up Life, for instance . . . a unique combination of term life and paid-up life, but it can't be done here. We urge you to fill out the coupon. We'll forward complete information. Better still, call one of our people. You'll find him knowledgeable and resourceful. You'll find he thinks aggressively . . . like a hard-nosed recruiter.

PROVIDENT
MUTUAL LIFE
INSURANCE COMPANY OF PHILADELPHIA

P.O. Box 7378, Philadelphia, Pa. 19101

Please send me details on Group Paid-Up Life, plus "The Flying Cloud" . . . a handsome 19 x 24 color print, very suitable for framing.

My name is _____

Address _____

Colorado turns down payroll plan, but official keeps door open

DENVER—J. Richard Barnes, Colorado insurance commissioner, has denied a motion by Transportation Insurance Co. for re-hearing on its automobile insurance "mass merchandising" plan, and the company has notified Mr. Barnes it will re-file the case with additional data.

In an order effective last Oct. 13, Mr. Barnes turned down the company's application for license to institute the new merchandising techniques in Colorado.

The company said it could cut policy premium costs by 25%, mainly through employer payroll deductions similar to systems already widely used in group health insurance plans.

Mr. Barnes emphasized his order turning down the initial filing was not a rejection of the principle of "mass merchandising" for auto liability and physical damage insurance. He said the ruling did not mean that the application represented an inva-

sion of group insurance as far as the Colorado department is concerned.

THE REJECTION was made on grounds the company had failed to comply fully with Colorado laws and regulations requiring adequate supporting data.

"The evidence presented indicates that 'mass merchandising,' if on the proper basis, may well be in the public interest," Mr. Barnes said.

He said the company's failure to supply substantial data to support reduced acquisition cost was "the primary factor influencing

his decision."

Mr. Barnes said the plan would provide typical auto insurance policies similar to those of stock companies but they would be at a lower rate. Mass merchandising, he explained, includes direct mail, payroll deductions through a policyholder's employer company, and use of mass media.

"WE WILL SEE more and more of this trend nationally. Unions have proposed that employers provide auto insurance and even home owners insurance but the unions haven't pushed it yet. There are many serious un-

derwriting and financing problems involved," Mr. Barnes continued.

Transportation Insurance Co. has filed in many states, he added. Applications were approved in Oregon and Illinois but a court test was filed in Illinois.

Nationwide Mutual Insurance Co. was licensed in Colorado for the mass merchandising method earlier this year and has installed a plan with one employee group, Mr. Barnes said.

Some of the longest debate of the final committee meeting came over the granting of hospital rate discounts to Blue Cross-Blue Shield.

Rep. Robert D. Turner, a committee member, contended that cash-paying individuals "who paid their bills as they left the hospital" were paying higher rates than those covered under

Blue Cross-Blue Shield.

HE ASKED THAT consideration be given to legislation which would require hospitals to extend discounts equally to all prompt-paying customers. Committee counsel advised the committee, however, that such legislation might run into constitutional difficulty.

Greenville Hospital Director Robert E. Toomey, another committee member, said such direction should be left to the hospitals. He said Blue Cross-Blue Shield plans "pay us more money, give us better service and better benefits than any other company. That's why they get a discount."

"If I could get other private companies for the federal government to do that, I would love it," said Mr. Toomey.

Bill requires safety data for trucks

WASHINGTON—All interstate trucks and buses would have to be equipped with recording instruments which provide a permanent record of speed, distance traveled, non-operating time of the vehicle, and the number and duration of stops, under a bill introduced by Rep. Paul Findley (R., Ill.).

According to Rep. Findley, the bill would be a major step forward in reducing the "heavy toll of accidents in which trucks and buses are involved." He said that, "while the instruments themselves will not directly prevent accidents they will serve as a warning device to drivers and provide accurate records on a continuing basis for owners, drivers and law enforcement agencies."

He said that according to the National Safety Council's 1965-66 report covering 104 fleets operating 24,802 trucks, 10,852 of these trucks were involved in accidents. And, of 30 fleets operating 7,842 intercity buses, 4,759 were involved in accidents. He quoted Department of Transportation figures which showed that in 1966, 13,575 accidents were reported involving trucks and passenger cars. These represented 987 fatalities and more than \$17 million in damages.

Am. Cyanamid covered in two awards

NEW YORK—American Cyanamid was protected by insurance coverage in two accident cases that resulted in federal court awards of \$190,000.

In June, 1964 a company truck exploded in Monroe county, Pa. seriously injuring a volunteer fireman and killing another man.

The widow was awarded \$90,000 and another plaintiff \$100,000. American Cyanamid would not disclose the name of the carrier but did confirm that there was insurance which would cover the matter.

One of our 82 portable home offices.



Forest fires no threat to Union Camp's woods

NEW YORK—While devastating forest fires appear to be costly annual events in the Pacific Northwest, the situation is "markedly different" in the Southeast, where Union Camp Corp. owns or controls 1,650,000 acres of woodland. The company is a leading supplier of paper and paper products.

"Forest fires of any magnitude rarely occur in the Southeast because the acreage is broken up by roads and towns into small lots that are easier to control," according to Robert B. Schellerup, general insurance manager and a past president of the American Society of Insurance Management.

"We constantly review the fire

exposure on our standing timber but do not carry insurance on it," he stated. "Although a loss in any one stand could be severe, it would not wipe us out. Naturally, we carry full fire coverage on our approximately 30 plants and our chemical division."

WITH SO MANY locations, top management at Union Camp's New York executive office relies heavily on three company-owned aircraft to keep it in touch with plant managers and customers. These aircraft are considered a "definite asset to the company."

Harvard and maintained at Franklin, Va., are a nine-passenger Gruman Gulfstream turbo

prop valued at \$1,200,000; a Hawker Siddeley DH125 jet with a value of \$1,000,000, and a Beechcraft King Air turbo prop valued at \$500,000. The company has seven pilots and three mechanics to operate and service its air fleet.

Hull and liability coverage has been placed with the U.S. Aviation Insurance Group, successful bidder from among four carriers. Union Camp doesn't carry hangarkeepers' liability insurance at Franklin because it houses only its own planes there.

The hulls are written on a "value basis" with no deductible, and there is a single limit of \$10,000,000 on the liabilities, with no excess layers, Mr. Schellerup

said. Under a "valued basis" arrangement, the insurer pays a set amount stated in the policy—rather than replacement costs or actual cash value at the time of the loss.

"WE DID OFFER to carry a 1% deductible on the hulls," he said, "but the difference in premium the carriers offered us didn't justify our assuming this amount. Of course, the valued basis aspect of our policy makes it easier for us in the event of a claim, since no questions will be asked," he explained.

For the past three or four years, he added, Union Camp has had relatively low rates because of its good experience. However,

in June the company was told that its rates would be higher on renewal, which carriers said reflected a pattern throughout the industry.

Mr. Schellerup feels that—"unfortunately"—underwriting results are not broken down for individual companies. "We should get a better rating on our aviation insurance," he contended, "but ratings seem to be done on an over-all basis. I'm very aware of the need for lower premiums, since I report to the comptroller, but, of course, underwriters have to play the percentages."

"You can understand how they feel," he continued, "and intuition plays a large part in good underwriting. An account may not have an accident for ten years but the threat of catastrophe is always present."

"WHAT IT AMOUNTS to is that all leading carriers have been bidding against each other to see who can get the business on which they're bound to lose money. Obviously this has to change."

Mr. Schellerup said that the business aircraft market as a whole has not suffered from major catastrophes, but he contended that a rising percentage of smaller claims was "eating up the premium."

He also emphasized the important supporting role of the insurance broker to the buyer of corporate insurance. "After all, to be realistic, we need all elements of knowledge, and it's better for our companies if we don't put all our eggs in one basket."

The insurance executive visits plants on an average of three days a month to observe the company's accident prevention and equipment maintenance programs. In addition, he gets together annually with insurance managers from 25 other paper manufacturing corporations to discuss trends and developments.

EMPLOYEE BENEFITS for approximately 13,000 employees are handled through a separate department headed by Elmer C. Gustavson, who reports to the vp of industrial relations.

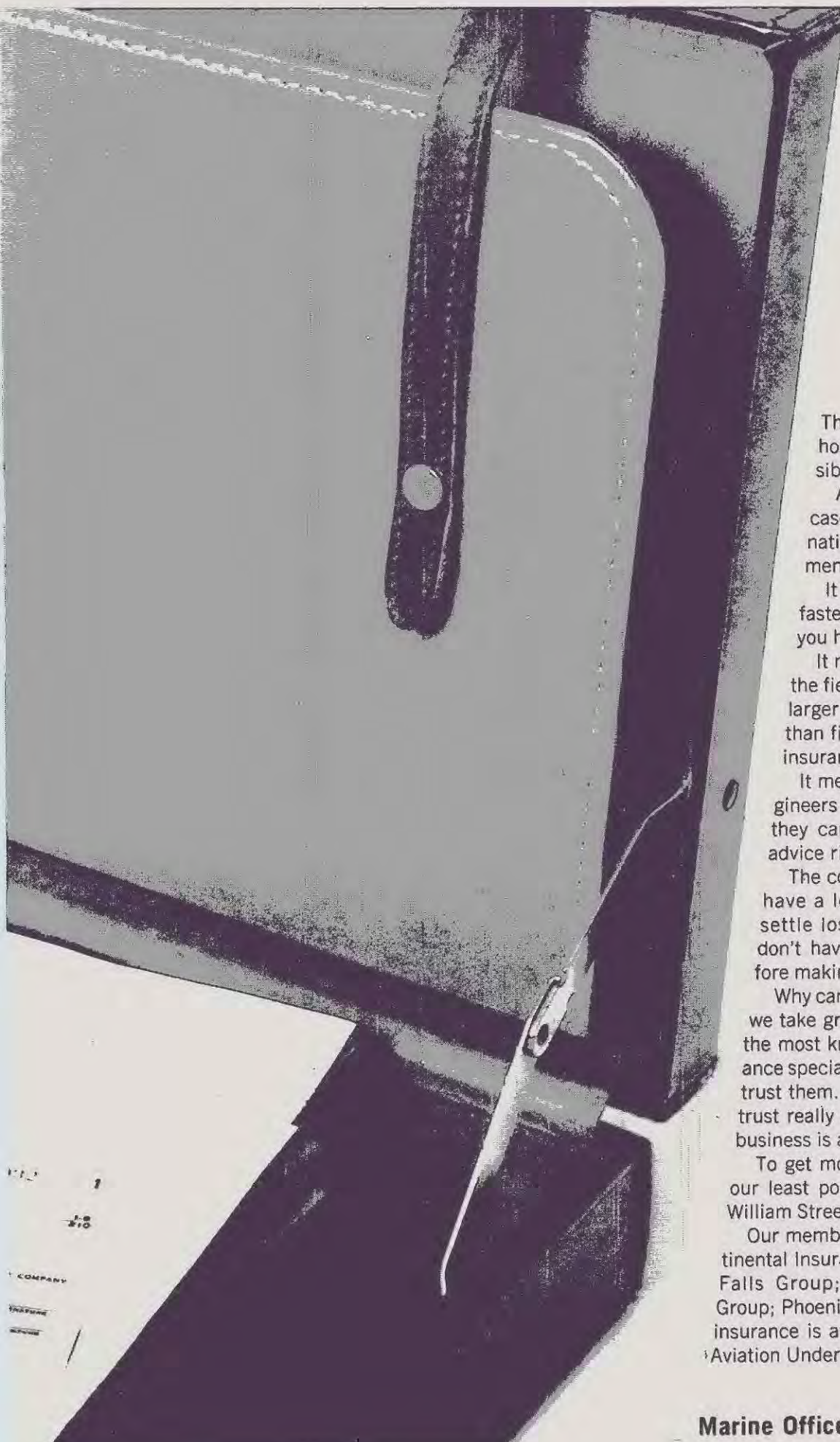
Mr. Gustavson, a chartered life underwriter, believes that buying insurance requires a "greater in-depth knowledge" than selling it. "When you have to sign a legal document or advise your superior, it really makes you aware of your responsibilities," he commented.

Although "corporate uniformity" is the eventual aim of the Union Camp benefits program, hospital benefits vary at different company locations. "There are valid reasons for this," Mr. Gustavson explained. "In South Carolina, for example, a semi-private room with board costs between \$18 and \$20 a day, but this figure would be far below the cost of the same accommodations in New York. The major medical limit fluctuates for the same reason, regional variations."

For qualified salaried employees there is a long-term disability policy with a waiting period of 26 weeks underwritten by Prudential Insurance Co.

Benefits which are integrated with Social Security or workmen's compensation can continue up to age 65 and will pay 50% of earnings, up to a maximum of \$2,000.

Coverage during the first 26 weeks is provided by means of a salary continuance policy; there is also a group weekly disability policy.



The MOA idea is to bring the home office as close as possible to you and your business.

And this applies to the briefcases of every field man in our nationwide group of 31 departmental and service offices.

It means that you can get a faster answer on any question you have for MOA.

It means that the MOA man in the field has the authority to bind larger risks, and bind them faster, than field men from other marine insurance carriers.

It means that our 15 marine engineers know their business so well they can give you loss prevention advice right on the spot.

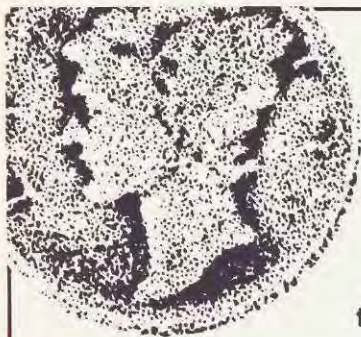
The concept works, too, if you do have a loss. Our field people can settle losses faster, because they don't have to check home base before making every move.

