

Malpractice 'crisis' precipitates federal hearings

WASHINGTON—The Senate health subcommittee is to hold hearings in mid-March on at least two bills calling for federal solutions to the current medical malpractice insurance capacity "crisis."

A bill to establish a voluntary federal malpractice insurance program along modified no-fault lines (S. 215) has been filed by Sen. Edward M. Kennedy (D-Ma.), chairman of the subcommittee, and Sen. Daniel K. Inouye (D-Ha.).

A second bill (S. 188) has been filed by Sen. Gaylord Nelson (D-Wi.) which would establish a voluntary federal malpractice reinsurance fund that would initially pay liability claims of more than \$25,000.

The sponsors of the bills said that no federal tax support

would be needed for either program.

In the House, Rep. Daniel Rostenkowski (D-Ill.) has filed legislation calling on the National Academy of Science to study the malpractice problem and produce interim solutions by July 1.

Earlier, Health, Education and Welfare (HEW) Secretary Caspar Weinberger said his department was investigating the possibility of a federal reinsurance pool "should malpractice insurance be discontinued for a large part of the profession in any state."

HEW has thus far stopped short of calling for federal legislation, however, choosing instead to work with the major malpractice underwriters and state insurance officials to devise a non-federal solution.

The Secretary said he was "personally convinced that the states and the private sector can resolve the present crisis and find permanent solutions to the medical malpractice problem."

Mr. Weinberger suggested that underwriters develop alternative means of providing coverage, such as through one or more consortia which would serve all high-risk physicians.

He offered the backing of his office in obtaining any anti-trust clearances for proposals along this line that might be developed.

Representatives of the medical community and the major malpractice underwriters are to meet in Dallas

Continued on page 2

Entire contents copyright 1975 by Grain Communications Inc.

50¢ a copy; \$12 a year

Week of January 27, 1975

business insurance

the national newsmagazine for buyers of employee, property and liability protection and financial services

President will oppose national health insurance

By RICHARD L. GORDON

WASHINGTON—The Ford administration will not submit a national health insurance proposal to Congress in 1975 and President Ford is "almost certain" to veto any national health insurance measure passed by Congress this year.

The decision was based on the state of the economy and President Ford's announced intention that three will be a one-year moratorium on all new federal spending programs, the White House told *Business Insurance*.

"CORPORATIONS would probably pay the bulk of the premiums under such a program and to saddle them with increased costs at this point in the economy would not be wise," a White House spokesman added.

The White House said, however, that the Health, Education and Welfare Department (HEW) would continue its work in the national health insurance area.

In Congress, at least six na-

tional health insurance bills were almost immediately filed.

Rep. Al Ullman (D-Or.), the new chairman of the House Ways and Means Committee, filed the National Health Care Services Reorganization and Financing Act (H.R. 1).

ALSO IN THE House, Rep. James C. Corman (D-Ca.), and several co-sponsors, have refiled the labor-backed Health Security Act (H.R. 21).

In the Senate, Sens. Edward Kennedy (D-Ma.) and Jacob K. Javits (R-N.Y.) filed a companion bill to the House version of Health Security (S. 3).

Congressional sources expressed some surprise at the Ford administration's decision not to submit its own bill, as the Nixon administration had done with its Comprehensive Health Insurance Plan (CHIP).

But the consensus seemed to be that the Ford position on no health insurance law in 1975 would not upset any plans among the legislators.

"I don't think anyone realistically expected both houses to pass a national health insurance bill this year," an aide to Rep. Ullman said.

Because of preoccupation with tax cut legislation now outlined by both the administration and the Democratic leadership, it's not expected that Ways and Means will even begin work on a new round of health insurance hearings until March.

THE ULLMAN aide said the most optimistic guess now is that Ways and Means would have a bill reported out to the House floor in October.

The absence of definite administration health insurance proposal seemed to some, however, to leave the administration at somewhat of a disadvantage in bargaining with Congress over what the final national health insurance package will contain, especially if Congress moves fairly rapidly on the issue this year.

"It seems like they would have wanted to pull up a chair to the

card table and keep their hand in the game," said one Capitol Hill source.

The Ullman bill, which had no co-sponsors at the time of its filing, would have required employers to purchase for employees and their families a prescribed comprehensive level of benefits with the employer paying at least 75% of the costs. The employees would pay a maximum of 25%.

Newly formed independent state

health commissions, appointed by state governors, would control the rates charged by health care providers and health insurance underwriters.

For persons unable to pay, in part or in full, the federal government would purchase the specified level of coverage established for all persons through general federal revenues, with individual contributions scaled inversely to income levels and family size.

Balloonists deflate risk using insurance policies

By MARIE KRAKOWIECKI

NEW YORK—Royal-Globe Insurance Co. didn't have to pay a penny in claims on the \$5-million balloonist liability policy it wrote

for publisher Malcolm Forbes' gas-run craft "Windborne" when it crashed in a launching accident in Santa Ana, Ca. this month.

The Royal-Globe policy, brokered by Johnson & Higgins, does not include hull damage. And neither Malcolm Forbes, owner of Forbes magazine, nor his flight companion, Dr. Thomas P. Heinshiner, were injured in their attempt to make the first manned balloon flight across the Atlantic Ocean. So no insurance claims were at stake.

According to Leonard Greenberg, Forbes magazine's vp and general counsel, the separate policy was arranged through the magazine's corporate channels. But it is not the only corporate balloon policy held by Forbes.

