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business insurance®

for buyers of employe, property and liability protection — 35¢ a copy; $8 a year — January 20, 1969

International insurance experts at AMA advise: centralize-decentralize

NEW YORK—The emergence of less "centralized-decentralized" foreign international corporate insurance programs was a major topic of discussion at the first-day session of the American Management Assn.'s international corporate insurance meetings here.

Insurance managers told the AMA group how their companies allowed foreign subsidiaries to place some of their own coverages, with U.S. headquarters purchasing additional insurance, which provided umbrella coverage on top of local policies.

Francis X. McCahill, Jr., insurance manager for Bristol-Myers, New York, suggested that corporations could be decentralized for basic coverages and centralized to beef up local coverage that is inadequate in form and amount.

"CAN'T WE have our local management select its own brokers and purchase the normal run of insurance coverages—all, of course, subject to suggestions and guidance from U.S.-based management?" Mr. McCahill asked.

Included under "normal run of coverages" would be basic fire and extended coverage for property, statutory auto and general liability, low limit infidelity and crime, standard transit and in some cases business interruption, Mr. McCahill said.

Over and above these local coverages might be an all-risks property damage policy purchased and administered from the U.S. that would cover any damage to or loss of any property and the resulting business interruption, and a blanket liability policy.

Clayton R. James, insurance manager of Addressograph-Multigraph Corp., Cleveland, told how a survey of his company's foreign insurance operations uncovered widespread inadequacies.

HE SAID, for example, that three foreign companies insured property for fire only. Two companies were underinsured based on coinsurance requirements. Theft was covered by many companies but the catastrophic exposure of money, securities and employe dishonesty were not.

Three companies had little or

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Some who came back: Passengers of an Eastern Airlines plane hijacked in December board a plane at Varadero, Cuba, to return to Miami. Cuban soldiers at left supervise. —Wide World photo

AAU views skyjackings as thefts; provides coverage for lost planes

NEW YORK—Most of the major U.S. airlines now have insurance coverage if one of their airplanes gets hijacked to Cuba—and Castro decides to keep it.

Aviation underwriters have been debating whether a hijack constitutes a domestic theft or an act of war by an enemy agent. Most U.S. airlines don't carry insurance against war risks, but they are protected against theft under the terms of their normal hull insurance policies.

Now, however, Associated Aviation Underwriters, one of the two major aviation insurance pools, has conceded that hijacks—at least of the kind airlines have experienced so far—are thefts. "The problem was, nobody knew who was an enemy agent and who wasn't," one aviation source said.

THE GROUP'S interpretation of hijacking as a theft is designed to protect the airlines against the sort of "crackpots" that last year forced 13 U.S. planes to touch down in Cuba. But if the planes were commandeered by actual enemy agents, there would ensue "quite a discussion" over whether the airlines had coverage, the source explained.

Also covered would be damage to the airplane or injury to passengers during an "operational accident" to or from Cuba. But the airlines wouldn't be covered if Castro "shot the damn thing down," an underwriter explained.

AAU insures such major airlines as Eastern, TWA, American, North-West and Western. The other big aviation pool, U.S. Aviation Insurance Group, underwrites Pan Am, Braniff, National, Continental, and Alleghany.

USAIG is playing it fairly cozy over whether it would give coverage if one of its customer's planes were hijacked. A source at USAIG would only say that "the individual circumstances of a particular occurrence" would determine if there was coverage.

"In most cases it's a gray area," the source said.

For Pan Am, however, the question is largely moot. Because the carrier flies international routes, it obtained war risk coverage in the London market.

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Insurers sue to regain McCormick Place loss

CHICAGO—Five insurance companies have brought a subrogation suit against an electrical contractor to recover $9,398,532 in fire loss claims paid to the Metropolitan Fair and exposition Authority, which operates McCormick Place, the country's largest convention center that was destroyed by fire Jan. 16, 1967.

The five companies and the amount each is requesting are Traveler's Indemity Co., $6,070,826; Citizens Insurance Co. and American Insurance Co., $785,853 apiece; Royal Insurance Co. and Sun Insurance Office Ltd., $900,000 apiece.

Named as the defendants in the suit are Fischbach and Moore, Inc., New York, and its wholly owned subsidiary, Fischbach and Moore Electrical Contracting, Inc., Chicago.

THE SUIT charges the defendants "with a conscious and wilful indifference" in installing temporary wiring for the National Housewares Exhibits, specifically the booths for the H. & P. House Furnishings Co. and Elpo Industries. It claims that the electrical contractor violated chapter 21 of the Illinois Rules and Regulations for Fire Prevention and Safety as well as chapters 87 and 88 of the ordinances of the City of Chicago.

In all, the suit alleges 33 violations involving some 26 examples of faulty wiring.

A separate suit against the contractor was filed last July by 12 companies taking part in the housewares exhibit. That suit, asking for $10,000,000 in damages, is pending in U.S. district court here.

At that time, the president of Fischbach and Moore, W. P. Gutekanst, issued a statement that said in part, "We will vigor-

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(Mailing label here)

Late news

Employe financial services get backing

NEW YORK—Brown, Crosby & Co. and Travelers Corp. are moving ahead with separate plans to market insurance and financial services—including mutual funds—on a payroll deduction basis. The broker has just arranged a program for an unnamed company with 35,000 employes that includes group life, auto, accident, disability and mutual funds. Travelers has announced the formation of a new department to provide employe financial counseling and to market personal investment and protection plans through employers, associations and other groups.

Malcolmson heads oil captive

NEW YORK—James V. C. Malcolmson, retired vp of marine operations of Texaco Inc., is being named managing director of the organization that will run an oil industry captive insurance operation to cover oil pollution claims.

James in merger, plans another

CHICAGO—Fred S. James & Co. here is merging with A. Hawthorne Criddle Associates, Philadelphia, and is "actively negotiating" with R. C. Rathbone & Son, New York. If the deal with Rathbone goes through, James would become the fifth or sixth largest insurance broker in the country.

Mance elected Lloyd's chairman

H. S. Mance, a marine underwriter with Willis, Faber & Dumas, has been elected chairman of Lloyd's of London. Paul Dixey also a marine underwriter, and A. C. Sturge, a partner in R. W. & Co. and a director of R. W. Sturge, Ltd., have been elected deputy chairmen.

Mr. Mance, 55, was elected an underwriting member in 1939. He was elected deputy chairman in 1967 and 1968 during which time he's dealt with insurance within the Common Market.

Merger of marine underwriters viewed as 'good omen' by buyers

NEW YORK—The merger of the nation's two largest marine underwriters is seen by risk managers as a "good omen" for increasing marine capacity in what has been a rapidly contracting market.

This month the Marine Office of America, with annual premiums exceeding $100,000,000, and Appleton & Cox became MOAC (Marine Office-Appleton & Cox Inc.). The marriage of the two firms consolidates forces behind a common goal—expanding the world marine market by increasing U.S. underwriting capacity for international marine risks.

John B. Ricker Jr., chairman and chief executive officer of the new organization, contended that one way to increase underwriting strength will be by attracting small companies with limited capacity and personnel to share in the market.

WHAT MOAC WILL do, he told *Business Insurance,* is to represent these companies, making available its underwriting experience and offering participation in a balanced book of business. The "balanced book" includes five lines of business—cargo, inland hulls, ocean going hulls, protection and indemnity and marine casualty.

All, Mr. Ricker said, were profitable in 1968 except for protection and indemnity. "That's because court decisions are becoming more severe and because of inflation."

He said that marine business accounts for less than 2% of the total property casualty insurance written in the U.S. In 1967 the U.S. wrote $318,000,000 in premiums and Lloyd's of London wrote around $400,000,000 in premiums.

MR. RICKER sees the merger as an opportunity for increased capacity in the off-shore drilling industry. Just last May hope of developing a substantial domestic market to write offshore drilling rigs faded after a majority of U.S. insurers declined to participate in the proposed American Marine Drilling & Exploration Insurance Assn.

Mr. Ricker contended one of the stumbling blocks is that coverage on offshore rigs is written on the experience of industry as a whole rather than on the individual rigs. He said that rig owners must contribute to 75% of the losses if they expect to find a domestic market willing to sustain offshore business.

As a whole, he said, the marine industry in 1968 turned out better than in other years because there were no serious losses. He said there were only two hurricanes during the 1968 season.

The new corporation will initially represent the Continental Insurance Cos., The Glens Falls Group, the Hanover Insurance Group, Phoenix of London Group and the Tokyo Marine & Fire Insurance Co., Ltd. ▪

Governmental risk seminar in Arizona

TUCSON, Ariz.—Property-liability insurance and fringe benefits will be examined at the second annual governmental risk management seminar to be held Feb. 17-21 at the University of Arizona here.

Topics on the program include loss control, rating plans, exposure to loss, contract analysis, group insurance trends, cost of group insurance, pension planning and labor's view of fringe benefits.

The seminar, co-sponsored by the University of Arizona and the International City Managers Assn., is open to those involved in purchasing insurance or employe benefits for governmental agencies.

Registration fee is $50. Additional information may be obtained from Nestor R. Roos, professor of insurance, College of Business and Public Administration, University of Arizona, Tucson, Ariz. 85721.

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Holmes, new head of Hall firm, sees industry in 'critical' state

NEW YORK—Melvin A. Holmes has been elected president of Frank B. Hall & Co., one of the four largest insurance brokers in the country whose lineage dates back to the time of the Civil War.

Mr. Holmes, who has been with the Hall firm for more than 30 years, succeeds B. Lytton Johnston, who continues as an active member of the organization.

The new chief executive joined Hall in 1937. He was named a vp in 1956 and was elected a director in 1962 after becoming president of Farmer & Hall, a major subsidiary of the parent company.

Mr. Holmes views the state of the insurance market as "the most critical" in the 32 years he's been in the business. He told *Business Insurance* that some of his firm's corporate clients with comparatively loss-free records were hit with substantial rate increases in 1968. One client with a relatively good record had his rates tripled.

"It's no longer a question of negotiation," Mr. Holmes said. "Now insurers are saying take it or leave it."

Underwriters are reluctant to put their capacity on the line, he contended, because they don't want to "commit their capital to a losing cause" from a profit standpoint.

Mr. Holmes predicted that the capacity problem "will get worse before it gets better," but he has spotted some "bright spots on the horizon."

ONE OF THEM is the move by Richard Stewart, superintendent of insurance for New York, to liberalize the rating laws of the state. Such action, which Mr. Holmes feels will help improve the profit picture for underwriters, will trigger "20 to 25 other states" to take similar positions, but it will be two or three years before the market will feel "the real impact" of the move.

The U.S. insurance market has enough capacity to handle almost any risk, with the exception of nuclear hazards and other similar high catastrophe areas, Mr. Holmes maintained, but he charged that the American market was "poorly coordinated."

Melvin A. Holmes

HE SAID THAT "something has got to be done to pull the U.S. market together so that capacity can be utilized"—especially since London "can't possibly continue to assume" the load it's carried in the past.

Mr. Holmes also feels there should be "better coordination" between corporate buyers of insurance and underwriters. He said that U.S. industry has moved ahead technologically "without any feel for the limitations of underwriters."

He mentioned such high-catastrophe areas of modern business as multi-million dollar petrochemical installations, where losses could hit upwards of $50,000,000.

ALSO, HE SAID, buyers have "got to recognize the need" to take higher retentions as one way of relieving the pressure on capacity.

Coupled with an acceptance of higher deductibles, Mr. Holmes said, must be a "keener interest" on the part of corporations in loss control. ■

Treasury backs down on stock deal plans

NEW YORK—When the Treasury proposed a change in the rules, late last year, designed to block executives from getting deferred capital gain compensation through "restricted" stock arrangements, it was met with a storm of protest from both business and professional men.

Consequently, the Treasury now says that final regulations on the point will not be out for several weeks and that in any event the effective date of any tax change would be put off until June 30, 1969—not October 26, 1968 as originally proposed. So businessmen see hope that the government will back down from its tough tax position.

Thus, the door is still open for companies to offer executives an attractive tax saving package via "restricted" stock.

Here's the tax break now awarded an employe who can clinch such a deal.

A payment in "restricted" stock gives the recipient: (a) the equivalent of current compensation; (b) postponed tax on this compensation until the restriction ends; (c) capital gain treatment on increased value of stock during the period of restriction; and (d) tax deferral on the capital gain until the stock is actually sold. (Technical Reference: Treas. Rul. TIR-1006, 12/27/68).

INSURANCE companies, mutual funds, banks, trade and professional associations are now obtaining government approval of master or prototype pension and profit sharing plans. Reason: It makes life easier for corporations who wish to install an employe benefit plan for their workers. The idea is to save time and red tape. The Treasury has issued its stamp of approval to such arrangements.

Any corporation that wants to set up a pension or profit sharing plan can do so by joining an approved master or prototype plan. It simply files an application with the local Internal Revenue office using Form 4462.

The master or prototype plan may take one of two forms—a "standardized form" or a "variable form." But in either case, it must meet the test for qualification—*i.e.*, coverage, contributions, benefits and vesting.

Here are the specific requirements of a standardized plan—in

Continued on page 6

Overmyer cuts losses via one-story warehousing facilities

By ROBIN MENZ

NEW YORK—"Just to find out that our warehouses are sprinklered brings a sigh of relief from our tenants," said the insurance manager for the largest national warehousing company —where loss prevention has been built right into the structural design.

"We mention a sprinklered building and we've just about landed another contract," said Joseph Gullo, vp and director of insurance for the D. H. Overmyer Co. But the Overmyer concept for warehouses doesn't stop with sprinklered buildings; the company pioneered a totally new concept of warehousing—the one-story distribution center.

Mr. Gullo contended that by removing all elevators and stairways "you've taken a major step toward eliminating accidents and damage to personnel and goods." With a one-story structure goods have to be moved only once—from the train or truck to storage in the warehouse via a fork lift truck.

"THE FLOW-THROUGH traffic patterns in the warehouses create a more efficient way to move and store goods," Mr. Gullo said. The buildings are 30 feet high with fork lift trucks built to lift goods that high. The sprinklers have been inverted so that the forklift trucks won't hit them.

For additional fire protection, fusable link doors regulated by the heat of fire have been installed in all warehouses.

Each warehouse consists of two buildings, with one half the size of the other. At some locations there is a third building—a "blowout" building with collapsible walls. Should a highly dangerous material explode in the building all walls will collapse instead of exploding.

MR. GULLO said that in all instances "red label" goods (such as paint and other highly flammable products) go into special buildings. He added that the firm would like to see these blowout buildings at all Overmyer locations.

Joseph Gullo

The warehouses begin at a height equal to that of dock or truck level, which means that storage areas are relatively free of rodents since the flooring is raised above ground level. At each warehouse site there are numerous truck docks on one side and rail doors on the other.

Contrary to the old philosophy that warehouses should be located in urban or ghetto areas, Overmyer warehouses are located in industrial parks with easy access to major arteries. This means warehouses are relatively free of the riot problem, "another factor in our favor," the former General Foods executive said.

OVERMYER CALLED ON its fire and extended coverage insurer, Factory Mutual, for advise in constructing warehouses as well as facilities for its other ventures such as Intermodal, a super distribution center of the future, which is now on the drawing boards. Mr. Gullo agreed that by working with the insurer in the area of loss prevention, "we've been able to keep our losses to a minimum."

Overmyer's liability depends on the type of contract between the warehousing company and the firm storing its goods in the warehouse. For example when "we act as a public warehouse we're responsible for the tenants." He explained that Overmyer maintains a warehouse legal liability policy primarily for situations in which Overmyer acts as a public warehouse and is responsible for goods stored there.

The total Overmyer insurance program, Mr. Gullo contended, "must be flexible with no gaps since we don't know from day to day what our liability may be."

TO HAVE SUCH a policy also helps create a certain degree of good will between us and the other party," he said.

Overmyer has its workmen's compensation, auto, comprehensive general liability and legal liability with Aetna. "It's good to keep CGL and Legal Liability married so there're no gaps," he said. There's a $1,000,000 blanket limit with a $5,000,000 excess policy through Lloyd's of London.

The warehousing firm has a large deductible under its warehouse legal but maintains first-dollar defense. In this way the insurer has a man on the scene investigating a claim but paying on the loss after the deductible.

OVERMYER'S deductibles range from nothing on bodily injury to $25,000 on other coverages. The deductible varies depending on the type policy and the exposure. Under the fire coverage, there's a deductible per occurrence.

On its UHF Channel 24 in Toledo, Overmyer ran into a few roadblocks in placing windstorm coverage because of the height of the tower, the largest in the midwest. A $2,000,000 all risk policy is shared by National Fire, American Home Assurance and Travelers Indemnity. Known in the insurance circles as broadcasters interest policy, it covers, among other things, the tower, studios, color television facilities and mobile units.

On the head man, Daniel H. Overmyer, there's carried a $20,000,000-plus, key-man life insurance policy handled by Alexander & Alexander. The lead underwriter is Prudential with numerous other underwriters coming in at different levels of participation.

Travelers underwrites a rent value coverage policy which has a $125,000 per location limit. The coverage was placed by A&A. Rent value comes into play when a warehouse burns and there's a loss of rent from tenants.

A 3-D BOND, for dishonesty, disappearance and destruction, underwritten by Aetna Casualty & Surety carries a $500,000 limit per loss. Again the coverage was handled by A&A.