Why can we work this way? Because we take great pains to be sure we get the most knowledgeable marine insurance specialists on our payroll. Then we trust them. After all, aren't people and trust really what the marine insurance business is all about?

To get more of the MOA story, write our least portable home office, at 123 William Street, New York, N. Y. 10038.

Our member companies are: The Continental Insurance Companies; The Glens Falls Group; The Hanover Insurance Group; Phoenix of London Group. Aviation insurance is available through Associated Aviation Underwriters.

Marine Office of America **moa**



Profit-saving business insurance programs

for companies
throughout Ohio

We can tailor a cost-cutting commercial coverage program for you from offerings of the world's leading underwriters. And we're close enough to keep your protection plan economically sound with periodic reviews of your risk exposures. For our brochure—A FAST LOOK AT ATKINSON-DAUKSCH—Clip this ad to your letterhead or insert #300 on Reader Service Card.



Atkinson-Dauksch Agencies, Inc.
Insurance and Surety Bonds

40 W. Gay • Columbus, Ohio 43215 • (614) 228-5841

Wilwood considers insurance 'best package' in shoe industry

By DELL R. VAN ORDEN

SALT LAKE CITY—Three years ago, Wilwood Inc., a small independent retail shoe firm headquartered here—like so many small retailers across the nation—had a scattergun approach to its group insurance and employee benefit program.

Today, officials of the firm claim they "have the best insurance package in the retail shoe industry."

"We had some insurance then, but we weren't unified. We had different agents for different stores. Some employees participated in group plans in stores where we had leased facilities,

and some participated in our own plan," lamented Warren L. Woods, merchandising manager.

"WE WERE IN an expansion program and we realized if we were to retain our employees, we would have to come up with better employee benefits," he said.

So Mr. Woods contacted a Salt Lake insurance agent, Hugh W. Pinnock, general agent of Connecticut Mutual Life Insurance Co., who had earlier sold him an individual policy.

"Put a package together which includes the best employee benefits available," Mr. Woods challenged Mr. Pinnock.

The first thing Mr. Pinnock did

was to audit Wilwood's existing plan. Then he began to build a new program "like a contractor builds a house"—specifically designed to fit the needs of his buyer.

SEVEN MONTHS LATER—after a number of revisions and conferences between Wilwood officials and Mr. Pinnock—the plan, at an over-all savings to the company of 11%, was put into force. The starting date was March 1, 1965.

Highlight of the program, and the most exciting to the company's 52 employees, is the profit sharing, pension and retirement plan. Other features include group life and hospitalization insurance, key-man debt protection, travel accident insurance on company officials and accidental death and dismemberment insurance.

Total cost to each employee is \$8.58 a month if just the employee is covered or \$16.90 a month if coverage is for both the employee and his dependents.

One of the most unique aspects of the plan is that Mr. Pinnock, with two Salt Lake City radio personalities, created, under Mr. Woods' direction, an employee benefit sound film strip presentation, designed to more effectively communicate the benefits of the plan to department managers and employees.

Wilwood, which primarily sells exclusive lines of women's shoes, has seven leased departments in some of the major retail stores in Utah, Idaho and Colorado. In addition, it has a subsidiary, called Parkwood Inc., operating in New Orleans with three departments. A new department for each division is on the drawing boards.

THE FIRM WAS started in 1955 by Mr. Woods' father, Warren B. Woods, who is still president. The senior Mr. Woods had been associated with a leading Salt Lake City women's apparel store for 35 years.

Since the expansion program started in 1957, Wilwood has opened one new leased facility every year. The firm has no free-standing stores of its own, but leases facilities and space in leading women's apparel stores.

This year, according to the younger Mr. Woods, gross sales will reach about \$2.75 million.

"The profit sharing plan is our most important employee benefit," Mr. Woods explained.

The board of directors annually votes a percentage of the company's net profit—which is generally around 15% to 20%—to be divided among the employees on a point basis, he continued.

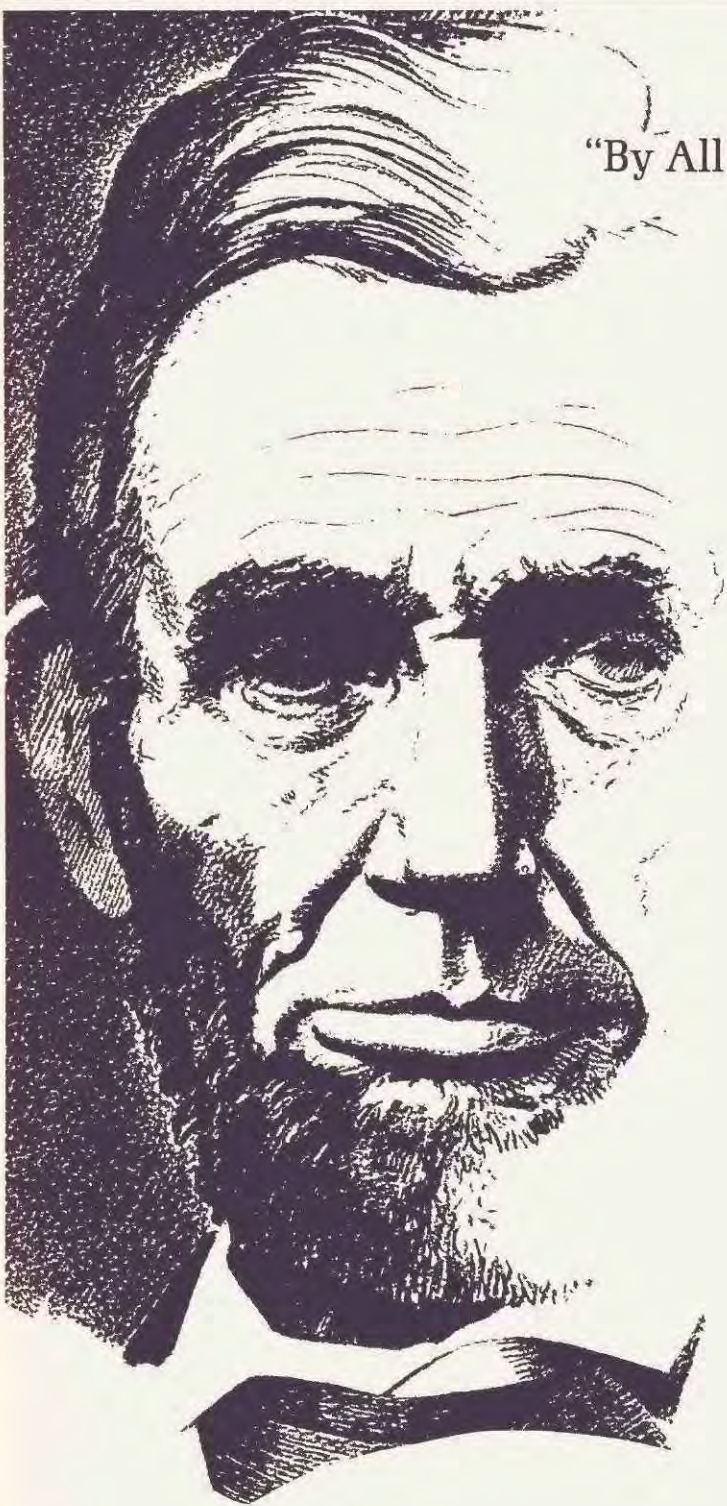
ONE POINT IS earned for each year of continuous service, and one point is given for each \$100 total compensation paid to each employee each year. The average contribution to each employee last year was "between \$600 and \$800," Mr. Woods said.

Two-thirds of the funds are invested in common stock and one-third in life insurance contracts with Connecticut Mutual, insuring the lives of the participants, who have the right to name their own beneficiaries.

"The life insurance increases the mileage of this plan so much more," said Mr. Woods.

After considering numerous programs, Mr. Pinnock chose

Continued on page 30



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

Abraham Lincoln

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

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

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

We at Leo B. Menner & Company have great belief in the economic and political future of America. In the insurance industry—especially, agents and brokers show promise of reaching heights unknown to their predecessors. Today, agents and brokers are better educated and better informed. As a result, they require better service. We will—to use Lincoln's expression—"do the very best we know how" to serve them unflinching.

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

LEO B. MENNER & COMPANY, INC.

(LEO B. MENNER IN KENTUCKY, INC.)

REINSURANCE • EXCESS AND SURPLUS LINES

INSURANCE AT

Lloyd's London
Exceptional Fire and Casualty Facilities for Agents and Brokers



business insurance/perspective

Wrap-up works for N.Y. trade center

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



Charles F. Levinson

The dream of every corporate insurance manager is to work a big deal where he saves his corporation millions of dollars in insurance premiums. Such an opportunity was mine several years ago when my employer, The Port of New York Authority, actively began preparation for the construction of a world trade center complex. The purpose of the World Trade Center was to house all of the services related to the movement of trade including such vital import-export trade services as New York's new and consolidated Custom House, other government trade services, foreign consulates and national government trade centers, international banks, marine insurance firms, and steamship, rail, air and truck carriers.

Most prominent among the proposed structures were two towers which exceed the Empire State Building in height. The over-all cost of the project was in the neighborhood of \$575,000,000 and was to be built over a period of six years. My first problem was to convince my management that the writing of the insurance for the contractor could be more efficiently handled, at less cost, by our purchasing the coverage rather than by the individual purchase of insurance by each of the several thousand contractors that were to be involved in the work.

We knew from past experience in construction jobs that the insurance cost, if the contractor included it in his contract cost, would run approximately \$6 for each \$100 of construction cost. We also knew that when purchased under a wrap-up plan the cost of the same coverages was cut approximately in half. Our preliminary estimate was that we could reduce our insurance cost from approximately \$35,000,000 to a little more than \$17,000,000 through the use of a wrap-up plan of coverage.

AFTER HAVING CONVINCED our management of the financial saving and the built-in efficiency of guaranteed coverage on each contractor stepping on to the premises of the project, we proceeded to lay the groundwork for obtaining this coverage. We examined all of the wrap-up forms and methods of coverage placement that had been accomplished in the past, including those we ourselves had worked out for the expansion of LaGuardia Airport and our third tube of the Lincoln Tunnel. We came up with a form



Twin towers of New York's World Trade Center in the model at the left will be higher than the Empire State Building. Construction work on the gigantic project is covered by a wrap-up insurance program that protects the Port of New York Authority and its contractors.

on the liability which seemed the broadest possible necessary to protect the Port Authority and its contractors, but yet one that would allow a large number of insurance carriers to participate in furnishing us with a cost on the project.

Among the things we decided was that the \$10,000,000 limit was necessary because of the location of the project in the midst of a densely populated area with heavy loss potential if any accident should occur. We felt that this would be entirely adequate to the contractors for whom we furnish the coverage since the highest limit ever carried by any contractor in this area was not in excess of \$3,000,000 when they purchased their own insurance.

IN ORDER TO INTEREST the largest number of insurance carriers possible, we held an orientation on the project for some 50 of the largest insurance carriers in our Transportation Building at the World's Fair, which was then in progress. It was a complete full-day meeting with talks followed by question-and-answer sessions by our architects, engineers and safety men, who would be working closely together on the project. About six weeks before we required quotations on the project, we sent our specification to those insurers asking that they furnish us with a price based upon each \$100 of construction for the liability coverage and a formula for arriving at a new workmen's compensation cost on the workmen's compensation portion of the risk.

In view of the high loss potential on third party liability, we felt that a retrospective plan was not applicable and asked that the quotation be on a guaranteed cost basis. For the opposite reason on the workmen's compensation we asked for a retrospective plan covering all contractors as well as a retrospective plan covering individual contractors whose premium exceeded \$100,000 for the project. We specifically placed a provision in

the specifications that any deviation from our specifications would result in the complete rejection of the proposal. This is one of the necessities for receiving comparative bids or quotations since the allowance of any deviation from the specifications will force you to make a comparison of apples and oranges, and this sort of comparison is almost impossible.

AS OF NOONTIME on the closing date for the receipt of offerings, we opened the submissions and discovered that we had a low bid on the liability from the American Home Assurance Co., but their compensation submission was of a type that probably would not be approved by the State Insurance Department. Considering this fact, we established that the best quotation on compensation was from the State Insurance Fund, which offered us a plan for which they already had approval.

Since the American Home quotation on liability was on the basis of writing both the liability and the compensation, we asked that they furnish us with a new quotation on liability, taking into consideration the disadvantage of not writing the compensation along with that liability. After furnishing us with a slightly increased rate, which was very favorable, we awarded the liability coverage to American Home. We then signed a contract of workmen's compensation coverage with the State Insurance Fund for that portion of the coverage.

More than a year has elapsed since the completion of these transactions, and we have been very satisfied with the coverage on the demolition at the building site as well as the beginning of the foundation construction that has been completed.

At the Port Authority we are firmly convinced that on a large project a considerable saving can be made for the owner. In addition, it simplifies the insurance certificate handling procedure, eliminating the need for checking into

the insurance program of each contractor before they are allowed to start work on your behalf. I doubt that it would be possible for any contractor to buy, individually, as broad a coverage as the property owner could purchase by putting all his eggs into one basket. There are certain steps which must be taken, of course, to insure that you save as much money as possible. One is to word your specifications so that the contractor does not make the mistake of putting an insurance charge in his bid price, in spite of your purchasing the coverage.

ANOTHER BENEFIT of a wrap-up is the fact that a very intense safety program can be instituted by one or two insurance carriers because of the large premium volume—as opposed to distributing the premium among several hundred insurance carriers who, therefore, cannot afford to do a thorough safety job because of the relative cost.