THE PUBLICATION owns five other balloons, all insured by Royal-Globe and brokered through Johnson & Higgins. One of them is the celebrated "Chateau de Balleroy" in which the publisher flew across the United States last year. A hot-air balloon (like most other balloons insured today), the Chateau de Balleroy is named after Forbes' estate in France where he plans to open a balloon museum.

Under a policy which is part of Forbes' overall aircraft coverage, the Chateau de Balleroy, like the other four hot-air balloons belonging to the publisher, is insured for liability at \$1 million per occurrence. There is no hull insurance.

Malcolm Forbes' balloons, particularly the Windborne, which runs on gas and consists of 13 separate see-through balloon "en-

Continued on page 2

Claims on architects, engineers may multiply after liability ruling

WASHINGTON—A federal court jury in northern Virginia stripped away the workers' compensation immunity of an architectural firm and an engineering firm this month and held them liable for a \$500,000 award to an injured construction worker.

The worker, Joseph Bergen, 30, was one of 34 workmen injured in the March 2, 1973 collapse of a 24-story apartment building in Falls Church, Va. (*Business Insurance*, March 12, 1973). Fourteen other workmen were killed.

DEFENSE ATTORNEYS said the claim, the first to be awarded since the accident, is to be appealed to the U.S. appeals court in Richmond, Va. If the decision stands, it apparently would seriously expand the professional liabilities of practicing architects and engineers.

The defendants in the case were the architectural firm of Weihe, Black & Keffries and structural engineers Arthur Heinzman and Henry Clifton. All are based in Washington, D.C.

The architects were insured for errors and omissions through CNA's Continental Casualty Co. and the engineers through Mutual Fire, Marine, and Inland Insurance Co., *Business Insurance* was told. The underwriting manager for Mutual Fire is Shand-Morahan & Co. Inc., Evanston, Ill. John Daly, attorney for the engineers, said there was sufficient coverage to cover the Bergen settlement but there would not be enough coverage, or even assets, if similar awards were granted to the other victims of the collapse.

He said there is also pending an \$18.5 million suit filed by the owners of the building.

The architects and engineers were found liable despite the fact that several experts were prepared to testify that the accident was caused when concrete workers employed by Miller & Long Co., Bethesda, Md.-based contractors, removed wooden shoring from the 23rd and 24th floors of the building before the concrete had hardened sufficiently.

In 1973, Mr. Bergen had filed a

\$500,000 suit against Miller & Long and four other companies. In October, 1973, U.S. judge Albert V. Bryan dismissed the case because the defendants were protected by workers' compensation immunity.

In the current case the jury found that the defendants were not covered by this immunity.

MR. BERGEN's attorneys also argued that the defendants had not inspected the construction site as required by county law, but the defense replied that such an inspection would have had to take place just as the concrete shoring was being removed in order to prevent the accident.

Insurance officials were reluctant to comment on the effect on architects' and engineers' errors and omissions markets because the decision was still on appeal.

But there has been "a bad trend as far as losses go" over the past several years, according to an official of Victor O. Schinnerer Co., Washington-based brokers and in-

Continued on page 2



Illustration of the Windborne

Grant's economy move dumps risk manager

NEW YORK—One of the casualties of ailing retailer W. T. Grant's extensive personnel cutbacks, announced at mid-month was the company's manager of corporate insurance, *Business Insurance* has learned.

Joel White left the company shortly before W. T. Grant announced it was terminating 12,600 employees nationwide and shutting down 126 stores. The moves were made because of an expected net loss of \$175 million for the fiscal year.

MR. WHITE'S responsibilities have been shifted to Anthony G. Adams, assistant treasurer of the nation's 16th largest retailer.

Mr. Adams said, however, he

did not expect to make any major changes in the company's \$10 million-plus comprehensive general liability policy with Liberty Mutual Insurance Cos.

Liberty Mutual has had the Grant account for at least 20 years, Mr. Adams said. He said the underwriter handled a portion of auto coverage, certain excess liability and workers' compensation in all states for W. T. Grant, in addition to the comprehensive general liability.

"Obviously, our premium costs will drop on employee benefits coverage, since that insurance is almost dollar for dollar. But at this point, I have absolutely no idea what the cost reduction will come to," Mr. Adams said.

He explained that the employee benefit coverage was more fragmented. Aetna Life & Casualty Co. handles coverage for executive officers at W. T. Grant's 1515 Broadway headquarters. But employees around the country are covered by a variety of plans, perhaps numbering as many as 40, Mr. Adams said.

BROKERS USED by W. T. Grant in arranging insurance coverage include Bayly, Martin & Fay Inc. and C. W. Ryan & Co. Mr. Adams said that some talks with Alexander & Alexander may lead to that broker being hired on a consulting basis.

Pension benefits to eligible workers among those terminated will come from a company pension fund with book value assets in excess of \$60 million, the assistant treasurer said. The majority of the W. T. Grant workers are not affiliated with any of the national labor unions.

Malpractice crisis . . .

Continued from page 1

Jan. 30 and 31 under the auspices of the National Assn. of Insurance Commissioners (NAIC).

HEW said physicians in seven states face the prospect of no insurance availability when present policies expire.

THE STATES and their current underwriters are: Michigan and Indiana, the Medical Protective Co. of Fort Wayne (In.); Maryland, Florida, and North Carolina, St. Paul Fire and Marine Insurance Co.; New York and California, Argonaut Insurance Co.

Four other companies—The Hartford, Aetna, Chubb & Son, and Travelers—are also considered to be among the "Big 7" malpractice underwriters, according to HEW.

