

How to handle security —or are you asked?

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The French Line's cruise liner Antilles that was rocked by a series of explosions and destroyed by fire early this month near Bridgetown, Barbados, had an "insignificant" amount of insurance in the American market, according to marine insurance sources in New York. The lead, or primary, layer of coverage on the \$2 million vessel was written in the French market, with the London market providing most of the excess coverage. More than 600 passengers and crew members were on board and all were rescued; 501 victims were taken on by the Queen Elizabeth II, which was nearby and answered the Antilles distress signals.

—Wide World photo

N.Y. stock brokers ask entry into the insurance sales arena

NEW YORK—The 500 Big Board houses that make up the Assn. of Stock Exchange Firms have voted overwhelmingly to seek approval from the New York Stock Exchange to sell insurance to both individual and corporate consumers.

The development comes almost a year after members of the Midwest Stock Exchange won similar approval from that body, and amid reports that Midwest exchange members have not scored a resounding success in the first few months of insurance sales. Despite those reports, however, there is rather strong sentiment among Wall Streeters that approval from the powerful NYSE would be the crack in the dam that brokerage houses are looking for in the face of increasing encroachments in the securities field by insurers and their agents.

Approval by the New York exchange would, in essence, put stock brokerage firms smack in the middle of insurance brokerage and agency activities. Stock brokers, in addition to selling securities, and after the appropriate insurance examinations had been taken and passed, would be able to sell various forms of insurance,

including health and accident, life (both group and individual), and property and liability coverage.

ACCORDING TO James H. Ording, secretary of the Assn. of Stock Exchange Firms, a trade group, a formal proposal was submitted to the NYSE Jan. 7. Robert W. Haack, Big Board president, has said the exchange will give the request serious consideration.

Mr. Ording told *Business Insurance* last week that approval of the plan would not require any major overhaul on the part of the exchange.

"At present the exchange permits members to engage in the sale of stocks, bonds, commodities or any other kindred activity," he said, emphasizing the word kindred. "I think all that the stock exchange would have to do is consider insurance sales as a kindred activity of the securities business."

Mr. Ording did say, however, that if approval is granted by the exchange it is likely to include some sort of special requirements. These, for example, could include a provision that a broker,

in addition to passing a state licensing examination before being allowed to sell insurance, would also have to pass perhaps an even more rigid examination that would be administered by the exchange. The Midwest exchange has such a rule.

STOCK BROKERS have been showing a keen interest in insurance sales of late for obvious reasons—one of the most obvious being the fact that insurers are showing increased interest in security sales.

Said Mr. Ording: "A broker's customers are looking to him as a financial adviser. It doesn't make an awful lot of sense for him to work up a stock portfolio for the customer, note that he should also have some insurance and then send him across the street to an insurance agent." The association official also mentioned the "immense potential" for group sales, pension planning and other related programs for corporate clients.

If the New York Stock Exchange does grant approval it is almost a foregone conclusion that the American Stock Exchange

Continued on page 2

Strike insurance pools gain approval of NLRB

WASHINGTON—The National Labor Relations Board has effectively squelched a union bid to destroy strike insurance pools to which several industries have turned to defend themselves from the economic ravages attendant to strikes.

The board ruled in favor of a complaint brought by the Associated General Contractors of America Inc., southern California chapter, against the Local No. 12 of the International Union of Operating Engineers. The contractors' group alleged that the union violated the National Labor Relations Act by demanding a contract provision restricting or abridging the right of a group of construction industry employers in southern California to participate in a strike insurance plan and by striking to win this demand.

In recent years some members of given industries have begun to band together financially to strengthen the group as a whole against a common problem—labor strikes. Perhaps the best known of these is the mutual aid pact among several U.S. airlines

which participants are paid a prorated sum for each strike day.

THE NLRB, in ruling against the union, explained that "generally stated, the purpose of strike insurance is to indemnify an employer in the event of a strike or lockout. It is similar to union strike benefits and mutual assistance by unions, which Local No. 12 contends are not mandatory bargaining subjects."

The NLRB opinion went on to explain that such strike insurance is "not a term or condition of employment. It does not regulate the relation between an employer and its employees. It imposes no condition or liability upon a union. Its sole effect is to buttress the economic position of an employer in the event of a labor dispute. We find nothing in the act to suggest that Congress envisioned requiring an employer to bargain with its employees concerning its economic position, save as that position is derivatively affected by 'wages, hours, and other terms and conditions of employment,'" the board commented.

Lloyd's insures fish —one fish-for 10Gs

NANAIMO, B. C.—Chalk up another one for Lloyd's of London.

It is common knowledge that Lloyd's will insure things that no one else in the world will touch and that, sometimes, their risks have been somewhat bizarre—but a \$10,000 life insurance policy on a fish?

It seems that the Kiwanis Club in this Vancouver Island city has a salmon fishing every year and they wanted next summer's event to be a little different. A marked salmon will be released in Georgia Strait and if anyone catches it, a Lloyd's representative will give the lucky angler a check for \$10,000. The premium for the salmon's policy is \$500.

It was reported that the insurance company agreed to insure the fish after feeding detailed statistics on sport fishing in the local waters into a computer. The computer then decided that the odds against catching the marked salmon were better than 20-1. And at those odds, why not?

Small business calls Blue Cross hike 'discriminatory'

HARTFORD—Connecticut Blue Cross rates for groups with 100 or fewer subscribers increased an average of 31% Jan. 1. State Insurance Commissioner Robert F. Claffey approved the move, which affects about 125,000 of a total of 715,000 contracts. Inflation and rising hospital costs were cited as basic reasons for the rate boost.

Several small businessmen here labeled the rate increase discriminatory against small business employers.

Jack Hickey, assistant treasurer of the Fox Press, Hartford, said, "I view all subscribers as equal citizens—with equal hazards and equal risks." He contended that all costs should be shared by all subscribers.

Mr. Claffey told *Business Insurance* he had received a letter from a certified public accountant questioning the Blue Cross claims of higher expenses for smaller groups. The unidentified CPA said that operating costs are handled by computers and all claims have to be handled individually, whether from a large group or a small one.

Blue Cross pays about one-third of all hospital costs in Connecticut, according to Joseph Du-

plinsky, Connecticut Blue Cross president.

THE RATE increases would be calculated on a pooled basis in accordance with a merit rating formula approved by Mr. Claffey's department.

During the rate-boost hearing Mr. Duplinsky said he believes some form of national health insurance is imminent. "Some say two years; some say five, but the way the country is going in terms of health care, it all seems quite imminent."

John S. Murtha, Blue Cross counsel, remarked that there is no "simple answer" to the continuing spiral in hospital costs. "It shows promise of leveling off and falling more in line with the rest of the economy," he said.

As for hospital costs, Mr. Claffey criticized what he said appears to be a "ridiculous" requirement that patients be hospitalized for three days before entering a nursing home in order to qualify for Medicare. He indicated that his department intends to pursue this particular matter by contacting legislators on requirements.

for the record

Stewart deputy Benjamin Schenck new N.Y. insurance superintendent

NEW YORK—The appointment of Benjamin R. Schenck to replace Richard E. Stewart as superintendent of insurance here did not come as a surprise to anyone. "If it was a surprise," one top insurance exec said the other day, "it was only because the choice was so logical that it escaped some people." The industry man also expressed satisfaction with Gov. Nelson A. Rockefeller's choice.

Mr. Schenck (pronounced Skenk) is 32 years old, a 1960 graduate of Williams College and a 1963 cum laude grad of Harvard Law School. In 1963 and 1964 he was a confidential legal assistant to Gov. Rockefeller and for two years after that was an assistant counsel to the New York governor.

The young superintendent was appointed a deputy in the insurance department in August 1968 and less than a year later was named first deputy to Mr. Stewart. Both Mr. Stewart's and Mr. Schenck's careers have followed remarkably similar paths, with Mr. Stewart the older of the two at 37.

Richard Stewart, in the meantime, has settled into a senior vp's chair at First National City Bank and First National City Corp., New York. The bank officially denies the conjecture that it will get into the insurance

business. In mid-1969, you may recall, First National City moved to buy Chubb Corp., a large insurance holding company. That deal was dropped after the Justice Department said it would contest the merger.

Broker insurance wins final approval

NEW YORK—The new broker/dealer insurance law signed by the President as 1970 ended will have little or no effect on the insurance programs of brokerage houses, according to a legal expert who handles insurance at a large brokerage firm here.

"This law protects the investor after a house fails; it doesn't provide us with any help," he explained. "We still need insurance to help prevent our failing in the face of a loss."

The bill establishes the Securities Investor Protection Corp., a jointly-financed insurance company that will provide a maximum of \$50,000 for each individual investor against the failure of a brokerage house. The new insurance company acts in much the same way as the Federal Deposit Insurance Corp.

The SIPC will be financed by an assessment of .125% of 1969's gross revenues of brokerage firms, added to existing stock ex-

change trust funds. The resulting \$10 million will be joined by an additional \$65 million in a line of credit from a bank. In addition, the company would continue assessments from the brokerage firms at the rate of .5% of their annual revenue until the company is funded up to \$150 million. The standby reserve of \$1 billion in borrowing power from the U.S. Treasury is also extended to the investors insurance company by the new law.

Originally it was thought that the bill would be hindered by Sen. Edward Brooke (R.- Mass.) who had wanted an amendment attached to the law preventing brokerage firms from using securities belonging to their customers for their own collateral, a practice alleged to have caused much of the brokerage industry's economic troubles in the down market of the 1969-70.

Sen. Brooke withdrew his objections, however, after he was assured of adequate regulations to that effect being formulated and enforced upon the brokerage industry by the existing regulatory body—the Securities and Exchange Commission.

ITT-Grinnell union ruled ok by Justice

HARTFORD—The Department of Justice lost one late last month when a federal district court here ruled that International Telephone & Telegraph Corp.'s proposed acquisition of Grinnell Corp. does not violate antitrust laws. The action was Justice's first opportunity to test its antitrust theories on conglomerates under litigation.

The department's antitrust division had contended, among other things, that the automatic sprinkler company would gain competitive marketing advantages through its affiliation with Hartford Fire Insurance Co., also an ITT subsidiary. The advantages, it asserted, would have derived from the close relationship between fire insurance and automatic sprinkler industries—particularly from the possibility of substantial reductions in insurance rates, often a factor in the decision to install sprinkler systems.

In rendering a decision on the case, the federal judge stated that the consensus of credible witnesses was that insurance leads and recommendations actually play an insignificant role in the

sprinkler industry. Such leads, he said, usually relate to existing buildings rather than new structures, and sprinkler work on existing buildings is a minor part of sprinkler contracting. Sprinkler contracts are awarded on the basis of competitive bids, for the most part, he noted, adding that insurance companies or their agents have little or no effect on the decision.

In fact, the judge declared, evidence indicates that Grinnell would stand to lose far more than it could gain from any exploitation of the Hartford affiliation.

Hartford negotiates with Cameron & Colby

HARTFORD—Hartford Fire Insurance Co., an International Telephone & Telegraph Corp. subsidiary, has said it is negotiating to acquire Cameron & Colby Co., multiple line special purpose insurers, Boston. If the acquisition goes through at the end of January, as expected, neither of the parties involved predicts a great deal of change.

"We will lend some strength to them," DeRoy Thomas, senior vp of Hartford Fire told *Business Insurance*, "but the operation will remain essentially theirs."

Graves Hewitt of Cameron & Colby said that although it was a bit early to predict, he felt that "we will be able to write more business; pure volume will be the main effect of the move on the corporate insurance buyer."

The proposed acquisition will involve a stock swap, with shares valued at more than \$5 million, through ITT, according to the Hartford Company.

Hall sets up new corporation

NEW YORK—Frank B. Hall & Co., New York, has formed a new corporation, Frank B. Hall & Co. of New York Inc. But the change won't mean much to the broker's clients.

"This reorganization is in furtherance of our corporate policy of allocating to local management the operating responsibility for the profitability, service, growth and other corporate objectives pertaining to each office," said Melvin A. Holmes, president of the parent firm, in making the announcement.

If that sounds like a mouthful, it means essentially this: The New York area operation will maintain its own set of books. Thomas Livingston becomes president, chief executive office and treasurer of the new corporation.

Brokers...

Continued from page 1

and others around the country would follow suit.

In fact, the failure of New York exchange member companies to push for insurance sales sooner is said by some to have crimped the early success of insurance sales on the Midwest exchange. Since many members of the Midwest exchange are also members of the NYSE they are not allowed to sell insurance and retain their NYSE membership. Thus, if the Big Board grants approval it would greatly influence the extent to which the securities industry moves into insurance sales.

AN ESTIMATED \$175 million (face value) of ordinary and term life insurance had been sold by members of the Midwest Stock Exchange at the close of its first year of insurance sales, according to an exchange spokesman. Group life sales accounted for only a small part of the total. The exchange estimates that it will have sales of \$200 million (face value) in 1971.

When asked if he considered the \$175 million a low sales figure, a source at the exchange told *Business Insurance* that the only way to judge sales effectiveness would be to find out how many salesmen in industry would be required to generate that amount of business. "Right now only 224 representatives have been registered to sell the life line by the exchange," he said, "and our sales record makes almost all of them million-dollar-a-year men."

Twenty seven member firms have been approved by the Midwest Stock Exchange to sell insurance and among the carriers are: CNA Insurance, Life Insurance Co. of North America, Connecticut General Life Insurance Co., Continental American Life Insurance Co. and Anchor National Life Insurance Co.

"Various state insurance commissioners have shown warm approval of our approach to this program," the spokesman said. The exchange conducts preliminary and follow-through investigations of insurance carriers used by members. It also has an education, training and registering program that is required before selling insurance in addition to the state requirements for insurance salesmen.

"The insurance commissioners view this as an additional protection of the consumer interest," said the sources.



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Sun Life Announcement



George
F. S. Clarke



Hugh
McLeod



A. C. M.
Robertson

Sun Life Assurance Company of Canada has announced three senior officer appointments in addition to important organizational changes in the Company. George F. S. Clarke, F.S.A., becomes Senior Vice-President (and chief marketing officer); Hugh McLeod, F. S. A., becomes Vice-President and Chief Actuary; A. C. M. Robertson, F. S. A., becomes Vice-President, Group.

**SUN LIFE
OF CANADA**

New McCormick Place has 'ultimate' fire guards

By TERESA NORTON

CHICAGO—"If we have erred, that error is overdesign."

So said the fire protection consultant for Chicago's \$95 million McCormick Place on the Lake, opened almost four years to the day after the old convention center was destroyed by a spectacular electrical fire.

According to Rolf Jensen, president of Rolf Jensen & Assoc. Inc., consultants, "the ultimate in fire protection systems" was included in the building from the design stage through completion. Of the \$8 million spent on safety and security for the McCormick Place complex, \$3 million was for the fire protection system, in an effort to prevent the recurrence of fire disaster. (See related stories on page 28.)

The fire protection system is as unique as the building itself. It consists of approximately 20,000 sprinklers, 225 hose cabinets, 150 manual stations, 450 fire detectors, pumps capable of an 8,000-gallon-per-minute flow and 270,000 gallons of water storage. And there's always Lake Michigan—literally—if that's not enough water. Access roads have been built that enable fire department trucks to drive to the edge of the lake and avail themselves of the water in an emergency.