There have been attempts in many states to make wrap-up coverages illegal because of the fears of the smaller insurance broker that he would lose the premium income of his pet contractor if he entered into a project. This development should be watched closely by the larger buyers of insurance since such legislation would eliminate a good chance for the saving of money and greater efficiency of handling their wrap-ups on the next construction job.

Charles F. Levinson, insurance manager, the Port of New York Authority holds a B.A. degree from Columbia University and a CPCU designation. He was formerly associated with a number of Midwest stock insurance companies as insurance underwriter and field man. Mr. Levinson served as insurance manager of Magnavox Co. from 1954-57, subsequently becoming insurance consultant to Insurance Audit & Inspection Co.

perspective

Notification necessary when group coverage lapses

by John W. Giles
attorney-at-law
Washington, D.C.



John W. Giles

The majority of the state courts hold that under a group insurance policy, the employee is entitled to receive notice that the employer has terminated their relationship. The rationale of these decisions is that the privilege of converting the policy regardless of an employee's physical condition is a valuable property right; that it would be inequitable to hold that an employee may be deprived of this right without his knowledge, and that the inclusion of such a clause in the policy implies an intention that the employee should have knowledge of the precise date of the termination of his employment.

The cases representing the minority

view reason generally that, in the absence of a statutory or contractual provision, the courts cannot judicially insert such a provision in the contract.

In a recent California case, *Walker v. Occidental Life Insurance Co.*, the supreme court of California considered this problem of notification.

THE PLAINTIFF brought the action as beneficiary to collect the proceeds of two life insurance policies issued to her deceased husband. The plaintiff's husband had been an employee of a bank which was the policyholder of the two group insurance policies issued by the defendant insurance company. The policies and the certificates issued thereunder provided that the coverage on an employee terminated with his employment, but that he had the option within 30 days after termination, to obtain an individual policy from the defendant insurance company without evidence of insurability, in an amount not exceeding the face value of the group policies.

The employee was suspended from his position on April 14, 1961, and on November 13 of that year he applied to convert a portion of one of his policies. His application was rejected on the ground that it was submitted more than 31 days after his employment with the bank had terminated. He died shortly thereafter, and his widow brought the action, contending that she was entitled to the face value of the policies less the amount of premiums which would have been due from the time of the conversion application to death. The trial court found in favor of the defendant insurance company.

The primary problem posed was whether the existence of a 31-day conversion option implies a duty on the part of the insurer to give notice to an employee that his employment has been terminated.

The plaintiff's husband had been employed by the bank from 1924 until 1961.

In 1936 he applied for and was issued group insurance in the sum of \$20,000. The premiums were deducted from his salary. The master policy was administered by the employer. The bank maintained most of the insurance records and inquiries about various aspects of the insurance were referred by the defendant to the bank.

ON APRIL 14, 1961, the employee was notified orally that he was suspended from his position. On May 18, 1961, he was sent a letter stating that his employment had been terminated on April 14, 1961. However, the permanent records of the bank indicated that his employment had been terminated June 22, 1961, after some discussion about his retirement rights.

On November 13, the employee entered into a final agreement with the bank releasing the bank and its agents from any claims arising out of the termination of his employment. The bank then sent him an application for the conversion of his life insurance policies. On November 13, the plaintiff's husband sent to the bank an application for conversion of only \$10,000 of the \$20,000 policy. On the reverse side of this application which was to be filled in by the bank, the bank indicated that as of June 22, 1961, the worker ceased to be insured under the group policy for which conversion was sought. On November 27, the defendant insurance company informed the husband that the application could not be accepted because it was submitted more than 31 days after the termination of his insurance which, according to the bank's records, occurred on June 22, 1961. He died a few weeks after he received this notice.

The court held that the bank was the agent of the insurance company in the administration of group insurance policies. The court said, "It is evident that the privilege of converting a group policy to a policy of individual insurance within 31

days after termination of employment would be of dubious value if an employee was not entitled to be notified when the employer had effected a termination. Absent a requirement of notification in the instant case, the employee, who had paid premiums to the insurance company for 25 years on his group insurance policy with the assurance that if his employment was terminated by the bank, he could convert to a policy of individual insurance without evidence of insurability, would be deprived of this privilege simply because the bank, without unequivocal notice to him, unilaterally chose to regard the employment relationship terminated on a particular date. We therefore hold that notice of termination is essential in order to render viable the conversion privilege contained in the certificate issued by the defendant."

THE COURT FURTHER stated that the primary responsibility for giving notice of termination rests with the defendant (the insurance company) which issued the certificate setting forth the conversion privilege and which accepted premiums paid in reliance upon that right for 25 years. Defendant could, of course, delegate this task to the bank as it did other administrative duties in connection with the policy, but it cannot avoid the responsibility for notification simply by routine reliance on a book-keeping entry in the bank's records. The court concluded that termination of employment here occurred on November 13 and that the employee's application to convert his insurance on that date was timely and that defendant insurance company acted improperly in rejecting it.

The case illustrates the importance, in the case of an employee's termination of employment, of an immediate formal notice to the employee of the exact date of the termination of his employment and a reminder of his rights to convert any group policy which he may have within the prescribed period. It would seem preferable that this notice be sent by the insurance company.

John W. Giles, attorney at law, is a member of the bar of New York, Chicago and Washington, D.C. He is a former special consultant to the Comptroller General of the U.S., professor of law at Catholic University of America and the University of Kansas, assistant general solicitor for the Chesapeake and Ohio Railroad, and resident attorney for International Minerals and Chemical Corp.

Putting the captive company in perspective

by A. Felix Kloran
assistant vice-president
Alexander & Alexander, New York

Among the multiple options open to the aggressive and imaginative risk manager is that of the captive insurance company. Although this concept is not at all new, it has attracted considerable attention recently for several reasons.

First, the competent insurance buyer is interested in over-all cost reduction, and captive insurance companies, a highly sophisticated form of self-insurance, may offer lower costs.

Second, the decision to "build or buy" must be faced in all aspects of corporate management, and there is no reason why this yardstick should not be used for the risk management function. In other words, should insurance be purchased on the outside, or could a captive be "built" to handle a portion of the risk?

Third, as corporations diversify (vertically and horizontally—or hopscotch into the polyglot or conglomerate) provision of insurance and related staff services through a subsidiary insurance company may be an effective means of controlling

the cost and quality of those services without unnecessarily impeding local autonomy.

IT IS EXTREMELY important, however, that this entire subject be put in proper perspective. While the advantages may seem significant, especially for the large insurance buyer with a good loss record, it is essential that captive consideration be made in context of the over-all objectives of the risk management program. Cost, loss prevention, scope of coverage, ancillary services, administration and communication must be reviewed in any feasibility study, together with viable alternatives from the direct insurance market.

New concepts and new applications of old ideas are constantly coming into play, especially in the area of self-insurance and self-assumption of risk. Larger deductibles, "packages," spread-loss reinsurance plans, account underwriting, chronological stabilization schemes, stop-loss and annual aggregate provisions and loss cost distribution arrangements are all possibilities which should be considered along with the captive insurance

company approach.

What is a captive? A "pure" captive company has been defined as one owned by a noninsurance entity organized to insure solely the risks of its parent. It is perhaps, the ultimate in self-insurance technique. While a risk manager will probably be concerned with this type of captive, he should also be aware of three other varieties for his own buying education and for advice to his own management.

FIRST, THERE IS the agency-owned captive, a company formed, owned and managed by an insurance agency or its principals. Second, there is the captive formed to take advantage of a particular market of the parent, such as employees, customers or borrowers. Hence we have banks and finance companies owning insurance company subsidiaries to provide auto physical damage insurance, or creditor's group life insurance to a captive market. Finally, there is the insurance company which is a part of the corporate conglomerate. Such a captive is designed to contribute to profits, principally from underwriting for outside concerns al-

though it may write for its parent.

DEPENDING ON which source is used, there are between 100 and 350 captives in this country, including overseas captives controlled by U. S. parents. The "pure" captives fall closer to the lower figure. Gross annual premiums have been estimated between \$300,000,000 and \$600,000,000 and assets estimated from \$700,000,000 to \$1 billion. These figures exclude two companies which cannot really be considered captives, although they are subsidiaries of larger organizations. These companies are Allstate, whose parent is Sears Roebuck, and Motors Insurance Co., a subsidiary of General Motors.

While the risk manager should be aware of all varieties of captive companies, the one of particular interest is the "pure" captive. Examples of such companies include Gold Medal Insurance Co., sponsored by General Mills, and Distillers Insurance Co., formed jointly by three distilleries. Corn Products Co., Cargill and Celanese all use captive companies domiciled outside the U. S. to cov-

Continued on next page

Continued from preceding page

er certain overseas risks, and Ford Motor Co. has recently announced its intention to do the same. Mutual and reciprocal companies have been infrequently used of late, but the Belk Insurance Reciprocal of the Belk stores and Ideal Mutual Insurance Co. of National Dairy Products are successful examples of these types. The problem of dismantling a mutual is extremely difficult, and since one of the desired features of a captive is its flexibility, the mutual type of company is not popular.

Several considerations must be studied when testing the feasibility of setting up a captive. First, the coverages to be provided must be defined. While captives have been used successfully for casualty insurance and employee benefits, they seem to be the exceptions which prove the rule that property insurance offers the greatest potential.

SECOND, GOOD "spread-of-risk" is essential, and a full evaluation must be made in this area. Third, loss severity potential must be appraised. Possible, rather than probable, maximum loss figures are now the concern of reinsurance property underwriters. Large severity potentials, let's say those in excess of \$10,000,000 at any one location, tend to reduce the feasibility of a captive. Fourth, a credible loss record is desirable before considering a captive.

The loss figures for the preceding ten years, when adjusted for growth and other modifications, should be relatively stable and free from peaks and valleys. A future loss projection should also be attempted. Fifth, annual premiums available to the captive should certainly exceed a minimum of \$250,000 and should probably be much more. Otherwise, operating costs may absorb a disproportionate percentage of premium. Sixth, an objective comparison of the captive should be made not only to the current program, but also to other possibilities of excess insurance or self-insurance.

WHAT ARE A captive's advantages?

From a tax standpoint, premiums paid by the parent are immediately tax deductible, as compared to contribution to a self-insurance fund. This is the same as premiums paid to any insurance company, but with a captive the parent may have greater flexibility in the timing of premium payments and the control of funds. There may be further tax advantages by reason of special accounting procedures allowed an insurance company for unearned premiums and loss reserves. The latter may be established as of the date of loss, even though the actual loss payment may be months or years away.

Both of these reserves, in certain cases, can lead to a significant tax-deferred "float." Further advantages include the parent's ability to control somewhat the funds within a captive, albeit subject to government restrictions and prudent accounting.

There is the possibility of creating a more effective loss control program, but it must be recognized that these services are costly no matter who provides them.

SOME POSSIBLE COST reductions may be obtained through avoiding sales and promotional costs of the public insurance companies. Yet in most cases especially on larger risks, this would be negligible. It may be possible to fund, through a captive, "premiums" for coverages not readily available in the normal market, such as product recall, flood, loss of contract, confiscation, devaluation or exposures to standing timber.

Overseas risks have been particularly susceptible to captive treatment. Broader and more uniform coverage may be arranged in those areas which otherwise preclude uniformity. For example, a captive, domiciled outside the U. S., may reinsure "front" companies in countries which do not permit unadmitted insurance and thus induce broader coverage from the front company. Also, if the offshore captive writes insurance only on property outside the U. S., the U. S. in-

come tax on its profits, if any, may be deferred until actually brought back to this country.

In a prophetic comment last year, a leading tax lawyer pointed out that tax considerations should never dominate any captive decision, since tax regulations could easily change. President Johnson's new rules on foreign investments may limit the opportunity to establish new offshore captives and a specified share of profits may have to be repatriated annually.

IT HAS BEEN ALLEGED that, given a particular risk and a particular deductible or retention, it is possible to buy reinsurance less expensively than comparable excess-of-loss insurance. This has seldom been proven in fact. When this allegation is made, it is generally found that either a fair and complete comparison was not made or that the excess-of-loss program was not marketed as wisely as it could have been. Also, some of this argument has rested on the ceding and contingent commission arrangements which may be made between captive company and reinsurer.

The ceding commissions are designed to cover the services of the placing broker and with reinsurance being so important to any captive, there are few who attempt to go without such services. Income via the contingent commission route means in essence that the initial premium charged by the reinsurer was too high. It is better to keep the cash than get it back a year or two later after someone else has had the use of the money. Also, the contention that a "pure" captive may produce a profit is sheer wishful thinking, since it is in effect the transfer of funds from one pocket to another. This should not obscure the fact that a captive may produce a lower net cost under some circumstances.

Obviously, there are more than a few reasons why a captive may not be feasible. For one thing, the capital and surplus requirements of the various states

are substantial and are constantly being revised upwards.

IN NEW YORK, for example, a fire insurance captive would require at least \$250,000. Offshore captives may be capitalized for substantially less, but less than \$100,000 is impractical as reinsurers may be wary of the undercapitalized or underreserved captive.

Domestically, filings may have to be made in states where the captive will do business on an admitted basis. It must become an admitted carrier to provide certain types of coverage; taxes must be paid; loss prevention engineering services may have to be given from the outside; separate accounting and reserving systems unique to insurance companies must be set up; investment advice is necessary as funds may be invested only in accord with state regulations and other restrictions; and the captive may find itself accepting unwanted risks through an assigned risk pool. A tightening of the reinsurance market may affect the cost of its treaty.