Under the Kennedy-Inouye National Medical Injury Compensation Act, health care providers would pay an annual premium to a federal Medical Injury Compensation Insurance Fund. In turn, they would receive no-fault coverage for their patients as well as federal malpractice insurance for themselves.

As conditions of participation, the insured would be required to comply with standards and licensing to be established by HEW. Such standards and licensing are now set by the states.

IN ADDITION, physicians would agree to accept review of their services by Professional Standards Review Organizations. Such groups of local physicians now review treatment given only to Medicare and Medicaid patients.

Patients could file a claim, within a time limit, with a new Medical Injury Compensation Insurance Administration in HEW. If the injury were deemed to be treatment induced, the patient would receive compensation within set limits.

However, this program would be a "secondary insurance program—any benefits the patient received from health insurance, sick leave plans, or workers' compensation, would be deducted from the benefits due under this program.

Malpractice suits would continue to be allowed, but not after a patient has sought damages through the new no-fault system.

Sen. Kennedy said that because of the difficulties "inherent in a no-fault approach" he planned to introduce a similar bill with an arbitration approach to the malpractice problem.

The Nelson bill is designed to encourage smaller underwriters

to come back into the malpractice market through the reinsurance pool mechanism which offers a measure of protection against loss, according to its sponsors.

The senator cited a July, 1974, report of the Wisconsin Medical Society that showed that base rates for five categories of medical professional liability insurance increased as much as 82% between January, 1968, and April, 1974.

NELSON AIDES said bluntly that underwriters will be expected to reveal more data on their loss records than they have before.

In the Wisconsin case, the Senator said, the base rates are still even lower than the actual, or real dollar, cost of such insurance.

The Wisconsin report showed:

- An internist who paid \$131 for medical liability insurance in 1969 currently pays \$624.
- A family practitioner doing some obstetrics, who paid \$384 in 1969, currently pays \$2,250.
- A general surgeon, who paid \$945 in 1969, now pays \$3,283.
- An orthopedic surgeon, who paid \$1,290 in 1969, now pays \$3,939.

CIA officials' resignations cite pensions

WASHINGTON—Three of four top officials who resigned last month from the Central Intelligence Agency's (CIA) controversial counterintelligence division cited extra retirement benefits as their reason for leaving the agency before the end of 1974.

Their departures came amid charges that their division illegally spied on thousands of American dissidents and war protesters during the Nixon administration.

CIA officials denied the reports of domestic intelligence activity, but Ronald Gage, chief of the CIA's retirement affairs division told *Business Insurance* that the departed officials did indeed stand to gain from leaving before year-end.

By retiring last month, Mr. Gage said, the four men will receive about 4% of a 6.3% cost of living annuity increase that went into effect last July 1. They will also be eligible for the full 7.3% annuity increase for retirees that became effective this Jan. 1.

Had they waited until 1975 to leave the CIA, they would not have been eligible for any of the July 1 increase.

All four men were believed to be making top pay of \$36,000 a year when they left, but CIA officials declined to say how much service they had. Based on an estimate of 20 years service, they would receive \$14,400 a year plus cost of living adjustments.

Ruling . . .

Continued from page 1

insurance consultants to the American Institute of Architects and the National Society of Professional Engineers.

THE OFFICIAL said the Schinnerer firm was also the underwriting manager of CNA's errors and omissions policies for these groups. He said the loss record had produced "substantial" premium rate increases and that more increases were under discussion for this year.

Mr. Daly, the engineers' attorney, said, "I think there are national implications here and you'll find the national professional organizations will get involved in the appeal as friends of the court."

He said that if the decision stands the insurers might "do what they're doing in medical malpractice. They'll say architects and engineers are uninsurable."

GUIDE TO FEATURES

London Line	8
Opinions	12
Info for Buyers	16
Perspective	19
People	25

Vol. 9 No. 2—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1975 by Crain Communications Inc.

First State Insurance Company

Wears well

First State is the largest and oldest domestic company formed to write Surplus Lines, Special-Purpose and Reinsurance Business.

And through the years we've created problem-solving insurance and reinsurance programs for businesses of every description—including over 500 of the world's major corporations. We've also provided them with continuity. Many have been clients since our beginning—many, many more for over twenty years.

First State . . . we're here now and shall be here in the future . . . call us, we're ready to listen, ready to create and assist in areas of common interest to agents, brokers and their insureds.

**MULTINATIONAL
PROPERTY and LIABILITY
MULTIPLE LINE THROUGH
AGENTS AND BROKERS**

A+:AAAAA, Alfred M. Best, Inc.

FIRST STATE INSURANCE COMPANY

(a CAMERON and COLBY activity)

60 Batterymarch St., Boston, Mass. 02110 • Telephone 617/357-8400

At California's Beneficial Standard Corp.

Risk manager confronting special headaches

By JOANNE GAMLIN

LOS ANGELES—With the economy in a recession and the housing industry in a depression, you might imagine that a risk manager for a financial services company that derives part of its revenues from real estate—including a real estate investment trust—would be on the hot seat.

Not John M. Degnon, director of corporate insurance for Beneficial Standard Corp., an insurance-based holding company with some 13 subsidiaries and 11 partnerships. Although his company draws some 10% of its revenues from real estate, its major business is one familiar to Mr. Degnon—life, accident, health and casualty insurance.

The company, which describes itself as the pioneer in the mass merchandising of life and health insurance, has seen its revenues expand steadily; growing from \$110.7 million in 1972 to \$119.4 million last year.