DURING THE FIRE that destroyed the original convention center steel girders supporting the upper floor and roof softened and buckled, pulling the walls inward. To prevent a similar catastrophe in the new building the insurance carriers, Factory Insurance Assn. and American Motorists Insurance Co., required that the roof steel be given a protective coating that provides a 45-minute fire protection in the main exhibition hall. The product used, Albi-Clad 89, is an intumescent, water-base mastic that swells upon exposure to heat.

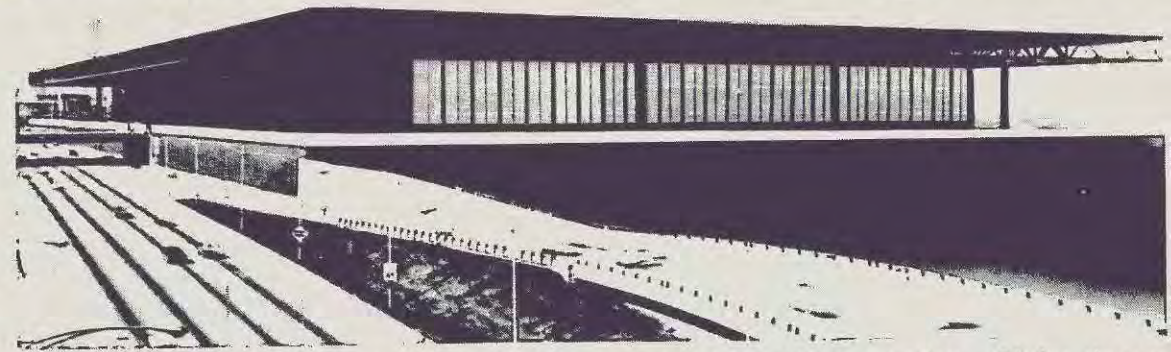
Another structural problem of the fire prevention program was designing expansion joints, said Mr. Jensen; material resilient enough to give the necessary expansion was not fireproof. To minimize transmission of fire through the joints a flexible metal fire barrier was designed into the material, Mr. Jensen said.

The building's 1.8 million square feet space is divided into 12 separate fire areas by two- and four-hour fire walls or floors. These are supplemented by fire curtains and fire doors, which have magnetic hold-open

devices activated by products-of-combustion fire detectors.

The exit system, Mr. Jensen told *Business Insurance*, is capable of handling the maximum number of people possible in any given area. Total possible population of McCormick Place at one time is 50,000 people, and exits are designed to move people directly to the outside, as in the 20,000-capacity main exhibit hall, or to a safer fire area. On the restaurant, office and maintenance level of the complex a series of horizontal exits, meeting a four-hour fire resistance requirement, are used.

THE HAZARDS of makeshift electrical wiring for exhibits, which caused the 1967 fire, explained Mr. Jensen, have been greatly reduced by placing low-



Chicago's newly opened McCormick Place on the Lake is protected by 20,000 sprinklers, 450 fire detectors and has a 270,000-gallon water reservoir—as well as Lake Michigan—to draw from.

voltage circuits on 10-foot spacing and high-voltage circuits on 30-foot spacing and high-voltage circuits on 30-foot spacing throughout the hall. "Sufficient circuits have been provided," he

said, "so that the use of portable panels should be unnecessary in future exhibits."

Smoke vents in the 300,000 square-foot main exhibition hall are provided every 100 feet and

can be augmented by the activation of normal exhaust fans in the event of a fire. "Products-of-combustion detectors are installed in the return air supply of

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For The Employee Who Wants Everything

McCormick Place has subtle security

CHICAGO—Security patrols around this city's newly opened McCormick Place on the Lake are designed to catch an intruder before he knows what hit him.

Watchmen (there are three in the building at all times) must follow a prescribed tour pattern and close check switches along the route within a certain period of time. "If they are accosted by an intruder," said a spokesman, "all they have to do is alter their route or skip a check point and the central control console will detect the trouble immediately."

The central control is manned 24-hours a day, seven days a week.

Life, health, accident and disability plans are already a part of almost every employee benefit package. But now, an increasing number of employees want to share in group buying power for auto and home insurance, liability coverage and savings programs.

Hit and miss shopping for these services can upset the balance, coordination and

cost of your entire benefit program—and fail to obtain the best results.

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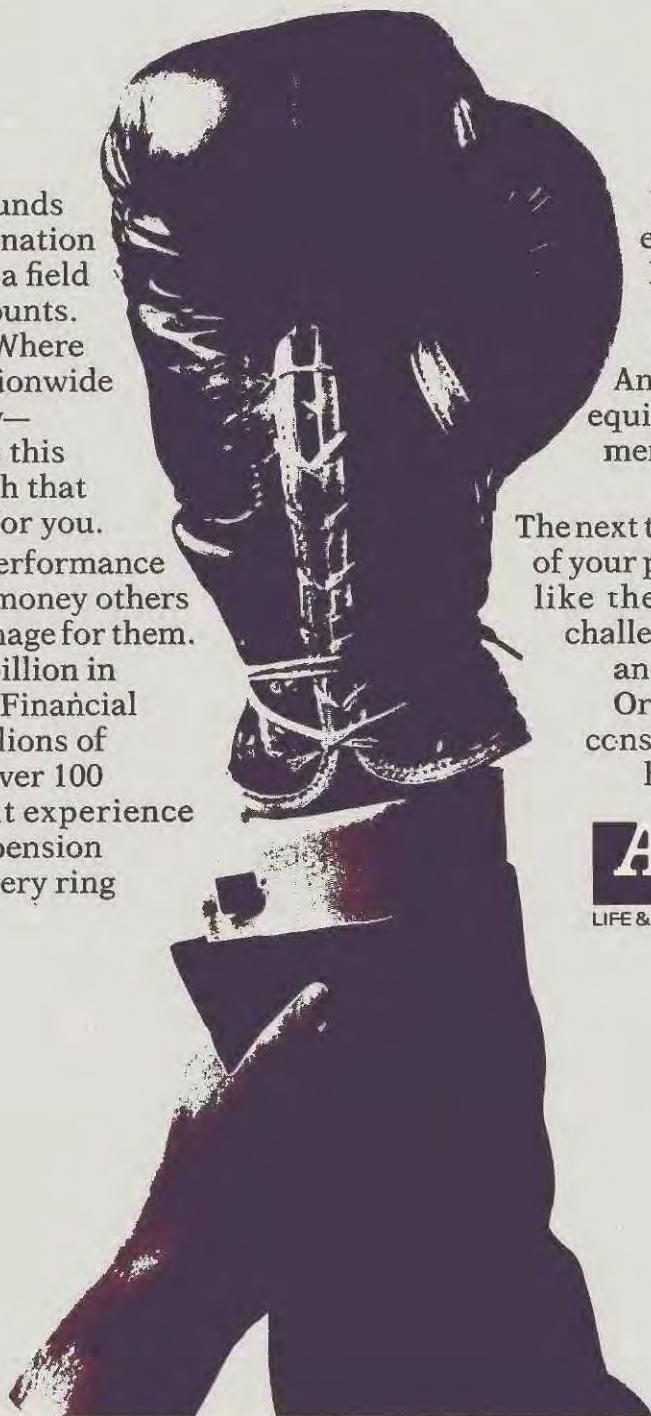
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washington watch

Safety bill is a mixed bag of vital safeguards, problems for industry

WASHINGTON—Business and industry have little to fear from the implementation of the compromise occupational health and safety bill passed by Congress after a three-year legislative tussle.

That's the opinion of Anthony J. Obadal, labor relations counsel for the Chamber of Commerce of the United States, which carried

the legislative ball for business and industry in the fight over the bill, first introduced as a Johnson Administration measure in January, 1968.

"Though the compromise bill has some serious shortcomings," Mr. Obadal told *Business Insurance*, "it has in it the basic safeguards of checks and balances and court review that we felt were essential to the administration and enforcement of fair and effective work safety rules."

Cited by Mr. Obadal as the chief shortcomings of the bill are:

- Danger that workers in the construction industry and those employed under government contracts will be covered by two laws, the construction safety law and the Walsh-Healey Act.

- Placement of the authority to set standards in the hands of the Secretary of Labor. Chamber spokesmen had favored a "board of experts" and they continue to maintain that such a board would be better suited than the Labor Department to set work safety standards.

"We just have to remember that this thing was a compromise," a chamber staff member told *Business Insurance*.

"WE'RE OF COURSE happy that the bill separates the functions of setting and enforcing the safety standards," he said, explaining that under the new law, the Secretary of Labor will be primarily responsible for setting safety standards while a separate three-man commission is to be the principal regulatory authority for deciding whether an infraction of the law has indeed been committed.

Another controversial matter that caused much furor in debates over the safety law was the proposal to allow an inspector to close down a plant if he felt that there was clear and present danger to workers. "The law as enacted provides that a plant can't be closed by the federal safety inspector alone—only a federal district court can order a plant closed," he noted.

In addition, industry representatives are pleased with a provision in the new law stipulating that employees have to comply with standards applicable to their conduct. "We feel that this will go a long way toward fighting carelessness," he explained.

He complained that the final law really "didn't go far enough" in the separation of powers. "A safety experts' board should have been asked to write the safety standards. Many of the resultant standards would probably be national consensus standards, he said. The national consensus method is the procedure normally used by a federal agency in coming up with new standards.

THE SOURCE pointed out that the Secretary of Labor must use existing federal or national consensus standards in the first two years of the law's existence. "After that, he can set safety standards as he sees fit," he explained, adding that business spokesmen felt that this was un-

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Touchy Question[#]55

**Surely no insurance company
would recommend self-insurance, would it?**

This one does.

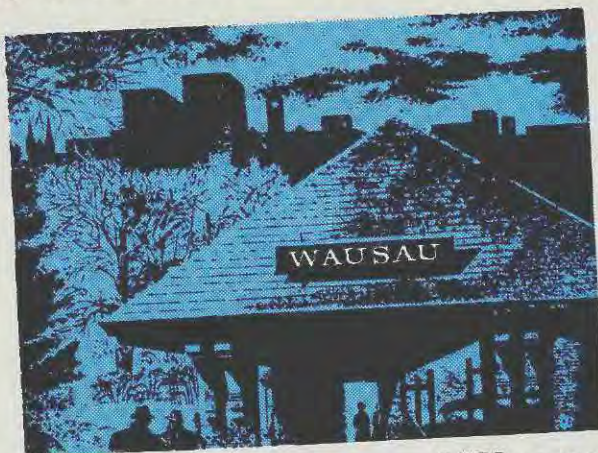
Self-insurance is an important feature of almost any multi-coverage program offered by our experts to a business insurance buyer. If the enterprise is a big one, we may recommend that several hundred thousand dollars' worth of its exposures be self-insured.

A few risk managers seem to believe that their only choice is between total insurance and total self-insurance. That's like having to choose between unwatered bourbon and unbourboned water. The properly balanced insurance program, like the properly balanced high-

ball, is a judicious blend of each.

Deductibles are a form of self-insurance. Retrospective rating is another. Coinsurance is a third. The adjustable "corridors" in such contracts as the umbrella liability policies are a fourth, and there are many more.

If you need help in determining how much insurance *not* to buy, we're always at your service. Our representatives are professional insurance men, and proud of it. And one of the finest touches to their professionalism is their consummate skill in not selling what their customers really don't need.



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Dead non-union miners to get workmen's comp

WASHINGTON—Had the 38 miners killed in the recent Wootton, Kentucky mine cave-in been affiliated with the United Mine Workers of America, their survivors would have received vastly greater benefits.

In addition to the maximum benefit of \$19,700—allowable under the Kentucky Workmen's Compensation Act—the miners' survivors would be eligible for a death benefit of an initial \$350 plus a monthly benefit of \$70 per month for five years (roughly \$5,000), according to Robert T. Boylan, executive assistant to the director of the UMW welfare and retirement fund here.

"Had their company been a signatory to the negotiated agree-

ment with the UMW, the survivors would also be eligible for comprehensive health care services (not including glasses, braces, etc.) for a similar period," Mr. Boylan explained, adding that no deductible or coinsurance feature was incorporated into the health coverage benefit. The health benefit is funded by the UMW welfare and retirement fund.

MEANWHILE, the survivors are being urged to forego accepting the insurance proceeds by some lawyers who are asking them to wait until the cause of the explosion and cave-in can be determined.

The Bureau of Mines' newly appointed chairman, Elbert F. Osborn, is conducting an official hearing into the matter, as some Congressional members have voiced interest in the tragedy.

Steve Cawood, a lawyer for the Appalachian Research and Defense Fund, suggested to the survivors that government officials can be held liable personally if government negligence can be proven. The victims should sue the federal government for possible inadequate inspections of the safety procedures in effect in the mine.

The Finley Coal Co. mine was insured by the Underwriters Safety and Claim Inc., Louisville, for workmen's compensation coverage. According to the president of the insurance company, Paul Schindler, each of the dead miners was covered for up to \$19,200 plus a \$500 benefit earmarked to cover burial expenses.

HE EXPLAINED that the claims would be paid at the rate of \$48 per week for 400 weeks plus a \$500 burial sum. A lump sum distribution of the full \$19,700 could be obtained through a petition to the company, he added.

In addition to the workmen's compensation, the survivors are also eligible for food stamps, medical cards, social security and benefits provided by the Veterans Administration for some of the cave-in victims who served with the armed forces. ■

Mass plan is approved

TRENTON, N.J.—New Jersey's commissioner of insurance, Robert L. Clifford, has approved a mass marketed auto insurance plan submitted to his office by the Automobile Insurance Co. of Hartford, a member of the Aetna Life & Casualty group.

The program, called EPIC (Employee Personal Insurance Counseling), provides for the insurance to be individually underwritten. It will be made available to all employees 21 years old or older and employed full time by a company for one year or more.

The only exclusions under the plan are applied to certain specified motor vehicle violations. They are four: driving while intoxicated or under the influence of drugs, failure to stop and report an accident, homicide or assault arising from the use of an automobile and driving while a license has been suspended or revoked.

The EPIC plan has also been approved in New York and Connecticut, in addition to other states. ■

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Great voice. Very soothing.

All heart. And it's all yours.

Hands. Think of her as an extra pair, which you can certainly use.

Well-turned ankle. No use to you, but it's pretty to look at.

We call her the Claim Service Representative.

And she's guaranteed to make life a lot easier for you. And your clients.

She's sort of a one-stop accident service, relieving the Agent of working out the time-consuming details between claimant and insured; giving policy holders fast, efficient service; plus the added advantage of diplomatic handling of the whole matter.

Think about it. If you had an accident, wouldn't you appreciate a chat with a pretty girl? Of course you would.

And our records show that a lot of other people like the idea, too.

So tell your insureds to phone us immediately should they have an accident. Our girls are waiting.

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info for buyers

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

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

• Control Dynamics Series 2000 is an electronic surveillance motion detection system that provides continuous transmission of ultra-high frequency waves completely saturating the area under surveillance with electromagnetic energy. The system has a built in logic circuitry making it possible to read signals directly into a computer for centralized control of multiple system installations. For more information write Mr. Dan Larson, President, Control Dynamics, 810 West Collins Ave., Orange, Cal. 92667.

• The National Foundation of Health, Welfare and Pension Plans has released **Presenting the National Foundation** outlining the organization's educational aims in the field of jointly trusted employee benefit funds. The booklet explains the Foundation's activities, publications and committee functions and contains a list of officers, directors and committee members. Single copies are free upon request by writing the Foundation at P. O. Box 898, Elm Grove, Wis. 53122.