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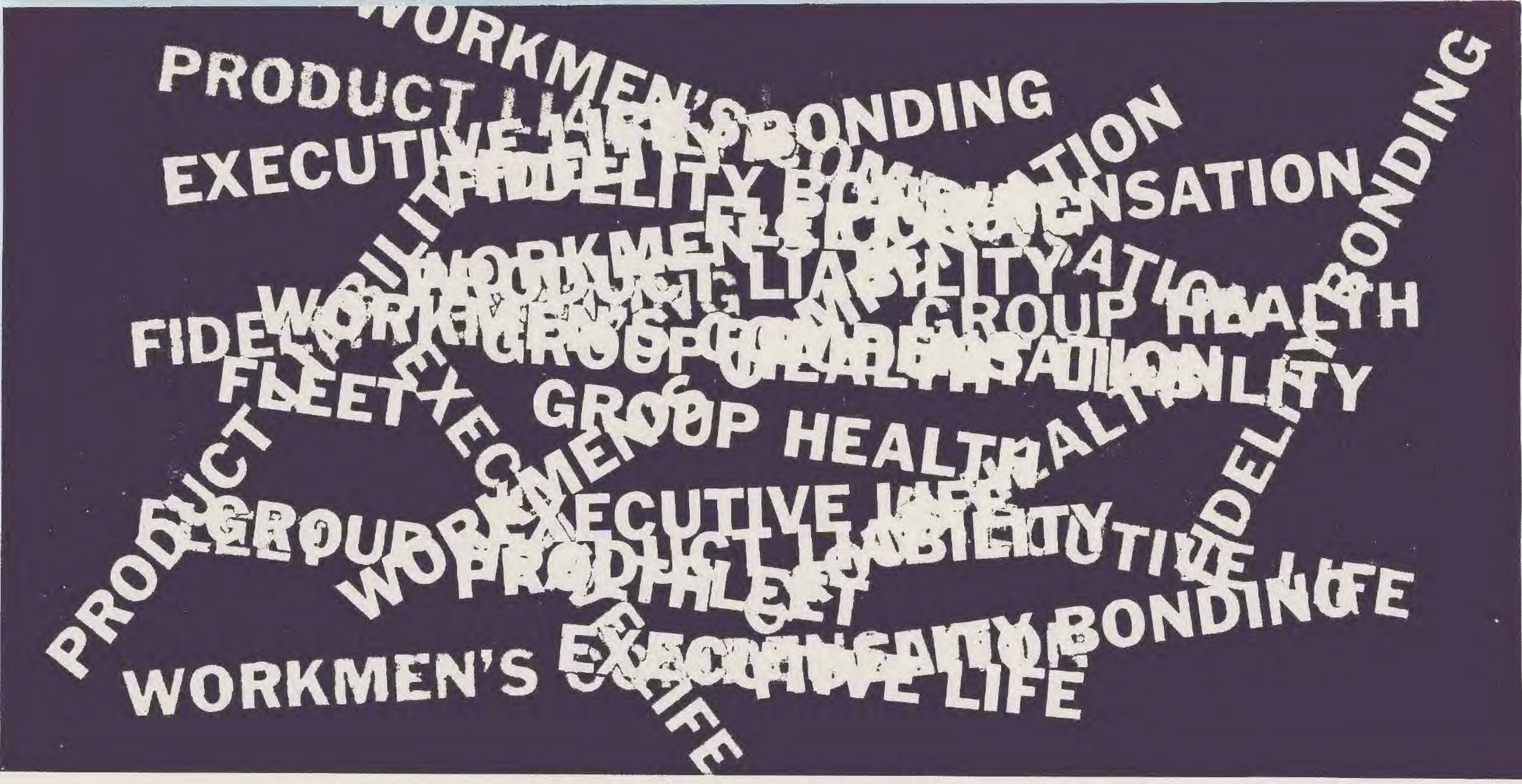


Simplify, simplify

We think you should put all your business insurance in one place. Frankly, the arguments for having four or five insurance companies are getting weaker and weaker.

It's time to pull yourself together.

Five insurance companies working independently cannot hope to control overlapping coverages. One insurance company can.

We, in particular, would keep a constant eye out for new developments. The idea is to match your company growth smoothly.

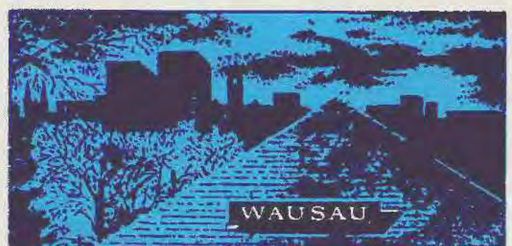
When it comes to safety and health counseling, one insurance company is definitely a must. A committee effort to help keep working people working doesn't help. Experts do. We have them.

And for a personal touch of persuasion, check our on-time payment record in your own state.

The story is simple. The more you get together with us, the happier you'll be. Especially since we're the people who know business insurance like nobody else in the business.

Employers Insurance of Wausau.

Diversified. That's The Manitowoc Company, Inc. They make heavy construction cranes, big ships and barges, even commercial ice machines. They need all kinds of insurance coverages and service. We supply.



Get together with the Wausau Story.

Euroben uses foreign resources to benefit clients

By TERESA NORTON

CHICAGO—Expected changes in foreign benefit programs, many of them the result of government actions, were discussed when Johnson & Higgins introduced its new corporation, Employe Benefit Consultants A. G. —known as Euroben.

C. E. Tosch, international division vp, told benefits executives attending a luncheon here, "You have to look out for that foreign pattern." The way to meet the desires of foreign employes is by planning through people who have long roots in that geographic area, he said. The new consulting corporation, based in Zurich, is an extension of services already offered Johnson & Higgins' international clients.

Major changes may be expected in employe benefits plans in Belgium in the coming months, J. J. Gollier of Boels & Begault, Brussels, said. Mr. Gollier, an actuary and manager of the employe benefits department of the 60-year-old firm, referred to the fact that the social security system in his country has recently raised its pension ceilings, and more increases are expected. Events such as a 30% pension increase for married men with 45 year careers, he pointed out, are bound to lead to adjustments in existing supplementary plans.

ONE OF THE adjustments, Mr. Gollier mentioned, will be the separation of death and retirement benefits into two plans and the new premium rates in 1969.

"There are planned changes in government benefits in the United Kingdom," J. S. Cohen, a director of Willis, Faber & Dumas, Ltd., London, announced. A White Paper is to be published in the not-too-distant future and predicted changes are likely to put social security on an income-related basis and increase the annual amount paid.

Mr. Cohen, who concentrates primarily on his brokerage's international programs, said that he expects the White Paper to insist on a certain amount of vesting.

The private sector in the United Kingdom hasn't done much in the area of the blue-collar worker, he told the 80 benefits executives in attendance. The employes want take-home pay so they get flat-rate pensions and death benefits but no disability or medical benefits; these are left to the state, he said.

The private sector is "very different" when dealing with the white-collar worker, he continued. An emphasis is placed on employe benefits by this class and there is now a trend toward post-retirement widows' benefits. Death-in-service benefits in the United Kingdom are similar to those in the United States, in that a flat rate is used.

The American pattern of disability compensation for white-collar workers is coming more and more to be accepted by United Kingdom companies because this is an area in which the state does very little. At the executive level, Mr. Cohen said, there is a definite need for the addition of positive benefits and Willis, Faber & Dumas stresses considering employe benefits before stock options for executives.

MANFRED HABERER, who heads the Frankfurt office of Jauch & Hubener, insurance brokers and pension consultants, noted that contributions for benefit plans in Germany are borne equally by the employer and the employe but that sickness benefits are excluded. Government social security offers a high level of benefits, Mr. Haberer said, but the importance of company plans is demonstrated by the fact that 75% of companies employing 100 or more workers have supplementary plans; the percentage increases with the number employed.

Johnson & Higgins' people mentioned repeatedly that the general European attitude toward any business dealings is quite different from that here in the United States. •

Treasury . . .

Continued from page 3

addition to the other necessary provisions for qualification:

- **Coverage:** The percentage formula set forth in Internal Revenue Code Sec. 401 (a) (3) (A) must be met.
- **Trustee:** If a trusteed-plan is used, a bank must act as Trustee.
- **Formula:** If a profit-sharing plan is adopted, there must be a definite formula for determining employer contributions to be made. However, an adopting employer can specify his rate of contribution.
- **Nonforfeitable rights:** Each employe's rights must be nonforfeitable at the time the contributions are paid to or under the plan, except in so far as the limitations set forth in sec. 1.401-4 (c) of the income tax regulations, regarding early termination of a plan, may be applicable. (Technical Reference: Rev. Proc. 68-45.)

IN THESE DAYS, when most of us like to select our own investments and make our own mistakes, it may be wise for trustees now running a money purchase pension plan or a profit-sharing plan to offer participant employes the right to pick and choose their own investments for their own particular account.

This is a frequently overlooked approach. It is perfectly proper for such a trust to permit funds, allocated to the employe's account to be earmarked for the purchase of particular securities. And if that procedure is followed, then the investments made for each particular participant are reflected directly in the value of that individual's account.

For example, let's assume two participants—A and B—joined a profit sharing plan seven years ago. A instructed the trustee (under an earmarking concept) to invest in Zerox and IBM. Union Carbide and A T & T were B's choices.

TODAY, participant A's account will be substantially larger than participant B's account because A's investments were more productive than B's investments. B does not, then, share in A's investment success and A does not share in B's experience.

Bear in mind that "earmarking" must be made available to all participants. (Technical Reference: Rev. Rul. 65-178, Part 5 (r). •

washington watch

Product safety commission eyes insurance records—and more?

WASHINGTON—It now appears certain that on May 1 every insurer in the nation that writes product liability coverage will be submitting to the National Commission on Product Safety a comprehensive report on bodily injury claims that were closed—with or without payment—during the month of March 1969 in which product liability coverage was involved.

This report will be followed on June 1 and again on July 1 by similar reports covering claims closed during the months of April and May. Only claims involving motor vehicles, foods, drugs, cosmetics, pesticides and firearms will be excluded.

Specifically, the reports will include the company file number, a generic description of the product involved, the date of injury, the best available facts as to how the product allegedly caused the bodily injury and the nature and extent of the injury.

THE COMMISSION'S dialogue with the carriers could end there, with the reports entered into a computer and the conclusions used to help form the commission's final recommendations to the President. But, it probably won't.

Up until early January the commission had wanted a much deeper look into the confidential insurance company files, one that would include the manufacturer and product brand names. Only after stiff opposition from certain segments of the insurance industry did the commission settle for the "generic" approach.

William White, executive commissioner of the commission, denied reports that the commission may subpoena records from insurance companies—"at this time." He said that the commission's meetings with insurance companies and associations have been very "cooperative" so far.

But, the commission made it quite clear that if the results of the present study dictate, it will ask for—and of course get by virtue of the broad powers granted it by congress—the complete product liability claims files of all the insurance companies that write this type of cover. And, odds are, at that point, the current study will so dictate.

THE SEVEN-MAN commission was established by congress in November 1967 and charged with the responsibility of conducting a "comprehensive study and investigation of the scope and adequacy of measures now employed to protect consumers against unreasonable risk of injuries which may be caused by hazardous household products . . . which may present an unreasonable hazard to the health and safety of the consuming public." It was also charged to study:

- The extent to which self-regulation by industry affords such protection;
- The protection against such hazardous products afforded at common law in the states, including the relationship of product warranty to such protection;
- A review of federal, state, and local laws relating to the protection of consumers against categories of such hazardous products, including the scope of coverage, the effectiveness of sanctions, the adequacy of investigatory powers, the uniformity of application and the quality of enforcement.

THE LAW specifically excluded from the study motor vehicles, food, drugs, cosmetics, pesticides and firearms because laws have already been passed or studies made in each of these areas.

In addition to pursuing the above-mentioned goals, the commission has in its 14 month existence sought, and gained, a great deal of publicity about unsafe products in the marketplace. Some critics have even charged it with holding "canned" public hearings with the sole purpose of publicizing product liability "horror" stories and thus stirring up public sentiment for its eventual legislative goals. This, they charge, is outside the commission's scope of duties.

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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.

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

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

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

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

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

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

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

• **If you Smoke** is a new pamphlet prepared by the National Clearinghouse for Smoking and Health. Used as an employe handout it would point out five positive steps to help slow down the harmful effects of smoking, while reminding smokers that these are merely a compromise and do not make smoking safe. Single copies are available free from the clearinghouse at 4040 N. Fairfax Dr., Arlington, Va. 22203. Quantity orders are 5¢ a copy $2.50 per 100 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• **Lite-Saver** is a device about the size of a quarter which reduces hazards in the replacement of incandescent bulbs in high or hard-to-reach places. Lite-Saver extends the life of the average 25 to 100 watt bulb up to 100 times. There is no waste or loss in heat and the device is easy to install. Cost is $1.20 each. For net prices or more information contact Mr. Steven Munson, Safety Products Dir., Terado Corp., 1068 Raymond Ave., St. Paul, Minn. 55108.

• **The Total Approach to Employe Benefits** offers the professional risk manager insight and assistance in resolving specific questions related to funding, administration, plan design, communication and cost control. Written By Arthur J. Deric, this book, published by American Management Assn. Inc., is available to members in hardcover at $5 per copy; $7.50 per copy to nonmembers. Write to the American Management Assn. Inc. at 135 W. 50th St., New York, N.Y. 10020.

• With the use and production of plastics steadily increasing it is necessary to understand their fire hazards and how they react in a fire. Plastics manufacturers and converters emphasize the harmlessness of their products but more and more cases occur which involve plastics, directly or indirectly. **Fire Insurance of Plastics** is a 26-page book prepared by Swiss Reinsurance Co., Zurich, which discusses, with examples, these hazards and presents a classification of toxicity, corrosiveness, combustibility and smoking potential of the most common plastics. Copies are $1 each from the North American Reinsurance Corp., 245 Park Ave., New York, N.Y. 10017.

• EBS Management-Consultants Inc. has made available copies of an article entitled **Riot and Civil Commotion—Insurable or Not?** The paper, by Warren G. Brockmeier, J.D., shows concern for the corporate insurance buyer and his problems and discusses, among other things, municipal liability and individual riot-loss prevention. It ends with a proposed solution to the problem. The article is available by writing the company at 100 Church St., New York, N.Y. 10007.

• **Danger Is Your Companion** is a 16-minute, black and white, sound film for sale through your local chapter of the American Red Cross. It points out the possibility of accidents and shows what is being done to combat carelessness and to train people to give emergency first aid. Stock #321514, cost $24.75.

• The St. Paul Insurance Cos. have published a booklet entitled **The St. Paul's Umbrella Excess Liability Protection.** The brochure explains the protection and is illustrated with a chart. It is free by writing Mr. Arne V. Brogger, Sales Promotion Asst., The St. Paul Insurance Cos., 385 Washington St., St. Paul, Minn. 55102.

• **Paying for Your Pension—When and How It's Done** is a 16-page, cartoon-style booklet designed to explain to members of pension plans the process by which their pensions are funded. Sample copies, from the Hewitt Information Service, Inc., are available by writing the group at Libertyville, Ill. 60048.

• The Defense Research Institute, Inc., 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233, has published **The New Comprehensive General Liability Insurance Policy** ($1.00 each, prepaid). The monograph gives an in-depth analysis of the new standard provisions for the general liability insurance policy which became effective in most states Oct. 1, 1966. It explains policy definitions, coverages and exclusions in the new forms and points to the differences between them and prior coverages. The monograph offers invaluable assistance to anyone faced with a problem which involves the interpretation of the provisions of the new policy.

• **Plugging the Gaps,** published by the Chicago Board of Underwriters, is a humorous one-act play dealing with areas of potential loss not covered such as aircraft non-ownership, transportation of machinery, leased office equipment and personal injury. It includes a discussion of differences in conditions, commercial and personal umbrellas and contractual liability. Copies are obtainable at $1 each from Chicago Board of Underwriters, Room 1030, 175 W. Jackson Blvd., Chicago, Ill. 60604.

• An area of growing corporate concern, the liability of officers and directors for errors and omissions, is reviewed in **Directors and Officers Liability Insurance.** The booklet, released by EBS Management Consultants Inc., is available free by writing the company at 100 Church St., New York, N.Y. 10007.

• An eight-page, illustrated brochure, **Aetna Life & Casualty Worldwide** is available by writing Mr. Thomas C. McLenithan, Int'l. Dept., Aetna Life & Casualty, 151 Farmington Ave., Hartford, Conn. 06115. It details Aetna's reciprocal arrangement with Assicurazioni Generali di Trieste e Venzia, which enables them to provide insurance coverages and services to corporate insurance buyers in every country in the free world.

Commercial interest grows in FAIR

CHICAGO—Supermarkets, restaurants, large mercantile establishments and even school buildings in urban areas are among the properties covered by the new Illinois Property Insurance Placement Facility, this state's version of the FAIR plan.

Manufacturing risks are ineligible for FAIR plan coverage, but other commercial risks at one location may be covered to a limit of $500,000, according to Elmer Reske, manager of the Illinois facility. He said the first properties to be covered under the plan were $25,000,000 worth of school buildings in East St. Louis.

Mr. Reske said that 80% of applications received thus far ask for coverage on commercial properties.

Speaking to members of the Chicago chapter of the Society of Fire Prevention Engineers, Mr. Reske said that the creation of the FAIR (Fair Access to Insurance Requirements) plans resulted from "increasingly restrictive underwriting" in areas threatened by riots and civil disorders.

IN ILLINOIS there are 51 "urban areas" in which some properties are eligible for coverage by the FAIR pool facility if they cannot be insured through the normal market, which includes Lloyd's and surplus lines writers.

"The pool is not competitive and is not intended to compete for risks with the normal property insurance market," Mr. Reske explained. "And its rates are considerably higher than tariff or manual rates because the underwriters for the facility take the usual rate and add a factor—sometimes 100% of standard premium—to meet the additional exposure."

No properties may be put into the FAIR pool without a rating bureau inspection, and rates on such properties are subject to protective credit. Mr. Reske observed that the fact that buildings covered by the pool must be inspected is an advance in itself that may lead to fewer losses.

Under the Illinois FAIR plan, property insurance companies participating in the facility merely service risks and pass on the coverage to the pool facility if they wish. A servicing company may elect to retain a risk if the premium is high enough for the exposure.

"Our effort is to maintain an insurance market despite the threat of civil disorders," Mr. Reske told the fire engineers, "and we believe that such facilities as ours are bound to increase the aggregate capacity of the property insurance industry."

THOUGH FAIR pool insurance on habitational risks is limited to $100,000 at one location and on commercial risks to $500,000 at one location, the facility "will try to be helpful," Mr. Reske said, in the placement of excess beyond the capacity of the pool.

Mr. Reske explained that property insurers who seek riot reinsurance through the Department of Housing and Urban Development must be members of state FAIR programs in order to get HUD riot reinsurance coverage on risks they underwrite. ▪

Rochester merchant one of first to get cover under pool setup

ROCHESTER, N.Y.—Max Grossman now has an insurance policy on a Joseph Ave. building he owns, and the annual premium is down from $131 to $28.

Mr. Grossman has what may be the city's first policy under a state program to provide fire and riot insurance on property which either had no insurance before or which cost up to 800% above standard rates to insure.

The program, which went into effect Oct. 28, is to enable owners and tenants of such properties to obtain coverage from a pool of insurance companies if they have been unable to procure coverage "in the normal market."

MR. GROSSMAN, owner of Grossman Supply Inc., applied the day after the program went into effect to obtain insurance on four buildings. He has just received a policy on a six-room, two-story, frame, one-family residence he owns. The other applications are in process, his agent has been told.

The New York Property Insurance Underwriting Assn., the name of the insurance company pool, has received some 600,000 applications throughout the state, he said.

THE NEW POLICY which Mr. Grossman has is the result of nearly two years of work on the part of Rochester inner city businessmen, politicians, insurance officials and others. An act proposed by Gov. Rockefeller to set up the program was passed earlier this year.

Gov. Rockefeller made his proposal after Richard E. Stewart, the state superintendent of insurance, said that the state had failed to persuade insurance companies to undertake a voluntary program adequate to meet the problem.

About Feb. 1, a new rule is supposed to speed up the policy approval process. After that time, inspectors will have only 17 days to inspect the property and approve or disapprove.