STILL, REAL ESTATE does create a few special headaches for Mr. Degnon, whose job encompasses far more responsibilities than his title implies. One is the problem of renewing directors and officers' liability insurance for Beneficial Standard Mortgage Investors, his firm's real estate investment trust (REIT).

"Aside from this coverage being expensive, the D&O market for

REIT is extremely tight right now," he observed in an interview with *Business Insurance*. "Placement is a real problem. The few available markets are not renewing in many cases."

AT PRESENT, a two layered policy protects the trust and trustees and officers. The primary, \$1 million layer is underwritten by Sequoia Insurance while Uni-gard Mutual writes a \$1 million excess policy. Frank B. Hall, Boston, is the broker.

Beneficial Standard Mortgage Investors has not had to endure the savage beating suffered by other real estate investment trusts during 1974. Indeed, its assets as of last July stood at \$118 million up from \$101.7 million in 1973.

Even though real estate is a subordinate part of the business of Beneficial Standard Corp., "it does demand up to 40% of our time," asserted Mr. Degnon, who is also responsible for the design, financial aspects, contractual arrangements and purchase of employee and life agents' group insurance. This is true, he explains, because he must step in on the insurance side of the work of Beneficial Standard Properties Corp., a real estate development subsidiary.

It is his assignment to maintain a ceaseless check on the insurance coverage of tenants who occupy the shopping and industrial centers, most of them in

Southern California, owned by Beneficial Standard Properties.

"To make sure the company's interests are protected, we must check out each tenant to ascertain he carries required liability and property coverages," he said.

And so far, so good, he indicated. No bad losses have been incurred by errant tenants, he added, although on occasion a store owner may bolt town, leaving Mr. Degnon's insurance department to step in to supply insurance.

ANOTHER 20% of Mr. Degnon's time is spent on assisting Direct Marketing Corp. of America, another Beneficial Standard subsidiary. Its business is the mass marketing of life, A&H and property/casualty insurance.

Here, the insurance director's expertise in dealing with underwriters and servicing agencies is in demand because it is his duty to pair specific carriers with the needs of DMCA clients. The Building Industry Assn. of California, he illustrates, came to DMCA to request an across-the-board insurance program for its 1,300 members in Southern California.

"On me fell the task of putting the program together and seeking out underwriters for such diverse coverages as liability, property and group benefits, including dental and workmen's comp," he explains. He is also involved in feasibility studies for DCA—the



Headquarters for Beneficial Standard Corp., in Los Angeles, Ca.

mass marketing of auto insurance by means of credit cards, for example.

Simply buying the \$75 million property policy held by the parent company could be expected to give one an introduction to the grueling negotiations needed to purchase insurance, however. Because of the difficulties in nailing down insurance for some of the properties owned by the Beneficial family of companies—discount stores, such as those once occupied by White Front stores, now in liquidation, are an example—Mr. Degnon said he adopted a participation approach to property coverage.

Thus, the \$75 million policy is split four ways: 30% Appalachia Insurance; 30% Highlands Insurance; 25% Pacific Indemnity and 15% Employers Insurance of Wausau.

"Until recently, you could have added Hartford Insurance to that lineup," he reveals. "But they decided to drop out. When they did, we simply added 5% each to Employers of Wausau and to Highlands."

The broad policy, with Bayly, Martin & Fay as broker, insures against fire and related perils that strike rented as well as owned company properties.

THE POLICY carries a low \$2,500 deductible. "But the reason is that higher deductibles did not result in a premium reduction sufficient to offset the higher self assumption costs."

"I have authorization from the board of directors to self-assume up to \$100,000 per loss," he continued, pointing out that if he felt it economically justified, he could have accepted a much higher property coverage deductible.

He added: "The board also approved a written policy statement on the corporate insurance program."

The property loss ratio has been good, as well as frequency and severity, he said, referring to the policy as "number one in cost and administrative effort."

Mr. Degnon cited flexibility as the key advantage of a "participation" arrangement in a property program. For example, if the property market abruptly

tightens, it can be a sticky business trying to find an underwriter at a reasonable cost for some of Beneficial's properties.

"It is not easy any more to replace an old property coverage arrangement with a new one that is equally favorable," he noted adding that this is one reason why he was delighted when Highlands and Employers of Wausau readily agreed to each pick up 5% of the coverage vacated by the ITT subsidiary.

A SECOND coverage related to straight property is purchased by Beneficial Standard Corp. under the participation arrangement. Fire and extended coverage for errors and omissions goes into action when mistakes pop up on the primary fire policies covering mortgaged properties held by the company's mortgage banking subsidiary and its real estate investment trust.

DIC coverage is under scrutiny by Mr. Degnon at present. The reason: His company's worrisome vulnerability to earthquakes in Southern California.

A comprehensive, first-dollar general liability policy is squarely aimed "at the liability exposures stemming from our construction businesses," continued the insurance director. "The activities of Beneficial Standard Properties, for instance, give us the risks borne by any general contractor or owner-builder." To further protect the subsidiary and parent, he said, "we obtain evidence of liability and workmen's comp insurance from the subcontractors who work for Beneficial Standard Properties or its partnerships."

Beneficial also has a \$1 million contractor's liability policy underwritten by another Beneficial subsidiary, Transit Casualty Co.

Transit Casualty also underwrites the primary \$1 million coverage for the 120 vehicles in the company fleet. The general and auto liability are topped by a \$9 million umbrella excess layer written by Mission Insurance. Collision is self-insured.