• The Wyatt Co., 1629 K St., N.W. Washington, D.C. 20006, has made available to readers of *Business Insurance* free copies upon request of a reprint of the article **Pricing a life insurance company by actuarial methods** by Ellis D. Flinn, F.S.A. and Franklin B. Dana, F.S.A. which appeared in *Mergers and Acquisitions*. The article details a new actuarial approach to valuing a life insurance company, and determining the price to pay in acquisition.

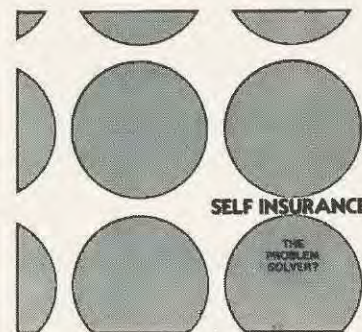
• **Employee benefit plans for international companies** has been published by the Victoria Life Insurance Co. The booklet offers summary information concerning selecting qualified insurers, coordinating plans, Social Security and taxation, consolidated accounting, local dividends, international experience rating, retentions and funding techniques. Single orders may be obtained free of charge by writing Gerhard Roper, vice president, Victoria Life Insurance Co., D 400 Dusseldorf, Bahnstrasse 2, Germany.

• Bliss Portland Co. has released two brochures describing their Super Jet-X water-powered nozzle that can send a steady flow of foam up to 30 feet to control class A and B fires, the nozzle can supply up to 1500 cubic feet of foam per minute; and their Jet-X-15 generator that provides foam dispersion for vast industrial complexes where rapid fire control is essential and for high piles stock and high hazard areas where inside firefighting is impossible. Inquiries should be addressed to Mr. Clifford Fox, Advertising Dept., Bliss Portland Co., 80 Second Street, S. Portland, Maine 04106.

• A guide to Social Security in Western Europe is a booklet covering both state and occupational benefits in 18 European countries. The guide highlights the country by country differences in Social Security and taxation practices which prevail in the area of national sovereignty. Copies may be obtained free of charge by writing Noble Lowndes International Ltd., 32, Lowndes St., London, S. W. 1, England.

• The Cal-Western Securities Co., 2020 L St., Sacramento, Cal. 95814, has made available, free upon request to firms in the west, **What is a variable annuity?** The brochure defines variable annuity and describes Cal-Western's approach to it. A list of the firms' directors is included. Direct requests to the company.

• CNA Financial Corp., 310 S. Michigan Ave., Chicago, Ill., has released a booklet discussing the problems of self-insurance. **Self Insurance: The problem solver?**



also describes the services CNA offers to firms that self insure, such as claim, information and engineering services. For a free copy direct requests to CNA's communications department.

• The Small Business Administration has compiled an aid for **Preventing employee pilferage**. According to the aid, to prevent pilferage an owner-manager must recognize that some employees cannot be trusted and make all employees aware that he is taking steps to thwart dishonest personnel. Such steps include setting up a system of loss prevention, administering the system rigidly, and auditing it often to discourage dishonest employees who try to bypass the system. Copies are available free from field offices and the Washington headquarters of the Small Business Administration, Washington, D. C. 20416.

• **Proud and tall** is a film released through government sponsored state rehabilitation centers and the Employers of Wausau Co. The 13½ minute, 16mm, color film reveals some of the agonies a person goes through in the rehabilitation process. The story is about a worker who was blinded on the job and with help resumed a solid and useful place as a productive worker. The film is available on a loan basis from local government rehabilitation agencies and the Film Dept. of the Employers of Wausau Co., Wausau, Wis. 54401.

• **Mass marketing of property and liability insurance** is a study prepared by Spencer Kimball, Dean and Professor of Law, University of Wisconsin Law School and Herbert Denenberg, Loman Professor of Insurance, Wharton School of Finance and Commerce, University of Pennsylvania, for the Department of Transportation. The authors evaluate the role that mass marketing of in-

insurance plays in overall compensation system reform, the extent to which existing regulatory institutions helped or hindered the attainment of any such role for mass marketing and comment on legislative and administrative changes they felt would bring about an optimum regulatory environment for mass marketing of auto insurance. Single copies are 75 cents and may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402.

• **Recent developments in trustee liability insurance** is a research report by David Livingston by the National Foundation of Health, Welfare and Pension Plans, Inc., P. O. Box 898, Elm Grove, Wis. 53122. According to the paper only three major underwriters provide liability insurance coverage for trustees. Key provisions in each of the available policies are outlined and compared item by item in the article summarizing the study findings. Reprints are available for 25 cents.

• The Department of Health, Education and Welfare, Social and Rehabilitation Service, has published **Legal rights of the disabled and disadvantaged** for the National Citizens Conference on Rehabilitation of the Disabled and Disadvantaged, one of a series of five papers prepared by the department for the conference. The book defines the disabled and disadvantaged and divides them into the following categories; the mentally retarded, the mentally ill, alcoholics and drug addicts, the physically handicapped and the aged. The book also contains some specific needs of the disadvantaged and disabled and suggestions for their implementation. Single copies are 50 cents and may be ordered from the Superintendent of Documents U.S. Government Printing Office, Washington, D. C., 20402.

• The National Safety Council has compiled a list of safety films and their sources—producers, sponsors, distributors—in its **National directory of safety films**. The films are categorized into their respective sections and brief descriptions are provided including such information as whether the film is black and white or color, price of rental, length and film specifications. Price information on the directory may be obtained by writing NSC, 425 N. Michigan Ave., Chicago, Ill. 60611.

• The latest edition of **Guide on building areas and heights**, (NFPA No. 206m) has been published by the National Fire Protection Assn. The 12-page text explains the necessary considerations in limiting building heights and areas from the standpoints of safety to adjoining property, safety to firemen, opportunity for successful extinguishment or containment of a fire and prevention of excessive demands on fire fighting facilities including water supply systems. Single copies of the recommended code are 50 cents and may be ordered from NFPA at 60 Batterymarch St., Boston, Mass. 02110.

• **'Humanly impossible' protection—night and day** is a 16-page booklet released by the National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110, to educate property owners in the value of automatic protection. The publication discusses the six types of automatic protection systems; carbon dioxide, dry chemical, foam, Halon, sprinkler, and water spray. Copies are available in units of 25; 25 to 100 copies are 15 cents each.

following the funds

Pension funds and the mutuals showed similar results in 1970

NEW YORK—To the extent that pension funds have investment philosophies similar to those of mutual funds, the two categories of institutional investors have had rather comparable performances in 1970, according to the corporate administrator of an eight-figure pool of employee benefit funds here.

Some gauge of how hard pension funds were hit by 1970's bear market is apparently indicated in the mutuals' record for 1970 (a far more visible situation). Some 30.7% of the 463 mutual funds measured by the Ar-

thur Lipper Corp. (a Wall Street brokerage firm that publishes a form chart on the mutual fund industry) were up in 1970. And 1970's mutual fund gains ranged from a miniscule .14% to a surprising 21.25%. Losses—which were more frequent by far—went from a mere .22% all the way down to Diamond Growth Fund's apparently disastrous 57.34% loss in capital appreciation in 1970.

Taken as a whole, the mutual fund industry's overall average performance was a minus 11.98% for the year as contrasted with the Dow Jones Industrials index

gain of plus 2.72% for 1970 and Standard and Poor's 425 index loss of 2.77% in 1970. All this seems to indicate, however, is that like the economy itself institutional investors took a turn for the worse in 1970.

"Quite probably those money managers who specialize in employee benefit funds exclusively will argue with me. I don't think there's any question that there was little difference in the performance results garnered by pension funds and mutuals that followed similar investment objectives in 1970," he said.

He explained that his fund uses the management groups of three mutual funds plus an independent investment advisor uninvolved with mutual funds to manage his fund. It has also established a small in-house management effort.

The source discounted the differences between mutuals and tax-exempt employee benefit funds, holding that institutional investment problems in either situation were much the same. Currently there is roughly some \$50 billion invested in mutual funds in the U. S. while there is supposedly over \$180 billion in tax-exempt employee benefit funds.

The first nine months of 1970 saw fund sales of \$3.4 billion as opposed to 1969's similar period record of \$5.2 billion in sales of mutual funds. At the same time, however, mutual fund share redemptions dropped from 1969's three-quarter total of \$2.8 billion to only \$2.2 billion in the comparable 1970 period.

"Our company is a living thing... constantly growing and changing. To keep protection aligned with our needs, an insurance company really has to keep on top of things. American Mutual does."

Roy L. Krueger, Sr., President
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Food and Industrial Products from Corn
Keokuk, Iowa

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benefit tax slants

Employee is taxed on the reimbursed loss when he sells home in transfer

By JOSEPH S. ROBINSON

NEW YORK—When IBM asks an employee to relocate to another area, thus compelling him to sell his house, the company reimburses the transferred employee for any loss on the forced sale of the house.

Some time ago, we reported the transfer of a Mr. Simpson to New York, necessitating the sale of his

house for \$1,000 less than he paid for it. However, IBM had the house appraised at \$5,000 more than his cost and paid him the difference. The court imposed a tax on the full \$5,000.

Now the scene changes. IBM again transfers Mr. Simpson—this time from New York to Seattle. So he puts his house on the market and receives \$56,000, which is \$2,000 more than it cost him but

\$2,000 less than IBM's appraisal. He was paid the \$2,000 difference based upon the appraisal.

The Internal Revenue Service treated IBM's \$2,000 payment to Mr. Simpson as taxable compensation. And the tax court agreed, claiming that the reimbursement, in effect, amounted to extra pay handed out by the employer and that is taxable. The ninth circuit court of appeals says the tax

court was right in holding the Internal Revenue Service. (See Lull, Ct. of Appl., 9th Cir., 11/12/70).

* * *

PERIODIC PHYSICAL exams are a valuable fringe benefit that many companies offer employees. The costs are deductible by the company and the employee who gets the examination has a tax-free health report.

But when a company institutes employee "physicals" merely to ease out certain "undesirables," such practices are considered to be a form of wrongful discrimination.

For instance, the president of a trucking firm was irked by a particular driver's attempts to unionize. When he found out that the driver was diabetic, the president ordered "physicals" for all his

employees—knowing that the driver would lose his chauffeur's license and job.

The ousted driver felt wronged and took his troubles to the National Labor Relations Board. The board ruled that he had been discriminated against because of his union activities. This discrimination was held to be in violation of Sections 8A (1) and 8A (3) of the National Labor Relations Act.

Unquestionably, an employer has the right to order "physicals" for employees, in good faith, as a safety measure, but not as an excuse to get rid of an unwanted employee.

* * *

PENSION AND profit-sharing death benefits can be left either to the estate, to a named beneficiary or a trust. When the estate is named beneficiary, the benefits are taxable. Not so when a wife or child is specifically designated. Here, the proceeds come in estate-tax free.

What are the estate tax consequences when a trust receives the death benefits? Some tax men feel the estate might be hit with a tax—the same as when an estate is named beneficiary. However, the majority view is otherwise—proceeds can be left tax free to a testamentary trust.

But remember this—the employee's will should specifically bar the tapping of the pension death benefits to pay debts and charges imposed against the estate.

* * *

DEFERRED compensation agreements represented by the naked promise of the employer to pay at some future date for services currently rendered are not considered to be taxable income to an employee filing his return as a cash basis taxpayer. This is true even when the employer currently purchases insurance on the employee's life to finance the future compensation commitment. When the insurance remains an asset of the employer to which all creditors have rights and the employee acquires no immediate rights thereto, he realizes no income from the payment of premiums on the insurance. The employee still has only a contract right to the deferred payment.

The above fundamental rule of tax law has recently been restated by the tax court. But the court went on to say that if the deferred compensation agreement is terminated and the employee leaves his job with the insurance policy in his pocket, the value of the transferred policy plus any accumulated dividends is taxable as ordinary income to the employee when he took over the policy. (Centre, 55 T.C. No. 2.)

* * *

REASONABLE compensation rules apply to salary plus profit sharing. For example, a Mr. Barton was paid a \$15,000 base salary. But he was also paid a large year-end bonus in addition to being credited with substantial amounts under the company profit-sharing plan, bringing his total to a six-figure sum. Mr. Barton was president and a large stockholder of the company. It paid no dividends.

In ruling that his compensation was excessive, the tax court did not allocate the amounts that were held reasonable between cash and the profit sharing allocation. All the items were lumped together in determining the compensation that was considered reasonable. (Barton-Gillet Co., T.C. Memo 1970-157.)

Lloyd's re-elects Mance

Henry Mance, who recently completed a month-long goodwill visit to the U.S., has been elected chairman of Lloyd's for the third time.

Unheard of! There's an unknown among the top life insurance companies.

Sixteenth among more than 1800. How did an "unknown" get there? By invention. By developing more different kinds of life, health, retirement and group insurance plans. Just ask your independent insurance agent. He knows insurance. He knows all the famous insurers. And from all of them, he's chosen Continental Assurance,

of CNA/insurance, his No. 1 underwriter. Not because he had to, but because he wanted to. Example: In just one product line, we give your broker 88,200,000,000 ways to customize your coverage. Like it was his own insurance company, run just for you. Unheard of! (Except by professional independent agents.)

Continental Assurance:
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Hartford praises decision

Mass auto regulation in N.Y. said to be completely equitable

NEW YORK—Few of the major mass-marketers seemed concerned over the New York insurance department's new regulation governing the mass-marketing of personal property-liability insurance released early this month.

Most companies acknowledged that they were actually reserving final judgment until their in-house legal beagles had the chance to sniff through it, carefully. A spokesman for the Hartford Insurance Group, however, praised the regulation.

"It really represents what we feel is the most enlightened regulation in the country," said Scott Ripley, secretary and manager of the mass merchandising department for Hartford Insurance Group. "While Hartford has not formally filed a mass-marketing plan in New York as yet we plan to soon. We think that the new regulation will foster a more stable market which will sustain higher competition in the future," he said. Hartford currently writes mass-marketing business in 22 states, most heavily in Massachusetts and Connecticut.

"IT SEEMS TO BE fair and pretty equitable to me," said a source at Royal-Globe Insurance Cos. "I don't know what our lawyers think of it yet, though," he added.

"I don't feel it puts any hindrances in the way of how we're operating now. It won't affect any changes in our approach, I don't think," said William F. Rowe, second vp in charge of the Travelers Insurance Cos' employee financial services marketing department.

Superintendent of insurance for the state of New York, Richard E. Stewart, noted that the insurance department plans to conduct a thorough "in-the-street" examination of a mass-marketing operation already in existence. He explained that this procedure was in keeping with the insurance department's plans to maintain a continuing surveillance of the actual workings of such plans in the field.

The regulation is scheduled to go into effect on March 1, 1971. Its provisions include:

- A prohibition of the formation of any group formed principally for the obtaining of mass-marketed insurance.
- Rates of premium under a mass-marketing plan cannot be discriminatory; however, the reasonable savings accrued from the increased efficiency of a mass-marketing operation aren't to be construed as discriminatory.
- Separate loss/expense statistics must be maintained by mass-marketers for their plans.
- People not licensed as agents or brokers under state insurance regulations can't market mass-marketing plans.
- Compulsory participation in an offered mass-marketed plan is prohibited.

- Other lines of insurance tied in to the participation in a mass-marketing plan are not to be allowed; not including, of course, the requirement of safety devices to protect a house, for example.

- Full and fair disclosure to prospective insureds of all features of a mass-marketing plan is mandatory.

- Underwriting standards used in mass-marketing plans cannot be more restrictive than the standards used for individual risk selection.