THERE ARE CERTAINLY many sobering factors, but it remains that a captive insurance company is a possibility for some risk managers. However, it would be inaccurate to arrive at savings anticipated by use of a captive if the comparison is made only to existing insurance program costs. A study should also weigh costs of other possibilities including deductible, excess-of-loss and self-insurance, as well as the increasingly sophisticated insurance programs now available in the well-established commercial insurance market.

A thorough and objective feasibility study is thus the only means of putting the captive in true perspective. Even if a captive is ultimately decided against, this process of evaluation and analysis can afford the risk manager new insights into his own exposures and program, plus an enlightening look at the underwriting thinking of the insurance market.

Brazil's nationalized workmen's compensation: could it happen here?

by Carl J. Vogt

supervisor of workmen's compensation
General Tire & Rubber Company



Carl J. Vogt

take over workmen's compensation. There were also persons on the outside pushing for this move, particularly from labor unions and various political groups. Under the Castello Branco government, a decree was promulgated allowing competition in the administering of workmen's compensation benefits with the Federal Social Welfare Institute.

The new government of President Costa e Silva openly espoused the cause of private enterprise, and it appeared that the gradual encroachment of government into the private sector would be arrested. So the Labor Day announcement came as quite a bombshell.

IT IS NOT known what motivated President Costa e Silva to take this attitude which contradicted everything he had said previously about his intention to allow the private sector greater freedom and to reserve to the government only those areas in which the private sector was unable or unwilling to do the job.

In economic potential, Brazil remains the wealthiest nation in South America. In spite of its prodigious natural resources, the country suffers from seemingly insurmountable economic problems. Inflation is the most pressing one.

In its efforts for economic stability, it has endeavored to control foreign companies' operations. The country is a recipient of annual assistance from the U.S. Agency for International Development

(AID) program, the U.S. Treasury, the International Monetary Fund (IMF) and Alliance for Progress.

AFTER THE ANNOUNCEMENT, industry, commercial associations and the compensation companies (19 are licensed to operate in compensation) organized an impressive committee which doggedly tried to fight the government bill.

Extensive publicity in the press was arranged. Congressmen and government ministers were contacted. The President was adamant and declined to discuss the matter with several of his ministers who were opposed to the bill and also with influential Brazilians who approached him. All efforts proved fruitless, and the bill was passed Sept. 14, 1967, by an overwhelming margin at a joint session of Congress, and it was ratified by the President. Detailed regulations concerning the operation of this law are still to be published. Below is a free translation of law #5316 as it appeared in the "Diario Oficial" Sept. 18, 1967:

ARTICLE 1

The obligatory insurance of workmen's compensation provided for in Article 158, Item XVII of the Federal Constitution, will be placed in the social welfare system.

ARTICLE 20

The integration of workmen's compen-

sation insurance in the social welfare system will be subject to the following:

1. No firm formed after Jan. 1, 1967 will be able to place or renew workmen's compensation insurance in a private insurance company.
2. No workmen's compensation renewals in private insurance companies will be permitted as follows:
 - a) Effective Jan. 1, 1968: insurance of firms formerly connected with the institutes of commercial workers, transport workers, and aviation workers.
 - b) Effective July 1, 1968: insurance of firms formerly connected with the institutes of industrial workers, railroad workers and public service employees.
 - c) Effective July 1, 1969: insurance of firms formerly connected with the institute of bank employees and of firms not formerly connected with any social welfare institute.

Within the periods provided in item 2 above:

- a) No firm insured in a private insurance company may renew workmen's compensation insurance in a social welfare institute.
- b) No firm insured in a social welfare institute may renew workmen's compensation insurance with a private company.

IT COULD HAPPEN HERE in the U.S. (shades of the Zelenka bill and House resolution 16920). The problem involves the whole philosophy of state control versus private initiative. At the first signs of encroaching government intervention, all interested segments of our free enterprise system must take joint and concerted action. The public should be kept informed at all times. Politics must not be considered the exclusive domain of politicians. We must become involved in these issues which affect our community. The key word is VIGILANCE!



The Caterpillar Tractor Co. plant in Grenoble, France is being doubled in size and can manufacture all but the largest of the Cat product line. The company uses a digest to suggest insurance coverages to managing directors of its foreign operations for both plant and new construction risks.

Buyers of Caterpillar's foreign coverages dream of uniformity

By LOUIS HAUGH

PEORIA, Ill.—Caterpillar Tractor Co., the second largest exporter in the U.S. and with 25 manufacturing plants in 11 countries, spends an estimated \$5,000,000 on insurance premiums on its foreign operations, which require coverages for plants, property and employees.

A common wish shared by the three men who buy insurance for Cat's foreign operations is to buy a single policy effective worldwide. Although it does have some worldwide coverages, the company negotiates and buys a great number of policies on a country-by-country basis.

It's the interpretations of wordings in these individual policies, dealing in hard or local soft currency and the need to comply with local customs and laws, that give headaches to Cat's insurance managers.

SECOND TO General Motors in exports, Cat did 46% of its business in foreign countries during the first half of 1967, up from 41% of sales in foreign countries during 1966. Sales for 1966 were \$1.542 billion, and sales for the first half of 1967 were \$759,000,000.

Overseas, Cat employs more than 11,000 persons in more than 5.5 million square feet of plant space. The Caterpillar product line ranges from giant wheel tractor scrapers that can

quarters along functional lines. For example, George Schmitt is marine insurance supervisor in the traffic general office. Other managers are Richard Mayer, staff assistant on overseas compensation in the personnel department, and Ralph F. White, insurance manager for property and liability, responsible to the treasurer.

As a rule of thumb in buying foreign coverages, Cat seeks policies that mirror its U.S. contracts in lines of coverages, deductibles and limits. Local conditions modify Caterpillar's insurance requirements.

For example, in Brazil, which has socialized medical benefits, a local clinic and a company doctor administer medical treatment for minor illnesses rather than sending employees to government facilities.

"This approach has reduced absenteeism by a large percentage," Mr. Mayer said.

An example of local conditions modifying Cat's insurance program exists in England where each plant has a separate fire and extended coverage contract. In the U.S., Cat has a single contract listing all plant sites.

MR. WHITE deals with managing directors of foreign operations in recommending property and liability coverages. The managing director is the foreign counterpart of the company's plant manager in the U.S. Usually the managing director delegates insurance responsibilities to the chief accountant.

Mr. White uses the Caterpillar insurance digest as an operations manual. "The digest," Mr. White told *Business Insurance*, "does not set policy but is a statement of recommended practices for managing directors."

For example, it sets forth a checklist for prospective Cat insurers. The list includes the form and type of coverage, inspection services, premium costs, experience and service of the insurer, and legal and statutory regulations that might affect coverage.

The digest also recommends as areas of self insurance for Cat's foreign operations: accounts receivable, automobile collision and physical damage; company-owned housing, catastrophe (earthquake or flood), plate glass, valuable papers and records, off-premise cameras and technical instruments and move-

ment of products and parts between plants.

IN BUYING property and liability coverage, Cat generally uses the services of one broker. The company has worldwide policies for comprehensive general liability, excess liability, comprehensive crime and liability on nonowned autos.

Claims under these worldwide coverages are made by Cat and payment is made to the parent company, Mr. White pointed out.

The company's insurance digest spells out various coverages for managing directors to consider. These include fire and extended coverage on buildings and contents, business interruption, automobile, liability, boiler and pressure vessels and property located away from the plant.

"We recommend actual cash value on fire and extended coverages because the company has written off depreciation on buildings, machinery and equipment," Mr. White said.

THE DIGEST outlines U.S. coverages and deductibles, and, Mr. White said, foreign coverages tend to mirror these policies wherever local laws allow.

"There is a need to have an integrated insurance program, especially in the property area," Mr. White told *Business Insurance*, "but differences in laws from country to country are a stumbling block."

Mr. White visits most large operations at least once a year and the company has direct telex communication through a central station in Geneva, Switzerland, by which most questions can be answered within 24 hours. In addition, duplicates of insurance policies are filed with Mr. White.

The home office gets an annual report from each of the subsidiaries that spells out the types of insurance, amount of coverage, policy period, premium and loss recovery. In addition the broker makes an annual report by coverage classification.

In its next issue, *Business Insurance* will deal with Caterpillar's personnel, and inland and ocean marine foreign coverages.

Baker joins J&H

John M. Baker, former manager in Winnipeg, Canada, for Excelsior Life Insurance Co., has joined Johnson & Higgins of Seattle, Washington.

Safety drive supports bakery's collision self-insurance cover

LANSING, Mich.—Safety programs for route salesmen operating 535 delivery trucks are paying off handsomely for Schaffer's Bakeries, headquartered here but with large bakeries also in Kalamazoo and Detroit.

In recent years the company switched from buying collision insurance for its trucks and undertook self insurance, because it found the cost to be far less than annual premiums covering collision losses.

With this exception, the company also has undertaken to combine all of its other property damage and liability insurance in a single policy (Aetna), it was pointed out by Seward Cushman, vp and assistant to the president.

WHERE FORMERLY policies

developed through the years for various purposes had been spread among a number of companies, with a variety of due dates and negotiation periods, the baking firm finally came to combining all within a single policy.

THIS MEANS that liability for the trucks on the street is combined in the same policy with owner-tenant liability on property, with product liability and even with property damage at company installations. Liability coverage is up to \$1,000,000.

Property damage sections of the policy covering such losses as might occur from fire, storm, internal mechanical accident, carry a \$5,000 deductible clause, Mr. Cushman said.

Letters

Continued from page 14

Insight into risk managers' feelings

To the Editor: I would like to cast my vote for *Business Insurance*. In my opinion the in-company insurance manager has needed a publication such as yours for a long while. I have read several of your articles with great interest and I feel by virtue of my having done so, I have been able to not only broaden my insurance knowledge, but have found a quick reference publication to give me insight into other insurance managers' feelings toward related subjects in which we all deal from day to day.

Keep the information coming.
Marion Lee, Director,
Personnel and Insurance,
R-C Motor Lines,
Jacksonville, Fla.

Fills a gap

To the Editor: I am very pleased to have the opportunity to use the *Business Insurance* magazine. It is a service, filling the gap in the communications in the risk management field. The well written, timely and easily digested articles should be of value to everyone concerned with the insurance activity in their organization.

Earl L. Winkelman,
Assistant Secretary,
Louis Allis Company,
Milwaukee, Wisc.

It will catch on

To the Editor: I want to thank you for furnishing me with your new magazine, *Business Insurance*.

After surveying the first few issues, there is no doubt in my mind that it will catch on with risk and insurance managers throughout the nation. It is a "first-class" insurance buyers' publication. Congratulations!

Thomas P. Cummings,
Long Island Rail Road
Jamaica, L.I., N.Y.

'Outstanding'

To the Editor: I have been tremendously impressed with your new publication.

If your publication is able to maintain the very broad and high caliber of news and information provided in the first few issues, *Business Insurance* will

prove to be not only the outstanding publication in its field, but may well serve as a model for many other types of trade publications.

W. T. Yale,
Assistant Treasurer,
Cooper Tire & Rubber Co.,
Findlay, Ohio

'Fresh approach'

To the Editor: I look forward to each successive issue of *Business Insurance*. Your fresh new approach in reporting on recent developments and newsworthy items makes your publication helpful to the risk management field.

It is interesting and informative to read the comments sent in by buyers and sellers. The thoughts and expressions of these key people are a valuable source of information.

Best wishes for the continued success of this excellent publication.

W. A. Motherwell,
Insurance Manager,
Crouse-Hinds Co.,
Syracuse, N.Y.

A unique idea

To the Editor: Thank you for sending me *Business Insurance*. I found the idea of an insurance periodical unique and the material interesting and informative. The Washington Watch column is particularly interesting.

A. D. McGuire,
Assistant Comptroller,
Northwestern Bell
Telephone Co., Omaha

Permission granted

To the Editor: In your Dec. 11 edition of *Business Insurance*, there was an article headed, "Malpractice suits cause rate hikes."

This office provides malpractice insurance for physicians and surgeons across the country, and we request your permission to allow us to reprint this article for use in our mailings to our insured doctors,—as their insurance premiums will be affected.

If it is possible for us to use this article, please let us know as soon as possible. Thank you.

William L. McKechney,
Administrator,
William L. McKechney & Co.,
Chicago, Ill.

Editor's note: Mr. McKechney has permission to reprint the article. For permission to reprint from *Business Insurance*, write or call the managing editor, 740 Rush St., Chicago, Ill. 60611, 312-337-5200.

First of two parts

gulp 54 cubic yards of material to motor graders, wheel loaders, off-high way trucks, track-type loaders and tractors, pipelayers and diesel and natural gas engines. Cat's foreign plants are able to manufacture all but the biggest of the product line.

The company will spend \$600,000,000 by 1971 in capital expenditures that will double its manufacturing space outside the U.S. and increase space in the U.S. about 28%. In addition to its wholly-owned manufacturing subsidiaries in Australia, Belgium, Brazil, Canada, France, Great Britain and Mexico, the company has joint ventures in Japan and India. It also has parts depots or merchandising operations in ten countries.

CAT DIVIDES its domestic and foreign insurance responsibilities in the corporate head-

Pepsico expands benefits package

NEW YORK—Pepsico Inc., the result of a merger between Pepsi-Cola and Frito-Lay last year, has consolidated its group life and health insurance at John Hancock Mutual Life Insurance Co., Boston.

At the same time, Pepsico has broadened the provisions of its benefits package. Among the new features are long-term disability pay, widow's pension, life insurance for dependents and an improved formula for its trusted pension plan.

Under the new formula, Pepsico workers with more than 30 years service will get pensions equal to 1.5% times their five highest-paid consecutive years (high-five pay) times credited service, less one-half of their primary Social Security. For less than 30 years service but more than ten, employees get as pension 3% times high-five pay times credited service up to 15 years, less one-half Social Security.