The all-in-the-family arrangement with Transit Casualty, whose principal business is in-

Continued on page 4

Length of service rules out federal pensions for convicted Nixon aides

WASHINGTON—Their conviction in the Watergate trial this month would not prohibit four former top Nixon aides from receiving federal pensions, but they do not appear to have the required five years of civilian government service to qualify.

Former President Nixon is receiving the \$60,000 annual pension accorded by law to all living former Presidents. He also receives a separate Civil Service pension of about \$20,000 a year for his service as Vice President, Congressman, and in the Navy.

Former Vice President Spiro Agnew, the first major figure to resign from the Nixon administration, also failed to qualify for

Presidential pension.

The espionage policy was hammered out in an earlier federal government scandal—the one involving Alger Hiss.

CONGRESS PASSED a law after Mr. Hiss' conviction denying federal pensions to convicted spies, but the federal courts refused to allow the law to be applied retroactively to Mr. Hiss.

Convicted Watergate conspirator John N. Mitchell joined the federal government as Attorney General in 1969, but stepped down in 1972 to head former President Nixon's reelection campaign.

Former top White House aides H. R. Haldeman and John D. Ehrlichman came into the White House with Mr. Nixon in January, 1969, but were fired by the former President April 30, 1973, in another unsuccessful attempt to end the Watergate revelations and save the Nixon Presidency.

Robert O. Mardian, the fourth Nixon aide convicted, joined the federal government in 1969, held posts in the Health, Education, and Welfare Department and the Justice Department, and left the government in 1972 to work as an attorney for the Nixon reelection campaign.

All four men contributed 7% of their pay to the civil service retirement system while they were federal employees. A similar amount was contributed by the federal government.

HAD THEY met the five year requirement, they would have been qualified to receive a pension based on a formula of 1.5% of top salary times years of service, or an annual pension of 7.5% of top salary.

In Mr. Mitchell's case, based on his \$60,000 annual salary as a Cabinet member, it would have meant a pension of \$4,500 a year. For Messrs. Haldeman and Ehrlichman, based on their salaries of \$42,500 as top White House aides, it would have meant annual pensions of \$3,187.50. Mr. Mardian's



Mardian

Ehrlichman

salary as a federal employee could not be learned.

Federal employees with more than five years service receive 1.75% for their next five years and 2% for service over 10 years.

All four men have the option of withdrawing their 7% annual contributions or leaving them in the system—with the hope of meeting the five year requirement through further federal government service later in their careers.

The Civil Service Commission said they were unable to comment on whether the contributions had been withdrawn or left in the system.

Former Vice President Agnew withdrew his contributions after he left office.



Haldeman

Mitchell

a federal pension based on lack of service.

Only a conviction for violation of the national security laws—such as espionage—could deny a federal employee his pension, according to the Civil Service Commission.

But removal from office by impeachment proceedings could have cost Mr. Nixon his \$60,000

Beneficial Standard . . .

Continued from page 3

During the nation's mass transit systems, does result in a savings over the long term, Mr. Degnon acknowledged. Generally, there is no problem in obtaining required coverages under the general/auto policy from Transit "as long as the reinsurance arrangements are in order," he said.

DIRECTORS' AND officers' liability insurance, with a \$5-million limit, is purchased direct from American Homes Assurance. It has a standard \$20,000 deductible. Experience under this policy has been encouraging enough to prompt Mr. Degnon to consider a higher deductible in the impending renewal.

"I am a strong believer in self-insurance," he emphasized, "if the economics are right and the re-

quired services can be worked out.

"Coordination of loss control is another of my responsibilities," he said.

A policy which has long been a subject of concern for Mr. Degnon is one covering another troubled offspring of the turbulent financial world. It is the broker's blanket bond, written to cover a now-vanished stock brokerage subsidiary of Beneficial Standard Corp. Even though the brokerage firm closed down two years ago, the lawsuits charging dishonest and misrepresentation go on undiminished, said Mr. Degnon candidly. The underwriters responsible for coverage for the now-defunct firm are Lumbermen's Mutual Casualty Insurance Co., Lloyd's and INA Corp.

Good experience and few claims, by comparison, have sprung from the blanket crime bond covering all operations of the corporation, he said. The \$5 million per loss policy is written by Transamerican Insurance Co. It has a \$50,000 per occurrence deductible. Bayly, Martin & Fay is the new broker for the crime coverages.

LESS FAVORABLE experience has tagged the workmen's compensation program with Employers Insurance of Wausau written through Bayly, Martin & Fay. One of the reasons for this is surprising: It is the passionate, no-holds-barred sports contests that pit teams from Beneficial against those of rival companies.

"The problem is that a lot of people don't realize that injuries from industrial sports under company auspices can be compensated under comp rules," explains Mr. Degnon, noting he is

at work on a report on this topic.

An additional factor souring his comp experience, he says, is the fact that the large clerical workforce employed by insurance companies form a relatively low premium base.

As if this were not enough, a fresh blow may be hurled at his comp experience, he suggests. It is a new all-girls baseball team.

Other insurance coverage handled by Mr. Degnon's department include a data processing policy from Royal Exchange Assurance which protects the extensive EDP operations of the holding company's insurance subsidiaries. A boiler/machinery policy with Pacific Indemnity also is part of the corporate program. Both parties are through Bayly, Martin & Fay.