If there is no action by the end of the 17 days, a 30-day binder (approval of insurance) is issued subject to final approval after an inspection. ▪

Canadian risk managers form federally chartered association

MONTREAL, Canada—Negotiations here recently united four groups of risk and insurance managers into one national association known as the Canadian Association of Risk Managers.

The new association, which operates under a federal charter and is called in Quebec l'Association Canadienne des Directeurs de Risques, embraces more than 300 individuals in the Montreal, Toronto, Calgary, and Vancouver chapters of the American Society of Insurance Management.

W. A. Spence, manager of insurance and pensions for Burns Foods Ltd., Alberta, said that the organization of the new group in no way affects the status of the four ASIM chapters. Objectives of the group, which will hold an annual meeting and local seminars, include legislative action, education, public relations and loss prevention.

The association will also, according to A. J. West, vp., attempt to interest the universities in Calgary and Toronto in establishing risk management courses and encourage members to qualify for the Diploma of Risk Management granted by the Insurance Institute of America.

Officers and directors of the new association are: president, W. A. Spence, Burns Foods Limited, Calgary; vp, A. J. West, Dominion Textile Company, Montreal; secretary, G. J. Hird, Robert Simpson Co., Toronto; treasurer, C. L. Nevill, MacMillan Bloedel, Vancouver. Directors are W. T. Carson, Molson's Western Breweries, Calgary; J. F. Pearson, Vancouver Tug Boat; D. E. Sullivan, Northern Electric Co., Montreal, and G. R. Wilcox, Maple Leaf Mills, Toronto. ▪

Theft rates up in Washington

OLYMPIA—A state-wide rate increase of 11.2% in commercial burglary, robbery and theft insurance has become effective for all members of the insurance rating board, said William D. Yerkes, rate supervisor for the Washington State insurance commission.

Independent companies, not subscribers to the IRB, such as Safeco, Western Pacific and Northwestern Mutual, have not yet filed for the increase, but it is expected an increase will follow.

MR. YERKES SAID rate revisions for all burglary sublines range from 7% in Maine to 32.2% in Alaska. Other state increases include 27% in Idaho, 30% for Michigan and 17% for California.

The revision is based on 1966 statistics. The tremendous increase in commercial crime of all sorts in 1968, reported as high as 70%, has not been considered in the new hike.

Among those companies whose rates went up Nov. 27 are Hartford Accident & Indemnity Co., Aetna Casualty & Surety, Fireman's Fund Insurance Co., Home Insurance Co., Maryland Casualty Co., Reliance Insurance Co., Royal Indemnity Co. and United States Fidelity & Guaranty Co. ▪

Hospital gives group cover, higher pension

WARE, Mass.—Directors of Mary Lane Hospital have approved a change in health insurance coverage for employes, providing that employes become eligible for coverage after three months, rather than one year, as in the past.

The pension plan has also been upgraded, increasing benefits of retiring employes by approximately 50%.

Newly released copies of a personnel policy plan also contain a paragraph on the tax sheltered annuity program available to employes.

Good Friday has been added to the list of paid holidays. These now total nine. ▪

Ball players threaten strike over pensions

SAN FRANCISCO—Major league baseball players have threatened club owners with "strike one" if they are not given a greater share of profits for their pension fund when the current pension expires next March.

The players, through their elected shop stewards, met early this month here to discuss the plan which now provides a maximum $1,487 a month at the age of 65 for a man who has played or coached for 20 years.

The retirement fund is now financed through a flat $4.1 million a year from the television and gate receipts of the World Series and All Star games.

BENEFITS UNDER THE plan are provided by the Equitable Life Assurance Society of the U.S. and by the First National City Bank, New York.

The minimum benefit provides $250 a month at age 50 and five years' service. Most athletes consider this the best pension plan in professional sports.

The ballplayers admittedly have their eyes on a $50,000,000 package of television revenue that helps to finance the plan.

The money is expected to be increased next season when the big leagues begin a playoff system to determine who gets into the World Series.

The players' threat to strike met with harsh reaction from owners of major league teams.

Gene Autry, former singing cowboy, who owns the California Angels in the American League, typified owners' reactions when told of the players' threat.

"I can still ride a horse and make $150,000 a year," Mr. Autry said.

Under the existing plan, a player has the option of enrolling in a supplemental retirement plan, in which the rate of contribution depends on the player's annual salary and can be paid in either a fixed or variable benefit form. ▪

Canada considers jobless revisions

OTTAWA—The Canadian government is toying with the question of whether unemployment insurance is to operate as a welfare program or strictly as an insurance against loss of employment income.

Labor Minister Bryce Mackasey has called on members of the Commons Labor Committee to help decide the future pattern of unemployment insurance.

Mr. Mackasey said it will be many months before the government can introduce a long-promised wholesale revision of the Unemployment Insurance Act.

The labor committee has approved $123,745,700 in spending estimates for the Unemployment Insurance commission in this fiscal year

Divorce insurance studied by Europeans

BRUSSELS—Marriage certificates may soon be accompanied by a divorce insurance policy protecting the bride in at least two European countries.

The European Society of Jurists, meeting here, was told that a number of Continental countries are preparing legislation which would make it mandatory for the bridegroom to insure the bride against divorce in advance of the wedding ceremony.

A divorce insurance policy would operate in practice like any health disability insurance. It would be based on the fact that "modern marriage is not made to last," according to one of the presentations at the conference.

The policy would be designed to provide the divorced wife with appropriate financial security.

Pere Johannesen, Swedish divorce lawyer, added that "it is time all governments started looking at the problem of divorce rationally—as essentially a social and economic problem.

Legislation now in preparation in Bonn and Stockholm would be similar to health insurance but premiums would be guaranteed by the state from a special fund created for this purpose.

Benefits would take into account the length of marriage, plus the wife's potential earning power at the time of marriage and after divorce. ▪

Federal Old Line rehearing denied

The Washington State Supreme Court has denied a petition for a rehearing requested by the Federal Old Line Insurance Co.

The Court reversed a King County superior court ruling and ordered State Insurance Commissioner Lee Kueckelhan reinstated as "rehabilitator" of the insurance company.

He had been removed from that position in February by the Superior Court when he said he could not "in good conscience" carry out a company-proposed plan for rehabilitation which had been approved by the court.

The Supreme Court ruling climaxes a legal battle over the insurance company which Kueckelhan originated in 1963.

Machinists' pension plan gives benefits after six months on job

By ALLEN M. WIDEM

HARTFORD—Two major Connecticut manufacturing firms have agreed to participate in a pension fund that can provide retirement funds after only six months of contributions.

In effect, a 65-year-old employe with several decades of active service in an industrial plant previously without a pension plan would be entitled to a monthly sum six months after the corporate decision-makers decided to join the plan.

To date, however, the union-management plan is applicable only to plants where the International Assn. of Machinists and Aerospace Workers represents the bargaining units.

The machinists' plan, on a national basis, has paid $929,000 to some 1,245 pensioners—averaging about $62 a month for each retiree.

Nationally, employers in 1,500 plants, terminals and other diversified industrial operations are contributing 5¢, 10¢ and 25¢ for 60,000 to 70,000 employes.

A nickel-an-hour contribution results in benefit of a $50 monthly retirement; 10¢ brings $100; 15¢, $150, etc.

THE TWO CONNECTICUT firms newly joined to the pension plan are M. H. Rhodes Inc., Hartford, and the Southington division of the Modulus Corp., both plant workers' represented by Machinist District Lodge No. 26.

Dunham Bush Inc., another Hartford manufacturer, will probably join the plan some time in 1969, according to Joseph Cronin, business manager for Lodge No. 26.

Mr. Cronin commented that one feature of the plan is a limited portability which grows less limited as new members join: A worker who is fired, severed or laid off from one covered plant can protect his benefits in the event he is able to resume employment in another covered plant within five years anywhere in the U.S.

Some 18 bargaining units are served by Lodge No. 26 and Mr. Cronin is hopeful of getting the majority of these to climb aboard.

The pension is currently in effect for workers of New England Transportation, Lombard Brothers, National Transportation, all in Bridgeport; Eastern Express, Fairfield; UOP Instruments division and Greenwich Car, Greenwich; Barnum Machine Works, New Haven; and Whiton Machine Co., New London.

There is skepticism, to be sure, from management spokesmen about the working practicality of the IAMAW pension plan.

One personnel manager, for example, remarked that the plan's wealth, and the capacity to pay off after only six months' membership, is the direct result of employe turnover.

He noted that thousands of short-term workers change jobs for one reason or another, thus losing the benefit of the employer contribution.

But Miss Leslie Finn, IAMAW plan manager, on a Hartford visit, asserted that turnover is not a major factor.

SHE DOES NOT believe that machinists, in the main, would want to work in anything but their own craft.

The pension plan's marked record of a steady bolstering of benefits and conditions since its inception in 1961, she added, can be attributed more to size and diversity.

Year-end holdings of the plan increased from $11,425,000 to $17,950,000 from 1966 to 1967, for example.

At the same time, members covered jumped from 40,000 to 50,000, and contributing employes increased from 950 to 1,215.

Pensioners, who increased from 809 to 1,245, were paid benefits of $929,548, up from $623,568. ▪

Jennings gets insurance post

William J. Jennings

HOUSTON—William J. Jennings, systems project leader for financial and administrative organizations at Cooper-Bessemer Co., Mt. Vernon, Ohio, has been named coordinator of insurance and banking for the parent Cooper Industries here.

A graduate of Grove City College, Grove City, Pa., Mr. Jennings was resident systems analyst for Cooper-Bessemer at Stratford, Ontario, Canada, before his transfer to Ohio. ▪

Continental Can promotes LeHane

Louis J. LeHane

NEW YORK—Louis J. LeHane has been named manager of industrial relations of Continental Can Co.'s eastern metal division.

Mr. LeHane, who was formerly manager of manpower development-metal operations for Continental, will be responsible for administering the employe benefits program for about 20 metals plants on the eastern seaboard, among other responsibilities.

Actuary changes name

Arthur Stedry Hansen Consulting Actuaries Inc. has changed its name to A. S. Hansen Inc. The firm has offices in 13 U.S. cities.

london line

Rooke wants fewer frills, more capacity

LONDON—The assistant insurance manager of the English Electric Co. has charged that insurance companies would be able to give industry increased capacity if they cut down on some unnecessary frills.

R. W. Rooke, speaking at a conference sponsored by the Chartered Insurance Institute and the Insurance Institute of Ilford and Southwest Essex, said the ability of insurance companies to cover expanding businesses is decreasing.

He called for immediate changes in several insurance company practices, recommending simplified premium calculations, greater flexibility in claims procedure and a sharp cost-reducing exercise in overheads.

MR. ROOKE SAID the problem has reached such magnitude that several companies have seriously considered doing without insurance because of the high cost.

He said insurers have based too much on standard policies and types of cover and "too little on the overall needs of customers.

"Insurers should be willing to stretch a point and sometimes question long-standing restrictions on cover," Mr. Rooke said. "Just as industrialists found they needed to be flexible when dealing with large customers.

"Not only is the insurance manager of a business finding it increasingly difficult to insure a risk outright with one company, but there are fewer other insurers willing or able to take up the slack," he said.

HE SUGGESTED that insurers reduce overhead expenses, especially the "proliferation of branch offices."

Mr. Rooke said the growing trend toward selectivity by insurance managers has caused them to obtain protection only for catastrophic risks, thereby not making claims on small amounts. In addition, companies often attempt to purchase an excess on a policy.

MR. ROOKE sees it as essential that insurers offer worthwhile reductions in premiums to make this self insurance economical.

He said insurers generally do not favor the idea of large excesses and little inducement is offered.

"Insurers are far too product-orientated and insufficiently consumer-oriented," he said. ▪

IBM coordinates medical plan

ARMONK, N.Y.—International Business Machines Corp. has switched to a coordination of benefits approach for all its group medical plans. At the same time, IBM liberalized its family surgical plan.

Coordination of benefits applies under the firm's family hospitalization, surgical, major medical and medical plans with Medicare when both IBM's coverage and another employer's plans apply to the same medical expenses.

Formerly, IBM had a nonduplication of benefits provision whereby the company would supplement payments from another firm only to the extent that they fell short of the amount IBM would have paid had it been responsible for benefits.

IN A MEMO TO employes IBM said the effect of coordination of benefits is to supplement payments to a greater extent than under the former provision.

"In fact, with coordination of benefits, depending on the nature of the charges and the extent of coverage available under the other employer's plan, it is possible that the combination of benefits from the plans of both employers may cover as much as the entire amount of medial expense."

Under IBM's new surgical plan the company will give increased allowances for most surgical procedures and will cover a larger portion of surgeons' fees. As before, the family surgical plan provides "assistance" toward surgical charges but not necessarily full coverage.

EXAMPLES OF INCREASES, with maximum reimbursements, are: Tonsillectomy (under age 18) $75, up from $45; normal maternity $175, up from $100; appendectomy $200, up from $150; ankle fracture (simple closed reduction) $125, up from $75.

In addition, maximum benefits for specific, highly complex operations have been increased from $300 to $500.

The plan reimburses employes from the first dollar of expense up to the maximum allowance for each surgical procedure.

IBM's family hospitalization plan, through Blue Cross-Blue Shield, gives employes and eligible dependents 365 days of hospital care during any 36 consecutive months. Major medical, through Prudential Insurance Co. (which also handles surgical and group life), pays for 75% of eligible expenses after a $200 deductible for an individual and $400 for a family. ▪

benefit tax slants

American Standard's stock plan lets employe withdraw at any time

By JOSEPH S. ROBINSON

NEW YORK—American Standard Inc. recently adopted a stock purchase plan for rank-and-file employes which gives the workers a chance to make money before fully paying for the stock and also protects them against loss on the stock until it is fully paid for.

Here's the blueprint of the plan:

American Standard offers authorized but unissued stock for purchase by employes. Officers and key employes with stock options are not eligible.

EACH ELIGIBLE employe may elect to buy stock with not more than 10% of his annual pay. The purchase price must be at least 95% of quoted value on the effective date of the offering. The transaction will be handled through payroll deductions over a period of less than 27 months.

Here's the break to employes: A worker can change his mind and withdraw his contributions at any time before he has made his final contribution. Thus, if the stock is selling for less than the subscription price, the employe can recover his money. In effect, the plan eliminates the downside risk to the employe in the event of a market decline.

Normally, an employe can take his pension benefits in one chunk (instead of installment payouts) and receive capital gains treatment. But he must show that the payment resulted from *separation* from his employer's service.

Suppose a man is employed by a company and arranges to buy out the business to become the new president. Later he gets a distribution of his share of the pension trust. Is he entitled to capital gains on the payout?

NO, SAID THE Tax Court. He didn't prove distribution came about through separation of service. (Technical Reference: Osterman. 50 TC No. 97).

While a pension or profit-sharing plan can qualify even though hourly—paid workers are knocked out—still, the plan can't discriminate in favor of officers, highly paid or supervisory personnel or stockholders if it wants the tax break.

Here's a case in point: The Mitchell Co. set up a profit-sharing plan for its salaried employes. In fact, there were only three salaried people—the president and secretary, each earning $35,000, plus the bookkeeper who earned $5,000. The remaining 23 workers were paid by the hour.

INTERNAL REVENUE disqualified the plan and the Tax Court agreed. Even though the bookkeeper participated, the effect of the plan as a whole was to discriminate in favor of the "prohibited" group (Technical Reference: Mitchell Corp., TC Memo 1968-209).

Higher contributions to a profit-sharing plan on behalf of officers of the company will disqualify the plan for tax exemption, says Internal Revenue.

For instance: Where company contributions for rank and file workers are based *solely* on compensation—and those for officer-employes are based on compensation *plus* credits under a deferred compensation arrangement—such a plan favors the officers and hence discriminates against the other employes in violation of the tax rules (Technical Reference: Rev. Rul. 68-454).

A MAJOR STOCKHOLDER of a company attempted to establish a pension trust under his will which provided for pension payouts to employes—without regard to need. Internal Revenue turned thumbs down on this approach.

Said IRS: It cannot qualify as a pension trust since it was not created by the *employer corporation*. What's more, it cannot be treated as an exempt charity to benefit the poor because it does not limit benefits to needy employes (Technical Reference: Rev. Rul. 68-422). ▪

Rules podiatry coverage can be excluded

INDIANAPOLIS, Ind.—The Indiana supreme court has ruled that insurance companies doing business in the state may exclude podiatry benefits in group health insurance policies.

The Indiana State Podiatrists Assn. had contended that insurance companies illegally discriminated against paying benefits for work by podiatrists.

The court noted that Maryland had passed a law prohibiting the exclusion of podiatrists from accident and sickness insurance coverages and suggested that the Indiana association seek a similar law in Indiana.

The court said that podiatrists were not unlawfully excluded from serving policy holders of insurance companies. The state insurance department had ruled that care by podiatrists should be covered.

The Supreme Court overruled the department's decision and a Marion county court ruling. The insurance carriers had appealed the department's decision. ▪

Arizona adds insurance dept.

PHOENIX—Arizona voters have approved a constitutional amendment which establishes the State Insurance Department as a separate agency, with a commissioner to be named by the governor.

The Arizona department functioned in this manner for a number of years.

However, the state Supreme Court held the legislature exceeded its power in creating such an arrangement and returned the department to a subordinate position under the state corporations commission. ▪

safety and security

Building security systems grow in size, scope along with business

By WILBUR CHARLES

MIAMI—Every business owner needs building security—except those who have had a run of good luck and believe that vandalism, burglary, fire, mechanical breakdowns and other misfortunes "can't happen to me."

In one form or another, building security systems have become a requirement in almost every type of facility. As the size, scope and investment in business continues to grow, the protection of property and personnel is becoming increasingly important.

The approach to protection has changed during recent years, as new and ever-increasing demands have been made and as new technologies have been developed to satisfy these demands.

THE FOLLOWING, with the generous cooperation of Honeywell Inc., has been prepared to acquaint businessmen with modern security systems and to help you plan for their protection requirements.

To the modern businessman, building security means that he must provide enough guards and equipment to protect his investment. When the use of guards is practical, it means that he must employ enough men to protect the building, the equipment and merchandise in it and the personnel who work there. When he must rely on automatic equipment in the place of guards, it means that he must provide the most adequate protection at the most efficient expenditure of funds—to obtain a critical overhead item at minimum cost in order to keep the price of his products or services at a reasonable level.

Even in ancient times, a variety of mechanical gadgets was contrived to detect intruders. The era of modern security—Honeywell tells us—dates back just 100 years ago, to the advent of electrically-operated alarms. The first of these were simple "burglar alarms," used to help protect banks and retail stores. These gradually improved in effectiveness until the World War I period, when national defense requirements led to the rapid development of much better systems.