The new plan also has an option for a "ten year certain," a guaranteed pension payment to a worker's beneficiary for ten years after retirement. Because this option was the normal Frito-Lay plan, Frito-Lay workers who retire will get 110% of benefits from the new pension setup.

TO QUALIFY FOR the ten year certain, pension benefits are reduced about 9%. Other options involve reducing pension amounts while a retired worker lives, so that his beneficiary may receive either 100% of the reduced pension, 75% of the funds or 50% of the reduced pension after he dies for the rest of her life.

Long-term disability insurance pays 60% of a worker's salary and up to \$1,500 a month, and the years of disability are credited toward his pension, beginning at age 65. A booklet prepared for Pepsico's employees by Arthur Stedry Hansen, consulting actuary, explains that "this is an unusual provision; in effect it gives you full service credit to age 65 just as though you had worked all the years you were totally disabled."

The Pepsico pension plan also incorporates a new vesting provision which the company's booklet describes as "a big plus." If a worker's employment terminates at any time after ten years, he can qualify for a deferred vested benefit and receive at age 65 lifetime income figured from the 1.5% formula for normal retirement (but not the 3%). Benefits are based on a worker's highest five consecutive years before he left the company, and on his continuous service to that date.

PEPSICO'S BENEFIT provisions for a worker's widow—another new feature—are in addition to group life insurance. The benefit gives an employee's widow 25% of her husband's pension had he worked to age 65, if the employee had been with Pepsico for ten years. "This is a generous and costly benefit," the booklet states, "because it is payable for life no matter how young your spouse is when you die, and because it is figured on the years between date of death and age 65 as well as actual service."

The company's group life insurance policy, for workers with salaries between \$5,000 and \$15,000, is equivalent to 1.5 times their basic annual salary; for employees with salaries of \$15,000 and over, the group life policy is for two times their annual sal-

ary. An optional feature—which was added this year—provides \$2,000 life insurance for a worker's spouse and \$1,000 for each child.

Basic medical expenses covered under the John Hancock group health insurance are 100% of the semi-private charge for room and board up to \$30 and 80% of charges in excess of that. The group policy also covers 80% of "the reasonable and customary" charges for surgery.

Pepsico first prepared to communicate these new benefits to its employees late last November, when the company held a two-day meeting at New York's Delmonico Hotel for administrators of the program and plant managers. Paul Kayser, vp of industrial relations for Pepsico, was

chairman of the meeting, and present were the key administrators of employee benefits for Frito-Lay (John Byrne), Pepsi-Cola (George F. Kelsey) and Lease Plan (L. N. Newbold), a third Pepsico division.

Also attending were representatives of John Hancock, Arthur Stedry Hansen and Aetna Life Insurance, which was co-insuring the group life and health programs.

At the session, the new employee benefits program was unveiled. The administrators were given texts of the plan and coached in the "manner of presentation," as Mr. Kelsey explained.

The next step was to set up meetings with all salaried personnel (hourly workers aren't

covered under the new program; they have other arrangements). A half dozen men from the personnel department had the job of spreading the word to Pepsico's plants around the country, and Messrs. Byrne, Kelsey and Newbold confined their activities to Dallas, where Frito-Lay is headquartered, and New York, home of Pepsi-Cola and Lease Plan.

SMALL MEETINGS, of from 20 to 30, were arranged, each with personnel at about the same wage scale (so questions would be similar). A personal letter was sent to each employee inviting him to the flip-chart presentation. Mr. Kelsey said his department tried not to take more than one-third of any department at one time.

**L. J. GOLDSTEIN
& CO. INC.
INSURANCE
SPECIALISTS**

250 West 57 St.
New York, N.Y. 10019
(212) 765-5090

**BUSINESS
INSURANCE
COMPLETE
PROTECTION**

- SURVEYS
- ANALYSIS
- PROGRAMMING
- QUOTATIONS
- PENSION PLANNING

OFFICES THROUGHOUT
U.S. AND PUERTO RICO

Every Broker and Insurance Buyer needs to know

• The PULSE Plan •

*...the new group life insurance program
which is worth more to employees
and costs employers less every year...*



Benefit Trust Life—as good as gold
—sometimes better

The PULSE Plan is two group insurance plans in one:

Paid-Up Life Insurance, purchased by the employee in small units, for which the employee pays as little as \$1.00 per month for each \$1,000 of insurance protection...plus

Term Life Insurance, purchased by the employer in a continuously-reducing amount while maintaining a constant amount of life insurance for the employee as his Paid-Up Life Insurance grows.

And look at these great extra features in The PULSE Plan:

**The
PULSE
Plan**

Paid-Up Life = Savings for Employers
Paid-Up Life = Security for Employees

Lower costs for the employer... year by year, and over the entire period of employment.

Growing cash values for the employee...at no cost to the employer.

Retirement benefits: paid-up life insurance, cash settlement, or monthly retirement income...with no continuing premium payment by either employer or employee.

If you buy insurance for your company, you'll recognize the tremendous advantages this plan holds for your company and for every employee. And if you are an insurance broker, selling to business, you'll recognize this as the top value of the insurance industry.

Either way, get the facts...complete, and with no obligation. Just mail the coupon today!

*An invitation
to compare...*

Compare The PULSE Plan with any other employee life insurance plan in America...and see for yourself how it solves employer and employee problems by delivering growing protection values at shrinking premium costs. There's no cost, no obligation...so mail the coupon today!



**BENEFIT TRUST LIFE
INSURANCE COMPANY**

a mutual legal reserve company—founded 1913
1771 Howard Street—Chicago, Illinois 60626

Benefit Trust Life Insurance Company, Dept. BIJ
1771 Howard Street—Chicago, Illinois 60626

I'd like to compare The PULSE Plan with other employee life insurance plans. Please send me complete information.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip Code _____

Check here for

☐ BTL's Complete Group Line ☐ Experience Rating Formula

Barton-Malow

Continued from page 10

in safety practices. Minor job inspections are made monthly, but an insurance man may be continually present on major construction.

The insurer's inspection reports are likely to be heeded on the spot. Even so, the reports are sent to Mr. Maibach. "I haven't called a job but what the change had already been made," he said. "But still I want people to know that I'm aware of what is going on."

WHEN ACCIDENTS occur, a Michigan Mutual official is likely to be involved in a round of conferences with personnel who were involved, along with a Barton-Malow vice president and a project supervisor.

The insurance company gives



Ben F. Maibach

Mr. Maibach detailed data on each accident to help him pinpoint types and causes of accidents and personnel who are prone to have accidents. (Often, accidents hit the men who work hardest, Mr. Maibach said.) He also looks for evidence that any supervisor has more than his share of accidents among men in his area.

Outside his own company, Mr. Maibach works for industrial

safety through a safety committee of the Detroit Chapter of the Associated General Contractors, directorships on the Michigan Safety Conference and Greater Detroit Safety Council.

IRS clarifies ruling

Pension, profit sharing and stock bonus plans which are integrated with Social Security are specifically banned from providing accident or health insurance benefits which are payable without separation from the company, the Internal Revenue Service ruled.

The ruling was made to amplify a previous one which stated that such plans "may provide benefits only upon retirement or separation from service." This does not, however, prevent integrated plans from providing death benefits, or benefits upon retirement for disability, the IRS said.



The cost of first aid and safety supervisors is figured into Barton-Malow Co. construction bids. The firm is building a dormitory complex for Eastern Michigan University, Ypsilanti.

Your profits can attract something you could live without!

An innocent piece of metal can help to blow a vigorous plant almost out of existence. Production can stop and millions of dollars can be lost. Human negligence also can contribute a great deal to a disaster of this type. If such an accident were to happen to you, could you afford it? To insure that your progress and profits continue without industrial loss is our job. To protect your business with the finest complete coverage is our business. Isn't it about time we got together? Contact us today for full information about our specially designed programs for industrial protection and loss prevention of your property.

Arkwright-Boston Insurance

ARKWRIGHT-BOSTON MANUFACTURERS MUTUAL INSURANCE COMPANY
MUTUAL BOILER AND MACHINERY INSURANCE COMPANY
EXECUTIVE OFFICES: 225 WYMAN STREET, WALTHAM, MASSACHUSETTS 02154
FACTORY MUTUAL INSURANCE



A defective heat exchanger can eat away your profits the same as a rat nibbles cheese. The piece shown played a major role in a company's two million dollar loss.

Lack of interest in E.E.C. laws on insurance scored by broker

BRUSSELS — An "appalling lack of interest" in the insurance laws and regulations now under study within the Common Market was scored here by D. H. Pantlin, a partner of J. Henrijean & Ses Fils and a director of Marsh & McLennan S.A. of Brussels.

Mr. Pantlin said the laws would have a vital bearing on the conditions in which the insurers, insurance buyers and brokers will work for many years to come, not only in the Common Market but also outside it.

Speaking to a seminar organized by Management Centre/Europe, Mr. Pantlin also criticized the "eighteenth century administrative methods used in many countries for issuing policies and accounts."

IN HIS address, Mr. Pantlin

underlined the remarks made by one speaker who suggested that insurers had been very slow in adapting themselves to the changing world in which we live; this was very noticeable in the absence of pressure to persuade governments to improve roads or safety in driving.

It was "certainly true" that insurers in most countries had not appreciated the worsening of fire risks, need for the control of building methods and materials or the absence of teaching on this subject to architects and contractors, Mr. Pantlin contended. He also referred to insufficient lobbying of governments on matters of concern to insurers.

For insurance buyers, Mr. Pantlin referred to the remarks made during the seminar by several buyers concerning the need for insurers to be able to make an adequate profit.

FOUNDED 1898 • INDEPENDENT CONSULTANTS
ON INSURANCE AND EMPLOYEE BENEFITS

**Corporate
Policyholders
Counsel, Inc.**

WOULD YOUR FIRM BENEFIT FROM OUR RISK MANAGEMENT ASSISTANCE?

You may have a very capable insurance staff and a going insurance program. But perhaps not. Whatever the situation, you probably have a host of questions right now that involve your firm's insurance. We can help you answer these questions. We're not an agency, not a brokerage. And, we do not sell insurance. What we are is a uniquely qualified group of insurance specialists who will focus our combined talents on your insurance and employee benefit problems.

We can define your true problems relative to insurance and employee benefits... and offer you alternate solutions which could actually reduce your risks.

In short, we simplify, innovate and improve. Let's talk over the benefits to you: Corporate Policyholders Counsel, Inc., 20 North Wacker Drive, Chicago 60606. Phone Area 312, 372-8225.

Sen. Williams suggests special committee on retirement income

WASHINGTON — Sen. Harrison Williams (D., N.J.), chairman of a special committee on aging, has called for the establishment of a national institute on retirement income to act as a "think tank" on the social and economic forces affecting income of older Americans.

The senator proposed that, among other things, the institute study what Congress should do to encourage growth of private pension plans; proposals for a negative income tax or guaranteed annual income; general tax revenues to help put retirement income on a par with general income increases; employment for persons past age 65 and the effects of income on upper age brackets.

Sen. Williams said the institute would be "thoroughly consistent" with a proposal made by President Johnson when he signed a Social Security amendment to set up a commission on income maintenance. This commission will "examine any and every plan, however unconventional, which could promise a constructive advance in meeting

the income needs of all Americans."

Sen. Williams said his proposal was a reaction to the "disparately inadequate" Social Security increases passed by Congress.

"Congress labored for months over the Social Security amendments and proved once again that it needs help if it is to cope realistically with the chronic problem of inadequate retirement income."

"We cannot rely on sporadic, anguished efforts to raise Social Security a few dollars a month in a fruitless race with the cost of living. What is needed now is sustained, informed exploration and planning to assure adequate income for all Americans after retirement."

Wetherholt to head appeals insurance unit

OLYMPIA, Wash. — Robert C. Wetherholt, King County court administrator, has been appointed chairman of the state board of industrial insurance appeals.

Mr. Wetherholt was selected from three nominees agreed on by the State Labor Council and the Assn. of Washington Industries.

The board is a quasi-judicial body that acts on appeals by workers on industrial insurance claims. As "public" member of the three-member board, he will receive \$22,500 a year.

IRS rules . . .

Continued from page 2

ness, and (2) make himself available upon request at reasonable times and upon a reasonable basis to consult with, supply information to, and otherwise cooperate with the employer regarding matters that were handled by him while working for the employer.

At the employee's election each installment under the plan may be deferred until after he terminates his employment. At that time he may be paid in one or more installments of cash or the employer's common stock. He may elect the year in which he is to be paid and the amount of each deferred installment.

But, the right to receive any such deferred payment shall accrue only if, during the entire period from the termination of the employment until the end of the year preceding the time in which the payment is due, the employee meets the above described conditions.

Accordingly, the IRS ruled, in view of the substantial forfeiture provisions included in the plan, compensation deferred under it will be taxable only in the taxable year in which it is actually received unless otherwise made available to the employee at an earlier date.

While your plant or office is closed tonight...

You have a greater margin of assurance that you will open tomorrow without loss of property or profit if ADT round-the-clock fire and burglar detection services are watching your premises.

Without obligation, ADT will survey protection requirements for new or existing business and industrial establishments. ADT protection specialists will install and take full responsibility for inspection and maintenance of all ADT systems.

- Automatic supervisory and waterflow alarm services.
- Automatic fire and smoke detection services.
- Ultrasonic, sound-sensitive and other automatic burglar and holdup alarm services.

Ask the man from ADT about protection against fire and theft. See the "Yellow Pages," or write:

ADT® 155 Sixth Ave., New York, N.Y. 10013
AN INTERNATIONAL ORGANIZATION



Antonio Marconi Likes His Native Italy

He wants to live there when he retires. He deserves it. He has been a valuable employee for the foreign subsidiary of his American employer.