It is in the employee benefits arena where the parent company's concern for its employees becomes evident. The comprehensive medical plan, written by

Prudential Insurance Co. has a

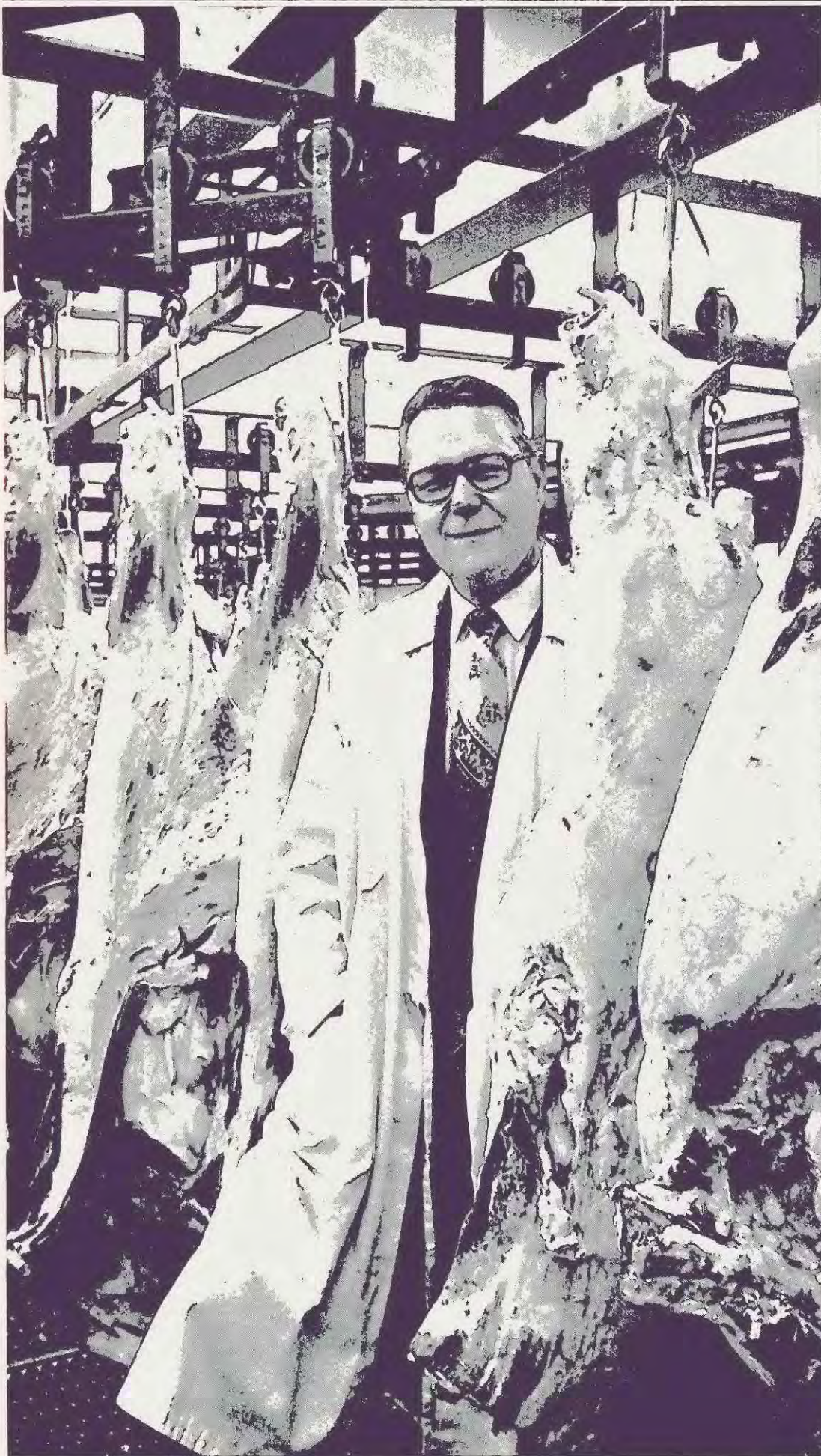
unique 90% coinsurance feature. "Most policies," he says, "come with 80% coinsurance."

The entire group insurance program was revamped in early 1972 with many major improvements and changes in carriers, according to the insurance director. "We increased the maximum under our health plan from \$10,000 per illness to \$250,000. Lifetime, we now have minimal inside limits and we initiated oral surgery coverage."

PRUDENTIAL also underwrites the life insurance plan. It pays a benefit equal to a year's salary, paid by the company. If an employee chooses, he can purchase two additional layers, sharing the cost with Beneficial 50/50.

Long-term disability insurance written by Standard Insurance Co., pays for two-thirds of an individual's annual salary up to \$2,000 a month for the first five years. After that the benefit drops to \$1,500 a month.

A trendy feature of the long term disability plan, he pointed out, is its Social Security "freeze." This means that workers drawing LTD benefits will not discover their checks diminished when Social Security payments increase. ■



"We need red meat.

But with a nation of consumers watching, meat marketers have to control every cost penny. Specialized insurance? It's a must.

Our clients market 56 million pounds of meat a week. We'll make your insurance work for you, too."

George C. Morris, V.P.,
San Francisco office

Johnson & Higgins

the
food industry's
insurance broker

OCAW and refiners reach agreement

DENVER—Improvements in company-paid hospitalization benefits were among points won by the 60,000 member Oil, Chemical and Atomic Workers International Union (OCAW) in national contracts worked out this month with at least five major refiners.

Following a variegated pattern of strike threats, the union, whose 430 contracts expired on Jan. 8, reached agreements with Gulf Oil Corp.; Atlantic Richfield; the American Oil Co. (Amoco); Standard Oil of Ohio; and Texaco on major issues, including wages.