IT WASN'T UNTIL World War II, however, that the security industry really saw the major share of its growth. The threat of highly skilled enemy agents made it necessary to invent more sophisticated and foolproof systems. Through the tense Cold War period also, these systems were continually refined and perfected.

The current state of the art is such that today's businessman can avail himself of the many modern systems that are described under the following general types:

• **Local systems**—In these systems, the alarm sounding device is located in the immediate vicinity of the protected area.

• **Central station systems**—The alarm signal is not sounded in the protected area, but is relayed to a privately-owned protection agency.

• **Proprietary systems**—The alarm signal is relayed to a headquarters that is owned, manned, and operated by the proprietor or his agents.

• **Direct connect systems**—The alarm signal is carried to an alarm annunciator at a remote location such as a police station. (This system is often combined with a proprietary system to provide additional protection).

Until recent times, local and central station systems were the most common types. But today's requirements have now made proprietary and direct connect systems the most popular.

THE VALUE OF A local alarm system—that of sounding an alarm right at the protected premises—leaves much to be desired. The detection equipment is usually very simple and is therefore easily defeated. Also, false alarms annoy neighbors.

Intruders may not be too disturbed by bells and other audible alarms if they know they have time in which to operate, or if the intruder has accomplished his mission and trips the alarm on leaving the premises.

On-the-spot alarms rarely catch the intruder. For example, how many times have *you* responded to someone else's burglar alarm.

Wilbur Charles

However, local alarm systems will continue to be used wherever it is impossible to relay the alarm signal to another location, or where help is too far away.

CENTRAL STATION SYSTEMS enjoy popular favor in densely populated urban centers. In most downtown metropolitan areas, there are hundreds of small establishments which prefer a higher degree of protection than is possible with a local system but which cannot afford their own guard force. To accommodate these businesses, a central station company is formed.

Leased telephone lines connect each individual business (subscriber) with the central station. Of course, the physical location of the central station must be close to the clients it serves in order to justify the service economically.

When an alarm is received at the central station, a dispatcher telephones the police department and requests that a patrol car be sent to the subscriber's place of business. In addition, many central station companies maintain a guard force of their own which is dispatched along with the municipal police in response to alarms. The central

Continued on page 18

opinions

Be kind to your insurer in good times and in bad

It's interesting to note the different approaches being taken by two major industries—the airlines and the oil companies—as they weigh the possibility of setting up separate captive insurance operations.

The airlines started off by saying that their insurance organization would handle 100% of hull and liability risks, with the regular insurance market not participants. It was originally estimated that the airlines would need a total first-year outlay of half a billion dollars.

After considering other demands on their money, however, such as the new 350-passenger jumbo jets, the airlines decided that perhaps they shouldn't try to write total coverage. So now they want to handle 40% of both primary and excess coverages, with the aviation insurance market taking the rest.

The oil companies, for their part, started out on the premise that they wanted to work with the existing market, which for all intents and purposes is the Oil Insurance Assn. in Chicago.

Also, they figure their costs would be much lower than for the airline captive because their insurance organization would be set up along the lines of the British protection and indemnity clubs. Members of P&I clubs start with a lower premium but agree to chip in additional funds if experience proves adverse.

One of the objectives of the oil captive would be to "move the present market out of catastrophic coverages," an industry source explained. "If you look back ten years the insurance companies made a potful of dough on our risks," the source told *Business Insurance*. "If you look back five years they haven't made so much and in the past three years they've really taken a beating."

Insurance experts have been quick to note that the oil industry's attitude toward the existing insurance market is somewhat more accommodating than that displayed by the airlines.

There is the suspicion among some in the industry that the airlines were using the spectre of starting a captive to prod the insurance pools into coming up with more favorable premium and coverage provisions.

In today's pinched insurance market we think it's especially essential to maintain good relationships with insurers. This was at least part of the prescription given by A. H. Blaker, assistant corporate treasurer of Boeing Co., when he announced that Boeing had been able to get hull coverage for five test 747 jet aircraft at quite favorable rates. And Mr. Blaker told *Business Insurance* he didn't think his company would have any trouble securing products liability coverage when the 747's go into actual service.

Insurance is a long range proposition, we submit, and insurance managers who over the years have resisted the temptation of switching carriers to save a few dollars are now reaping the rewards of their perseverance. In today's seller's market we're sure that insurance companies look with special favor on business customers who stuck with them in those bygone days when buyers could call the tune.

business insurance

for buyers of employe, property and liability protection

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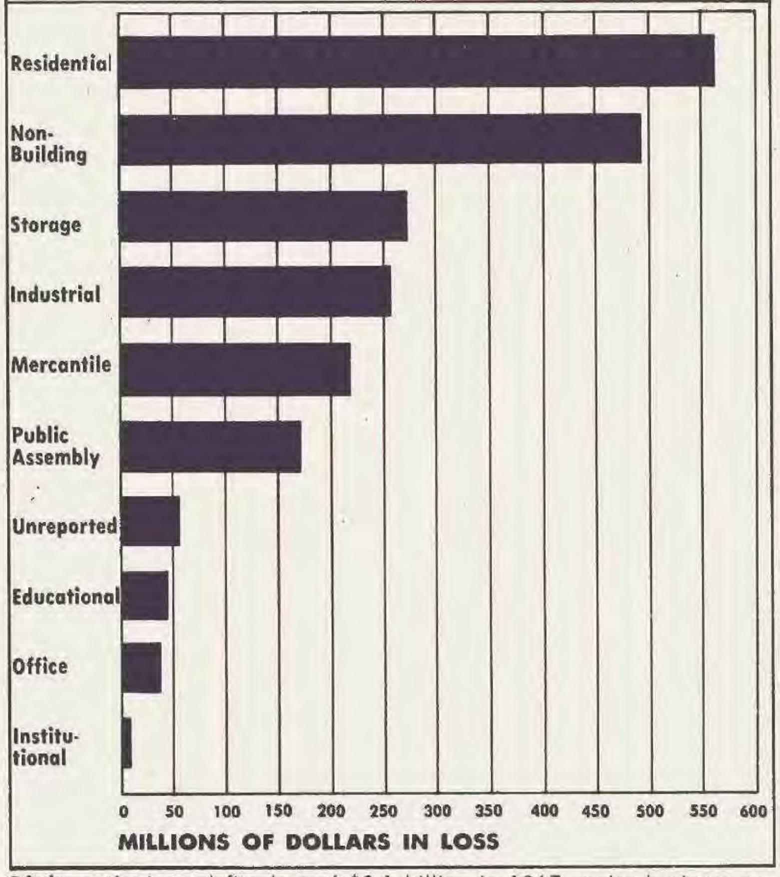
FIRE LOSS BY OCCUPANCY



Of the nation's total fire loss of $2.1 billion in 1967, major business occupancy losses included $270,000,000 in storage buildings and $252,000,000 in industrial structures. Non-building fires, which include aircraft blazes and vehicle fires, took a toll of $493,000,000, according to National Fire Protection Assn. figures. Residential building fires continued to account for more than 25% of the nation's fire loss.
Source: National Fire Protection Assn.

New Year's innovations

Business Insurance has taken on a fresh look for 1969 with the addition of several important changes in format that the editors believe will help readers get more information more easily. Among the innovations is an Answer Man column designed to give readers the opportunity to get information on risk management and employe benefits. Questions directed to the column will be answered by the *Business Insurance* editorial staff and by experts on special aspects of property, liability and employe protection.

Another change in our format is the new "late news" section on the front page that will enable us to give readers brief news flashes on business insurance news events that occur close to deadline. News will also be better organized with the introduction of two special headings — Safety & Security and State of the Unions — which will appear intermittently. These sections will focus attention on developments in the safety and security and benefits bargaining areas.

Finally, in response to readers' requests, we have introduced a Guide to Features on page 2 to make it easier for those with special interests to find *Business Insurance* features. Articles of special significance will continue to be highlighted at the top of our front page.

Readers' comments on the content and format of *Business Insurance* are always welcome. Several of the changes for 1969 were devised as a result of suggestions from risk managers and benefits administrators. We will continue to update and improve our magazine to be of greater service to those concerned with employe, property and liability protection.

A brake on police

The victim of an assault by a District of Columbia policeman can sue the district for its negligence in failing to control its law enforcement personnel, a U.S. district court has ruled.

The court ruled that training and supervision of policemen is a nondiscretionary municipal function, outside the scope of sovereign immunity.

The evidence in the case alleged that the policeman in question drank on duty, used racial epithets and toyed with his club in congested areas—actions which were repeatedly brought to the attention of the defendant District of Columbia.

The court said that when a police officer uses force and particularly when the government is on notice that he is likely to misuse such force, the municipality should not be allowed to retreat behind the cloak of immunity.

Indeed, the fact that a municipality knows that it will be liable in such cases may itself be a valuable deterrent, the court said.

This case is important, we submit, in view of action by some Chicago police during the Democratic convention. The district court said that police must still exert the reasonable force that is necessary in their duties, but the ruling should serve as a brake on unwarranted use of force by police.

letters

Quakes are worry

To the Editor: My concern about the possibility of major earthquakes along the California fault was reawakened by an excellent article in the Dec. 2 issue of *Business Insurance* entitled Architect warns big earthquakes are inevitable in S.F. area".

In evaluating the desirability of substantial investments of mine in California insurance companies, utilities and banks, it seems to me that some consideration should be given to the kinds and degrees of losses that each of these types would sustain should such a catastrophe occur. If the last Alaska earthquake is a precedent, earthquake insurers on the West Coast would be in for huge losses when the "inevitable" happens.

I should like to know as things now stand, where the financial burden would come to rest, assuming a California earthquake in the immediate future, and also any estimation about the incidence in the more distant future. It would also be of interest to know what specific insurance companies in California have written up significant amounts of earthquake policies in that state.

Any facts you can give me in this matter or advice as to how to obtain such information would be greatly appreciated. Thank you very much for your attention in this matter.

Antonia Bromley-Davenport
Davis Galleries, New York, N.Y.

Editor's note: Property insurance companies generally employ the practice of spreading the risk to assure that they will not be inundated by claims from a single catastrophe. Furthermore, reinsurance treaties assure that the financial consequences of a California earthquake would not fall only on California-based insurers.

Never reads twice

To the Editor: I now receive two copies of your magazine, *Business Insurance*, probably because of my name being misspelled. While your publication is, in my opinion, the best insurance journal printed, I never read any newspaper twice, no matter how good it is.

Incidentally, I for one would appreciate an index with a recap of the major articles at the beginning of the paper so that I may scan the issue and read only those articles of particular interest to me.

W. L. Hyland
Assistant Insurance Manager, C.I.T. Financial Corp., New York, N.Y.

Editor's note: On page 2 of this issue we have initiated a Guide to Features that will help readers find items of interest. We will continue to list major articles at the top of our front page.

Was it buried?

To the Editor: Your article in the Dec. 2 issue, "Nervous Rochester businessmen await pool for ghetto properties" looks as though it were written in August, buried under a pile of papers and resurrected in November.

As you surely must know the so-called fire pool already in effect in New York State as of Oct. 28, has to date received approximately 40,000 applications for insurance.

Continued from page 26

Farm equipment manufacturers warned on 'increasing' liability

TORONTO—North American manufacturers and sellers of farm equipment face increasing danger from damage suits if their products fail to serve and protect the user, a U.S. insurance executive told a Farm Equipment Manufacturers Assn. convention here.

John A. McComb, vp of Sentry Life Insurance Co., a multiple-line company in Stevens Point, Wis., said the attitude of the courts is changing to place a growing liability on manufacturers, wholesalers and retailers of products.

He called on businessmen at each level to work together with the insurance companies "to fight an increase in liability claims."

IN THE BEGINNING, liability was felt to exist between two people, one of whom actually sold goods to another.

To show how much this has changed in some U.S. states, he gave an example of a boy injured when the blade of the neighbor's secondhand power mower, which he was using, disintegrated.

In the example, the blade was made by one company, installed in the mower by another, and sold at retail by a third. All three would be liable if the failure of the blade resulted from defective manufacture.

The first owner, who sold it as a second-hand machine, would not be liable because he was not in the business of selling lawn mowers.

Mr. McComb said the best protection is to make farm equipment as safe as is humanly possible. However, it will never be perfectly safe, and he outlined the way a company could protect itself against damage suits.

Most important is "a good quality control program in the hands of an expert."

Records should be kept of the condition of all materials, all steps in manufacture and all inspections. Records should also be kept by all companies handling the product until it reaches the final consumer, particularly any companies that do any assembling.

Further records should be kept of any service after the product is sold, noting any evidence of misuse, which should be drawn to the attention of the user by letter.

While these steps should encourage good manufacturing practices, they are more valuable in building a court defense against allegations that the company wilfully sells dangerous equipment.

"Remember that if you are taken to court, your reputation as a business is on trial. Would your company turn out a dangerous product because of the cost?

"Remember that word of a dangerous machine spreads quickly among farmers," he said.

Most members of the association, the voice of the shortline producers who turn out only one or two types of equipment, are from the U.S., and Mr. McComb's remarks were mostly directed to the U.S. situation.

HE SAID THE LAWS in Canada are "still more solid; not as wild as some of the U.S. laws. "This makes it safer for U.S. companies to sell their products in Canada than for Canadian companies to sell in the U.S.

He warned his audience to pay particularly close attention to labelling and advertising, because these could get them into court. Danger areas have to be clearly and properly labelled, and it has to be with signs that will stay in place and visible on farm machines left out in the weather.

"Don't bury the warning in the fine print. I know you don't want to talk about hazards in the advertising, but they can be stated positively."

He also warned about using words like "foolproof" and "safe" in promotional copy. "They can be construed as an implied warranty. Can you back it up?"

Turning briefly to liability insurance, he said the idea of a company being adequately protected by $10,000 to $25,000 coverage is archaic. ▪

INA's MEND unit expands

SAN FRANCISCO—Insurance Company of North America has named Abilities Inc., founded 15 years ago at Albertson, Long Island, by Henry Viscardi Jr., to direct research, seminars and vocational evaluation for its MEND Institute.

Headed by INA director of rehabilitation George Welch, MEND in the past two years has returned some 6,000 of its own policy payment recipients to the nation's work force.

Mr. Viscardi, born legless, created Abilities Inc. in 1952 as a non-profit industrial and clerical work center for disabled and mentally retarded adults normally considered unemployable.

Since 1952 more than 3,000 Abilities Inc. graduates have been placed in jobs in industry. The firm has 450 employes doing more than $3,000,000 a year in work and receiving an average of $1.97 an hour of pay.

"In our own rehabilitation efforts," Mr. Welch said, "we have not only put 3,000 people back into productive lives but we have saved an estimated $3,000,000 a year we would otherwise be paying out to policyholders unable to work.

"We're not trying to avoid our financial obligations," Mr. Welch continued, "Instead we are simply trying to avoid being a check-issuing agency." ▪

Jury finds two doctors guilty of malpractice in diet pill case

EASTON, Md.—A jury in this city has found two doctors guilty of malpractice for prescribing large doses of diet pills and awarded the estate $275,000 punitive and $1,000 compensatory damages.

Because the award was primarily punitive, the doctors probably will not collect any malpractice cover they might have because it is contrary to public policy to insure against punitive damages.

Such an award is considered unusual by insurance experts, and the decision is certain to cause doctors who prescribe similar diet pills some second thoughts.

The Senate antitrust subcommittee reported that 60 deaths across the U.S. have been linked to drugs similar to the one prescribed by the doctors and that several suits are pending. In addition, the American Medical Assn. Journal, in an editorial, said that use of such drugs is "contrary to the ethical principles of medical practice."

"THE COMBINATION of digitalis and thyroid (extract) in a single pill," the AMA Journal contended, "has no rational therapeutic use, and therefore its administration for the treatment of obesity must be regarded as a misuse."

The doctors in the Maryland case, Charles J. Savarese Jr. and Wilfred H. Ehrmantraut, said they would appeal. The decision followed three weeks of testimony, including two weeks of conflicting opinion offered by several medical experts on the effect of the drug.

The doctors prescribed a drug known as Neo-Barine to Mrs. Vera T. Ashley, who took the pills for 15 months and died after having stopped taking the drug in 1964. The award will go to Mrs. Ashley's two daughters, one of whom also received diet treatment from the doctors.

By holding the doctors not responsible for her death, the jury technically gave the daughters no compensation for pain and suffering.

Judge J. D. Carter charged the jury, if it found the estate entitled to punitive damages, to "award an amount that would appropriately punish the defendants for their wanton arts and deter others from similar conduct."

DURING THE TRIAL one group of experts said that the amount of Neo-Barine, a combination of thyroid extract and digitalis, was more than the amount normally prescribed, up to ten times more than the normal dose.

However, the cause of death was not clear cut. Pathologists said death may have been caused by the drug or German measles, either of which could have caused abnormal heart rhythms.

The doctors testified that Mrs. Ashley stopped taking the drug two months before her death, although the estate's lawyers produced challenging records.

The drug was removed from the market shortly after Mrs. Ashley's death, after the Food & Drug Administration withdrew its approval.

The drug was marketed by Bariatrics Corp., Coral Gables, Fla., using ingredients from Agritech Corp., Kansas City, and Don Hall Labs, Portland, Ore. Bariatrics has since gone out of business, following an ill-fated attempt to provide malpractice insurance for doctors prescribing the drug.

The two doctors had been called on the carpet by their peers in the Montgomery County medical society. ▪

Security . . .

Continued from page 15

station guards are frequently furnished with keys to the protected premises to permit immediate access in the owner's absence.

PROPRIETARY AND DIRECT connect systems represent the newest and fastest growing classification of security systems. They were developed to satisfy the complex needs and the demands for extreme flexibility which typify so much of today's business activity.

Perhaps the most obvious example of a proprietary system is one installed in an industrial plant which maintains its own guard force. Actually, the plant may consist of many separate buildings, each with its own individual security requirements. There may be areas devoted to classified government work; to storage of finished products; to office space; to manufacturing and so on.

Whatever the requirments in each area may be, protection equipment can be devised to meet them. This equipment is then wired back to a control panel at a headquarters manned by the plant protection force. If adequately designed, the control panel will allow one man at headquarters to effectively protect the entire plant.

Frequently, the proprietary control system is backed up with a connection to an alarm at police headquarters, forming a direct connect system. This offers additional protection. For example, if the man at the proprietary panel failed to take prescribed actions for any reason, an alarm would automatically be transmitted directly to the local police who would immediately investigate.

MANY OTHER organizations are using proprietary and direct connect systems in a wide variety of situations. For example:

- **School districts** employ such systems to protect buildings from the ravages of vandalism. Schools located throughout a community may be ideally linked to one central point. In many cases, that point can be the local police department.
- **Office buildings** have found it quite profitable to combine all protection facilities at one central point within the building.
- **Department stores,** particularly those with several units, have minimized guard forces and increased protection with combination proprietary and direct connect systems.