- The failure of an employer, association or organization to re-

mit premiums for any reason cannot be construed as "non-payment of premium" in a mass-marketing situation. Each insured must be given written notice of this and allowed at least 20 days to pay the premium himself.

- If an insurer or an agent of an insurer fails to qualify an employee or member of the group offered the mass-marketed insurance he must act as a broker for the placement of the insurance of this individual through the New York state Automobile Insurance Plan or the New York Property Insurance Underwriting Assn. ■

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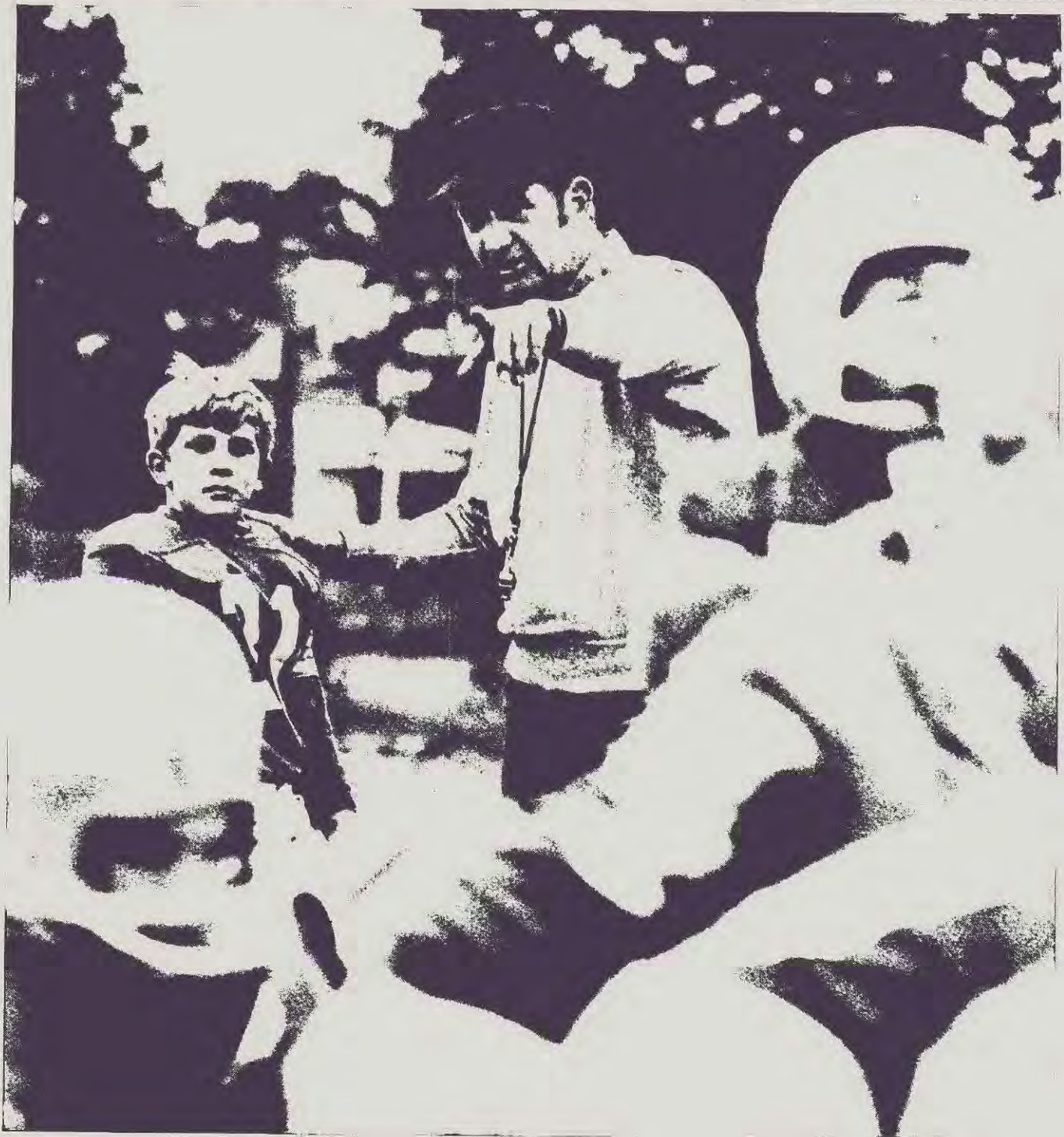
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Crop payments

The Manitoba Crop Insurance Corp. will this year make payments of about \$1.2 million, the lowest in three years. Most of those payments, officials point out, are for crops damaged during excessive rain last spring. In 1969 payments totalled \$3.7 million, when Manitoba farmers experienced one of the wettest crop years in many years.

ITT Sheraton in big insurance deal with Aetna

By STEPHEN GILKENSCH

NEW YORK—In one of the largest insurance deals pulled off in 1970, ITT Sheraton Corp. of America has disclosed it has purchased an all-risk blanket property and liability policy on 54 hotel and motor inn locations in North America from the Aetna Casualty & Surety Co. The package also includes workmen's compensation on about 25,000 employees, which the hotel had formerly self-insured.

In an interview here the other morning, Richard P. Ackerman, director of corporate insurance and safety for the Boston-based hotel chain, discussed the move in detail with *Business Insurance*.

It was 9:30 a.m. and Mr. Ackerman was sitting in his suite at

the St. Regis (a Sheraton hotel, naturally). He had already done part of a day's work. Moments before he had hung up the phone after talking to North Africa. As director of corporate insurance at Sheraton he is also responsible for international insurance operations and on this particular morning Sheraton was having a small problem in Tunisia where the chain is building a new resort hotel. And, as everyone who has international insurance responsibilities knows, you have to get up early to straighten out such problems by phone because of the six-hour time difference.

INTERNATIONAL insurance problems for ITT Sheraton are mostly routine now. And, with the Aetna policy tucked firmly



Richard P. Ackerman

into Sheraton's inside pocket, insurance problems on domestic

properties (including Canada, Puerto Rico and Hawaii) may settle into the same. Mr. Ackerman, who moved to Sheraton from ITT Continental Baking Co. Inc. where he was assistant director of insurance, has spent his first year and a half in Boston attempting to see to that.

"When I joined Sheraton I found a real hodge-podge," Mr. Ackerman said, noting that this was not due so much to management's irresponsibility as it was to the failure of the insurance program to keep up with the company's growth.

"The company was and is expanding both domestically and overseas and a year and a half ago the programs," he said, "were just completely unresponsive to the company's needs. We had

blanket insurance coverage that, from a property and liability standpoint, covered only 70% to 75% of the property values we had. However," he added, "there was no overall cohesiveness, no rationale to the program."

"Some hotels had their own property covers written through local brokers. For example," he illustrated, "on some of these the covers were written with \$5,000 deductibles. On others the deductibles were \$100,000. But," he added, incredulously, "the collision and comprehensive on company-owned automobiles was written with \$50 deductibles. This made absolutely no sense. It was like saying you cannot afford to take a loss on a 1969 company-owned Ford, but you can afford a \$100,000 loss on one of your hotels."

MR. ACKERMAN said that after joining ITT Sheraton he spent a year on the company's foreign insurance program. Following that he turned his attention to the domestic insurance program, which had formerly been written largely by the American Mutual Insurance Cos.

"One of the first problems we faced," he said of the preliminaries, "was that no one really knew what our hotel values were. Sure, they could tell you what the construction costs were or what they paid for the hotel. And they could tell you what they would sell it for, were it for sale. But no one could say for sure what it would cost to replace a hotel."

"In fire we were pretty close," he said of the chain's previously worked-up maximum probable losses. "But," he continued, "our difference in conditions coverages were woefully inadequate. We had very little in limits if one of our hotels were to be destroyed by earthquake, collapse, floods, tidal waves or similar perils."

Speaking of the adequacy of fire insurance program, Mr. Ackerman explained: "It's very hard to burn hotels such as ours. You may lose a room, a floor or a ballroom. (Sheraton's two largest

Continued on page 18

Every Benrus movement is being watched.

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J & H wins a round of plaudits

NEW YORK—Richard P. Ackerman, director of corporate insurance and safety for ITT Sheraton Corp. of America, has nothing but good things to say of his company's broker, Johnson & Higgins, which may or may not be strange, depending on how you view criticisms of insurance brokers in general.

ITT Sheraton was formerly writing a large part of its insurance business directly. The new package, however, was worked up by J&H brokers in Boston and New York.

"There few brokers in the country who could have wrapped up this policy," Mr. Ackerman says of the all-risk blanket policy Sheraton negotiated with Aetna Casualty & Surety. "We have probably exhausted the excess market—for our purposes. I don't think there is another ounce of capacity left."

Mr. Ackerman said that he had been told by his broker that the package is "the largest blanket all-risk (those are the key words) policy ever put together for anybody and, in fact, is almost double in terms of capacity what has been put together heretofore."

Young firm tackles the funding market in the Boston area

By SUSAN TRAUSCH

BOSTON—Usually graduates coming out of Harvard Business School with their MBA's go directly to Wall Street, do not pass Boston, or even think about it. That's why 28-year-old John Bulbrook, chairman of the board of Family Funding Inc., is sort of a wierdo.

FFI, conceived at Harvard by Mr. Bulbrook and fellow classmates Glenn Brewster and James Paddock, is a new investment company offering a combined life insurance-mutual fund program on the individual policy holder and company group plan levels. It opened in Cambridge in 1969 and recently moved to river-view skyscraper offices in Boston.

"Most of my friends at school wanted the go-go, glamor of Wall Street and money management," Mr. Bulbrook said, giving his little-boy grin, which frequently punctuates his conversation. "But I think the marketing of investment and life insurance programs is one of the more exciting areas you can get into. So little has been done here and there is certainly a demand for it. People want more than straight life insurance today."

IN THE GROUP insurance-investment area, FFI offers it's "Dollar-A-Day" plan which takes that amount out of an employee's pay, putting one month's worth toward low-cost, reducing term life coverage from Boston Mutual and two month's worth into the Keystone K-2 Fund, a diversified investment company. So far, about 15 Boston area companies are using the plan.

"We went to all types of business," Mr. Bulbrook said. "Everything from machine shops to community improvement groups. Small companies, primarily, because these were the people who needed this type of program. A lot of the big life or investment companies don't want to bother with the less than \$12,000 a year people. There's been a vacuum here and we're trying to fill it. Some of these people have never heard of mutual funds. It feels good to be able to talk with people and try to do a service for them."

FFI's individual plan takes the initial outlay and puts it all into equities. In 10 years, the insurance company receives its premium payment, but in the meantime receives dividends along with the customer.

"Our concentration now is in the New England area, working primarily through Boston Mutual as well as other brokers and agents in Massachusetts, Rhode Island, New Hampshire, and Connecticut," Mr. Bulbrook explained. "What eventual expansion will be, I don't know."

THE COMPANY'S chief competitor is Equity Funding, started in California in 1959. But, although it has offices here, the bulk of it's marketing is on the west coast.

FFI came into being through \$312,000 in private backing, arranged by Foster, Dykema, Cabot & Co., Boston investment bankers.

"I have to admit when I heard that three young guys from Harvard wanted to set the world on fire with a new business idea, I

thought to myself, 'Forget it, what do they know about anything,' " said Jere D. Dykema. "But then I talked with them. I was very impressed. They had chosen very high quality, reliable stocks and were going at the market very systematically, concentrating in one area and not spreading themselves too thin. Who knows, maybe they will set the world on fire."

Mr. Bulbrook had received a good job offer from a company when he graduated, but said that's not the route for him.

Continued on page 19

"Pension & Investment" Special Issue—March 29

Banks, insurance companies, financial advisers, investment bankers, mutual funds, consultants and actuaries have an excellent opportunity to register their messages with the men responsible for pension and investment decisions for more than 30 million employees in business and industry, including union funds . . . the readers of

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opinions

Pension, investment report

On March 29 *Business Insurance* will publish its annual report on pension plans and investments, such as those in profit-sharing and employee benefit accounts. What exactly has happened to those funds in the year since we last delved into the subject?

To be sure, they have grown—some \$15 billion in a year, in fact. A year ago those familiar with such figures were saying there was about \$110 billion in fund reserves in trust vaults the land over. This year the figure mentioned most is \$125 billion.

It is no small wonder that a sum so vast does create problems for those who must manage it. For while fund reserves did indeed take a significant stride forward last year they also took a step backward. Asset values declined with the Dow Jones industrial average. How fund managers learned—or didn't learn—to cope with this economic fact of life will be one subject of discussion on these pages March 29.

Another topic: the mood in Washington. Some people close to the fund business like to think their work got more scrutiny from the pols in the nation's capital in 1969 than it did in 1970. Perhaps this is true. National health insurance did get an awful lot of attention in 1970. But what about this year and next? One Senate subcommittee, for instance, has sent out questionnaires to 1,000 corporations in which some "basic information on pension funds" is being sought. What kind of reception has the committee received and what might it all lead to? Our editors will be seeking answers to those questions.

One piece of Congressional activity that got little attention last fall was the introduction of a measure—as an amendment to another bill actually—that would have created a reinsurance fund for pension plans. Under the proposal, employers and employees would have been taxed and the proceeds deposited in an account that would have insured the pensions of employees whose employers were forced to go out of business leaving a trail of unfunded liabilities. The measure did not get far but it could surface again. In the meantime, of course, unfunded liabilities continue to threaten thousands of workers each year. That, too, will be a subject for our editors to get into, as will the following:

- There is much talk lately of pension money fleeing insurance companies and banks and going to a new breed of manager: the professional money manager. Is the flight really taking place, or are money managers merely getting a slice of the action and a promise of more if they can perform?

- Profit-sharing plans continue to grow. But how did they survive last year, and for what special reasons—if any—might they have been better equipped to cope with economic conditions during the past 12 months?

- Many companies were forced out of business in 1970. What happened to the workers at one of these companies? Chances are they will never get pension credit for many years of service. How do they feel about this? How did management feel? How can such a situation

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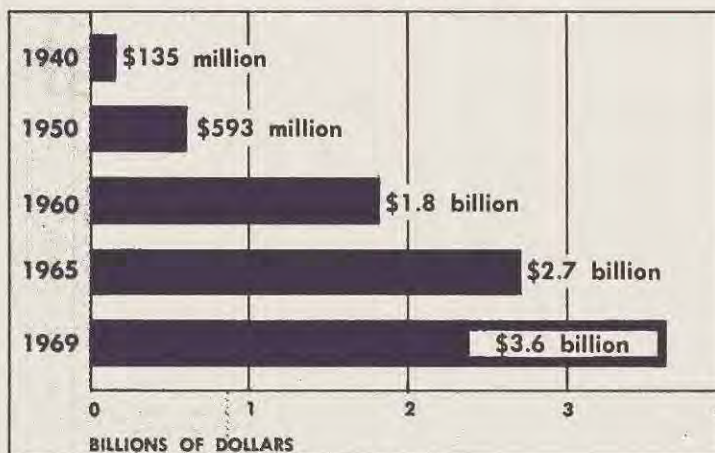
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INCOME FROM GROUP ANNUITIES IN FORCE WITH LIFE INSURERS



Annual income of annuities in force with U. S. life insurance companies reached a total of \$4.9 billion at the end of 1969, and annual income from group annuities accounted for \$3.6 billion of this total. The number of group annuity certificates held at the beginning of last year was 6.8 million, three times the number of certificates held in 1950. Of these group annuities, 227,000 were under variable plans whose results are based on equity fund performance. A survey last year indicated that 242 U. S. life insurance companies either had or planned to have equity-based programs for clients. Of these, 217 companies were affiliated with mutual funds and 74 offered variable annuities.