Now he is paid in local currency but, when he retires, he wants his pension in lira—with the best possible tax break.

Alexander International can help Antonio. It can help him retire in that Italian village. It can help his American employer, too—help them keep Antonio a contented, valuable employee until he retires. This unique combination of services, dealing regularly with the employee benefits of foreign nationals and third-country expatriates working in the foreign subsidiaries of American companies, solves the complex problems of these employee benefits and all types of insurance throughout the free world—and even behind that curtain.

ALEXANDER & ALEXANDER

Incorporated

Consulting Actuaries Employee Benefit Consultants

Insurance Brokers Average Adjusters

ATLANTA • BALTIMORE • BOSTON • CHICAGO • CLARKSBURG • LOS ANGELES • MIAMI • NEWARK
NEW ORLEANS • NEW YORK • PARIS • PHILADELPHIA • PITTSBURGH • SAN FRANCISCO
ST. LOUIS • TULSA • ASSOCIATED BROKERS THROUGHOUT THE FREE WORLD
ALEXANDER & ALEXANDER SERVICES LTD. • EDMONTON • MONTREAL • TORONTO • VANCOUVER



Morris resigns Ohio post for job with Continental of N.Y.

COLUMBUS, O.—William R. Morris, state director of insurance, has announced his resignation, effective March 1, to join the Continental Insurance Cos. of New York and its subsidiary, Buckeye Union, which operate in several Midwest states.

It is understood that Mr. Morris will be a vp in both companies. He was appointed director in January, 1963, and was active in the National Assn. of Insurance Commissioners [NAIC], serving on its executive committee, as chairman of its life committee and on the reorganization and fire and casualty committee.

MR. MORRIS told *Business Insurance* he had offered the names of three men in the de-

partment to succeed him. It is expected that the governor may announce a successor before the Ohio legislature opens Jan. 15.

"IN THE SURPLUS lines field," Mr. Morris said in reviewing the industry, "more protection, or at least as much control as in the admitted market field, is needed to protect the unsophisticated buyer, who sometimes gets into this market just to get coverage."

He said he was satisfied that the regulations Ohio has adopted in this field have been very successful. He referred to a collapse of an off-shore insurer that threatened an Ohio firm, saying "the state regulatory agency is closer to the needs of corporate

insureds and was able to respond quickly to the problems in the surplus lines field.

"State insurance departments and insurance companies have to work at retaining state regulations, as opposed to federal laws, and must do all they can at the local level to overcome some of the inequities that exist."

HE CITED as examples, cancellations and nonrenewals in the fire and liability fields, accessibility of markets and reinsurance facilities.

"The industry has overlooked reinsurance," he said. "Steps must be taken to establish domestic reinsurance markets, too much is now in foreign markets."

The insurance director said that increased funds as well as additional investigating staff and better training procedures in the last year have greatly improved the department's operations.

Deficit . . .

Continued from page 1

insurance broker, feels that "there has been little clarification and no guidelines laid down" as to what restrictions will be put into effect for insurance companies planning an expansion into the European market.

Another manager took a "wait and see" attitude. "Just because the President wants these re-



John B. Ricker Jr.

strictions doesn't mean that Congress will pass them," he remarked.

Asked to comment on the possibility that self-insured companies would be forced to repatriate more of their profits rather than spend them for local expansion, the same executive pointed out that in some cases these profits were in local currencies "hardly worth handling," and some countries even regulate how much money can be taken out.

LLOYD BENEDICT, vp and director of the international department of Johnson & Higgins, New York, said that he thought the government's restrictions on overseas investment could possibly result in "relieving the pressures" on the London insurance market.

On the other hand, he said, the restrictions on investments could mean that U.S. firms with overseas subsidiaries wouldn't have the funds to install needed fire protection equipment and other protective devices—a situation which would add to London's woes.

In general, Mr. Benedict predicted that President Johnson's recommendations would "slow down" U.S. growth abroad. He said American companies are in for a "sitting and waiting" period in which expansion projects would go into a "suspense file" for the time being.

A SOURCE WHOSE company operates a captive insurance company said that the major change he anticipated was that a certain percentage of profits will have to be repatriated to the parent company.

"Up to now," he commented, "we've been able to accumulate a certain portion of our profits and defer taxation until later." However, this is mostly "academic," he explained, "since all of our assets and profits are retained in the U.S. in dollars anyway."

A sombre note was struck by an employee benefits specialist, who felt that companies with overseas locations would take an "extra look" at any plans for expanding employee benefits. "After all," he pointed out, "if a company has to slow down on overseas investments, they may well consider that benefits are the least of their major problems."

However, E. S. Willis, manager of employee benefits and practices at General Electric, told *Business Insurance* that he anticipated "no insurance cutbacks" at GE's overseas loca-

tions, and expects to augment his U.S. staff to handle this division.

An insurance manager of a major international airline felt that changes in the travel industry were "inevitable" and could result in cutbacks which would be felt in the insurance program.

Nuclear . . .

Continued from page 1

paring a claim against the property pools.

ONE BUYER EXPLAINED that high rates should not be equated with excessive rates. Whether rates are considered excessive, he said, should be determined by the amount of losses sustained by the property pools.

When asked about some buyer complaints that nuclear property coverage is limited to one site and does not allow for new units added to a site, a source for one of the property pools said he felt the \$74,000,000 available for each site was adequate for now.

Liability rates are also high in the nuclear field, according to Mr. Williams of Consolidated Edison, who pointed out that under the liability pools, with a continuance of the excellent safety record, insureds could be entitled to refunds of 75% of paid-in premiums.

ALREADY SUCH REFUNDS are being made by the nuclear liability pools, the first having been made to the General Electric Co. which, in 1957, bought the first policy from the pools. A check for \$18,586, approximately two-thirds of the company's 1957 premium, was presented to Kenneth C. Hall, manager, insurance services for GE.

Mr. Williams noted there is no similar refund provision in the area of nuclear property insurance. He also pointed out that under the present plan, refunds for nuclear liability premiums are not made until ten years have elapsed. There is hope this period can be shortened if the excellent safety record continues.

"As the electric utility industry invests more and more capital in nuclear generating capacity there will be an impressive and early rise in premium dollars flowing into the nuclear insurance pools," said Mr. Williams. "This, together with a continuing good loss record, should produce a commensurate reduction in nuclear insurance costs. Meanwhile, the utility industry's insurance buyers must explore all possible approaches to a reduction of the insurance cost for nuclear kilowatts."

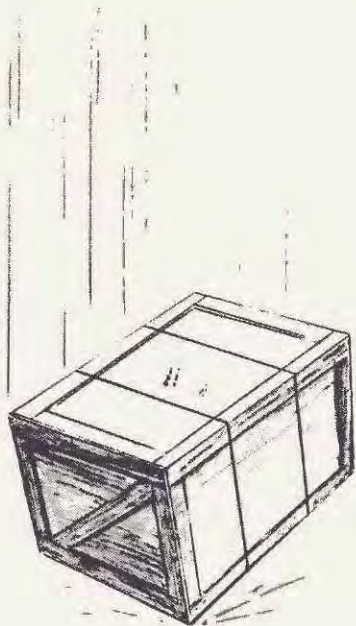
Bunge . . .

Continued from page 1

agreement with American Express, which was written in terms "as unambiguous as human language can make them," fully released American Express from all prior claims. Once the claim was settled, the insurance contract between Bunge and London & Overseas was "extinguished," the judge said, and the insurer could no longer "stand in the shoes" of Bunge and prosecute the claim.

"JUST AS there is no need to expressly provide for the right of subrogation under a contract of insurance," Judge Ryan held, "there was no requirement that Bunge, upon payment in accord and satisfaction of the loss under the contract by a third party, expressly waive the right of subrogation."

impact



Insurance coverage that meets your transportation exposures head-on . . . that's  **Inland Marine insurance**. It's positive protection in the event of loss or damage to your goods, whether they're shipped by air, truck, rail, or mail . . . pick-up to delivery.

 Inland Marine facilities are available to your company through independent insurance agents, anywhere in the U.S.A. Your local independent  agent can arrange all the inland

marine service your company may require . . . specific coverage planning, risk analysis, and rate quotations—on everything from insuring local shipments, to issuing a complete range of commercial floaters, to protecting your fixed location property risks.

Ask your local independent  insurance agent for the complete details about  Inland Marine coverage and service. He can supply all your needs.



UNITED STATES FIRE INSURANCE COMPANY
THE NORTH RIVER INSURANCE COMPANY
WESTCHESTER FIRE INSURANCE COMPANY
INTERNATIONAL INSURANCE COMPANY
AMERICAN EAGLE LIFE INSURANCE COMPANY
Sound, Dependable Insurance



110 WILLIAM ST. • NEW YORK 10038

Glendale bakery firm augments group car insurance agreement

GLENDAL, CAL.—A local bakery here is the first employer to augment a group auto plan arranged between the Teamsters Union in the Los Angeles area and Fireman's Fund American Insurance.

The firm, Freund's Bakery, with 40 employees here, pays \$20 a month into a car insurance fund which will be used to pay auto premiums for each worker. The Freund's employees are members of Teamsters Local 986.

M. E. (Andy) Anderson, who heads the local, sees the contract as a "major breakthrough" and one which will quickly catch on around the country.

Under the Teamsters' plan at Freund's, the company pays the same rate for everybody, and everybody is covered automatically.

Nearly 25% of the workers at the bakery were not covered by car insurance despite the state laws requiring such insurance.

The new contract also provides that if a worker leaves the

bakery, he can pay his own \$20 a month and retain his car coverage for the full year.

The Fireman's Fund-Teamsters agreement, with an independent insurance agent, was reached between Marvin Rappaport of M. Rappaport Insurance Ltd., Century City, and O. D. Oliphant, vp and manager of Fireman's Pacific Coast department.

"OUR COMPANY," Mr. Oliphant said, "will serve as underwriters in a plan whereby the Teamsters union will negotiate with employers the payment of automobile insurance premiums for its union members."

Mr. Oliphant said that while premiums will be paid by the employer, the insurance will be accepted by Fireman's Fund on an individual basis.

One of the knottiest obstacles in setting up this agreement was federal labor laws prohibiting union officials from taking anything of value from employers, except money to be paid into funds for life insurance, hospital insurance and other traditional forms of insurance benefits.

Since car insurance is not mentioned in the law, it was necessary to set up a separate fund to be administered by management.

Benefits men ponder TA's settlement

NEW YORK—While initial reaction among employee benefits managers to the pension agreement obtained by the New York Transport Workers Union was one of dismay, a closer look has revealed that the benefit was not quite as liberal as it first appeared.

Among other things, the union won the right for workers with 20 years' service to retire on half pensions. However, workers may not take advantage of this provision until they reach age 50. Employees will have vesting rights to their pension credits after 20 years.

"The settlement is not saying that a worker can automatically retire after 20 years," one insurance manager pointed out. "What it is saying is that pension rights will be vested after 20 years of service."

"WE HAVE NOTHING against vesting after 20 years," commented an employee benefits director for a major appliance company. "In fact we vest after ten years," he pointed out.

However, reaction to the provision which allows a worker to retire on half pension at age 50 met with far less reserved comment.

"This all started when the city allowed the police, fire and sanitation departments to include this 20-year retirement provision," was one reaction. "Maybe there's some justification for a policeman or fireman—but what physical justification is there in this case?" another executive said.

"THE TRANSIT authority isn't thinking ahead and is cutting its own throat," said a pension manager. "You encourage your skilled people to leave their jobs at their peak," he observed.

"The only trouble is," said another manager, "that once these trends start all the unions will be asking for this early retirement. It will be interesting to watch union negotiations during the coming year."



Look before you leap!

Critical decisions require critical judgment.

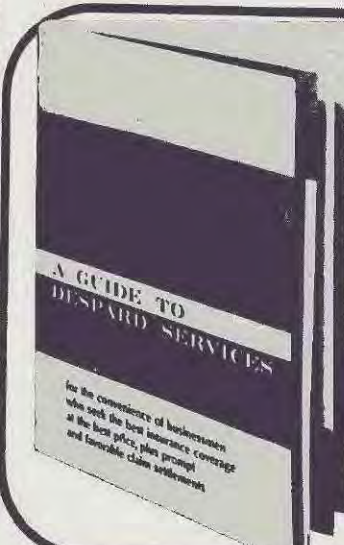
New plant construction, acquisition, merger—all require advance planning of the highest caliber. The right insurance decisions can make the difference between success or failure.

Your company is entitled to the best insurance advice available. In serving business enterprises of all types and complexities for over 120 years, Johnson & Higgins has developed the experience and judgment necessary to give you the best advice.

Johnson & Higgins

ESTABLISHED 1845

Insurance Brokers—Average Adjusters—Employee Benefit Plan Consultants and Actuaries • 63 Wall Street, New York, N. Y. 10005 • Buffalo • Boston • Philadelphia • Wilmington • Pittsburgh • Atlanta • New Orleans • Detroit • Chicago • Minneapolis • Los Angeles • San Francisco • Portland • Seattle • Honolulu • Quebec • Montreal • Toronto • Winnipeg • Vancouver • Santiago • Buenos Aires • Rio de Janeiro • São Paulo • Curitiba • Belo Horizonte • Campinas • Caracas • Maracaibo • Puerto La Cruz • Bogota • Cali • Milan • London



There are 16 pages in this informative Guide to Despard Services

but they all boil down to a concise description of the insurance services and facilities that can help you achieve two things:

- 1. Keep out of trouble**
- 2. Be well protected if trouble comes**

Glad to send you a copy; no obligation on your part.