And of course, military bases have turned to such systems as the best answer to the problems created by large physical facilities and widely divergent protection requirements.

In building security, as in insurance, there is no excuse for the man with a false sense of security who feels that he can "get by" with a minimum of protection. ▪

United Nations offers medical, dental, life

By KAREN LESHUFY

NEW YORK—The United Nations, the world's largest international organization, offers members of its Secretariat worldwide group medical, dental and life insurance.

On the 37th floor of the secretariat building, the task of coordinating all aspects of the United Nations insurance programs rests with Miss Anne Wilson and her staff.

In an interview with *Business Insurance*, Miss Wilson explained the intricacies of providing benefits for the over 5,000 staff members and their dependents.

THE COVERAGE IS open to those people who are working for the United Nations here in New York and also for its various economic agencies in Geneva, Addis Ababa, Bangkok and Santiago.

Those who are not under one-year contract to the organization, but are local staff working on a United Nations project in their own country, are entitled to a 50% reimbursement of their medical expenses under the medical expense assistance plan.

The diplomats who represent their country at the United Nations are unable to receive any United Nations insurance benefits. It is the responsibility of a country to provide its own insurance for its personnel.

All secretariat personnel are automatically enrolled in a medical insurance plan. The majority are covered by Associated Hospital Service, United Medical Service. Aetna Life Insurance provides major medical insurance that will cover 80% of bills over $75. There are about 200 Secretariat members who have elected to replace the Unted Medical Service coverage with that of the Hospital Insurance Plan.

HIP pays all medical bills, but only at selected hospitals in the metropolitan area.

The United Nations pays a general subsidy of 50% for all medical insurance. This is apportioned among the staff on a scaled-down basis according to salary. The United Nations contracts are experience-rated, Miss Wilson explained. Over the years a higher claim rate has been paid out by Blue Cross but this has been counter-balanced by a low amount of claims under the Blue Shield and major medical plans.

THERE ARE INTERESTING contract benefits offered to the secretariat. If they have worked for the organization for ten years or more, they may continue to receive the medical insurance benefits upon their retirement. When a secretariat member relocates to another part of the world, he can switch his benefits to the United Nations insurance plans in the regional commissions of Africa, Europe, Latin America or Asia and the Far East.

Certification of insurance claims is not done by the company but is handled directly by the United Nations. The claims pour in from all over the world and the United Nations maintains a translation service to interpret them into English.

Over 2,000 secretariat members take part in the worldwide dental insurance. This not only covers ordinary dental work but also work on prosthetics—the making of bridges and false teeth. The premiums for the dental insurance are arranged in the same manner as the medical insurance.

LIFE INSURANCE for the staff is provided by the Aetna Life Insurance Co. The United Nations does not provide any payment for life insurance premiums; these are paid by the secretariat members themselves.

Rates and the amount of insurance to be carried by an individual are based on the gross salary of the employe. The maximum amount of coverage is $30,000 with a double indemnity clause. This life insurance can also be extended to retiring secretariat members on a scaled-down basis. Members who work for some of the various specialized agencies that are associated with the United Nations, such as the International Civil Aviation Organization in Montreal can also take part in the life insurance plan.

Miss Wilson and her staff are responsible for keeping track of all United Nations insurance requirements. The organization maintains two chartered air craft. Third-party insurance is carried on these to pay for any damages incurred by any persons or property travelling on board these crafts.

There is also third-party insurance maintained for the 2,500 vehicles that the United Nations uses in various development projects it sponsors throughout the world. For the New York headquarters buildings, the United Nations also carries fire insurance and public liability insurance. ▪

Rochester still mulling insurance plan

ROCHESTER, N.Y.—City Manager Seymour Scher has been asked to report on what changes the city is considering in its insurance program, and the upstate chapter of the American Society of Insurance Management has volunteered to make recommendations.

Councilman Robert F. Wood introduced a resolution at a city council meeting asking Mr. Scher to make a report to the council soon.

Mr. Wood also asked for the names of the insurance consultants Mr. Scher said he has contacted.

The resolution follows an exchange of statements in which Mr. Wood made this accusation:

"THE CITY MANAGER discharged the city's insurance agent four months ago and admitted at the time that there were several questions concerning the city's insurance practices which needed answering. Since then he has promised to take affirmative action, but he has done nothing," Mr. Wood said.

Replying to Mr. Wood, Mr. Scher said:

"The city's insurance is not up for renewal until March and May. Before that time, we will have had an independent analysis of the insurance program that will guide us in our renewal decisions.

"The city has already been in touch with several independent insurance consulting firms asking for proposals for review of the city's program," he said.

One of these consultants or a committee of local experts will be picked "in time to guide our renewal decisions," Mr. Scher said. ▪

Today's buyer savvier, says Alton Box' Berry

ALTON, Ill.—J. Fred Berry, corporate insurance manager for Alton Box Board Co. here, who retired Jan. 1, talked to *Business Insurance* recently about his 16 years as a corporate insurance executive and his over 42 years of service at Alton.

"Insurance used to be a mystery," Mr. Berry began. "We had to rely on our broker for information. Now, insurance managers are more knowledgeable."

In smaller organizations, he went on to say, executives who devote only part of their time to insurance matters must still, by and large, depend on brokers for information.

"THE PROFESSIONAL insurance manager, though," Mr. Berry said, "is getting more and more knowledgeable."

Partly, Mr. Berry contends, this is because periodicals are beginning to fill the knowledge gap. "Those periodicals like your own are keeping us up to date," he said.

When asked about talents an insurance manager must have, Mr. Berry said, he should be a safety engineer, a regular engineer and an accountant. The best insurance managers, Mr. Berry believed, are "more exposed to allied fields."

Obviously following his own advice, Mr. Barry started off in safety work. He is a past-president of the Madison County Illinois Safety Council (1940), past-president of the St. Louis, Mo., chapter of the American Society of Safety Engineers (1949-50 and 1966-67), and past chairman of the pulp and paper section of the National Safety Council (1943-44). He is also a past-president of the St. Louis, Mo., chapter of the American Society of Insurance Management (1966-67).

MR. BERRY'S analysis of the present insurance market is that "it is the wrong time to change carriers because of the many mergers recently." The market, he said, has been cut too much. ▪

Kaneb to buy Agency Records

Kaneb Pipe Co. and Agency Records Control, both of Houston, have agreed to merge via an exchange of stock. Agency Records, which would become a subsidiary of Kaneb, provides computerized records control services for insurance agencies.

Federal pullout of medicare in Canada scored by provinces

OTTAWA—A warning by the federal government that it may pull out its funds for Medicare has brought angry replies from several provinces.

However, Canada's finance minister has rejected the claim that Ottawa would pull the "rug out from under the provinces" by withdrawing from Medicare after 1972 in exchange for a tax abatement.

The poorer provinces have threatened to quit the Medicare schemes entirely if a federal government pullout occurs.

The finance minister said the federal government believes that once the program has "matured" it should be taken over by the provinces, with fiscal compensation for their shares paid by the federal government. However, he said this decision would be made in consultation with the provinces.

AN ALBERTA OFFICIAL said that if the federal government is so concerned about a national insurance program, "they'd better take over the whole damn thing and run it themselves."

Quebec Health Minister Jean-Paul Cloutier took a different tack. He wondered what prevents the federal government from withdrawing immediately. "Why wait five years? Medical care is a provincial responsibility."

The British Columbia Health Minister, R. R. Loffmark, said he was left with the impression the federal government will force implementation of medical care insurance.

"It seems to me that Medicare cannot become an effective national program without the cooperation of Ontario and Quebec and of the medical professions in those provinces," he said. ▪

Runck joins Federated

CINCINNATI, O. — Theodore A. Runck, 34, has been appointed insurance analyst with the corporate insurance office of Federated Department Stores Inc. He will assist Federated's 17 retail divisions, which operate more than 150 stores in major metropolitan areas in 14 states, and will report to William P. Stouffer, corporate insurance manager.

Theodore A. Runck

Mr. Runck will be working with all phases of the corporation's insurance program, including employe benefits, fire insurance, overseas marine coverage and products liability.

Prior to his association with Federated, Mr. Runck was an agent with the Cincinnati office of Employers-C.U. Group and the Cincinnati agency manager of Traveler's Insurance Co. ▪

Service bureau formed

NN Corp., Milwaukee, holding company formed by Northwestern National Insurance Co., and Agency Service Bureau, Tacoma, Wash., have formed the Agency Service Bureau Corp. The joint venture will offer automated accounting and management records and systems for independent insurance agents and brokers. The new firm will offer the accounting service nationwide, except for Northern California and the Pacific Northwest, where Agency Service Bureau Inc. will continue to operate as an independent entity.

business insurance/perspective

Problems of airports and airplanes

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

Charles F. Levinson

Most travelers pass through an airport as fast as they can with a fervent prayer of thanks if their plane is on time. Few bother to look behind the narrow confines of the shortest distance between their plane seat and the transportation that carries them to or from town.

Although jet takeoffs and landings can be accomplished at intervals as short as 30 seconds spacing, delays do occur during peak hours and:

- In emergency conditions, including small planes operating in transport air space.
- Changes in weather conditions.
- Periods of active private plane operations.
- Active operations of other nearby airports, particularly military.
- Periods of traffic diverted from other airports.
- Periods following airport shut downs.

Occasionally, in case of such delay or waiting time between planes, travelers get a glimpse out a glass window of a plane being loaded or unloaded, and also get a chance to walk around the terminal interior, particularly if the bar is closed. However, the public areas open to visitors represent only a small segment of what activities take place all over the airport almost 24 hours a day. Almost all of these involve insurance problems of a special and complicated nature.

FIRST THERE IS the matter of ownership and maintenance of the some 10,000 airports open to the public. Almost all of the large airports, and many small ones, are operated by nonprivate ownership, usually a governmental branch such as a city or a county or by some public authority. Chicago airports are owned and operated by the city itself. In New York the airports are owned by the city but operated by the Port of New York Authority on a long-term lease.

The City of New York, by contract, passes on to the Port Authority all responsibility for damage that might accrue to the city by obligation of ownership. The city also passes on the responsibility for replacement of any structure destroyed or damaged and requires broad insured coverage to back up the contractual liability as well as the requirement for replacement of property damaged. Additional insurance is also required on revenue because continued operation involves overheads that must be paid whether a plane moves or not.

Revenue comes from many sources such as flight fees for planes, space rental fees from the tenants, parking lot fees, observation deck charges, charges for heat and refrigeration furnished the tenants, franchise fees from bus lines, limousines, sellers of travel insurance and rented car firms, to mention only a few. A good percentage of this goes to the city as its share. The actual control of the aircraft in movement is entirely the responsibility of the Federal Aviation Agency, which operates the control towers at all public airports.

The FAA uses more than 1,000 employes to operate more than 350,000 miles of aerial highway complete with aerial versions of warning signs, access roads, directional guides and even parking places, the holding areas in the vicinity of busy airports. With the help of ground controllers, pilots navigate from point to point by means of electronic navigational aids that provide course, distance and location information.

The FAA estimates that at any moment during daylight hours there are 9,000 planes aloft with some 50% of them in the triangular area formed by New York, Chicago and Washington, D.C. Many of the smaller of the more than 100,000 general aviation fleet of business and pleasure aircraft are not under FAA control but may fly anywhere when visibility is greater than three miles responsible only for seeing and avoiding other aircraft. All those who own or rent aircraft of this type should be aware of the tremendous exposure thrust on them.

At the airport area, time of takeoff or landing runway to be used, flight pattern, delay and stacking procedures are all controlled solely by the FAA on instrument flight rule operated planes.

THE FAA CARRIES no insurance of any kind except for the regular government "self insurance" fund. Courts have held them at least partially negligent several times in recent air accidents and they have paid a part of the damages.

Airlines are, of course, the principal tenants at airports. Airlines operate about 3,000 planes, almost 100% jet powered. They pay rent usually on three bases: flight charges per plane; ground rent for the space they occupy for the waiting rooms, crew facilities; and a pro rata share of services they share with other airlines such as the general public areas, rest room facility, baggage handling, police and other mutual facilities. Airlines at some of the larger airports such as Kennedy in New York find it more economical and efficient to build their own structures on long-term lease ground and usually insure their own structures such as unit terminals and hangars. At any location they have physical damage insurance needs on improvements and betterments and contents.

Normally the airlines carry operational liability that may run more than $100,000,000 in limits. Future service of supersonic aircraft with $40,000,000 hull values and passenger capacity of up to 490 passengers will make even this high figure inadequate. Not only the airlines face this exposure but corporations that furnish the aircraft or its components as well as the facility operators of airports. The market shows no indication, at present, of providing this capacity. Hull coverage for airlines presents almost the same difficulty of placement because of the high values.

THE VULNERABLE SPOT on any large airport is the "rush hour" lineup of planes waiting to take off.

Reports have indicated that as many as 80 aircraft have been waiting to take off at a time of poor weather conditions at one airport. An out-of-control aircraft could easily destroy two or three loaded aircraft in a row under the right circumstances. Refueling of aircraft is a primary hazard that is being minimized at the large airports by the installation of underground piping systems and the use of a single type fuel now becoming more prevalent.

Not only is there the physical damage potential of fire but also the danger of impurity in the fuel causing a crash.

All in all, skimming the surface on exposures of flying, perhaps all of us might explore train or bus schedules next time we travel. ▪

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

Container insurance problems 'often distorted' by non-insurance groups, underwriter asserts

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

The transport of the world's goods by merchant ships is increasingly influenced by the use of van containers, and the marine insurance industry is deeply involved in the transition that is taking place. Marine underwriters generally favor containerization. However, they are concerned that the function of marine insurance in relation to transport of goods in containers is being misunderstood and often distorted by many non-insurance groups.

These parties are under great pressure to adapt quickly to the new concept of rapid through-movement of goods in a container from inland point of origin in one country to inland point of destination in another country. Containerization is an expensive, capital-intensive undertaking, and it quickly becomes highly competitive.

First of two parts

Those who are involved strive for streamlined, simplified, expedited facilities and services—*e.g.*, through bills of lading and other documents, rate quotations, computerized control of movement and stowage aboard ship of containers, and such matters as customs clearance. Everything becomes subordinated to speed and simplification.

But the function of insurance seems much too frequently to be a plaything in the hands of non-insurance groups that know little if anything about insurance.

WHAT THEY OVERLOOK is that marine insurance always has been flexible and has always adapted itself to change. In fact, containerization is only catching up with the streamlined containerized services that the marine underwriter has offered shippers for many years. These are the open cargo policy and "warehouse-to-warehouse" coverage. Now marine underwriters will continue to adapt to the needs of world trade.

However, container transport has some bugs in it that need to be removed. We will review them here. The American Institute of Marine Underwriters and the container committee of the International Union of Marine Insurance have devoted a great deal of time to the analysis of containerization. These analyses and underwriters' experience with container traffic bring into focus the various aspects of containerization that need improvement if it is to succeed.

What caused the introduction of containers to ocean shipping? There are two

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basic causes. First, there is the great need to reduce the amount of time that a ship stays in port to discharge and load cargo. Ship time has become increasingly valuable; and a ship earns money only while at sea. With changes that reduced hours of work, schedules in ports and other factors, a conventional merchant vessel might be spending up to 60% of its time in port. Before World War II, however, this was about 40%, and even that had become an uneconomically high figure.

The introduction of containerships and containers makes it possible for a ship to spend 90% of its time at sea. A conventional freighter might require six days to discharge a full cargo, whereas a containership can accomplish the job in as many hours.

The second influence favorable to containers is reduction in the number of times that containered goods are handled between origin and destination—say from ten times to as low as two times. Handling goods in conventional transport is expensive and becoming ever more so. But if the goods are loaded into the box at shipper's platform (one handling) and discharged from the box at consignee's platform (second handling), the expensive man-handling at intermediate points is eliminated.

Now, these two factors—time of ship in port and expensive repeated handling of goods—are sufficient to justify containerization where the volume and character of traffic warrants it. There are also many collateral benefits, or should be. The containered goods should be less exposed to theft and pilferage. Packaging requirements should be modified and less expensive. Paper work connected with the shipment should be sharply reduced. Financing costs should be less because movement of goods is expedited.

HOWEVER, THE SOLUTION of one problem may create new problems. Or the application of a remedy may have side effects. Containerization may be solving some problems but simultaneously it has brought new ones with it.

Containerization introduced a new unit of transport—a box, the container. It has had to stand the test of time. Its structural integrity—strength, water tightness, etc.—has been studied. International standards have been established and subjected to review and revision. And now we are keenly aware that the continuous inspection and maintenance of the container in use is vital to the success of containerization.

At this time there are no standards and no standard procedures pertaining to inspection and maintenance. Some closed-circuit ship operators and leasing companies maintain high quality control. However, in general those who insure the containers and the goods in them are handicapped by the problem. A container should be checked each time it is handled; repairs, if required, should be effected immediately. And underwriters eventually must have a means of knowing when a container last underwent a rigid independent inspection and recertification. Finally, they must have a means of judging the quality of daily operating maintenance and necessary inspection programs.

THE CONVENTIONAL economic test of a freighter was whether she was "full and down" when loaded—*i.e.*, full as to cubic capacity of her holds and down to her marks in the water. Another factor was "broken stowage." A high-broken stowage factor, because of the physical characteristics of the cargo or the poor stowage in the holds, meant loss of valuable cubic space. Deck space was used sparingly for cargo that could not go in the holds because of regulations or the physical size of the item shipped.

The economics of container traffic completely alter the old rule book. The containership becomes a floating warehouse of boxes. Underdeck, cubic space is no longer the important statistic. The "lifting capacity" of the containership includes up to five tiers of containers above the so-called weather deck of the ship. And the economic necessity to utilize above-deck capacity forces the ship operator to try to abandon the historic presumption that a shipper's cargo is automatically given the protection of underdeck stowage unless it specifically requires on-deck stowage and is insured accordingly.

The experience of containership operation to date clearly demonstrates that on-deck containers are subject to damage by exposure to the seas and to extremes of weather conditions. Containers are being lost overboard (as many as 42 in one instance), and, in addition, enormous amounts of water damage to deck cargoes are occurring.

ONE MAJOR CONTAINERSHIP operator belittled the extent of water damage experience. It reported that of $700,000,000 of cargo carried, only $700,000 worth of water damage had been reported. However, if one calculated that 40% of the cargo was on deck (subject to water damage), or $280,000,000 worth, the loss ratio for water damage alone is one-quarter of one per cent. The marine underwriter considers himself fortunate to quote an average premium as high as this to cover all losses, let alone water damage. ▪

How to set up procedures to administer your benefits plan

by Bion H. Francis, corporate director of employe benefits, Crucible Steel Co.

How do you administer a benefit program?

Perhaps the easiest way to do it, once the program has been approved, is to toss it to your secretary, or to a clerk in the personnel, or payroll, or accounting departments, and sternly say, "Take care of this."