Source: Institute of Life Insurance

be avoided?

- Large funds wield enormous amounts of financial power. How is this power used, or sometimes abused? Do the pension funds, in their purchase and sales of huge blocks of stock, influence the ups and downs of the market?

- Portability continues to be a subject of interest, or concern, to fund administrators. Just what would portability mean were it introduced across the board in this country tomorrow? What would it cost? What would it do to the labor force?

Other ideas are still in the fire. And, of course, readers are invited to submit some of their own.

Insurers vs. alcoholism

IN ITS PAST two issues, *Business Insurance* ran articles pertaining to the problem of alcoholism in industry and the feelings of insurers toward the problem. It was generally agreed that something had to be done to halt the spread of the disease, that steps were being taken by insurers, insureds and outside parties and that the progress was slow.

The problem of alcoholism in industry is staggering, both in dollars and human loss. Estimates as to how much American business loses every year due to alcoholism range from \$6 billion to \$8 billion. The National Council on Alcoholism Inc. estimates that 5.3%, or 4 million workers out of a work force of 80 million, suffer from the disease.

Alcoholism is now recognized by most of those who deal with it as a disease like any other. And it is curable. Companies that have begun alcoholism rehabilitation programs report that the recovery rate for those treated is 66%. Bethlehem Steel Corp. has openly admitted an alcoholism problem and has advertised the fact that the company is doing something about it.

Insurance companies have a great stake in the alcoholism problem and are in a position to make their influence felt. If the insurance industry does nothing else, it could educate insured companies as to the problem and effective ways with which it can be dealt. Many insurance companies, Kemper and Equitable to name two, have installed alcoholism rehabilitation programs in their own companies and know well the effectiveness of such programs. Insurers should urge their insureds to look into the prospect of such programs, which are relatively inexpensive to install and the savings, again in both dollars and human resources, are tremendous.

Recovered alcoholics have related stories about the treatment they received from insurance companies, and the tales were saddening. One man, who had group life coverage, went to the same company for additional coverage and was forced to pay premiums 50% higher than normal because he admitted he used to be an alcoholic. The insurance industry should ease up on the recovered problem drinker. If alcoholism is a disease like any other, let it be treated as such. Don't force prospective buyers to stoop to dishonesty.

One of the main obstacles the recovered alcoholic must overcome is the sorry fact that his disease is still, for the most part, cloaked and stigmatized. Society, though unintentionally and because of a lack of knowledge, is responsible for the stigma. That much is known for sure. But insurance companies, particularly life and health carriers, have the tools to wipe out the stigma. Now they should make it their obligation to do so. Life and health carriers could easily pool information and experience on the recovered alcoholic. Such pools of knowledge, made public, would do much to dispel the fallacies, such as the belief that all alcoholics are to be found on skid row.

The tide is turning, very slowly, and things are looking better for the alcoholic but much more can and should be done. Insurance companies are in one of the best possible positions to speed the flow of help.

letters

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

Clarify agreement

To the Editor: After reading the employee's driving agreement appearing in the Nov. 9, 1970 issue of *Business Insurance*, we are very puzzled by the second paragraph under section 2.

The phrase "in no event will the company furnish insurance for public liability or property damage in an amount not in excess of: financial responsibility limits found to be applicable . . ." seems to imply that for limits in excess of financial responsibility limits, the actual amount carried by the employee, or 10/20/5, there is coverage afforded directly to the employee.

Unless we are reading this incorrectly, we cannot justify the implied coverage of the employee with the standard comprehensive employers non-ownership coverage available under the comprehensive auto liability policy.

We would very much appreciate your comments as we have discussed this at some length in our shop and have not reached what seems to be valid conclusions.

Albert E. Lietzau III

Manager, Risk Analysis Department, Tongue, Brooks & Co., Baltimore, Md.

Editor's Note: Mr. Wilson has been sent a copy of your letter and will comment on your question in a future issue.

Workshop info

To the Editor: Because I live overseas, I was not able to attend the *Business Insurance* Management Idea Workshop held Oct. 11-14, 1970. I am, however, especially interested to know what Joseph Gullo had to say on the subject "How to get the most out of your insurance broker." Is there anyway I could get a copy of his presentation?

H. W. Davidson

Bogotá, Colombia.

Editor's Note: A copy of the Oct. 26 issue of *Business Insurance*, containing coverage of our workshop, is being sent. Details for obtaining tapes of the Management Idea Workshop will be printed in this magazine in the near future.

Errors and omissions

To the Editor: We have a client, a manufacturer, who is being sued for breach of contract. Generally, the allegation is that our client failed to produce certain fabricated metal items to specifications. Our client contends that the material was produced to specifications.

Can you advise me if you know of any insurance market for this type of insurance or even to cover just the cost of defense for breach of contract? I suppose, also, this might be looked upon as a non-professional type of errors and omissions insurance.

Joseph P. Kesler

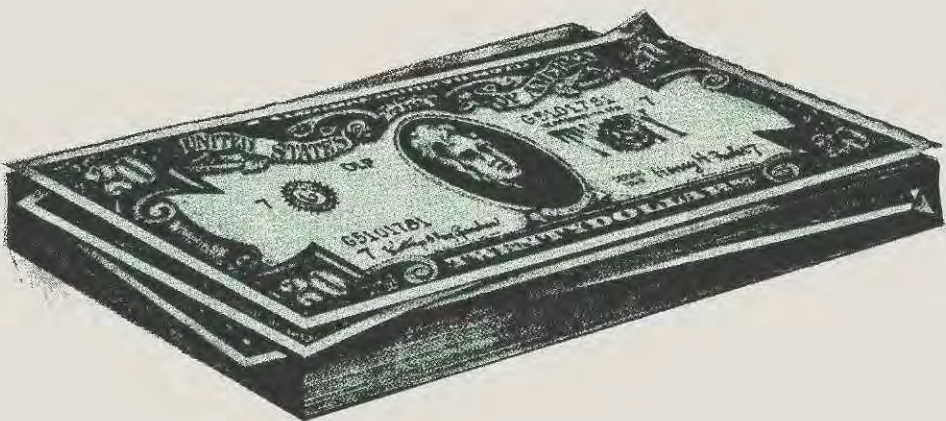
Jos. P. Kesler Co., Long Beach, Cal.

Editor's Note: Carriers are invited to contact Mr. Kesler, Jos. P. Kesler Co., 3633 Long Beach Blvd., Long Beach, Cal.

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To find out whether you qualify, send for our new booklet and then talk it over with your agent or broker. Write: American International Group, Dept. A-14, 102 Maiden Lane, New York, New York 10005.

They couldn't pay you fast even if they wanted to, because they have no way of knowing how much to pay you. Their insurance is written on a Standard Form, for a standard amount and, almost always, for a standard 12-month period. Whether your business needs coverage for that long, or not.

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If all you qualify for is Standard Form, take it. It's still insurance and you should have it. But if you qualify for our Valued Form, you'll be getting insurance on your insurance.

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ITT Sheraton deal

Changes philosophy on workmen's comp

NEW YORK—ITT Sheraton Corp. of America—recently made the switch from an almost 100% self-insured workmen's compensation program to an almost 100% insured program with Aetna Casualty & Surety Co.

If that seems to contradict what some self-insurance advocates have been saying of late, let Richard P. Ackerman, director of corporate insurance and safety for ITT Sheraton, explain why he feels it shouldn't:

"Self-insurance, in my opinion, is an excellent vehicle when you have a concentration of payroll in

one or two areas—in the steel or auto industries, for example.

"IN FACT, it pays you to have your own workmen's comp attorney and claims people.

"But," he adds, "the largest of the hotels we have has 2,000 employees. In others we have far less than that. Just try and administer this from Boston with three people. It's practically impossible with the different workmen's comp laws and whatnot.

"One alternative to this, of course, is to use self-insurance reps. We had used them for loss

control and claims representation under our self-insurance set-up. And where they worked well they, well, worked well. But we found ourselves in a situation in which loss control was sporadic. Moreover, we seemed to create a difficult situation between the self-insurance reps and our hotel general managers.

"A third alternative was to buy an insurance claims service from a company like CNA. We investigated this possibility, but our final decision was based on the belief that it would still be more efficient to go the insured route."

AMONG OTHER things, Mr. Ackerman said, Sheraton found that self-insurance was costing the company money in terms of some "unidentifiable costs."

Cited by Mr. Ackerman were bonds required by some states, self-insurance fees in some states, excess aggregate coverage that kicked in, in case of catastrophic losses and "the tremendous area

of administrative expense typical of hotel operations." Included in the latter, Mr. Ackerman said, was the necessity of, for example, maintaining separate workmen's compensation bank accounts for each hotel and the time of general managers and personnel department employees who had to process workmen's compensation claims.

"Of course," Mr. Ackerman emphasized, "had our self-insured program showed significant savings in loss control it might have been worth it. But it didn't."

Under the new retrospective rating formula with Aetna Sheraton will, in effect, still be paying its own workmen's comp losses over the long haul. However, Mr. Ackerman feels that with the new loss control incentives for hotel general managers, expenses in the long haul will be less under an effectively administered insured workmen's compensation program.

ITT...

Continued from page 12
fire losses to date were ballroom fires), but it is very difficult to have a hotel totally destroyed by fire."

One thing that the director of corporate insurance did find surprising about the former program, however, was that it included no business interruption coverage.

"Sheraton had considered business interruption but apparently the quotes had been expensive and previous decisions more or less left business interruptions to chance. Some time ago we had a \$300,000 loss in New Orleans and, on the books, there was no business interruption loss indicated. How can that be? Why," he added, "a \$1,500 room fire could run into \$8,000 to \$10,000 in business interruption expense alone if adjacent rooms have to be vacated as well."

On the liability end, Mr. Ackerman said of the hotel company's former program, "we did find that we were generally well insured. The program had a responsiveness to the hotel business."

"WE FOUND, however, that we had a breakdown in communications between ourselves and the casualty underwriters (American Mutual). And it was largely our own fault.

"For one thing," he pointed out, "we were dealing with them on a direct basis. Unless you have a large insurance department you can't get results this way. You can't just assume you are getting all the service you need," he said. "We were written on a guaranteed cost basis and when you have that everybody is disinterested. Under our garagekeepers liability, for example, when a car was stolen our general manager didn't seem to care. The attitude seemed to be, 'Insurance will pay.'"

Mr. Ackerman said that the communication problem between the parent and the individual hotel general managers also existed on the workmen's compensation side where "general managers were signing checks without really being concerned with loss control."

The director of corporate insurance and safety has since developed a safety program, written a safety manual and is overseeing a safety training program at each Sheraton hotel.

WORKMEN'S compensation, and the entire insurance package at Sheraton in fact, is now being written by Aetna under a retrospective rating formula. The use of the retrospective formula on both the workmen's compensation and property-liability policies, Mr. Ackerman feels, will save the Sheraton Corp. almost \$200,000 a year in premiums.

"This, of course," he emphasized, "is if we have a good loss control program. That is the key. If you don't have a good loss control program under the retro plan you can really get hurt."

To get the individual hotel managers thinking in terms of loss control, Sheraton has also instituted another major change in its program—one that hits the general manager where it hurts. Moreover, some are already hurting at the thought, for Mr. Ackerman admits general managers in the field are already grumbling at the directive.

That change is a revision of the hotel chain's premium billing system. Individual hotels were formerly billed for insurance premiums according to their ex-

Continued on page 27



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School system sues for rate reduction

MIAMI, Fla.—Florida's largest school system plans to sue Connecticut General Life Insurance Co., which writes life and health insurance for 17,500 school employees and dependents.

The Dade County (Miami) School Board voted unanimously to sue CG for the return of \$250,000 in dividends and the cancellation of a \$640,000 premium increase approved reluctantly by the board last month.

Board Attorney George Bolles urged board members to accept nothing less than a rate reduction and a return of the money.

"IF WE DON'T get it, we'll go to court as soon as possible," Mr. Bolles said.

Winston Wynne, CG's Miami agent, has denied Mr. Bolles' charge that the giant insurance firm illegally misused some of its \$4.1 million premium income.

Mr. Bolles contends that CG illegally co-mingled some \$250,000 worth of life insurance dividends to help make up CG's losses under the board's health insurance plan. The attorney contends the dividends should be returned to the board and participating employees.

He argues that CG does not deserve a \$640,000 rate increase granted by the board in November at the same time they served notice on the company that they would cancel in 120 days.

MR. BOLLES says the company failed to comply with policy provisions that required it to notify the board 120 days in advance of a request for a rate increase.

School officials grudgingly recommended the rate hike after Mr. Wynne produced a letter dated June 22 in which the company asked the higher premiums. But Mr. Bolles insists that the letter never reached school officials.

With few questions, School Board members authorized school system staff members to file suit if necessary.

"CG is a very responsible company," commented member Anna Brenner Meyers, "and its Miami agent is a very, very responsible citizen. I don't understand why we are having these problems."

"I just want to be sure we don't do something we'll be sorry for later."

"I differ with the company legally," Mr. Bolles retorted. "They have every right to disagree with me. I hope we can settle this at the conference table."

But he expressed doubt that such an agreement can be reached—and made clear that he is ready to go into court to defend the school system's position.

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LOOK AT THE FACTS . . .

Capital investment, Sprinkler System	\$58,972
Annual fire insurance premium, before sprinklers	\$29,507
Annual fire insurance premium, after sprinklers	\$ 4,708
Gross Insurance premium savings	\$24,799
Cost of money per year	\$ 5,995
*Net savings on insurance per year	\$18,804
Annual pre-tax rate of return on investment (excluding effect of depreciation)	32%
Net pay-back period	3.14 years

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Tackles...

Continued from page 13

"WHEN YOU'RE the boss you don't have to wait six weeks for higher ups to tell you the deal went through, or you totally blew it," he noted. "If a corporate insurance manager sitting across the desk from me shakes his head, I know right away I've blown it. I like the people-to-people contact."

Maybe it's his Texas upbringing that makes Mr. Bulbrook like to look people in the eye and talk to them straight.

"I don't like playing games," he said. "This business is honest with people. A prospectus fully explains the funds and inherent dangers of investing. Also, we don't have salesmen going around trying to crank up some boring life policy and make it sound interesting when it's not. We put all the cards on the table. I like doing what I'm doing because it feels clean."

Cushioned airports

Plastic foam may cut severe air crashes according to researchers for the Turner and Newall chemical group, London. Their experts believe that thick beds of foam can be placed at the end of airport runways to protect aircraft which have emergency trouble on take-off or landing.



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*The Economist, July 18, 1970.
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business insurance/perspective

How to handle the job of security—or are you asked?

by Bion H. Francis,
Manager of Benefits Planning,
Colt Industries, New York, N. Y.



Bion H. Francis

The great corporations of the United States are now facing problems of security that at present levels, are new to many. Some results are predictable. As the security activities of a corporation increase, we see more and more titles such as "director of safety" or "manager of industrial security."

What do these men do? Obviously, they

'Does your corporation believe that if it has problems in the area of risk and security you are the man to go?'

work out the steps that should be taken to protect a corporation's personnel, its activities and its properties against the threats posed by bombs, fires and riots. They work on office and plant layout. They develop disaster plans.