All forms of insurance
161 William Street, New York, N. Y. 10038
Telephone (212) 964-9100



washington watch

Continued from page 6
had not decided exactly how to meet the problem of leaving a portion of an employee's vested benefits unprotected if an employer is not meeting his prescribed schedule for reaching the 100% funding goal. One way might be to require the employer to accept the liability for any deficit below his funding target, he suggested.

UAW's WALTER REUTHER, in his statement prepared for the Griffiths compendium, stressed that the government should "quickly establish a federal pension reinsurance program" and called for action to establish some sort of funding standard. Concerning the latter, he ad-

mitted that there are technical problems. He said that the implementation of a funding requirement would involve the judgment of competent actuaries, and suggested that standards be established to determine the qualifications of individuals offering to act as actuaries.

Concerning federal regulation in general, Mr. Reuther stated that so far the government has restricted its encouragement of private plans to granting tax relief to plans "which meet standards that are not really comprehensive enough to assure that the desired results will be accomplished." He said additional legislation, "more directly aimed at achieving these results," should be enacted.

The legislation could be divided into three categories: establishment of pooling and guarantee arrangements which can be independently developed by the private plans; determination of ground rules concerning the design of private plans in order to assure equity to individual participants; and supervision of the handling and administration of the assets of private plans.

HE CAUTIONED that such legislation "must be achieved without reducing the opportunity for experimentation and flexibility in the establishment of programs."

On specific issues Mr. Reuther suggested the federal government issue "purchasing power bonds" which would be available as pension investments and which would grow along with increases in the price level. This, he said, would help solve the problem faced by private pen-

sion programs of having to assure that funds set aside currently will, many years in the future, provide benefits which are adequate in real terms.

He called for Congress to identify the "general circumstances which would justify the establishment of more or less favorable plans for particular groups of employees." Generally, he said, pension benefits should not be discriminatory in favor of higher paid employees, "even if such benefits are provided by plans separate from those covering other employees, unless such differences are due to the recognized exceptional circumstances."

"The establishment of minimum vesting requirements is long overdue," Mr. Reuther insisted. He called for Congress to require vesting of all accrued pension benefits for employees with 10 or more years of service. Mr. Reuther said he generally

supported Sen. Yarborough's bill to clear up the fiduciary responsibilities of those handling pension funds. In addition to the bill, he added, it might be required that to retain its tax-exempt status a pension fund would have to invest at least some specified portion (e.g., 10%) of its assets in situations which have been certified as having high community priority.

THE GENERAL thesis of the statement by American Telephone & Telegraph to the Griffiths compendium was that "the form a (pension) plan should take should be left, except for certain minimum regulatory restrictions, to the judgment of individual employers, unions, or both."

On the specific topic of funding, the AT&T statement concluded that most companies do practice a degree of funding and that additional funding requirements might "so increase immediate financial requirements as to preclude the adoption of new plans providing adequate benefits to employees then having long service." They also might "inhibit otherwise desirable liberalizations of existing plans," it continued.

"It cannot be assumed that the result of new funding requirements would simply be more funding," the statement reads. "Part of the result may be fewer or less adequate plans."

THE STATEMENT said it may be that a federal law establishing fiduciary responsibility standards for pension administrators will be helpful in deterring future departures from proper conduct. But, it cautioned, such a law should not impose substantial unnecessary burdens on the great majority of plans which operate satisfactorily just to present an additional obstacle to the very few who will choose to be lax or dishonest.

On the subject of reinsurance the AT&T statement said that this may well be "impracticable of attainment without seriously limiting the desirable flexibility and variability of pension plans, both as to their terms and as to funding." It continues that "the likelihood of harm to the private pension system due to ill-advised and too hasty action along these lines is so great that much more study of the need and of possible consequences is desirable."

Specifically, it pointed out, "it is easy to conceive that an employer with a declining business or one which he desired to terminate, might adopt a plan for a short time as a way of providing something for a few long-service employees." This temptation would be much greater if there were insurance to assure payment of full benefits, it said.

Haugh retires from state unit

HARTFORD—Charles J. Haugh resigned as chairman and member of the state insurance purchasing board, effective Dec. 31.

He had functioned as chairman since creation of the board by the state legislature in 1963.

Among several insurance policy awards, all on a bid basis, announced by Mr. Haugh after the board meeting, were a one-year state automobile fleet policy to the Hartford Insurance Group, for a \$262,324 premium, effective Dec. 1 (the policy now held by Travelers Insurance Cos.), and a highway policy for one year.



Take your business insurance and lump it!



Lump it into one convenient Kemper Comprehensive Policy. Eliminates gaps and overlaps and saves you up to 25%.

Separate insurance policies for separate business risks can waste valuable time and money: We can tailor a single Kemper Comprehensive Policy to give you all the cov-

erage you need, to trim away what you don't need. We have more than a half-century's experience protecting businesses from losses by fire, boiler and machinery through crime and all the other basic commercial risks. Our loss control engineers can also work with you to help eliminate accident-causing hazards. When losses do occur, you can count on fast, fair, country-wide claims service. To lump your business insurance into one convenient Kemper Comprehensive Policy, write: Walter White, Vice President, Kemper Insurance, 4750 Sheridan Road, Chicago, Illinois 60640.



Kemper Insurance
You can count on Kemper Care under the Kemper Flag

Kemper Comprehensive... business insurance the modern way.

American Motorists Insurance Company • Lumbermens Mutual Casualty Company • American Manufacturers Mutual Insurance Company

Shippers . . .

Continued from page 3

officers.

Most ships contain sonar, fathometer (depth gauge), gyro compass, radar, radio direction finder and radio telephone. By using this equipment the officer on the bridge can observe where he is, how fast he is traveling, and what ships and reefs obstruct his path. The mechanical aids can tell him the speeds and courses of the ships ahead, how close to other ships he will come if he maintains a specific course and speed, and by just how much he will—or will not—escape hitting the obstruction ahead if he stays on the same course.

THE TORREY CANYON was completely fitted with modern navigation aids and was traversing a 12-mile wide channel with good weather and visibility, yet it ran aground on the reefs—precisely the sort of accident the electronic aids were designed to prevent.

A board investigating the Torrey Canyon disaster concluded that there was no mechanical failure or defect aboard the ship. The cause was attributed solely to the human error of the ship's master.

A "mixed blessing" is how a spokesman for American Hull Insurance Syndicate described electronic equipment for navigation. "Crew members seem to feel they can sit back and watch the machinery do the job for them," he said.

COMMANDER Arthur E. Wills of the Marine Office of America contended that "there is no reason on earth for accidents like the Torrey Canyon's." He explained that reports in British newspapers indicating the Torrey Canyon's bridge may have been unmanned at the time of the accident point to the possibility of an over-reliance on electronic navigating equipment.

Many of the losses at sea are the result of using over-age ships. While 20 years is considered the normal useful life of a seagoing vessel, many of the 5,601 freighters built by the United States during World War II are still in operation.

BECAUSE OF THIS, marine insurance companies in London have sharply increased the insurance penalty on cargo that is carried on most ships built during the war period. The idea is to drive older ships from the sea.

The U. S. Coast Guard is seeking legislation to require constant ship-to-ship radio contact in harbor areas and port-area radar control of ships. While this does not greatly reduce the element of human error, it is expected to decrease the communications gap in congested areas and is the possible beginning of a semi-automated navigation system for port areas.

A substantial reduction in marine insurance rates would result from improving the safety factor through automation, said William Peterson of the American Hull Insurance Syndicate.

SHIPPERS AND insurance groups agree that it is not inconceivable that ships and major ports and sea lanes might be automated some day. But support for a completely automated navigation system is mixed.

J. Z. Bradanovic, economic affairs officer for the United Nations International Maritime Consultative Organization, feels that automation might work in open waters as is done now with

mechanical steering, but he said that nothing can replace the human brain. Mr. Bradanovic added that the chances of human error could be decreased by more stringent regulations governing pilots and commanding officers.

LOCAL PORT captains in New York harbor said it would be impossible to automate a vessel's docking or undocking operation because a pilot's years of experience and training cannot be placed in a machine. Electronics computer men do not agree, but they admit a completely automated navigation system would be expensive.

Greater insurance risks are forecast with the advent of the modern supertanker and its tremendous increase in size, weight and speed.

Latest plans call for tankers over 1,100 feet long and over

276,000 deadweight-tons (deadweight tonnage is the number of tons—of 2,240 pounds each—that a vessel will lift when loaded in salt water to her landing mark). Some builders say that 500,000 deadweight-ton tankers are technically feasible.

While the sea giants of the future pose more problems, the largest number of vessels afloat are of modest proportions and are exposed to most of the insurance risks of their larger counterparts.

PORT CONGESTION is becoming another increasing hazard to marine insurers and also results in costly delays to shipping companies. In New York, the world's busiest port, accidents and near misses are a nightmarish reality, and more navigation problems and higher rates are anticipated as the number and size of ships increases.

WHY NOT BE NO. 1

Join the Hagedorn group for exclusive service, creative marketing and a sophisticated approach to business insurance that will assure your being Number one for all your insurance requirements.



Est. 1869

HAGEDORN & COMPANY

ONE LIBERTY STREET
NEW YORK, N. Y. 10005
TELEPHONE (212) 269-1100

Write — Production Department — for our brochure.

Do you like to pay one big insurance premium?

of course not
of course not
of course not
of course not
of course not
of course not

Switch to an Afco budget plan.
It lets you put premium payments on the
installment plan. Like any other bill.

It's good business practice to pay insurance premiums the easy way. In installments, the way you pay your taxes. Afco lets you break up a big lump sum into six, eight or ten small payments a year.

An Afco budget plan offers you

an extra line of credit without disturbing existing lines of bank credit.

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

You can also afford as much coverage as your business needs. Without feeling the pinch once a year at premium-paying-time.

See your local independent insurance agent or broker. Ask him to explain Afco's simple, low cost financing. You'll love it.

AFCO

NEW YORK: 108 JOHN STREET, NEW YORK 10038

ATLANTA BALTIMORE BOSTON
CHICAGO KANSAS CITY LOS ANGELES
MIAMI SAN FRANCISCO SEATTLE

Bridge safety

Continued from page 3

own police department maintain maximum safety on the bridges and in the tunnels. Electrical signs advise patrons of speed and weather conditions. Wider-than-usual driving lanes and well lighted tunnels, trestles and bridges have kept the fatal accident record to only two in three-and-a-half years of operation.

A FLAT TIRE in the tunnel or a car without gas is quickly taken care of by the police and a towing system. The Chesapeake maintains its own internal dial telephone system so that motorists can report emergencies or any other problems that might arise. Emergency telephones are located at half-mile intervals.

There are 72 members of the police department headed by the chief and 50 members of the maintenance team. According to Mr. Morris, "our police department is given the same authority on the bridge-tunnel as the state and local police in their jurisdictions."

Automatic recording devices for the tunnels enable tunnel operators to keep the carbon monoxide level substantially below the safety limit. The amount of traffic and the season regulate the air pumped.

"We also wash the tunnels regularly" as an additional safety precaution, Mr. Morris stated.

Prior to construction, a lengthy study was made to determine the proper height for the trestle side rails. All too often, he contended, the guard rails were set at the driver's eye level causing dizziness. Finally, for the Chesapeake facility, the rails were set at 40 inches, a height at which the driver can see over them.

THIRD-PARTY liability is covered under a general liability

policy with a limit of \$1,000,000 per occurrence. A garage keeper's liability policy provides \$20,000 protection.

"Under this policy the facility is covered should something happen to a private vehicle while being towed by our wreckers," Mr. Morris explained.

The facility's own auto fleet is covered by a policy providing limits of \$100,000 bodily injury, \$300,000 each accident and \$100,000 property damage.

MAINTAINED ON the facility is a district-owned restaurant and fishing pier operated by a concessionaire. The commission requires the operator to carry certain insurance and to make regular health inspections.

Prior to the construction of the Chesapeake Bay system, a smaller version of a bridge tunnel opened, which linked the Norfolk area to Hampton and Newport News. Unlike the Chesapeake, the Hampton Roads Bridge Tunnel is part of the Virginia department of highways.

IN THE TEN years of its operation, the Hampton Roads/facility, which is 3.4 miles, has had only one claim, according to E. H. Orange, tolls and facilities manager. And that was when a floating barge struck the bridge. "We recovered most of the claim from the barge owner," Mr. Orange explained.

He pointed to marine shipping and hurricanes as the major hazards. With two man-made islands, a ship hitting one could cause serious damage, he said. However, because of high premiums, the state department self-insures the man-made islands.

To prevent flooding during a hurricane, tide gates were installed at each entrance to the tunnel but fortunately "we have not had to use the tide gates," Mr. Orange said.

Under a blanket public liability policy the limits are \$250,000 and \$1,000,000 bodily injury and

\$300,000 property damage.

With 40,000,000 drivers using the facility in ten years, not one fatality has occurred. Since the facility is publicly controlled, it is patrolled by state police.

ITS USE AND occupancy policy covers two years revenue and begins after a seven-day waiting period.

Constant care of the facility is managed by a maintenance crew and a detailed annual inspection is made by a consulting engineer.

With the opening of the two bridge tunnel systems, the days of the ferry boats came to a close and the southeastern parts of Virginia were brought closer together. Although each is regulated differently, the loss experience so far has been about the same.

Wilwood . . .

Continued from page 18

Aetna Life and Casualty Co. to write the group life, hospitalization and accidental death and dismemberment insurance.