It may work. The benefits may get paid. If they are paid regularly, it is because some clerk somewhere knows that if he does the same thing this month that he did last month, the payments will be made next month as they have been made in the past. Any written statement of what to do may take the form of some partially legible notes in the back of a desk draw—notes that may be thrown out when next the desk is vacated.

BEFORE YOU RELY TOO greatly on such a system, it might be well to consider that, under your retirement plan at least, there may be liabilities accumulating now which may call for payments half a century in the future. You, and every present employe of the company may be dead or retired by that time. How can you make sure that the pension now accumulating for employes in their 20s and 30s will be paid when those employes are pensioners in their 70s and 80s. Why it may even be your own pension we're talking about!

And if your company is a modern, diversified operation with a number of plants and operating divisions, how can you make sure that employes will receive the uniformity of treatment which may be desired by your company's management?

There is only one answer. You should have a written procedure which sets forth who does what? If your company is of any size, you need procedures.

PREPARATION. Suppose that you have a benefit program with no written procedure. How do you go about writing one? Here are some steps you could take:

- List the situations to be covered. If the procedure is for the administration of group insurance, you will want to set forth how the insurance is put into effect at the beginning of employment, how claims are paid during employment and how insurance is terminated at the end of employment. You may want to break each of these down into several alternatives. As far as practicable, try to cover every possible situation.
- Now collect all forms and sample letters which have been used in administering this benefit. Study them. Are they all necessary? Do they cover all situations which should be covered? Should additional forms and letters be prepared? Can your forms and letters be simplified?
- As you do this, it may indicate problems or unnecessary complexities in your present program or practices. For example, you may find eight or nine different ways of extending benefits for employes whose services are being terminated. Are all these necessary? Could the program be simplified? If you believe changes should be made, this may require management approval or changes in insurance policies.
- As a final part of your preparations, find out whether your company has a department or an individual who can help you in preparing procedures. I have even seen a procedure on how to write procedures for the company in question. Does your company have one—or an official collection of procedures with which your procedure must be integrated?

WRITING THE PROCEDURE. You are now ready to write. You will probably find that the writing must center around a variety of forms, form letters and sample letters, all needed to administer the program. For each form, you must indicate who fills it out, how it is filled out, how many copies must be prepared, who each copy must be sent to, what they do with them. Try to cover every situation which can arise.

Put in an introduction with the information about the program which would be needed by administrators—and there's your procedure. What's so difficult about that?

PUTTING IT INTO FORCE. Before you put the procedure into force, review it with the people who will administer it, and with other departments that might be affected. An alternate approach might be to put it into force as a provisional procedure, with a memo to everyone involved to the effect that the procedure will be reviewed after, say, six months to see what changes are necessary.

Sometimes a procedure and its administrator may both start new, together. For example, I once had the situation of a self-insured workmen's compensation program which had been administered under contract by an outside organization. The employer decided to take over the administration of the self-insured program. We hired an administrator, and I wrote a procedure for the new executive to use.

In doing this, I made some changes from usual practices. For example, instead of referring to people by their titles (as should be done in a procedure if it is to remain effective as people come and go) I referred to them by name to help an administrator who was a stranger in the organization.

I made other changes. What I ended with in part was a procedure, and in part was a training manual written to help a specific man do a specific job for a limited period. After he had administered the program for a year or two, the training manual was rewritten as a procedure by the new administrator.

REVIEW THE PROCEDURE. After the procedure has been in use for six months to a year, review it. Has it actually been doing the job it was written to do? People sometimes have a weakness for those illegible notes in the back of their desk drawers. When you get questions about what to do under a program try to answer the questions in terms of what is in the procedure. If problems arise in administering the procedure, try to answer the problems promptly. Then circulate the answers to those who should be using the procedure. ▪

The answer man

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

Dear Answer Man:

I would like to get a copy of the form used by the American Management Assn. for risk analysis. Can you advise me where I can send for this form? Thank you for your courtesy.

Sidney S. Golden

Sidney S. Golden Insurance, New York, N.Y.

ANSWER MAN SAYS: Copies of a newly revised risk analysis form may be obtained from Arthur Deric, Insurance Division Manager, American Management Assn., 135 W. 50th St., New York, N.Y. 10020. The form, versions of which have been used for about three years, was recently revised by Mr. Deric's office in cooperation with A. Felix Kloman of Alexander & Alexander, New York, and Robert Wiltshire, director of loss control and insurance, Bangor Punta Corp., who used information in questionnaires completed by insurance managers, brokers, carriers' executives and CPCU's. The risk analysis form permits risk managers to periodically review their exposures and, as Mr. Kloman says, "a critical stimulus to probe beyond the superficial and the obvious." For a discussion of scientific exposure analysis see Mr. Kloman's article in the Perspective section of the Dec. 16 issue of *Business Insurance*.

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New law gives Pa. insurers protection from conglomerates

PHILADELPHIA—Pennsylvania has passed a law making it harder for conglomerates to snap up insurance companies in the state.

The law requires corporations wanting to acquire more than 10% of the stock of a Pennsylvania insurance company or its holding company to file detailed information with the state insurance commissioner and to obtain his permission before making any offer to acquire the stock.

An insurance group, the Insurance Federation of Pennsylvania, commented that in passing the new law the state "has taken an important step in protecting the best interests of the public."

A spokesman added that the law is designed to "make it more difficult for a noninsurance company to make a sudden move to buy an insurer."

President of the Insurance Federation is Charles R. Tyson, president of Penn Mutual Life. First vp is Bradford Smith Jr., chairman of Insurance Co. of North America, a company which is apparently being wooed by at least one noninsurance suitor.

Financial men have speculated that Bangor-Punta Corp., New York, a widely diversified conglomerate, was interested in acquiring INA, but Bangor recently sold its less than 5% interest in INA to an unidentified buyer. AMK Corp. was also reported wooing INA stockholders.

The new law would presumably require the Pennsylvania insurance commissioner to give his blessing to such a union.

One source said the measure might have prevented Leasco Data Processing Co. from buying up Reliance Insurance Co. of Philadelphia. ▪

Johnson joins Liberty Life

John B. Johnson Jr., formerly director of group sales for Protective Life Insurance Co., has joined Liberty Life Insurance Co., Greenville, S.C., as vp of group insurance. Mr. Johnson succeeds George H. Hipp, who has retired.

Washington adopts rules to slow insurer conglomerates

OLYMPIA—Washington State Insurance Commissioner Lee I. Kueckelhan has adopted emergency rules to guard against the surprise takeover of insurance companies by corporations without prior insurance experience.

The rules, which are effective immediately "require disclosure of pertinent information with regard to the proposed acquisitions so that the insurance commissioner can make an informed and reasoned evaluation of the impact of the proposed acquisition," Mr. Kueckelhan stated.

He said his office had observed "with growing concern a remarkable number of recent instances in which corporations, often without apparent prior insurance experience, have sought to acquire controlling interests in insurance companies."

The acquisitions were attempted through offers to purchase stock from present shareholders, he explained.

"These efforts are frequently not known to the insurance company involved nor to the insurance regulatory officials until notice of an offer to purchase shares of the insurance companies appears . . . in news media," he added. ▪

Accident plan for youngsters set by Aetna

HARTFORD—A contributory group accident program for youth organizations from toddlers to teens gives coverage for accidental death and dismemberment plus blanket medical coverage.

Underwritten by Aetna, the program is divided into two benefit plans with the only difference being in the blanket medical coverage. Both plans carry an accidental death benefit of $2,500 with dismemberment benefits up to $7,500.

However, one plan carries a blanket medical accident benefit with a maximum of $1,500; the other has a blanket medical expense benefit paying up to $2,500 with a $10 deductible.

According to Aetna, both plans pay up to $100 for injuries to natural teeth.

The group accident insurance applies to "attendance or participation in any properly supervised activity sponsored by policyholders, in addition to travel directly to and from any such activity."

WITH THE PROGRAM under way since last August, some of the first policyholders include: 4-H clubs, church youth groups; Boy Scout, Girl Scout and Cub Scout troops; a Sea Scout organization and nursery schools. Other possibilities are bands, nursery schools and dance and drama groups.

Cost to individual members is $1, but Aetna requires a minimum of 15 members in an organization in order to qualify for a minimum premium of $15. Prior to this program Aetna had a special accident and health plan which carried a premium of $300. But with a little rearranging the carrier was able to come up with a new scheme.

According to the terms of the policy, the accident medical benefit pay actual medical expenses of the insured within 26 weeks from the accident date. Benefits include necessary hospital, medical and surgical care in addition to services and supplies such as drugs, X-rays and nursing.

However, the policy excludes payment for such things as repair or replacement of eye glasses, dentures, partial dentures, braces, fixed or removable bridges, artificial limbs or orthopedic braces. The coverage also contains an offset for expenses paid for by state or political subdivisions or government agencies.

Claims are taken care of through the local agent who placed the coverage for an organization. However, no claims have yet come in, the underwriter said. ▪

Consultants react to our warning on certification

To the Editor: The season has caused this tardy response. Please note further that these are my personal opinions and represent no official position.

It seems to me after considerable study that you have raised four points requiring answers regarding your editorial on "the hazards of certification."

One: that "(Certification) . . . of . . . clients' insurance programs . . . opens (members of Insurance Consultants' Society and others performing in a similar capacity) up to liability should anything go wrong with the coverage." We are sure that the last half of this statement was unintended, because certification never did nor should indicate any subsequent control over coverage.

As for the certification itself, one of the responsibilities of any member of a professional discipline includes possible liability for errors or omissions. If the individual is not prepared to undertake such responsibility, any claim he or his firm may have to professional status would be unsupported.

THE SECOND POINT you make concerns a federal case in which you report the judge, in fixing liability for "false and misleading information" in prospectuses upon directors, stock underwriters and accountants, among others, stated that "it wasn't enough for directors, underwriters and accountants to accept information provided them *at face value*" (emphasis provided).

You continue by quoting the judge as arguing that (the above personnel) are required to ascertain the accuracy of the data for themselves—or be liable for any inaccuracies contained in the underwriting prospectus.

Such a criterion is not even arguable. Applied to certifications, it would require them either to be capable of proof, or if not provable, not certifiable. That is why the letters covering annual reports by CPAs, or by some independent consultants upon which they are modeled, clearly state that the certifications are based upon the examiner's research and upon provable information, and that where it has been unverifiable, that portion is presented "without audit" (i.e., no certification is possible).

YOUR THIRD POINT suggests an analogy between the Federal ruling and some increased temptation presented for *an insurance consultant* (emphasis again provided) to become involved in the sort of fraud . . . of the Crane Company case. It is of course just as possible for an independent risk management consultant to be dishonest as it is for a doctor, lawyer, CPA or a corporate insurance buyer. But of these individuals, who would be the most subject to temptation? The individual being paid to represent one part in an adversary capacity, or a negotiator in the market place; or the one who is paid to make analyses and state conclusions without any financial interest in the outcome?

The fourth point which warrants comment concerns the insurance business and the professions. If by "the insurance business" you are referring to the buying and selling in the market place of policies intended to cover certain hazards, there have been many writers in the past who would agree (see "Insurance: Present or Potential Profession" *The Annals* of the Society of CPCU Fall 1960 Edition).

Thus the agent, broker, or other person depending upon insurance sales for his livelihood has as his basic function to make as much money out of the sale of as much insurance as his efforts will allow. The buyer, or his representative, likewise is in the market place to buy as little insurance, as economically as possible, and still protect his employer's assets from insurable catastrophe.

WHEN, AS IS OFTEN the case, an independent risk management consultant stands in the buyer's shoes as part- or full-time adviser to internal personnel, it is quite possible that in this capacity his activities must be always tied to and limited by the functions of a business. Thus the assistant treasurer of Crane Company could just as well have been an independent consultant acting in a like capacity.

But that is not the point you raised in your editorial: if certification after audit of the integrity, economy and effectiveness of a risk management program (only one part of which has anything to do with insurance policies) is a valid activity in the sole

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Consultants . . .

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interest of the owners of a client buyer, then the individual or firm which does the certifying had better possess sufficient expertise, sophistication and integrity to act in a valid capacity as an examiner of both internal and external activities.

For one absolute requisite of a profession requires the practitioner to engage in a never-ceasing search for truth no matter where the results may lead. In that one respect, no business will ever be a profession no matter how "dynamic": for the basic function of a business is to make money.

William Peet
Senior Consultant, William Peet Co., Minneapolis

To the Editor: I have read with interest your recent editorial on the "Hazards of certification."

In the first paragraph, you point out that it would expose the insurance consultants to liability should anything go wrong with the coverage. I am certain that you realize that insurance brokers and agents have been held responsible by the courts for various errors and omissions in providing insurance coverage. While, to my knowledge, no case has ever come to court involving insurance consultants, I feel that they too assume liability for the adequacy and correctness of their clients' insurance programs. Therefore, I do not feel that the insurance consultant would be incurring additional liability for that which apparently is already implied.

Of course, the BarChris case would pose problems but without actual court cases involving insurance, it is difficult to predict what effect this case would have on insurance claims.

YOU ALSO MAKE the point that you are not certain that the insurance business should take on the mystique of a profession. For a good many years, insurance brokers, agents and risk managers have been working towards "insurance professionalism." The desire of the industry is to make all people involved as professional as possible.

Professionalism in the insurance industry will provide a client with the benefits of a knowledgeably designed insurance program which is adequate to cover the major hazards of his business. All professionals have certain rules and practices that pertain to their discipline, as in accounting which adheres to the generally accepted accounting practices and principles. I do not feel that insurance is so different. There are certain practices and procedures to be followed in the design of any risk management program.

I think that the Insurance Consultant Society, in its attempt to certify the adequacy of a client's insurance program, will bring the knowledge to corporation's management and to stockholders that the program has been thoroughly reviewed and put into proper shape so as to adequately protect the corporation against catastrophic loss.

As a practicing insurance consultant for some time, I have found many insurance programs inadequately designed to protect against catastrophic loss: therefore, I believe that industry would benefit by having an independent audit of their program followed by certification upon completion of recommendations.

Joseph H. Albert
Insurance Advisor Newton, Mass.

To the Editor: Your article in the *Business Insurance* issue of Dec. 2 on "the hazards of certification," has been read with great interest.

It is the writer's opinion that consultants must attain a degree of professionalism. The mere fact that the insurance business is dynamic and changing should not preclude such a state.

Your own reference (the BarChris case) points up the fact that other fields are in a state of flux. Attorneys and accountants have for years laboriously qualified their opinions.

William Foran
Secretary, T. E. Brennan Co., Milwaukee

letters

Continued from page 16

Other than this goof in time, your magazine certainly is to be commended for the depth with which you delve into problems and conditions.

Alfred I. Jaffe
College of Insurance, New York, N.Y.

Premium query

To the Editor: In your Dec. 2, Letters column, you observed that "In aggregate buyers of employe, property and liability protection for businesses spend more than $20 billion each year or *about half of the nation's entire expenditure* on insurance.

AMA Management Bulletin No. 123 "Problems In Special Risk Underwriting" contained an article by Mr. G. D. Hewitt, "Special Risk Underwriting: One Disaster Away From No Market," which said:

"The property and liability business in the United States will approximate $25 billion in 1968. . . . The annual aggregate premium income of the well recognized, domestic, nonmarine special risks markets, including those specializing in oil, petrochemical, aviation, and nuclear energy classifications, is less than $250 million. Thus these markets a group are dealing with *less than 1% of the insurance activity of this country.*"

Comparing these observations out of context is of course an "apples vs oranges" exercise, but it does inspire me to suggest that it would be consistent with the excellent service you provide the insurance buying community if you could turn your staff loose on an article that would give corporate buyers a comprehensive idea of what their collective premium is in the property and liability business in relation to the total premium.

Such an article might help buyers and underwriters alike to reassess their current attitudes regarding the potential economic influence the corporate buyers represent in the domestic insurance market.

William T. Howard Jr.
Assistant Director, Insurance Division, Continental Oil Co., New York, N.Y.

Editor's note: On Nov. 13, 1967, Business Insurance reported on its editorial page that business insurance premiums amounted to about half of the $55 billion collected by U.S. insurers in 1966. The total of business insurance premiums included $3 billion for workmen's compensation; $2 billion for commercial auto; $7 billion for business property and liability coverage; $7 billion for group accident and health; $5 billion for group life, and $2 billion for miscellaneous group policies contributed to by business.

Lawyer tells how to sue air polluters and why carriers pay

By THOMAS LUTZ

PHILADELPHIA—One way to clear up the multi-clouded picture of air pollution, according to an attorney here, is to bring the polluter and his liability insurance carrier to court.

That, in essence, is what Herbert F. Kolsby told *Business Insurance*.

Together with his colleagues, Mr. Kolsby has represented plaintiffs in tort law cases in which injury, to one extent or another, has been caused by air pollution.

"The insurance problems involved in such cases," Mr. Kolsby began, "are extremely interesting."

He explained the principles of air pollution liability: "They are easy enough in cases in which the exposure to the toxicant gives rise to a condition that is unique to the toxicant—such as with asbestos, lead, silica, or beryllium." But, he cautioned, it's difficult when the toxicant has caused a condition that can result from other factors such as smoking.

Such complications, however, are not insurmountable. With enough of the right expert testimony, Mr. Kolsby contends, cases where the toxicant has aggravated and exacerbated a condition can be won.

Gathering the scientific data necessary and proving the danger levels of air pollution emission can be costly. "As a general proposition, attorneys are reluctant to take individual cases," Mr. Kolsby told *Business Insurance*, because the costs are so high. "Frequently, however, there are a whole gang of cases that arise out of a situation," making investigation more feasible.

New federal emission standards, Mr. Kolsby said, will probably be used in future cases. But he quickly added that local standards have been used in the past.

The real problem, he noted, has been to "prove the dangerous levels that the defendant should know and avoid." With the federal standards, perhaps part of the plaintiff's burden of proof will be lessened in the future.

TO DEMONSTRATE the difficulty in gathering evidence, Mr. Kolsby told of a woman who showed all the signs and symptoms of beryllium disease.

The closest source of the contamination, scientific investigation showed, was too far away to have caused her ailment. But, after questioning the woman of her activities, it was discovered that she was the mother of a Korean War victim and that she visited her son's grave three times a week.

Further investigation showed that the cemetery she visited was directly across the street from the source of the beryllium contamination.

In this case, as in many other cases, Mr. Kolsby explained, the "teacup" theory comes into play, and this theory is used to determine which insurance company is held responsible.

THE "TEACUP" theory involves this: A person—as if he were a teacup—is filled with pollution over a period of time. When the person becomes diseased—or the teacup overflows—the liability starts.

To explain the insurance problems, Mr. Kolsby gave another example: A company has been in business for 45 years. Over that period of time, it has had nine insurance carriers. Then, someone sues the company for having received injury from the company's air pollutants.