But it has also been the responsibility of the insurance manager or risk manager to do these things. As a risk manager, it is your responsibility:

- To determine hazards.
- To work out the physical changes that will eliminate or minimize these hazards.
- To advise on plant and office layout.
- To the extent to which hazards can not be eliminated, to determine how the remaining hazards should be met, either by insurance, self-insurance or other steps.

ANY INSURANCE manager or risk manager should already have worked out and recommended to his management the program that should be adopted to protect his company against current disorders. This should have included any physical changes necessary.

If, in your judgment, a new department or a strengthening of existing organization is needed to protect the company, this,

also, should have been recommended. All this is simply a part of your task of protecting your corporation.

As insurance manager you have advantages in doing this. You can draw upon the resources of the insurance companies you deal with. Just as you have a responsibility to protect your corporation, these insurance companies have a similar obligation to work out the best methods of protecting the companies they insure.

There is a financial aspect to this. For the insurance manager and insurance company, working together should produce not only the best program to protect the corporation, but also the program that will minimize insurance costs in the light of changed circumstances.

AT PRESENT, the hazards faced by corporations are created by social and racial unrest to a greater degree than has been true in the past. This still does not change the basic responsibility of the risk manager for the entire job of protection. The events of recent years have thrown new light on the responsibility of a corporation in dealing with hazards. Even if you know what these hazards are today—what will they be tomorrow? Or next year?

A large corporation should have a single department to deal with risk, insurance, security and safety. The name of the department might be based on any of these words but all these activities should be included in department functions.

These functions are interdependent. Recently, we have seen the extent to which explosion and riot have jeopardized insurance programs. An effective job of controlling risk and minimizing losses can decrease insurance costs or increase the feasibility of self-insurance.

If these activities are combined in a single unit, this will make it easier to take care of the problems of interdependency, to obtain maximum cost reductions in the cost of insurance, and to obtain the necessary hearing within the corporation when it is found that hazards, or the intensity of these hazards, are changing.

IF A SINGLE organization is not formed, this will require an increase in the liaison work of the risk manager. Proper liaison is the heart of the risk manager's job. He must coordinate the efforts of many—engineers, accountants, personnel managers, sales managers, operating people and many others—in his basic job of protecting his company and its people, its property, and its work.

Today's problems of safety and security change none of this. The problems only increase the importance of what the risk manager must do and increases the pressure on him while he is doing it.

To do this job most effectively, a risk manager should be a man of stature within his corporation. Are you? This is where your years of contact with top management should pay off. Does your corporation believe you are a person of experience and judgment? Does your corporation believe that, if it has problems in any area of insurance, risk and security, you are the man to go to?

If an insurance manager has truly become a risk manager, as we like to think, then the problems of safety and security are within his scope of action. If an insurance manager can rise to meet such a challenge, then he is truly a risk manager. If he can't, events have passed him by. ■

'Innocence' made today's campus catastrophes

by H. Felix Kroman, President,
Risk Planning Group,
Darien, Conn.



H. Felix Kroman

'The innocence of insurers has been their head-in-the-sand attitude that the past accurately indicates the future.'

(This article is based on a presentation to the Eastern Assn. of College and University Business Officers in Toronto.)

Writers from Melville and James to Charles Reich have described the "catastrophe of innocence," the crises that directly result from the failure of an individual or a group to recognize the real shape and trend of events. To a very great extent the current crisis of colleges and universities, with respect to insurance, is a "catastrophe of innocence."

The "innocence" of the universities has

been their inability to predict the danger during a decade that has been explosive growth in physical size and student bodies, a new and more important impact on our national life and a change in the nature and ability of the student. For years universities have been considered, and have considered themselves, exemplary risks for insurance companies. They are now considered pariahs. They have not used their financial resources wisely or efficiently in the area of risk and insurance.

The "innocence" of insurance companies has been their head-in-the-sand attitude

that ties in fact do not change and that the past can still be used as an accurate indicator of the future. Unfortunately many are structured in this manner, leading to less-than-imaginative management. As Business Week magazine pointed out in a Nov. 7, 1970, editorial: "The insurance industry always has been afraid of competition and wary of innovation. It has organized itself to work through rating bureaus, which make for fixed prices and uniform restrictions on coverage. It has responded to outside claims . . . simply by raising rates without making any real effort to get at the root causes and keep costs down." Two years ago a financial writer in New York characterized insurance companies as "dinosaur clubs." The characterization is equally apt today.

A THIRD ELEMENT in this McLuhanesque drama is the media. Misunderstandings have been massaged by the press through its front page documentation of dramatic confrontations without the counterbalance of the far more frequent peaceful protests. The insurance underwriter, closeted in his pigeonhole with rate books and statistics three years old, reads of the actions of an inflammatory few and assumes they apply to the whole.

Two examples illustrate the point. A recent fire at a major Ivy League college gutted a building and suspicions of arson and student protest were voiced in the

Continued on following page

Campus...

Continued from preceding page

press. After a thorough investigation it was found that the cause of loss was a cigarette that had fallen into a couch. Unfortunately that information did not receive as much public notoriety as the initial report. Another example: a minor fire that caused less than \$5,000 of damage received front-page treatment in the New York Times. Five years ago such a fire, however caused, would have received no mention at all.

Thus, the failure of most universities to obtain the insurance they have deemed necessary is, like an iceberg, a symptom of a far greater disease that pervades our economy and our society. The polarization of attitudes, the "mindlessness" of managers, the refusal to accept the exponential rate of change and its requirement that we organize and operate differently, all result in crises similar to the insurance crisis of the universities.

The insurance crisis is a part of the larger financial situation in which both public and private institutions find themselves. I mention this as it is important that insurance be treated as a means of financing, not otherwise. In a sense, any insurance policy is very much like a line of credit. It is a call on funds under certain prescribed conditions for which the borrower pays a relatively small annual charge, similar to the compensating balance required by a bank, and it carries an amortization period of from 20 to 40 years. In the long run most larger corporations and institutions will repay their losses plus a carrying charge of up to 100%. Thus, an insurance can be one of the most expensive means of transferring risk and should be used judiciously.

THE INSURANCE CRISIS for universities is well advanced. Institutions are being asked to accept larger deductibles and substantially higher premiums. They are being asked to eliminate coverage in certain areas. They find that one insurance company will not underwrite the entire risk and that it may take from five to 25 insurance carriers to obtain the full limits desired.

As a result of this, a group of major universities last spring commissioned a study of the problem, to develop the facts as to premiums, losses and university practices, to interview a variety of insurance companies and to report on what practical steps might be taken by universities as a group to improve their lot.

Forty-one universities of 50 queried responded to a lengthy questionnaire that elicited data over a five-year period. After this data was consolidated on computer and analyzed, various proposals for action were reviewed and studied in concert with a number of university financial officers and insurance managers.

These universities are not an insignificant part of the total picture. While 41 of 2,500 institutions is a minor percentage, the 41 represent more than one million students or about 12% of the total student population. The budgets of the 41 total \$4.6 billion, or an average per university of \$113 million. This \$4.6 billion is about 23% of the total spent on higher education last year. Twenty-four were state and 17 private institutions. The 41 employ almost 500,000 persons, and pay premiums to insurance companies of more than \$12 million annually.

IN THE PROPERTY insurance area, of most importance currently, these universities have paid in excess of \$13.6 million in premiums to insurance carriers during the past five years, while receiving \$8.2 million in claims and paying \$7.3 million in self-assumed losses. Although the five-year record is not overly serious, with about a 60% loss ratio, the record of the latest year, 1969, gives some support to what authorities have called a "panic" on the part of insurance underwriters. In 1969, property insurance premiums were \$3.9 million while losses reached \$3.7 million. Finally, while riot and vandalism have received the most publicity, fire remains

the major peril in universities. Over the five-year period, fire losses were \$7.5 million, while riot and vandalism losses were \$5.7 million, covering both insured and self-insured claims.

The conclusions drawn from the study are as follows:

1. The current insurance situation for major universities is serious enough to warrant joint action.

2. Credible loss data is not now available from insurance companies as universities and colleges are lumped with other schools and municipalities when determining loss experience. The study itself is a base for further data accumulation.

3. Leadership and initiative for change cannot be expected at this time from the insurance industry, for a wide variety of reasons.

4. The solution of risk and insurance problems will have to be initiated by the universities as a group, preferably through the University Insurance Managers Assn. with its 70-plus members, and in conjunction with other interested groups.

5. Three major areas of concern exist: property insurance, liability insurance (including malpractice) and data processing exposures to loss. Of these, property insurance is the most serious at this time and the most susceptible to immediate joint effort. More statistics should be collected before taking actions in the other areas.

6. The universities themselves will have to put their own houses in order by:

- Self-assuming more risk in relation to their financial capacity; in effect using their resources more wisely.

- Creating new and broader and more effective loss-prevention programs.

- Acquainting all departments—faculty and students alike—of the cost of risk and how to minimize it, with particular stress on continuing counsel to the Trustees or Regents on risk matters.

- Obtaining accurate property values.

IN THE FIRST MATTER, it is economically absurd and a misuse of valuable resources for a university with a \$100 million budget to insure its property with a \$1,000 deductible. Such a university can really afford a \$100,000 deductible and to the extent that it doesn't accept a reasonable level of risk itself it is reducing the capacity of insurance available to others and jeopardizing the continued availability of catastrophe coverage without which most campuses could not operate.

Thus, the deteriorating situation that the universities face must be blamed on the insurance companies and the universities alike, on the inability of the insurance industry to respond to change and the slowness of the universities in changing their risk management practices.

The report of the study group makes

two recommendations: The creation of a university property pool and a university risk control board. Both are predicated on the fact that the universities themselves must re-assert control over their own financial destinies and re-establish the economic viability of insurance companies underwriting catastrophe risk for them.

The university property pool would be a fund deposited with an insurance company to cover the first \$1 million of designated property losses providing \$900,000 of coverage over a deductible of \$100,000. Losses would be covered on a self-rating basis among the group of participating institutions, which would be charged "premiums" based on a pre-established percentage of operating budgets. Participating universities would then purchase catastrophe insurance in excess of \$1 million through their own conventional sources. The pool would also undertake an imaginative and ambitious loss prevention and inspection program tailored specifically to universities. The pool's funds would be held by an insurance company, operating largely as a bank, and the company would be paid a fee for its services. Other services such as adjusting and inspection would be contracted for on a fee basis with the most qualified sources. The insurance company depository would pay an annual "dividend" to the participants based on investment income and, at the end of a pre-determined period of not less than five and not longer than ten years, excess funds left after loss payments, reserves and fees, would be dispersed to the participants.

THE POOL WOULD BE managed by the participating universities with full control over extension of coverage to other areas and acceptability of new entrants to the group.

The initial objective is a fund of \$4.5 million, to be built over two to three years. The risk of fund exhaustion at that amount is reasonably low although some form of exhaustion protection may well be available from the standard insurance market or arranged for in the form of assessments to participants.

The university property pool is designed to be a truly self-rating proposition. If property losses are bad, the pool would protect the continued availability of catastrophe protection. If loss experience is good, a significant part of contributions could be returned. Thus the pool is not intended to replace conventional insurance; it is designed to act as a buffer in which the universities as a class share their risks over a high deductible. It will require the cooperation of insurance companies and this cooperation has already been strongly expressed.

That a pool will face problems is self-

evident. Certain state schols may be restricted from joining, even though, as one administrator expressed it, "state laws will be changed if there is no other viable alternative." The contribution of funds will also be a problem in view of the economic difficulties of universities everywhere. However, the pool has been so structured that savings in property premiums from increasing the deductible to \$1 million should largely pay for the cost of coverage for \$900,000 excess of \$100,000. The size of the pool deductible is another problem as it will be excessive for smaller institutions. However, most universities with annual budgets in excess of \$70 million could afford this level and there are more than enough of this size to support the pool. Fifteen to 18 would be sufficient to start the pool. For example, at the suggested initial rate level, a university with an annual budget of \$100 million would pay \$80,000. In a specific example, one university of that size computed that it would save \$75,000 in premium by increasing its standard coverage deductible to \$1 million to fit excess of the pool.

FINALLY, FUND exhaustion remains a problem, but one that the members of the UIMA believe can be easily solved.

The second recommendation is for the creation of the university risk control board, to act on a continuing basis as the manager of the pool and to undertake other activities as well. These include:

1. Preparation of a risk management manual and guidelines for colleges and universities.

2. Encouragement of direct meetings between university insurance managers and financial officers and home office underwriters of insurance companies.

3. Continuing liaison between university financial officers and insurance companies on risk management problems.

4. Continued collection and annual publication of pertinent data regarding exposures to loss, actual losses and insurance practices. The first report summarizes this data and is available to any institution that wishes a copy.

5. Liaison with other interested parties such as the National Assn. of College and University Business Officers, university insurance professors and companies such as Teachers Insurance and Annuity Assn.

What is the next step? There is already a growing awareness of the nature of the situation and a willingness to listen and a willingness to do something as evidenced by the UIMA study. That organization has commissioned further work.

So in a sense, the universities are no longer innocent in the insurance world. A good start has been made. ■

Risk management notes

prepared by Warren, McVeigh & Assoc.,
risk management consultants,
San Francisco, Cal.

To bid or not to bid

The delicate condition of today's insurance markets makes it even more difficult than usual to decide whether or not to employ competitive bidding. The first problem is that if too many bidders are involved, underwriters will not put out their best efforts. Second, an insured who goes to bid too often develops a detrimental reputation in the insurance community.

On the other hand, bidding is essential—once you know for certain what coverage is needed—to get the best price. Here is a vivid example. A large public entity had a liability policy with \$7 million limits for which they paid \$12,000 annually. There had been no losses for 10 years (there was a \$50,000 deductible). On re-

newal, they decided to increase the limits to \$10 million and called for bids. (We should also note that the exposure had increased because of new ventures.) Two brokers submitted quotations, one for \$72,000 and one for \$101,000. A wise decision was made to reject these bids and call for another round of bidding. This time there were three bids: \$75,000, \$58,000, and \$38,500.

We draw no moral from this fact, but the broker who submitted the winning \$38,500 bid on the second round was the same broker bidding the high \$101,000 bid on the first round.

Workmen's compensation self-insurance

Experienced risk managers often say that increased management awareness of loss potentials, resulting from a change from an insured to a self-insured position, can have significant effects upon loss prevention psychology and therefore upon

actual losses. Recent experience of a major California city gives a graphic demonstration that this is more than abstract theory. It recently changed from an insured to a self-insured workmen's compensation program. Before self-insurance they experienced 60 lost time accidents per million man-hours, compared to a national average of 30 for similar municipalities. Following self-insurance this dropped to 20 LTA's per man-hour. Prior to self-insurance about 13 claims were litigated each year. After self-insurance two per year were litigated. There are, of course, several factors involved in this dramatic turn-around. One of them is this city's finding that 25 per cent of their losses were the "classic" losses of broken arms, burns, and other objective injuries. Seventy-five per cent of the losses were subjective in nature and thus more amenable to prompt and aggressive treatment and rehabilitation techniques. ■

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Chicago ASIM learns three ways to control cost of ocean marine cover

CHICAGO—There are three specific areas of ocean marine insurance that, when successfully controlled by the risk manager, can lower his insurance premiums, according to William J. Sheppard, vp of Corroon & Black Co., New York.

Cost-control measures can be exercised by the risk manager in valuation of cargo, averting or minimizing loss by an insured peril and in knowledgeable documentation and processing of claims, he told members of the Chicago chapter of the American Society of Insurance Management.