According to the contract worked out with Gulf, the first refiner to come to terms with the union on national issues, the OCAW won a 26.75% pay increase, or \$1.56 an hour, over two years. It also got a wage reopener for 1976 if the consumer price index rises 5%.

RAY DAVIDSON, assistant to OCAW president A. F. Grosperon, told *Business Insurance* the union's demands for hospitalization coverage improvements included an immediate \$7.50 a month increase of employer-paid benefits, plus an additional \$7.50 a month in a year. These increases in contributions are for employees with dependents. Employees with no dependents bargained for total employer-paid hospitalization.

"Our settlements don't address themselves to the content of the medical coverage," Mr. Davidson said. "That is negotiated locally, and handled through a number of different insurers."

He said pension benefit improvements of the contracts included an early retirement option for employees as young as 60 without a discount of normal benefits. Calculation of pension benefits will be based on earnings of the highest paid three consecutive years.

For the protection of some union workers who don't get the usual pay rate, there was also a minimum of \$10 a month times the period of credited service worked out as a minimum pension benefit, although most OCAW members already get substantially more, Mr. Davidson said. ■

Packaging firm puts lid on insurance losses. Saves a bundle.



How does a company turn an average safety record into an excellent safety record? And save on premium costs?

We can tell you one way it's done.

One of our policyholders is the Lawless Container Corporation of North Tonawanda, New York. They'd had a passable, but not enviable, safety record for a number of years. Then the manager at the main plant really took our safety recommendations to heart. And workmen's compensation claims dropped from 87 to 59 in the first year.

When the safety-minded plant manager was promoted to production manager for all three Lawless plants, his concern for safety spread through the whole operation. The next year, claims dropped to 51 cases. Then down to 40. And last year, the total was less than half that.

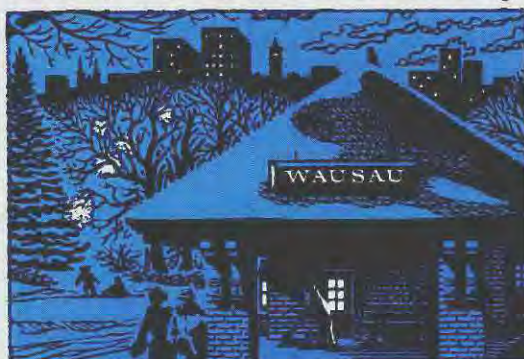
Besides reducing the *number* of claims, our policyholder's use of our unique advisory service for controlling the types of accidents that are most *costly* made a big difference in his accident costs.

All this, during a time of increased employment. Yet, today, workmen's compensation premiums are lower than ever. That's the kind of competitive edge any company would welcome.

It may be too easy to say that management's involvement is always the answer. But we've seen the results too often to ignore the connection.

At Employers Insurance of Wausau, we work hard at reducing the ultimate cost of business insurance. And when our policyholders work at it too, good things are bound to happen. Ask the Lawless Container Corporation.

COME TO THE SOURCE
Get the Wausau Story



EMPLOYERS INSURANCE OF WAUSAU Wausau, Wisconsin

ITT rings up \$125 million to settle its Chile telephone claim with OPIC

By RICHARD L. GORDON

WASHINGTON—One of the decade's more controversial international insurance disputes—over International Telephone & Telegraph Corp.'s (ITT) expropriated Chile Telephone Co.—ended this month in a complex \$125-million exchange of cash and notes.

The settlement represents \$87.2 million for ITT's 70% interest in the company and another \$38 million to settle outstanding debt owed ITT by its one-time subsidiary.

ITT had valued its equity interest in the company at \$153 million, however. Company officials said earlier that they had established a \$70 million reserve to cover any uninsured loss.

The telephone company was nationalized by the Marxist government of Chilean President Salvador Allende in 1971.

In April 1973 ITT filed a claim for \$95 million with its political risk insurer, the U.S. government run Overseas Private Investment Corp. (OPIC). The claim represented 60% of ITT's interest in the telephone company.

OPIC OFFICIALS, however, rejected the ITT claim in the swirl of controversy that surrounded revelation of ITT's alleged interference in Chilean domestic political affairs.

OPIC said ITT had failed to disclose material information to the agency, neglected to preserve ad-

ministrative remedies, and failed to protect OPIC's interests as a potential successor to ITT's rights.

The \$95 million claim represented nearly half of OPIC's \$202.2 million insurance reserve.

Last year, an arbitration panel set up by the American Arbitration Assn. ruled that OPIC must honor the ITT claim, but left the dollar amount of the settlement to be negotiated among ITT, OPIC, and the Chilean government.

The settlement resulted in an immediate payout from OPIC's insurance reserve of only \$35 million.

On top of the actual settlement, however, OPIC agreed to refund to ITT \$4 million of the \$6 million in insurance premiums the company paid for its OPIC insurance.

ITT will receive \$10 million this year from Chile as an immediate down payment on the \$87.2 million equity settlement. The company receives an interest-bearing letter of credit, payable this year, for that amount.

The remaining \$77.2 million is payable to ITT in 10% notes issued by CORFO, the Chilean Development Corp., maturing semiannually between Jan. 1, 1975, through July 15, 1987.

OVER HALF (\$18 million) of OPIC's \$35 million payout will come through purchase of the last three years of these semiannual notes, payable in 1985, 1986 and 1987, to go directly to ITT.

Of the \$38 million in debt owed ITT, \$21 million will be paid immediately in cash by the Chilean government. It represents past due principal and interest.