The question becomes which of the nine insurance carriers will have to pay.

According to the teacup theory, Mr. Kolsby explained, the last carrier pays. That is because the teacup didn't overflow—or the plaintiff didn't develop the disease—until the time during which the last carrier had assumed the risk.

Mr. Kolsby views his approach to pollution abatement as part of an overall approach. "What we are finding," he said, "is greater public awareness, legislation, medical data, and more liability." This has led, and will lead, Mr. Kolsby contends, to "a tremendous rush to pure research . . . more and more discoveries to make cheaper air pollution control."

In some areas, however, Mr. Kolsby believes that liability can be an effective force in the fight to abate air pollution. Where unions, he noted, have joined forces with industry to support lower air pollution standards—because the added costs of air pollution control equipment might drive the industry out of business—then liability may be the most effective tool in cleaning the air.

Overall, Mr. Kolsby is optimistic about the future in air pollution. He contends that while it has been profitable to pollute the air in the past, it is now becoming more profitable to abate pollution. ▪

View medical care control

SAN FRANCISCO—A symposium of top U.S. medical leaders sponsored by Harkness Community Hospital and Medical Center here concluded that "organized medicine's long fight to retain free enterprise medical care has come to an end."

Federal government financing, they agreed, "will and must play an ever larger role in building better health care and doctors must learn to work more closely with organized groups of health care consumers."

The symposium was part of the annual conference here of the Western Assn. of Railway and Industrial Surgeons.

"Medicare and state programs and health insurance programs," declared Dr. Reed M. Nesbit, president of the American College of Surgeons, "have emancipated a large segment of our people from the stigma of medical indigency."

Medicare, it was reported by Dr. Erwin Witkin, chief medical consultant to the Social Security Administration, now covers nearly 20,000,000 Americans and 45,000,000 bills for hospital and doctor services have already been paid out, with a total cost in the past two years of $8.4 billion, with more than $2 billion of this paid to private doctors for bills.

Dr. Russell V. Lee, founder of the pioneering Palo Alto Clinic, predicted a future in which "everyone in America will be covered fully by prepayment plans, through union contracts, cooperatives or government help." ▪

Broker scores insurers for investment stress

NEW YORK—A top insurance broker executive has accused insurance companies of sacrificing underwriting standards in favor of volume because of growing emphasis on investment considerations rather than underwriting profits.

Louis A. Bonar, exec vp of Alexander & Alexander, told the 18th semi-annual meeting of the Manufacturing Chemists Assn. that insurers should "take positive steps to solve capacity problems before the Federal government does it for them.

"My complaint is that the American companies have laid off their underwriting responsibilities," Mr. Bonar said. "They continue to write unrealistic net retentions and are dependent upon London for meaningful capacity."

He attacked the "current underwriting establishment" for its failure to give fair credit for deductibles or to write the all-risk property insurance coverage needed in today's market.

MR. BONAR CRITICIZED the insurance industry's "shotgun" cure, which, he said, calls for arbitrary cancellations or rate increases across the board, regardless of experience. He claimed that this could not be successfully used as a substitute for responsible and selective underwriting. He suggested a broadening of the scope of underwriting pools, established many years ago in order to utilize the combined capacity of many insurance companies, suggesting that organizations such as the Factory Insurance Assn., the Oil Insurance Assn. and the Factory Mutuals be allowed to provide for the buyer's needs for all-risk coverage.

"The Oil Insurance Assn. is restricted to writing fire and extended coverage for on-shore risks in the United States," he said, "despite the fact that American oil companies have billions of dollars exposed throughout the world on-shore and off-shore."

MR. BONAR CALLED the Factory Insurance Assn., in terms of absolute capacity, the world's "largest" reinsurance pool.

He refuted the idea that mergers of insurance companies increase capacity, claiming that the net retention of the surviving company is often less than the combined capacities of the companies which merged.

"It is too early, however, to predict the results of the new trend of conglomerates acquiring insurance companies," Mr. Bonar said.

The idea of turning to the London market also came under sharp attack. Mr. Bonar pointed out that the capacity of the London market today is one-third of what was available two years ago.

"THE CAPACITY OF Lloyd's is about equal to the capacity of one of our own major insurance companies," he said. "The London insurance market has suffered the same fate as the British Empire. The sun has set."

He emphasized the need for judicious use of loss prevention equipment and loss control supervision.

Mr. Bonar maintained that at the point where the cost of controlling losses is exceeded by the cost of insuring against them it becomes mandatory to stop insuring against losses.

"This can be accomplished through use of larger deductibles or direct excess of loss insurance buying," he said.

"IN MOST INSTANCES increasing the premium is not the answer to a bad loss ratio."

He claimed that the proper deductible will curb the upward adjustment of premiums. ▪

Baler maker not negligent, jury decides

BUFFALO, N.Y.—A supreme court jury has awarded $225,000 in damages to a Niagara Falls man who lost both arms while operating a haybaler on a farm near Youngstown, Niagara Country.

THE ALL-MALE JURY deliberated about 6½ hours before reporting in favor of Oscar L. Horn, 43. The verdict was against W. Douglas Hopkins of Queenstown, Md., owner of the farm at the time of the accident on Aug. 11, 1963.

Through his attorney, Mr. Horn contended that Mr. Hopkins, as his employer, failed to provide a safe machine for him to operate and failed to give him proper instructions.

The jury found no negligence on the part of a second defendant named in the suit, Allis-Chalmers Manufacturing Co., West Allis, Wis., manufacturer of the baler.

Mr. Horn lost both arms at the shoulder in the farm accident and wears artificial limbs.

HE TESTIFIED THAT the accident happened while he was trying to feed twine into rollers on the baler. The rollers compress straw into bales which are then bound by the twine. As he threw a handful of straw at the twine while attempting to refeed it through the rollers, the plaintiff said, he felt a jerk.

In a fraction of a second, Mr. Horn related his right arm was in the rollers up to his shoulder. As he attempted to free himself, his left arm was pulled in, Mr. Horn testified.

Mr. Hopkins maintained that Mr. Horn was working too close to the rollers. ▪

Market tries group auto

PHOENIX—Bashas' supermarkets here has introduced a weekly payroll deduction group-type auto insurance plan for its employes.

A spokesman for the underwriter, Home Owners Insurance Co., Chicago, told *Business Insurance* that the plan is the company's first venture into this type of insurance and that it is completely experimental.

He also said that Bashas does not contribute to the cost of the insurance.

Cefaretti Insurance Agency is handling the plan for Home Owners Insurance Agency. ▪

Dock strike — so far — poses no major insurance headaches

NEW YORK—The longshoremen's strike, which has hit all ports from Maine to Texas, so far hasn't caused the insurance community any major headaches, *Business Insurance* was told by underwriters and shippers.

But Carl E. McDowell, exec vp of the American Institute of Marine Underwriters, warned that the increased pilferage, deterioration of merchandise and nondelivery of misplaced goods brought about by the strike could force an increase in rates.

Employe benefits are playing a significant part in the new contract negotiations with the International Longshoremen's Assn. The ILA is asking increases in pensions to $250 a month for employes of 55 who have had 20 years service and $300 a month for workers age 62 with 25 years service. The top pension currently paid is $175 a month.

AFTER THREE years, the union is also asking for a thirteenth paid holiday—the worker's birthday.

A tentative agreement between the ILA and the shipping industry reportedly contains a guaranteed annual income feature and clauses covering the controversial containerization issue. It also provides for a $1.60 an hour increase in wages and fringe benefits during the next three years.

Shippers had offered a 98-cent-an-hour increase to the longshoremen, who average $3.62 an hour.

The agreement will be sent to all ILA locals for ratification.

A QUICK SURVEY of businesses showed that exporters were encountering serious problems in finding storage space for their goods and in extreme cases this dilemma was leading to decreases in productivity.

Importers of goods were also having difficulty in receiving merchandise. Arista Industries Inc., importer of frozen fish, said its shipment of fish was in the refrigerator compartment of one of the unloaded ships, but unless there is any failure of the freezer equipment on board the company does not foresee any insurance claims.

Serious problems are being incurred by businesses dealing with seasonal goods. A distributor of skiing equipment has no merchandise left to sell because of the strike.

Insurance for such goods does not cover failure to deliver during the season; the coverage will only pay for any physical damage done to the merchandise.

ONE BROKER said that last year several of his firm's clients imported heavy shipments of merchandise in anticipation of the strike, and he said that the companies were finding it difficult getting enough warehousing space which met insurance standards. ▪

Lionett heads Norton Co.'s benefits unit

WORCESTER, Mass.—Norton Co. has set up a new compensation and financial benefits department, and William F. Lionett has been named to head the unit.

Willard Butler has been appointed benefits administrator of the section, which was formerly called the wage administration, insurance and retirement department. Paul A. Love is wage administrator.

In addition, the $300,000,000 industrial firm has initiated two new changes in its pension plan. Employes who have accumulated a total of 85 years with the company (age plus service) and who have reached 60 years of age can now retire at no reduction in pension payments.

THE OTHER CHANGE, involving employe disability, stipulates that any employe with ten or more years of service who becomes totally disabled is entitled to one-half credit on his pension until retirement.

Norton's property and liability insurance department is separate from the employe benefits unit. Herbert Eckbloom, who heads the unit, said that Norton buys most coverage directly from carriers. Property cover is handled primarily through Factory Mutual and liability insurance is written by Liberty Mutual.

Norton, he said, is currently at work on a plan to arrange worldwide coverage for property and liability exposures. ▪

Wash Watch...

Continued from page 7

The publicity when the commission releases the results of the study of the insurers' files could be very damaging, they charge, especially if the study goes beyond the current "generic" questionnaire stage and involves company and brand names.

In addition to just giving the individual firms involved black eyes, the publicity could spur a host of additional product liability suits both by people who actually have cases but didn't know it, and by those who see a chance to get a settlement by filing a false claim in an already-heavily attacked product area, they fear. ▪

Thompson joins adjuster

CHICAGO—William D. Thompson, formerly a vp with the Continental Insurance Cos., has joined Underwriters Adjusting Co., Chicago, as chairman.

AMA . . .

Continued from page 1

no liability insurance. Some insured glass and auto collision that could be self-insured based on loss experience and exposure. Several companies did not have employers liability insurance.

In addition, Mr. James said, periodic property valuations were not evident, indicating undervaluations and possible coinsurance deficiencies in the event of loss.

Based on this data, Addressograph-Multigraph designed a foreign insurance program that allowed local management to handle primary coverage for auto, products and general liability coverages, with limits of U.S. $25,000 each.

AT THE SAME time, the company announced it had bought an excess liability policy to cover all overseas locations with catastrophic protection.

"There was stiff resistance from some companies to meet these requirements (the $25,000 limits) for they appeared to be entirely out of line with local conditions," Mr. James noted. "Regardless, they were requested to do so. In countries where even higher limits were required by law and impossible to lower, our underwriters took this into account. We felt a uniform policy would eliminate many underwriting problems and that premium costs could be based on experience factors."

In addition to the excess liability policy, U.S. headquarters also took on from its domestic crime insurer a broad form crime policy covering fidelity. Burglary and theft of merchandise, loss of money (within and without the premises) and loss of payroll—with endorsements to cover higher exposures and forgery.

Initially, Mr. James said, claims were to be handled first by the parent company. Later, claims were to go to local adjusters, with the parent company receiving a copy.

Still later, the company suggested that any claim under $250 should first be submitted to headquarters "for review and judgment as to filing. We pointed out that the frequeny of small claims adversely affected the experience record," Mr. James explained.

James F. Stomber, director of realty and insurance, International Flavors & Fragrances, New York, made what he conceded was a "dangerous generalization—that insurance carriers are not as internationally minded as is American industry."

He said that if the insurance field "is to grow and is to stay as aggressive as an industry, it must be willing to serve its customers all over the world. Nothing is more frustrating than being told how much a carrier can do for you." ▪

Columnists blast Gov. Hickel's deals with N.Y. Life Ins. Co.

CHICAGO—Walter J. Hickel, secretary of the interior-designate, has been accused of having "an appalling insensitivity to what is meant by conflict-of-interest" in a series of events involving the New York Life Insurance Co.

The charge was made by Frank Mankiewicz and Tom Braden in their syndicated news column.

The column charges that Gov. Hickel borrowed nearly $3,000,000 from New York Life, mortgaging a shopping center that he owned and giving the insurance company an assignment on the shopping center's leases. It goes on to allege that after Gov. Hickel became governor of Alaska and the proceeds of the loan were paid, he cut back benefits on an A&H group insurance policy covering state employes that was underwritten by New York Life. The benefit reduction was put at 24%.

The executive secretary of the Alaska State Employees Association told *Business Insurance* that the cut back was "arbitrary in that the state employes were not informed nor was their association" told about the reduction in benefits beforehand. He said that the experience on the policy before the cut back had been bad but that after the cut back the experience improved.

About the nearly $3,000,000 loan, a New York Life source said, "The commitment was made before Gov. Hickel filed in the primaries."

He said the loan and the A&H contract were "separate." ▪

Skyjacking . . .

Continued from page 1

The advisability of international and foreign airlines obtaining war risk coverage was demonstrated late last year when Israeli commandos raided the Beirut airport, destroying most planes there.

Middle East airlines, which had paid extra to gain coverage for acts of war, lost eight planes in the raid, and Lloyd's of London and other British insurers agreed to pay a $17,400,000 claim by Middle East.

Other lines, such as Lebanese International Airlines and Trans-Mediterranean airways, which also lost planes in the incident, didn't have war risk coverage and presumably will be denied payment.

USAIG has suffered several major losses in the past year—including the crashes of two Alleghany aircraft in almost identical circumstances Christmas Eve and Jan. 6.

The group was the underwriter on a Braniff international Electra, which crashed last spring in Texas, killing 84. It also covered a Los Angeles airway helicopter, which crashed in California last spring, killing 23. ▪

McCormick . . .

Continued from page 1

ously oppose this suit since we are convinced that any charges against us cannot be supported."

SPOKESMEN FOR the company in both New York and Chicago reiterated that the company was "not liable for any damages" charged in the recent suit brought by the insurance companies.

As in the earlier suit, the insurance companies' suit charges that the fire began under an exhibit booth on the main floor of the main exhibit hall. The defendants, the suit says, ran a 30-foot extension cord from a main electrical box in a fan room, through a hole chopped in a wall between the fan room and the main exhibition hall.

The cord was then placed, according to the suit, under the exhibit booth with an electrical distribution box from which four more extension cords were extended.

AMONG the violations alleged in the suit are improperly grounded distribution box, running electric lines across dock doors without protection, and running a cord through an unprotected hole in the wall. ▪

Nursing home group hears about insurance

BIRMINGHAM, Ala.—During its annual convention here members of the Alabama Nursing Home Assn. learned how a group coverall insurance program cut premiums at least 25% and at the same time increased coverage by another 25% during its first year of operation.

Reporting to representatives of the 120 member nursing homes, insurance man James Cady urged that more members join the official association plan to further increase savings and coverage. At the time of the report, 45 of the association member homes were participating.

The group plan provides coverage for professional liability, buildings and fixtures, boiler and machinery, automobile, premises liability and crime insurance.

BECAUSE EACH NURSING home has different conditions, each received a specific policy meeting its own needs, Mr. Cady explained. However, liability can range as high as $500,000 and $1,000,000. All elements of the coverage are contained in a single package policy.

Mr. Cady said after his talk that the group insurance is helping the state program to upgrade status of nursing homes as a result of additional inspection by insurance company engineers and other representatives.

"One thing most people in the country don't realize," Mr. Cady said, "is that the average nursing home today is a far different thing than it was ten years ago. The old image of decrepit old buildings and inadequate facilities for elderly folks remains in the public mind, but it's a far cry from actual conditions today.

"HERE IN ALABAMA, we think one of the finest jobs in the nation has been done in the upgrading of standards for the nursing home business. This new group insurance package helps make that even better."

Mr. Cady pointed out that most people in the business anticipate there will be more nursing home beds nationally in 1975 than there are hospital beds. With this growth there needs to be adequate insurance protection, and in Alabama the association authorized the joint program scheduled to start in October, 1967. Mr. Cady, who is an insurance agent and is largely responsible for creation of the group plan, said a similar arrangement has been available to hospitals through their national association for some time.

HE FELT SUCH a program would work for nursing homes, but said the company which underwrites the hospital plan (Argonaut) was not interested in the nursing home situation "because most of the people still had the old image of nursing homes."

Mr. Cady said the plan finally was developed with the Statesman Insurance Group of Birmingham. ▪

Japanese property group mulls backing bank's housing loans

TOKYO—The Japanese property insurance industry is weighing the possibility of offering coverage to commercial banks for private housing loans.

The Marine & Fire Insurance Assn. said it was "eager" to be of some help in directing more private funds into housing projects.

Some life insurance firms have been selling insurance combined with housing loans by banks. In case of the death of the insured, the life policy is used to pay off the loan and both the house and land remain in the hands of the family.

The marine and fire group reason that if banks can be assured of the safety of their money they'll be more active in increasing housing loans. There is currently an acute shortage of such loans in Japan because of low income levels, but the mounting demand for new residences is expected to put pressure on the banks to expand this activity. ▪

Liggio gets gallery post

NEW YORK—Richard Liggio has been named director of the insurance department and accounting supervisor of the Parke Bernet Galleries.

Mr. Liggio, who has been with the company for three years, will be in charge of all "fine art" insurance programs for Parke-Bernet, one of the world's largest auction galleries. ▪

Overmyer . . .

Continued from page 4

Other brokers handling the Overmyer account are Palmer-Whitehead of Boston, excess coverage; and Hagedorn & Co., the casualty package.

Except in a public warehouse situation where liability is based on storage rate of contents, Overmyer requires from the leasee, liability limits of $500,000 and $1,000,000 but "our tenants usually have at least $1,000,000," Mr. Gullo said, because we deal with most of the companies in the Fortune 500."

MR. GULLO VIEWS his position as risk manager as "the ability to preserve company assets and profits through prevention, transfer, assumption, insurance or a combination."

The simplicity of the Overmyer design, he said, gives the firm another advantage. A danger area spotted in one warehouse can easily be remedied at all other locations just by alerting branch managers.

Since each warehouse is handled by a regional or branch manager, it's up to him to keep his warehouse in top condition. He's constantly reminded of good loss prevention practices because a bad loss record is shown against his profits. "That means there exists a direct relationship between a manager's income and his losses," Mr. Gullo said.

TO HELP THE managers, Mr. Gullo is putting together an insurance guide that explains insurance coverages available, what to do in case of a loss, how to file a claim and good safety precautions to take.