The valuation clause in an ocean cargo policy has great bearing both on the initial cost of

the insurance and on the ultimate result of the insurance in case of loss, he said. In the absence of fraud the insured value agreed between the insured and the underwriter is the basis on which losses are settled and the actual value of the goods only enters into the picture as part of the mechanics of calculation of a claim for partial loss. "To take a very simple illustration," he said, "cargo with a CIF (cost, insurance and freight) cost of \$1,000 may be insured for \$1,500. If the shipment is totally lost the underwriter pays \$1,500 without enquiry as to its real worth and proportionately for any part thereof."

THE TIME FOR cost control in

the valuation area, said Mr. Sheppard, is when placing the insurance and considering how far insurance is to enter into the overall transaction. "Will we merely be concerned to cover, at the one extreme, prime cost or will we endeavor to make ourselves whole in case of loss including such items as overhead, anticipated profit, trouble and inconvenience and possible enhanced cost of replacement? 'The door is wide open,' he said, 'providing the underwriter is made aware of any unusual circumstances.'"

The "sue and labor" clause of an ocean cargo policy, while throwing a considerable burden on the assured, can also have a

beneficial effect on the net cost of insurance, according to Mr. Sheppard. A typical clause, he said, might read:

"In case of loss it shall be lawful and necessary for the assured to sue and labor for, in and about the defense, safeguard and recovery of the goods or any part thereof without prejudice to this insurance, the charges whereof the company (insurer) will bear."

Mr. Sheppard pointed out that expenses accrued by the insured in meeting this obligation are recoverable in addition to a total loss if the steps taken to prevent it are unsuccessful. There is a strict, one-year time limit regarding suits against ocean carriers, he noted, and since the underwriter's recovery will be credited against the insured's loss record, thereby keeping the cost of insurance down, the subrogation right must be protected by making timely claims.

HE ALSO emphasized that courts have held that an underwriter has no right to sue a cargo carrier until he has actually paid a claim.

Claims documentation and processing, the third area of cost control, is a problem, Mr. Sheppard admitted, because of the "sea of paper" through which the risk manager must swim. The documents required to process an ocean cargo claim:

- Establish the right of the claimant to the insurance proceeds.

- Detail the shipment and its transportation.

- Detail the nature, extent and cause of damage.

- Provide evidence that rights of claim against any third party have been protected.

It is the last point, which bears directly on premium cost, said Mr. Sheppard, that give rise to many difficulties in practice. "In a straight insurance claim situation when an insured is face to face with an underwriter," he told ASIM members, "the latter may be prepared to take a liberal attitude and accept statements at their face value unsupported by documents. The cargo carrier, on the other hand, when faced with a subrogating underwriter has no reason to pay unless his legal liability is fully proved by documents; and it must be borne in mind that recoveries from third parties will have a direct reflection on the loss experience under the policy and a direct bearing on premium cost."

The cost control problem, he said, arises because the average time required for an underwriter to process a claim with the insured and then against the carrier and get recovery is about 18 months. During this time the claim paid by the underwriter stays in the insured's loss record at its gross amount, unreduced by any subrogation recovery. It costs the underwriter money to effect the recovery, he said, and it is customary for underwriters to accept reduced settlements from cargo carriers rather than incur the trouble and expense of fighting for the last penny. The end result, said Mr. Sheppard, is that an assured's claim record will receive, belatedly, credit for far less than the proper subrogation amount.

THERE IS A WAY, however, for an "energetic" risk manager to cut through the time barrier, he told the ASIM audience, and that is by direct processing of claims against carriers before

Continued on page 25

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Need ocean statistics

NEW YORK—The need for meaningful statistics in the ocean marine insurance business has been cited by Dale E. Taylor, president of the American Institute of Marine Underwriters (AIMU), who said "other branches of the insurance industry produce statistics and the public generally finds it difficult to understand why we do not."

Speaking here at the annual meeting of AIMU, Mr. Taylor said "statistics never have been considered an industrywide tool although they have become an important element of many other areas of industry."

"The market," he added, "has moved to a degree in this direction in the matter of air cargo and container losses. But I think it would be worthwhile to consider what more we as an industry could do that would be beneficial both to the market as a whole and to the individual company." ■

Wash watch

Continued from page 4
necessary.

The chamber had also wanted formal hearings on violations with all those involved given a chance to appear. However, the law provides only for an informal hearing by the three-man enforcing board.

The spokesman also voiced displeasure at what he called the "walk-around" provision. "Under the new law," he explained, "employe representatives are required to accompany inspectors around the plant. We feel that far from being an aid to any investigation, this provision merely establishes an unwanted potential for harrassment. We don't feel that safety is going to be aided by this provision in the long run," he said.

NEVERTHELESS, business spokesmen concede, the bill that was adopted was a great improvement over the measure recommended by the House labor committee that would have placed the power to set and enforce standards in the Labor Department.

The measure affects 55 million factory, farm and construction workers.

"It's judicial-type procedure that protects business and industry under the compromise bill," Mr. Obadal asserted, "because it assures that the thrust of the safety and health standards will not be directed at industrial relations."

He explained that it concerned the U.S. Chamber and its membership that without fair trial and due process abuses of the measure might develop. He cited the possibility under the original bill that plants would be shut down during strikes, as some oil workers recently attempted to do in Louisiana by relying upon safety laws. (See related story on page 26.) ■

ASIM . . .

Continued from page 24
presenting claims to underwriters. He emphasized that he does not recommend the method for complicated situations, though.

"I can state as a fact," he said, "that some ocean carriers give preferential service both in time and settlement terms to their customers, the shippers, as compared with cargo underwriters or their subrogation agents. They may do so under traffic pressure but in many instances they actually prefer it that way, as it enables them to obtain some good will by making a fair settlement to the full benefit of their customers."

"If, therefore, you are a shipper, or as a consignee you are able to control the traffic," Mr. Sheppard informed the risk managers, "it may pay you to look into this question of direct processing of claims against carriers, thereafter processing the balance or non-recovery from underwriters."

A certain amount of knowledge and attention to detail are required, he added, but "in cases to my knowledge it has paid good dividends in quick settlements and reduced premium costs," he said.

The ocean cargo policy is a very liberal document, partly as an outcome of history and partly because of its worldwide ramifications, said Mr. Sheppard. With the exceptions of war and nuclear risks, which are standardized because of the necessity for pooling arrangements by underwriters, this coverage can be tailored to fit the needs of the insured. ■

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Volkswagen fire is called largest insured loss in Brazilian history

SAO PAULO, Brazil—A Volkswagen assembly plant near here burned last month causing damage estimated at about \$30 million. The property loss is the largest claim ever brought for a fire in this country.

Fire insurance is obligatory in Brazil, and companies operating there must insure property for 100% of its replacement value. The facility in which the fire occurred was approximately 400,000 square feet of space, and it is about 70% destroyed. Business interruption factors are expected to push the loss over the \$30 million mark. Volkswagen does have use and occupancy insurance but it is believed it will not completely cover interruption

losses.

Because of the way fire insurance is written in this South American country, the 200 or more insurers operating here will all be affected by the loss. Included are AFIA and American International Underwriters, the two major U.S. foreign insurance associations. However, noted one source familiar with insurance markets here, because of reinsurance and the spread of risks "no one has a big enough piece to get himself hurt."

THE PRIMARY fire insurance contract is written by a number of Brazilian companies. Each company is allowed the maximum retention established by law.

This, one source noted, is not much in comparison with U.S. companies. The maximum retention, for example, could be as little as \$1,000 per risk or as much as \$15,000 per risk. Retentions are established by law and are determined according to a company's financial worth.

Everything beyond the maximum retentions held by the local companies is ceded to the Brazilian Reinsurance Institute.

The institute's primary facility is called a "first surplus treaty." Its capacity per risk is limited to \$2 million. Participating in that treaty are all the 200 companies in Brazil that write fire business. The institute itself retains about 10% or 15%.

Above and beyond that \$2 million limit are excess-of-loss layers placed abroad by the institute. The maximum amount of capacity available at this level is \$20 million. Risks requiring more than \$20 million have facultative reinsurance contracts negotiated in the traditional reinsurance markets by the institute. Some of this may also be held by local companies, but again only up to their maximum retentions.

The fire almost completely leveled a new building that housed a paint shop, tire storage depot and rubber material and electric wiring manufacturing areas. One worker was killed, two severely injured and about 50 others had minor injuries.

According to Volkswagen, the facility will be rebuilt this month during the annual three-week factory holiday. Production is expected to begin after that at the rate of 500 to 600 units per day. About 1,100 units per day had

moved through the factory before the fire. Production is expected to be increased by another 300 units per day in May.

While Volkswagen does have business interruption coverage, it is believed losses could go considerably beyond coverage limits. ■

Safety man calls new law 'adequate'

PITTSBURGH—James Van Namee, accident prevention administrator at Westinghouse Corp., indicated that he felt the new safety bill recently enacted into law was probably quite adequate.

He pointed out that the new law will use a means of identifying injuries that will much more accurately reflect actual injury experience in business and industry.

A report on record-keeping procedures regarding injury rates was submitted to the Secretary of Labor recently by the American National Standards Institute, outlining a program for much more detailed reporting of occupational illnesses as well as occupational injuries. Heretofore such reporting has been largely confined to accidental injuries.

THE NEW METHOD is spelled out in the statistics provision of the new bill. The provision states: "The secretary shall compile accurate statistics on work injuries and illnesses, whether or not involving loss of time from work, other than minor injuries requiring only first aid treatment and which do not involve medical treatment, loss of consciousness, restriction of work or motion, or transfer to another job."

Mr. Van Namee explained that this language reflected the criteria set forth in what is known as the "serious injury index," a reference work that is beginning to be used to identify reportable injuries and illnesses.

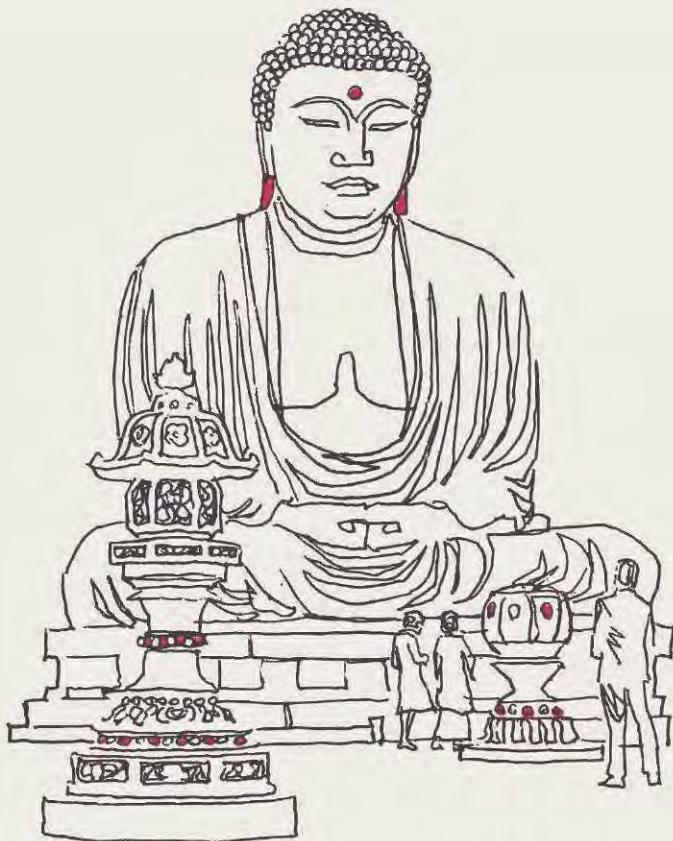
Previously the most-used scale by which injuries were slated to be reported or not was the "Z-16 scale" that prescribed a reportable injury as one which involved loss of time from the job. As a result, many companies believe they have an excellent safety record when, in actuality, it has been abysmal.

"Whether or not an injury or illness resulting from occupation will result in actual loss of time is ultimately a matter of luck," Mr. Van Namee explained, pointing out that the new reversion to the serious injury index would help firms to get a firmer control over their safety problems simply because they would be able to know a lot more about them.

"This new law will provide more valid statistics on occupational injuries and illnesses in commercial firms in the U.S., I believe," he stated. ■

Acquires two firms

Alexander & Alexander Inc., New York broker, has made two acquisitions, one of them through a subsidiary, Detroit Insurance Agency. Stirling & Clark Agency Inc., a Bloomfield Hills, Mich., agency specializing in bonding and insurance for contractors, joins Detroit Insurance Agency. Founded in 1956, Stirling & Clark will remain at its present location and will continue to concentrate in the construction field. In a second deal, A&A has acquired Robert J. Migely Co., a Chicago insurance agency that handles a substantial amount of aviation insurance. The Migely firm will move into A&A's Chicago office on Feb. 1.



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We're not a new type of world-wide insurance service organization. But we are one of the oldest and one of the best. We've learned a few things in our day.

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ITT...

Continued from page 18
posures—x number of dollars for
x number of hotel rooms.

"WE ARE NOW billing the hotels on the basis of their losses, not on the basis of exposures," said Mr. Ackerman, who began his insurance career as an underwriter in the special risks department of the Travelers Insurance Cos.

"We've heard some tremendous cries from the separate hotel managers," he said. "It used to be that if you had, say, a 400-room hotel insurance costs would be about \$5 a room or \$2,000. Now if a hotel manager has a few losses he may pay only a few hundred dollars in insurance premiums no matter how many rooms he has. But," he added, "if he has a lot of losses he could end up paying \$8,000 to \$10,000 in premiums. The general manager is now going to think in terms of loss control. If he sees a rug turned up down in the lobby he's going to get it fixed before 10 people trip on it," Mr. Ackerman said.

Under Sheraton's new all-risk blanket policy with Aetna the hotel chain now has a multi-million dollar property cover on property with a \$100,000 deductible on fire and casualty. The difference in conditions end of the policy has a \$1 million deductible, with limits the same as those on the fire end. Business interruption is also insured with a \$100,000 deductible up to the property limits. Garagekeepers liability also has a \$100,000 deductible.

The property limits under the Aetna policy, Mr. Ackerman said, are considerably more than they had been and are adequate to cover property values the hotel chain now has or will have in the near future.

UNDER THE property policy there is a reinstatement feature, which means that the hotel chain could have two or three major losses in a year with an aggregate loss beyond the policy's limits and still be covered.

"But," Mr. Ackerman added, "if we were to lose \$100 million in hotels in an earthquake we wouldn't be totally covered. There is no way, no capacity in the market to cover a loss of that size," he said.

On the liability end, Sheraton has a policy with Aetna that has modest limits. Above that, however, is an excess policy with substantial limits.

The primary level of coverage on the total insurance package is underwritten by Aetna. The excess up to the policy's limits, however, is written in layers by several other insurers, including Lloyd's of London and American Home Assurance Co. Each insurer on the excess end participates on a pro rata share basis.

HOW DID AETNA Casualty & Surety grab the business?

"It was a bidding situation," Mr. Ackerman said.

Interestingly enough, the Hartford Fire Insurance Co., another

Brussels office

The Travelers Insurance Cos., Hartford, has opened an office at 5 Place du Champ de Mars, Brussels, to assist in coordinating services through agreements with Guardian-Royal Exchange Assurance Group and Riunione Adriatica Di Sicurtà Insurance Group to Travelers corporate clients with operations in the United Kingdom and Europe. Michael G. Sandman, in the Travelers international department since 1968, was named office manager.

ITT subsidiary, was not asked to bid on the business. That fact, according to an official of the parent firm is not at all ironic.