EXECUTIVES AND managers are eligible for \$10,000 of life insurance; assistant managers, \$5,000; and all other employees, \$3,000, making a total of about \$250,000 of life insurance in force for all Wilwood employees. The insurance is one-year renewable group term to age 65, when it is reduced by 50%.

In the event an employee is accidentally killed, an additional benefit, equal to his group life insurance, will be paid to his beneficiary.

The hospitalization insurance for both employees and their dependents has a maximum daily benefit of \$28 payable for 70 days for one period of disability, maximum surgical schedule of \$480 and a major medical benefit of \$20,000, with \$100 deductible.

classified advertising

RATES AND CLOSING TIME: \$2.00 per line, minimum charge \$8.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$16.00 per column inch, and card discounts on size and frequency.

MISCELLANEOUS

Insurance Consultant—legal training—seeks association with ins. Dept. of mercantile firm. Highly qualified all lines. Finance major. Can relocate. Salary \$10,000. plus benefits. Age 54. Reply to Box 105, Business Insurance, 740 N. Rush St. Chicago, Illinois 60611

Get
Results here

The plan also includes a weekly disability benefit for employees of \$70 for managers and assistant managers and \$40 for employees earning more than \$300 monthly.

Travel accident insurance is written on the 12 managers and assistant managers by Contin-

tal Casualty Insurance Co. It has a \$25,000 death benefit, with the employee's wife as beneficiary, and is good both on and off the job.

THE KEY-MAN insurance in the plan was written on Joe Parker, president of Parkwood division, the New Orleans subsidiary. The \$100,000 policy was underwritten by Connecticut Mutual with Parkwood as beneficiary.

Both Mr. Woods and his father have key man policies on themselves, written prior to enactment of the new plan.

"Based on what our employees who come from other companies tell us and the companies with which we have compared, we feel this is the best employee benefit plan available in the retail shoe industry," concluded Mr. Woods.

Kaiser . . .

Continued from page 4

tinues on the same basis at retirement for the employee and his eligible dependents. The Kaiser Foundation plan provides, for example, full coverage for hospital room and board, doctor's calls both at hospital and office and X-rays and laboratory work.

At the time of death, company paid insurance terminates, but coverage is guaranteed the surviving spouse under an individual plan as offered by the carrier at the prevailing age rate.

KAISER AEROSPACE & Electronics participates in the two savings and retirement plans provided for salaried employees of the Kaiser complex of more than 163 companies. Eligibility requirements for both plans are: (1) that the employee be a full time salaried employee; (2) that he complete at least three years of continuous service, and (3) that he not be represented by a labor organization with which the company has entered into a separate agreement.

Base plan contributions for eligible participants are 3⅜% of compensation exceeding \$4,800 a year. If continuous service is broken before completing 15 years or attaining age 55, a participant is entitled to receive accumulated contributions with interest. If not electing an early pension, he may receive a deferred vested pension payable at 65.

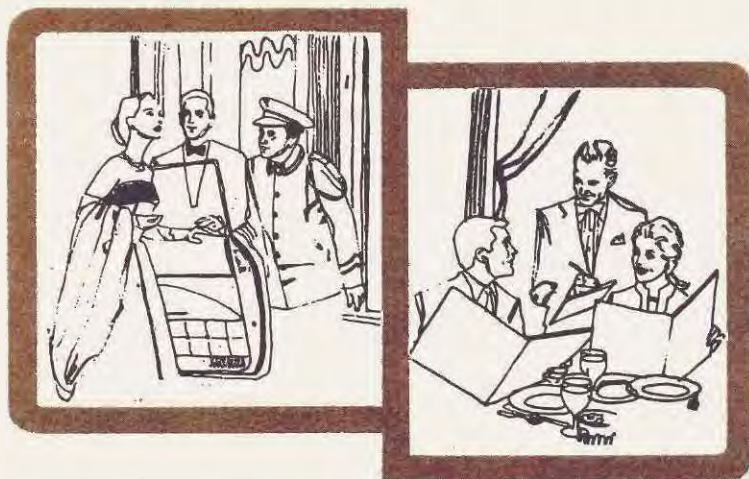
The monthly amount of normal pension provided by the base plan is (1) 0.5% of the first \$400, plus 1.25% of any amount over \$400 of a participant's final average monthly compensation multiplied by his years of credited service, or if greater, (2) \$2.60 multiplied by years of credited service, or a higher amount that the retirement committee may decide is necessary to equalize with comparable benefits provided for hourly paid employees at the location where the participant is employed for at least three years immediately preceding retirement.

The supplemental savings and retirement plan is designed to augment pensions provided under the base plan.

ADVERTISERS' INDEX

ADT International	25
Persons Advtg., Inc.	
AFCO Credit Corp.	29
Doremus & Co.	
Alexander & Alexander, Inc.	25
G & M Creative Seces., Inc.	
American Internat'l Underwriters Corp.	6
Clement & Bogue, Inc.	
Argonaut Ins. Co.	31
The Wyman Co., Inc.	
Atkinson-Dauksch Ins. Agencies, Inc.	18
Hammeroff & Assoc., Inc.	
Benefit Trust Life Ins. Co.	23
Reinke, Meyer & Finn, Inc.	
Boston Mfgs. Mutual Ins. Co.	10
The Eddy-Rucker-Nickels Co.	
Cameron & Colby Co.	8
John D. Burgoyne Advtg.	
Commercial Union Ins. Co. of N. Y.	9
Gaynor & Ducas, Inc.	
Continental National American Group	12-13
Post-Keyes-Gardner, Inc.	
Corporate Policyholders Counsel, Inc.	24
Armstrong-Desmond Advtg., Inc.	
Crum & Forster	26
Clement & Bogue, Inc.	
Despard & Co., Inc.	27
The Schuyler Hopper Co.	
Donnelly Brothers	10
Keyes, Martin & Co.	
Employers Ins. of Wausau	5
J. Walter Thompson Co.	
Excess Underwriters, Inc.	30
Vaughan, Thain & Spencer, Inc.	
Fireman's Fund American Ins.	7
Cunningham & Walsh, Inc.	
L. J. Goldstein & Co., Inc.	23
Lubell Advtg., Inc.	
Hagedorn & Co.	29
Insurance Service Assocs.	11
John D. Burgoyne Advtg.	
Fred S. James & Co.	4
Vaughan, Thain & Spencer, Inc.	
Johnson & Higgins	27
Doremus & Co.	
Kemper Insurance	28
Clinton E. Frank	
Marine Office of America	16-17
Marsteller, Inc.	
Leo B. Menner & Co., Inc.	18
Vaughan, Thain & Spencer, Inc.	
Northwestern National Life Ins. Co.	24
BBD & O, Inc.	
Provident Mutual Life Ins. Co.	15
Gray & Rogers, Inc.	
Utica Mutual Ins. Co.	15
Leber Katz Paccione, Inc.	
Wohlreich & Anderson, Ltd.	13
Clement & Bogue, Inc.	

Packaged Insurance For Restaurants and Restaurant Associations



Strict underwriting standards, but competitive rates for those who can qualify for this modern approach to a needed protection.

EXCESS UNDERWRITERS

INCORPORATED



175 WEST JACKSON BLVD.
Phone (312) WEbster 9-5535

CHICAGO • ILLINOIS 60604
Telex Number: 25-4127

Carrier exec asks benefit plan fiscal laws

NEW YORK—A life insurance executive urged government fiscal control of benefit plans if employees and beneficiaries are to have confidence that the plans are adequately and honestly administered.

Warren G. Elliott, assistant general counsel for the Life Insurance Assn. of America, speaking at a meeting of the Assn. of Life Insurance Counsel, noted that institutions such as banks, trust companies and insurance companies are subject to intense federal and state statutory concern.

"But under present law," he said, "a pension and welfare plan with comparable responsibilities can function almost entirely without restraint."

HE EMPHASIZED that the funds of such plans should not be treated as private property of

the employer or labor organization administering the plan.

"Several recent case histories," he said, "raise serious questions as to whether the funds of a small minority of unregulated plans are being invested for exclusive benefit of the participants."

"Most welfare and pension plans," Mr. Elliott contended, "are insured or utilize corporate trustees for investing plan funds. Yet the investments of other plans are unregulated and have been found to need enforceable standards to prevent the interests of the employers and the unions from being considered over the best interests of the workers and their beneficiaries."

He warned that any proposed regulation be suitably tailored to

meet the present problems without over-regulating, which, he said, could "stultify the needed expansion of the private system."

He suggested the possible establishment of a single government agency to coordinate overall policy regarding employee benefit operations to eliminate overlapping and conflicting rules, to fill in gaps and to set up new standards.

STANLEY P. Hutchison, executive vice president of Washington National Insurance Co., told his audience that the most serious problems facing state regulation today are the regulatory voids in those states which have not enacted credit insurance statutes or have made no attempt to implement them once enacted.

"Indications are that passing a credit insurance statute in those states will be a difficult task, but the difficulty is compounded when there is a lack of unity and a lack of purpose on the part of the responsible industry to make every effort to fill these gaps in regulation which invite federal inquiry," he said.

He discussed the Richmond resolution on credit insurance submitted in 1966 by the insurance industry to the National Assn. of Insurance Commissioners.

Its real significance, he said, is that it brought the industry together for the first time with respect to the fundamental principles of regulation for the business of credit insurance.

Richard J. Francis, vice president and

general counsel of Michigan Life Insurance Co., advocated directors' and officers' liability protection as one way of "inducing men of high standards and character to accept directorships."

He said that corporations' officers and directors should be protected by liability insurance against the costs of defending themselves in civil and criminal actions arising from work.

Mr. Francis mentioned that the majority of directors of life insurance companies are outside directors.

He noted from his research a number of companies which have purchased such coverage. He listed American Telephone and Telegraph, General Motors, Monsanto Chemical Co. of St. Louis and many banks.

Dunreith . . .

Continued from page 2

explosion and then igniting the vinyl chloride. The sheriff of Henry County, Robert Padgett, saw the clouds of smoke 20 miles away, after receiving radio reports of the explosion. State police routed traffic away from U.S. 40, which goes through Dunreith.

WHEN NEWS OF the fire became public, Rohm & Haas Chemical Co., Louisville, flew its safety officer, George Winburn to the scene. It was Mr. Winburn's decision to evacuate the town, due to the very slow burning of the vinyl chloride, and the highly flammable and dangerous acetone cyanohydride. The cyanohydride could not be transferred to another tanker for some hours, because its outlet valve was buried deep in the debris.

A fertilizer storage plant was unhurt, but on a siding near the collision were several tank cars of ammonia. These did not go up, but the fumes were vented into the air as the ammonia became warm. The harsh fumes caused further alarm to the townspeople and firefighters, who came from communities as distant as 40 miles.

Chemical warfare specialists from nearby military establishments were on hand with special foam equipment. This was not used, for fear of causing adverse chemical reactions. The area was cleared, and the chemicals transferred to other containers.

According to Lt. Elvin Comer, from the Connersville, Ind., station of the Indiana State Police, the acetone cyanohydride "is the stuff they make the pellets of for gas chambers, and we sure would rather have had a few pellets facing us than those two tank cars."

"THE FUMES were very toxic and heavy," said Lt. Comer, and "there wasn't too much we could do. Conventional or foam methods of fire fighting could have spread rather than quenched the fire, and then there was the critical period when more explosions were possible. It was mostly a case of letting the fire burn out and the fumes dissipate."

Lt. Comer estimates that damage to the town and factory will amount to \$1,000,000. No figures were available on the value of the damaged freight cars, nor have all shippers' claims for cargoes been received.



Sound underwriting concepts and philosophies are the cornerstone of our business. These are fundamental principles which we faithfully adhere to at all times. In addition, Argonaut underwriters are trained to approach each risk on an individual basis and take positive action. The result: an underwriting program noted for its flexibility, imagination and competitive appeal. We built our reputa-

tion on the ability to underwrite substantial risks and provide the broadest coverages at the lowest possible cost. In today's fiercely competitive marketplace, Argonaut has won wide acceptance among leading producers and hundreds of prominent companies in the nation's major industries. Ask about the Argonaut Approach when your workmen's compensation policy comes up for renewal.



ARGONAUT INSURANCE

HOME OFFICE: MENLO PARK, CALIFORNIA

PRINCIPAL OFFICES: SAN FRANCISCO • SACRAMENTO • FRESNO • LOS ANGELES • SAN DIEGO • PORTLAND • SPOKANE • BOISE
DALLAS • HOUSTON • NEW ORLEANS • MINNEAPOLIS • CHICAGO • KANSAS CITY • INDIANAPOLIS • NEWARK • ATLANTA



(AP) ALBANY, N.Y., ---BUSINESS UPSET---This was the scene yesterday in the office of a local realtor after a boiler exploded in the room below. Floor and roof collapsed, destroying office equipment. There were no occupants in the building at the time of the accident. (AP) (bfw638594/8571kp) 1967

We hope you never have to see how good we can be.

We hope that disaster never strikes your business. That you never have to see how quickly we pay claims; how far we go to get things back to normal.

We'd rather have you discover Utica Mutual is the kind of company that gives you the most attention when you

need it most. Before anything happens.

We'll provide a free safety and fire prevention survey. And offer you "Select-A-Pak," the new kind of package insurance for business. It lets you select the protection you want in the amounts you need. A policy made for

you. Against fire, storms, robbery, leaking pipes, exploding boilers. You name it and we'll provide it.

We'll also show you how you can save up to 20% on your present insurance costs by eliminating duplicating or

overlapping policies. And how our dividends can reduce costs even further every year.

Give Utica Mutual a lot of thought, whenever you think about your insurance.

We'll give you a lot also.

UTICA
MUTUAL
ALSO GRAPHIC ARTS MUTUAL

INSURANCE THAT STARTS WITH YOU.