"We also have periodic meetings with branch and regional managers to let them know we're around to help," he said. "Our philosophy is to make everyone safety and insurance conscious." ▪

Rice to exchange insurance job for California retirement home

NEW YORK—When special insurance has to be arranged for a Babcock & Wilcox pressure vessel shipment, the man responsible is the company's insurance manager, Claude H. Rice, a familiar face in the insurance managers' fraternity.

For the last 20 years, Mr. Rice has been responsible for all phases of insurance for this manufacturer of a wide range of industrial equipment and goods for use in commercial products.

On February 1 he will exchange policies, risks, statistics, claim forms and headaches for the pleasures of retirement. His successor, Jack W. Lyon, will inherit the department Mr. Rice created as B&W's first insurance manager.

When Mr. Rice came to Babcock & Wilcox in 1949, his assignment was to handle insurance for a company with about 12,000 employes and sales of $170,000,000. Since then the company has grown to one of the 150 largest industrial firms in the nation with more than 30,000 employes and sales above $620,000,000.

Insurance needs have grown in proportion. Some of the equipment now manufactured by B&W is so heavy and bulky it must be shipped by water, necessitating special insurance coverage.

"If one of these large pressure vessels, weighing up to 1,000 tons each, was lost or damaged, it could take up to a year to replace," said Mr. Rice. "They are worth several million dollars each and the irregularity of the shipping pattern precludes a single policy to cover all shipments.

"But," he noted, "much of our product is pretty hard to damage. I remember one time when a boiler drum was derailed and rolled down an embankment. All that had to be done was to wash the mud off and straighten a bent nozzle." Such products do not lend themselves easily to containerization, but B&W does pack as much as possible in one bundle to minimize handling.

PROBABLY THE greatest change, since Mr. Rice came to the firm, has been in connection with workmen's compensation. "The amounts of weekly allowances and the scope of medical coverage have been expanded steadily," he said. Mr. Rice feels it is natural for the maximum amount of weekly allowance to increase as earnings increase. After all, the original compensation acts were drawn up on the basis that an injured worker would receive three-fifths to two-thirds of his regular pay.

However, B&W has seldom changed insurance carriers. "For example," he said, "the same insurance company—Travelers Insurance Co.—has handled the liability insurance since the early 1900s. The group life insurance, also with Travelers, was a Christmas present to the employes in 1919. Of course, the coverage has been improved several times since then.

One point of interest is that the group life plan as originally written gave extra amounts of insurance to employes with perfect attendance. "Something like this would be a fright to administer today," he said.

THE RESPONSIBILITY for working out arrangements with the insurance companies rests with Mr. Rice's department, while the internal administration of the plans is taken care of by the personnel and accounting departments.

Mr. Rice recalled that in 1949 he had basically the same type of policies he has today, except for nuclear insurance. He pointed out that with the advent of nuclear insurance, problems of capacity began. "Up until then our values were such that it was not too hard to get sufficient amounts of insurance," he said.

Mr. Rice sees some further problems of capacity developing, particularly with respect to property insurance. He pointed out that nuclear generating plants for utilities can often cost $100,000,000 and with two, three and four on one site, the problem of getting enough coverage is obvious.

MUCH OF B&W's insurance is placed through agents and brokers, although some has been placed with direct writing companies. "It simply depends on market conditions at the time the insurance is purchased as to whether an agent or broker is used," he said.

B&W uses deductibles, generally of modest size, because there is not enough saving in premium to justify taking on the additional exposure.

In recent years common carriers, such as railroads and trucking companies, have changed the tariff regulations limiting their liability for loss or damage to certain commodities to nominal amounts per pound. For example, trucking companies limit their liability in handling household goods to 60¢ per pound.

"IF YOU WANT more, you either have to pay the carrier an additional fee or buy an insurance policy," he said.

Mr. Rice pointed out that in many cases the corporate insurance manager is alone in that he is the only person in the company who does this kind of work. The position compares to that of a broker with one account.

"If you flub it, you're in trouble. One nice thing about this kind of work is that the other insurance managers are very generous with their time and help to one another whenever a problem crops up. These friends are one of the things I know I will miss after retirement."

The first order of new business will be for him and his wife to drive to California "to pick a retirement home." Mr. Rice will let others handle insurance arrangements on that move. ▪

Consider bill to tax Standard

A legislative tax study committee in Salem, Ore., has begun consideration of a bill that would, for the first time, require the Standard Insurance Co. of Portland to pay a tax to the state.

Democratic State Senator Ross Morgan, of Gresham, said the insurance company "has gone without paying taxes for 62 years . . . because of a special law exempting Oregon-based firms."

William Love, of Standard, asked for continuation of the company's special tax consideration, with enactment of a limited tax on net income.

Morgan is urging that Standard be taxed on its premiums, as are other insurance companies in Oregon.

state of the unions

IAM, United Aircraft agree on benefits pact

By ALLEN M. WIDEM

HARTFORD—Union employes have accepted a new three-year contract with the United Aircraft Corp., which calls for a hike in pension and hospitalization benefits for some 30,000 Connecticut workers.

The vote was 4,992 to 131 in a membership meeting of Local 1746, IAM (International Assn. of Machinists and Aerospace Workers).

The agreement calls for an 8% wage hike, effective immediately, with 3% boosts in 1969 and 1970. A cost of living increase of 2.5% will be added in 1969 and 1970.

UNITED AIRCRAFT is to pay the full cost of employe pensions for the first $7,800 in salary. Beyond that, employes will pay a small percentage. This means a saving of about $190 annually.

The contract also permits full retirement benefits at age 62 for employes with 20 years of service. Age for full retirement had been 65.

Hospitalization insurance will now cover employes for 365 days instead of 150, at the same time providing the full cost for a semiprivate room instead of $24 a day.

Moreover, the insurance coverage will apply to psychiatric care and treatment in specialized hospital facilities, such as tuberculosis centers, and will cover infant dependents from birth instead of from age 15 days.

A flat rate of $1.72 a week will be charged to include dependents on the employe's health insurance. The employe's own coverage is to be paid entirely by the company.

Sick leave and bereavement leave have been separated. Employes will be permitted three days of bereavement leave if there is a death in the family, and it will not be labeled sick leave time, as specified in the former contract.

Justin Ostro, IAM national representative, remarked that the union had made "tremendous gains" in the new contract. "We picked up a lot of ground in reaching Boeing."

THROUGHOUT THE protracted negotiations, the union had continually demanded that United Aircraft meet the standards set by contracts with Boeing and other corporations in the aircraft and space industry.

In addition, Mr. Ostro said that the union would attempt to get back from United Aircraft some $40 million that has been collected by the company as the employes' share of the pension plan.

Additional costs incurred through the new contract include:

- Increased cost of pensions, $9,609,000.
- Cost of an additional holiday in 1969 and 1970, $1,275,000.
- Increased company contributions for group and improved benefit insurance, $14,615,040.
- Increase of paid leave for jury duty from 10 to 20 days, $411,840.
- Cost of bereavement leave, $686,400.
- Cost of reimbursement to employes on temporary military duty, $1,373,800.
- Cost of granting paid holidays to new employes after 30 days instead of 90 days, $686,400.
- Impact on items not changed in the new contract, $16,049,862. (This includes increased costs of Social Security, vacations, the 10% shift bonus, and other costs automatically rising as wages escalate).

Both company and union spokesmen said that the 10th holiday which will provide for "minivacations" at Christmas applies to 1969 and 1970 of the contract years. It does not apply this year. ▪

New plan forgoes tying insurance to income levels

OMAHA—Nebraska Blue Shield has announced plans to introduce a new group medical care policy early in 1969 which departs from Blue Shield's traditional approach of relating the insurance program to the insured's income.

The type of policy has been widely discussed by physicians and is somewhat controversial in the Omaha-Douglas County Medical Society and Nebraska State Medical Assn.

In Nebraska the Blue Shield program is approved by the state medical association, which last February authorized the new policy to be offered to the public.

THE NEW POLICY will offer broader coverage, including home and office care, and consequently will cost "somewhat more," it was pointed out. Company officials say the new plan will pay the complete doctor bill in 96 out of every 100 cases.

Under the present policies, a doctor's bill is paid in full only if the insured person's income is below a specific maximum, which varies from policy to policy.

Participating physicians, at present 96% of all Nebraska doctors, have agreed to accept less than their usual fee as complete payment for persons in certain income groups.

When the person's income tops the policy's maximum, however, the physician charges more and the individual must pay the difference.

Blue Shield writes policies with maximum limits of $4,200, $6,000 and $7,500.

Increasing incomes are placing more persons over these maximums, and the percentage of fully paid claims is shrinking, officials said. At present, fully paid bills are 85% to 90% of the total.

THE NEW PLAN will pay the full bill regardless of the insured person's income.

The plan will use a "usual and customary" fee concept. A physician will be paid his usual fee if it falls within a previously defined customary range of fees for the service involved.

Usual and customary figures will be raised periodically to allow for increased costs in the medical profession.

Blue Shield officials estimate that if 90% of the state's doctors co-operate with the new policy as participating physicians, 96% of all bills can be fully paid.

In cases in which doctors are not participating physicians, the policy will pay the usual and customary amount. ▪

Japanese study plan for hazards coverage

TOKYO—The Japanese government has ordered a study to determine the feasibility of setting up a public hazards insurance system, in which business firms here would be required to participate.

The directive of Welfare Minister Sunao Sonada was prompted by the recent cases of mass mercury poisonings in Niigata and Kumamoto prefectures and the mysterious "ouch ouch" disease in Toyama prefecture. The government has held that these outbreaks were public hazards, caused by gases released by manufacturing plants.

Victims of the poisonings and their families in Kumamoto have demanded that the New Japan Nitrogenous Fertilizer Co. pay a lump sum of 13 million yen ($36,100) to each dead victim and 600,000 yen ($1,666) in annual pension to each affected person, retroactive to the time of the disaster.

THE GOVERNMENT, however, is concerned that various businesses hit with demands for compensation might not be able to pay off. Ministry officials are now studying the possibility of establishing such a public nuisance insurance scheme from legal and financial standpoints, in cooperation with business circles here. ▪

Youth group safety wins dividend

SAN DIEGO—Safety proved to be a byword of the more than 900 young people (ages 14 to 23) in the Neighborhood Youth Corps here when a $12,599 check from the Great American Insurance Co. was presented to the youth group by the Percy H. Goodwin Co., which insures NYC for industrial accidents.

The money represented a dividend return on insurance premiums, paid because of the one-year, outstanding safety record developed by the program's participants.

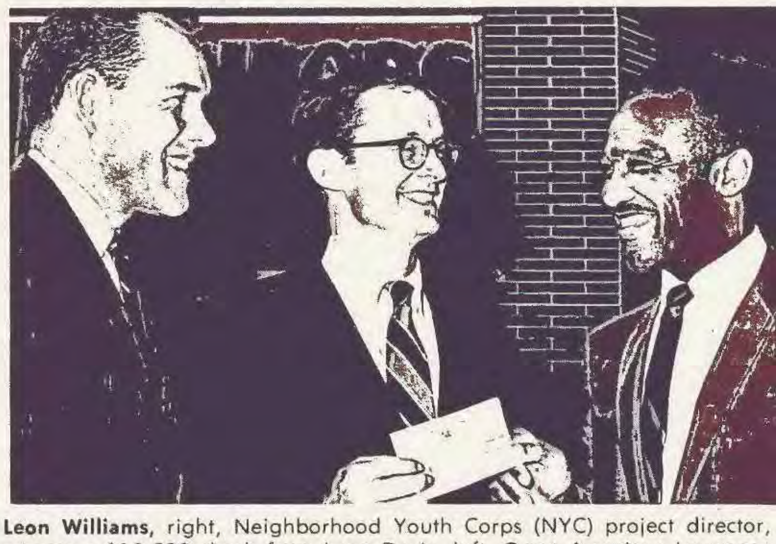
Leon Williams, NYC project director and acting director of the San Diego Urban League, received the check from Ewart W. Goodwin, Jr., of Percy H. Goodwin and Lynn Davis, Great American Insurance Company.

For a one-year period, only 38 claims totalling $1,874 were paid by the carrier on a workmen's compensation policy.

"THIS IS AN excellent return of the taxpayers' money," Mr. Goodwin said, "and it points out these young people are performing their jobs effectively because they have sustained so few injuries on the job."

NYC, established under the Economic Opportunity Act of 1964, places youths in governmental and nonprofit organizations. Salaries, which are paid directly from NYC funds, range from $1.25 to $1.40 per hour.

Mr. Williams said that the insurance premium return will go directly into a fund to pay salaries. ▪



Leon Williams, right, Neighborhood Youth Corps (NYC) project director, accepts a $12,599 check from Lynn Davis, left, Great American Insurance Co., and Ewart W. Goodwin, Jr., Percy H. Goodwin Co. The check represented a return on NYC workmen's comp premiums because of the small number and size of claims for industrial accidents filed by NYC participants.

Texas drug firm buys insurer

HOUSTON — Mading-Dugan Drug Co. here has acquired a controlling interest in Fidelity General Insurance Co., a casualty insurer, of Chicago.

A payment of $1,750,000 was made for 51% of the stock, said Mading-Dugan president Harold Simmons.

Fidelity General will be operated as a Mading-Dugan subsidiary—its third insurance subsidiary. The $10,000,000 in Fidelity General's assets brings to more than $20,000,000 the assets held by the three and the newly acquired firm's premium income of more than $7,000,000 brings the total of the trio to more than $17,000,000.

Mading-Dugan also owns 45% of the common stock of Texas Consumer Finance of Fort Worth.

Fidelity General president Gilbert S. Goodman said the firm operates in 46 states. ▪

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HELP WANTED

ADA employes get improved dental plan

CHICAGO—A new prepaid dental care program for the 279 full-time employes of the American Dental Association started here Jan. 1.

Business Insurance learned from the underwriter—Illinois Dental Service—and the ADA, that the new plan succeeds a seven-year-old dental insurance program that was underwritten by Continental Casualty Co.

Herbert C. Lassiter, executive vp of the National Assoc. of Dental Service Plans, explained that the switch had been made because "the basic character of the professional-sponsored plan" better suited ADA officials. At the time the original plan was instituted, he said, "few commercial carriers were into dental plans." Illinois Dental Service is one of 23 statewide nonprofit groups that are members of Mr. Lassiter's national association.

A COMPARISON of the two programs was presented by John Zur, executive vp of the Illinois Dental Service. It showed that the old program had first-year deductibles of $25 for individuals and $75 per family. In the second year the deductibles were reduced to $10 for individuals and $30 per family. Deductibles, however, did not apply to oral examination benefits, which paid 80% of cost.

The new program, Mr. Zur pointed out, has no deductibles.

Coverage under both plans, his comparison showed, included all dental procedures. But both the old and the new plans require copayment factors.

Besides the 80% benefit on oral examination, the old plan paid 80% of basic dental costs and 60% on replacement of dentures and orthodonic costs, Mr. Zur's comparison showed.

THE NEW PLAN pays 70% of allowable charges the first year, 80% if care is received the first year, and 90% if care is received the second year. It also pays 80% of fees charged for bridges, dentures, and surgical periodontics, in addition to 60% of fees for replacement of dentures and orthodontic work.

Maximum benefits under both plans were the same: for individuals, $200 the first year, $300 the second, and $400 the third; for families, $500 the first year, $750 the second, and $1,000 the third.

Premiums for both plans were computed on what Mr. Zur called a "composite basis," which means the cost to individual and family member-employes is the same. The premium for the old plan was $139.68 a year while the new plan costs $143.40 annually.

The ADA is paying for the entire cost of the program, according to Nick Onychuk, secretary of the ADA's Council on Dental Care Programs.

MR. LASSITER pointed out that a dentist who performs work on a member employe is paid according to "his usual fee."

Mr. Zur explained that dentists who have signed a participating dentist agreement and have filed their fees with the Illinois Dental Service are eligible to work on insured employes.

He further explained that when a covered patient comes to a dentist, the dentist must file a "pre-authorization" of claim report with the IDS. This report describes the treatment needed and the fee the dentist will charge. It serves as a price-quality control.

IDS, he added, then reviews the report. Any irregularities, Mr. Zu said, are questioned. Sometimes, he added, consultation is advised, especially where the service described seems inappropriate. The "pre-authorization" report is, if acceptable, returned to the dentist. On it IDS informs the dentist what part of the fee the program will cover, Mr. Zur said.

ANOTHER METHOD of price-quality control used by the IDS, according to Mr. Zur, is a random review of completed cases.

Mr. Lassiter indicated that most dentists do not mind the added paper work involved in receiving their fees. He said that they are accustomed to paper work involved in workmen's compensation claims.

Mr. Onychuk of the ADA pointed out that dentists welcome for the additional consultation service that such programs encourage. ▪

McDonnell-Douglas adds dental care

CHICAGO — Approximately 52,000 McDonnell-Douglas Corp. employes and their family members are now eligible for dental care benefits provided by the California Dental Service, the National Association of Dental Service Plans announced here. Eventually, an estimated 300,000 people across the country will be eligible for the McDonnell-Douglas dental care program.

A&A, Peake merge

Peake & Co., Inc., Philadelphia, has merged with Alexander & Alexander Inc., New York. Peake had been an affiliate of Lukens, Savage & Washburn, which merged with Alexander & Alexander in 1967.

Northern California's ASIM Meets Jan. 23

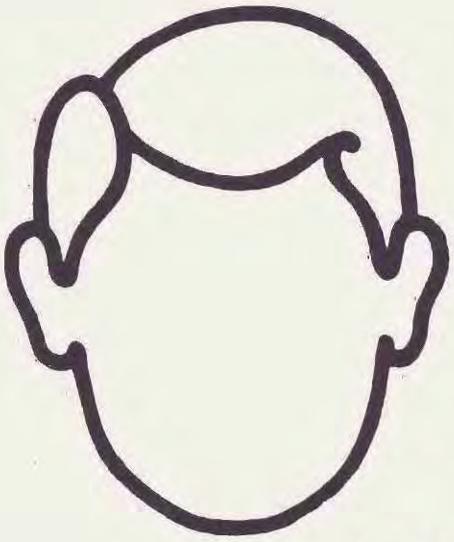
SAN FRANCISCO—The fifth annual insurance day conference sponsored by the Northern California chapter, American Society of Insurance Management Inc., will be held at the Hilton hotel here on Jan. 23.

R. E. Roth of the East Bay Municipal Utility District and ASIM chapter treasurer, serves as chairman for the program.

Speakers scheduled to appear include: H. A. Lansman, executive vp, Lumbermens Mutual Casualty Co.; Michael Philbin, manager, Western region, Personal Security Plan, Continental National American Group; John C Spencer, president, Swett & Crawford; Richard T Archer, president, Allen T Archer Co., and William S Mortimer, director of insurance, Norton Simon Inc. and national first vp of ASIM.

California's new insurance commissioner, Richards D Barger, will attend the conference and be the luncheon speaker.

Should you buy business insurance from a stranger?



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