Hartford, under a court decree, is restricted in writing of business with ITT subsidiaries. The merger is still being tested in the Connecticut courts and until that case is adjudicated the restriction stands.

However, were there no such restriction it would not necessarily mean Hartford would have been in like Flynn. Remarked an ITT spokesman when questioned on the point, "This is in keeping with what Geneen (Harold S., ITT's chairman and president) has been saying all along. Every ITT subsidiary must be a profit center. If it can get a better deal from Aetna then that's the way to go."

To date, there has been no change in Sheraton's employee benefits package, which is also Mr. Ackerman's responsibility. ■

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McCormick...

Continued from page 3
the main air handling units," the fire prevention consultant said, "on the basis that this would very likely be the first point at which we would be able to detect a fire in the main hall." If these units detect a fire, they will shut down the circulation fans in the main hall and send an alarm to a central control panel. Draft curtains, metal barriers designed perpendicular to the ceiling to trap heat and smoke in overhead pockets, have also been installed in the exhibit areas, he added.

In a smaller, lower-level exhibit area a low (16-foot) ceiling precluded use of a gravity venting system and draft curtains, said Mr. Jensen. Eighteen fans spaced uniformly on facing walls were designed to give the necessary amount of air movement, he said, to eliminate the problem. They are activated by products-of-combustion detectors spaced throughout the wall and emit exhaust to the outside.

A computer program, said Mr. Jensen, was developed to do most of the detail calculations for the McCormick Place automatic sprinkler system. (The main exhibition hall in the old building was not sprinklered.) The program is set up to generate files of branch lines with varying pipe sizes capable of producing desired water flow rates.

NON-HEATED areas, such as truck loading docks, are provided with dry system sprinklers that

use compressed air to seal or dam up water at safe points. When a sprinkler head is actuated the air block will release the desired water automatically to perform the same function as a wet system.

Mr. Jensen noted that combustible loading in the Arie Crown Theatre section of the building was light and sprinklers there were installed primarily to protect against fire caused by arson. Although tests conducted by Underwriters' Laboratories Inc. indicated sprinkler coverage of .2 gallons per minute for such an area was adequate, McCormick Place insurers required a coverage of .3 gallons per minute.

Water supply malfunction was cited by an investigatory committee as one of the main reasons for spread of the 1967 exhibit hall fire. Computer-supervised water main valves and automatically operated electric and diesel pumps have now been designed for the new complex to provide a constant and easily accessible control of the water supply system. Valves are installed to sectionalize the mains, thereby minimizing the influence of any breaks that might occur, Mr. Jensen said.

Mr. Jensen developed the idea of improving the water service by constructing a 270,000 gallon divided concrete reservoir capable of providing about one and one-half hours of water capacity at the anticipated fire flow requirements of the protective systems. The reservoir is automatically filled from the City of Chicago main. The filling rate, if the reservoir is pumped at capacity, is

2,000 gallons per minute.

AN IMPROVED standpipe system had to be designed for the main exhibition hall, Mr. Jensen said, to avoid placing pipes in the center of a display area where they could easily be damaged. In the new building the pipes are located around the entire periphery of the hall near exit doors and near each of the main columns. "This arrangement gives coverage of approximately 98% of the floor area under any arrangement of exhibition booths using standpipes with 100 feet of hose and a 30-foot throw of water. The standpipes in the remainder of the building cover the entire area.

Hydrants are provided approximately every 300 feet on the periphery of the building at the two main exhibition levels. Because exterior walls on the lower level are largely masonry and concrete access openings occur near each hydrant so that the fire department can enter the building directly.

Basic to the central fire supervisory system, which also handles security supervision, is the ability to transmit an alarm of any condition that might be interpreted as a fire directly to the city fire alarm office and provide correct directional information to the exact location. Four separate response points and paths can be transmitted by the system.

All fire alarms will be transmitted to a central proprietary control console where the information will be recorded on a printer and depicted on a graphic annunciator or map of the building to pinpoint the location of the fire by zone, Mr. Jensen told *Business Insurance*. The printed record will also indicate the cause and time of alarm.

THE SUPERVISORY system is arranged to signal "danger" conditions involving the water valves, reservoir level, temperature, pump power and fuel supplies, city water pressure, dry sprinkler system air pressure and wiring.

As a National Fire Protection Assn. class "A" proprietary system, said Mr. Jensen, the control console will be manned continuously and all wiring is arranged so that a signal can be sent with a single open circuit or ground-fault condition.

"The console is also equipped with an operator-attentiveness button," he said, "which must be pushed every 10 minutes. A continuous printout record is kept of this so that the operator will be found out by his supervisor if he does not push the button."

Higher hull premiums

LONDON—War risk underwriters at Lloyd's have introduced higher hull premiums for tankers trading to the Middle East because threats to hijack them persist.

The threats were reported in *Business Insurance* Nov. 23.

The extra premiums are not so high as to have any substantial effect on commercial outlets for gasoline as far as retail prices are concerned.

But overseas underwriters' associations have been advised of the U.K. move which applies to tankers trading to the Persia Gulf and Libya. Vessels costing as much as \$25 million are reckoned to be just as vulnerable as jumbo jets to sabotage, if armed guerrillas try to board them.

\$90 million property cover on exhibit hall

CHICAGO—Property insurance for the new McCormick Place on the Lake, with bodily injury, contents and building coverage totalling \$90 million, has been negotiated. Factory Insurance Assn. is underwriting 75% of the amount and American Motorists Insurance Co., a member of the Kemper Insurance Group, underwriting the remaining 25%.

According to a spokesman for Near North Insurance Agency Inc., a \$10,000 deductible may be arranged. He also told *Business Insurance* that arrangements for liability coverage for the Metropolitan Fair and Exposition Authority, which operates McCormick Place, are in the final stages.

FIA was selected, he said, because it was one of the only organizations that had the capacity to handle such a large risk and provide the necessary engineering services. "Factory Mutual attempted to provide some of the coverage," he said, "but they could offer only 50% of the amount subject to \$500,000 of additional engineering require-

ments, which duplicated requirements already met."

During construction phases of the building, the agency spokesman said, FIA had one or more full-time engineers on the site for housekeeping and fire prevention consultation. The association also had a staff of four or five design engineers who coordinated fire prevention design with Rolf Jensen & Assoc. Inc., fire protection consultants, and Chicago's fire prevention bureau, he added.

A \$6 million business interruption policy, also underwritten by FIA and American Motorists, is in effect on the new convention center. The business interruption coverage on the old McCormick Place, destroyed by fire in 1967, was \$3 million and the agency spokesman said that MFEA collected "very close to the full amount" on the policy.

Insurance on the 2,000-car underground parking garage, a self-park operation managed by the Chicago Park District, will be provided by simply attaching it to the district's present policy with United States Fidelity and Guaranty Co., he said.

Three-phase fire plan

CHICAGO—An employee fire-fighting program, with training at three levels, has been designed for workers in Chicago's McCormick Place on the Lake. Lack of personnel training contributed to the spread of the 1967 fire that destroyed the old convention center.

Rolf Jensen & Assoc. Inc., fire protection consultants, has designed a program that provides instruction on hazard recognition, proper fire reporting and visual training in the use of fire extinguishers at the first level. All employees will receive this information.

A selected group will then receive further instruction in handling of fire extinguishers and a third, smaller, group will be trained to operate as an actual fire brigade and use all fire-fighting equipment in the building.

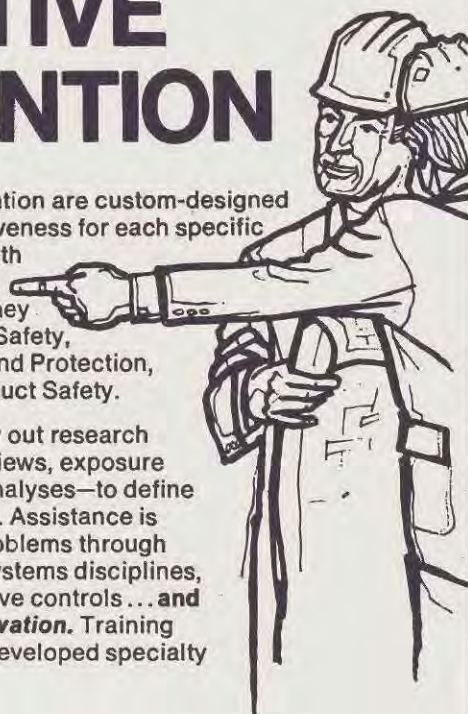
The Jensen firm is also providing advice on equipment selection and maintenance and will be responsible for setting guidelines for fire prevention practices to be followed by McCormick Place exhibitors. The standards, according to Mr. Jensen will probably be in the form of a booklet and may also be aimed at exhibit designers.

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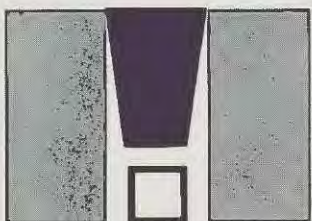
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Three brokers form consortium to provide London exchange coverage

LONDON—Three Lloyd's insurance brokers have formed a consortium to cover all insurance needs of London Stock Exchange members under a single policy. Rising premium rates have forced this step on stockbrokers, who until now have had to insure against all losses caused by dishonest acts of their staff, or by

handling stolen or forged documents. But in future they can bear the first amount of any loss up to \$60,000 themselves if they wish.

One in 10 of Britain's population is enrolled in corporate pension schemes, which usually provide life assurance as well. This

figure is revealed by the Life Offices' Assn., which puts pension pay-outs by insurance companies in these schemes at \$200 million a year. This represents a 100% rise in the past five years, during which membership of corporate schemes has been hiked from 4.8 million to 5 million with yearly premiums now total \$900 million.

Scientists are developing a new "safety barrier" that may reduce the risk of coal-dust explosions in mines. It will release jets of water automatically as soon as fire breaks out. This will reduce the temperature and so lessen the hazard of air-pockets being created by the heat. These pockets tend to gather up coal-dust at high speed and so cause explosive risks that spread too quickly to be stopped. But laboratory tests suggest that modern heat-sensitive devices can be used to activate built-in water sprays before the fire gets too strong a hold and causes a fatal rise in temperature.

Aviation hull rates are now "leveling out," with some classes even benefiting from reduced premiums, according to Owen J.

Lewis, chairman of Lloyd's Aviation Underwriters' Assn.

He told its annual meeting that in some cases the leading underwriter had taken the view that with the introduction of the war, hijacking and other perils exclusion clause, the assured had been deprived of some of the cover he previously enjoyed. Conditions on some slips, such as deductibles, had also improved.

Mr Lewis added: "Some leading underwriters hold the view that there is insufficient differential in rates as between certain classes of airlines."

Safety experts in Glasgow, Scotland are to probe the tragic sports disaster at Glasgow's Ibrox Park stadium where 66 Scottish football fans were killed, and another 145 injured, when a crowd barrier collapsed.

It is Britain's worst-ever sporting calamity, and the government has ordered a national inquiry into the catastrophe. Lessons to be learned from the unusual disaster may help to protect crowds at major sporting events in foreign countries.

The big Association Football

match between Scotland's rival teams, Rangers and Celtic, was nearly ending Jan. 2 when supporters began to make their way out of the 80,000-capacity stadium. But in the last 60 seconds of the 90-minute match, equal in popularity to a Rose Bowl clash among sporting fans, the home side (Rangers) scored an equalizing goal against their rivals.

Supporters leaving the stadium streamed back into the ground because of the excitement, met head-on with larger crowds striving to get out down a steep gangway, and the impact of bodies caused a steel barrier to collapse. The result was chaos, in which men and children were piled on top of each other in such piles that they suffocated.

Sports stadiums throughout Britain are to be checked to see if they are safe, but it is feared the calamity was unpredictable as no one expected a goal-score so near the end of the match. Insurers are unable to say what claims they will face, as it could be said that the crowd voluntarily exposed itself to risk. City leaders in Glasgow have opened a voluntary disaster fund for dependents of the victims meantime.

as of January 1, 1971

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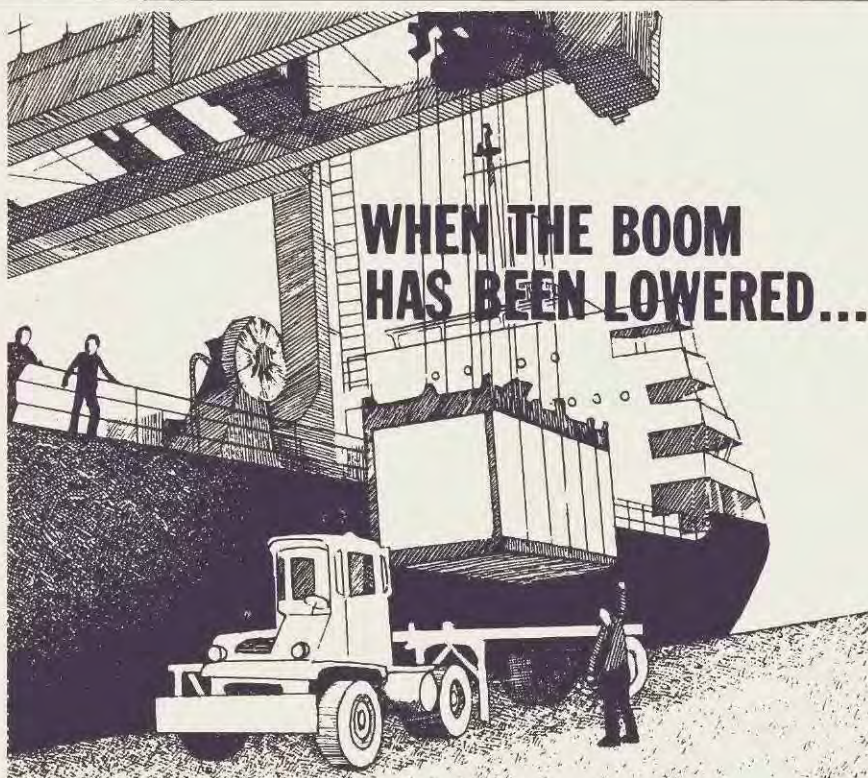
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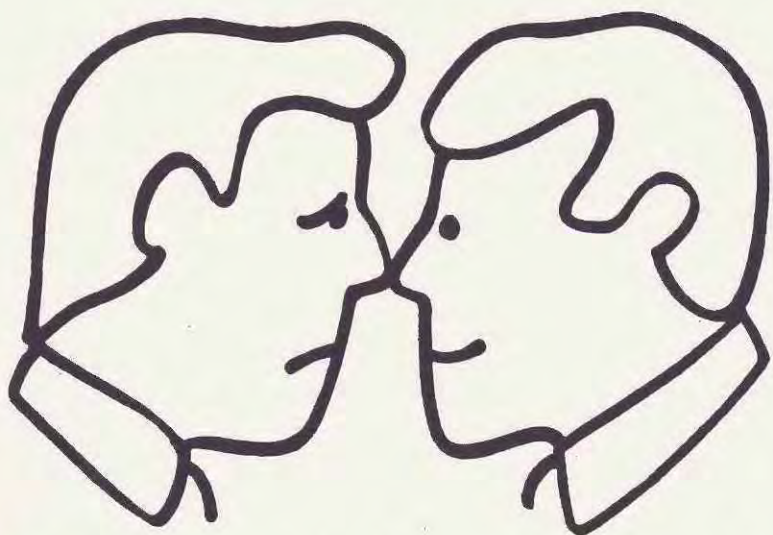
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