OPIC will purchase from ITT the remaining \$17 million in debt, to be retired over the next six

years in accordance with the original debt agreement. These are now guaranteed by the Central Bank of Chile.

OPIC has additionally agreed to guarantee the \$59.2 million in 10% notes. Chile will still owe ITT for its equity interest in the telephone company.

OPIC President Marshall T. Mays said, "The settlement was an equitable one. The \$35 million of notes we are acquiring bear interest at an average rate of eight percent. The funds used to purchase these notes will come out of our insurance reserve, which now stands at \$202.2 million. In turn, the payments of principal and interest which are made by Chile to OPIC over the next 13 years, totaling \$58 million, will go back into our reserve.

"This settlement," he said, "is a good example of what the parties can accomplish by negotiating in good faith. A complex second stage of arbitration has thus been made unnecessary.

"Both the representatives of the Chilean government and ITT have demonstrated a spirit of cooperation and understanding throughout, and as a result the problem was kept in proper perspective."

He said, "This willingness to work out difficult problems with mutual regard for the interest of all concerned is certainly a major step forward in international understanding."

* * *

IN A RELATED settlement, OPIC said it negotiated an expropriation settlement between another of its insureds, Reynolds Metals Co., and the government of Guyana.

The Latin American country nationalized Reynolds Guyana Mines Ltd., effective Jan. 1, 1975. Reynolds carries OPIC expropriation insurance on this investment. The agreement with Guyana fixes a compensation level and terms which provide for full recovery by OPIC of its insurance payment to Reynolds.

Guyana, OPIC said, agreed to pay \$14.5 million for the nationalized assets. Settlement of claims between Guyana and Reynolds over income tax and bauxite production levies reduces the net compensation remaining to be paid to \$10 million.

The government of Guyana will issue notes to pay this amount over thirteen years with 8.5% interest, free of Guyana tax, OPIC said. This obligation is not contingent on the profits earned in future operation of the enterprise.

* * *

THE GOVERNMENT of Chile agreed to pay OPIC \$13.9 million plus interest over the next five years as part of the settlement of the expropriation case involving The Anaconda Co.'s Exotica copper mine.

OPIC paid Anaconda \$11.9 million in September, 1972, in full settlement of the company's claim for its 75% interest in the mine. At the same time, however, OPIC denied the company's additional claims totaling \$154 million.

Anaconda contested the denial of these claims and hearings on this dispute are to begin this month under the auspices of the American Arbitration Assn.

In the Anaconda case, the Chilean government's agreement to pay OPIC \$13.9 million represents reimbursement of the agency's earlier \$11.9 million claim settlement with Anaconda.

OPIC will receive an immediate payment of \$4.5 million and then \$9.4 million plus interest over the next five years with the final payment due in December 1979.

The final settlement of the case between OPIC and the Chilean government was negotiated by Gerald D. Morgan Jr., OPIC's deputy vp for insurance.

All in the Family

For George and Shirley Coté of Newport Beach, California, flying is a real family affair. Each owns an aircraft and both have commercial tickets with single and multi-engine instrument ratings plus thousands of hours of flight time. □ Shirley also has flight instructor and glider ratings, has won numerous cross-country races and was named 1971 Pilot of the Year by the Orange County 99s. And she's been flying for only six years! □ Her husband, George, has a rotary-wing rating, a degree in airport management and has served for over 20 years as an aviation administrator in both the public and private sectors. He is currently a 112 Commander representative and is working toward a law degree. □ Like many aviation families, the Coté's insure with USAIG. "Over a 20 year period, USAIG has provided me with an entire spectrum of coverages . . . from individual aircraft liability to airport liability for a complete system of airports," says George. "And they've never let me down . . . not just when we had a claim but also when we needed advice and guidance on hard business decisions. They've really helped me stay in aviation . . . both safely and profitably."

USAIG UNITED STATES AIRCRAFT INSURANCE GROUP
NEW YORK • ATLANTA • CHICAGO • DALLAS • HOUSTON • TOLEDO • LOS ANGELES • SAN FRANCISCO



Whatever you need, we'll come hell-bent for leather.

We'll ride shotgun on all your shipments—land, air or sea. With commercial inland marine and ocean marine insurance tailored and priced to meet your special needs.

We'll take on tough jobs like insuring builders' equipment. Or protecting your entire fleet of cars and trucks. Even boiler and machinery insurance.

You can get excess property and casualty insurance from us, too.

Not many companies offer all these kinds of insurance. But then, they're not Kemper.



Call the people who cover the territory. Your independent agent or broker who represents us.
Or write Pete Standbridge, Sales Manager, Kemper Insurance Companies, Long Grove, Illinois 60049.



We're with you
for the long ride.



london line

Losses by oil rig insurers could cause exit from the market and higher rates

LONDON—The market for insurance to cover oil drilling rigs is still highly competitive, which could cause some insurers to react to any heavy losses by withdrawing from the markets, a leading underwriter here predicted.

Peter J. Wingett, committee member of The Institute of London Underwriters and manager of Indemnity Marine Assurance Co., also foresees a rise in rates for the oil drilling rig coverages, in the

wake of deteriorating experience and inflation's effect on losses.

Like the oil business itself, the drilling rig business is highly complex. The physical damage and liability loss potential of the rigs is enormous, Mr. Wingett pointed out.

He declined to disclose the actual premium levels being sought by underwriters, but noted that rates have fallen as low as 9.75% since the catastrophic loss years of 1965-66 with their hurri-

cane Betty and Hilda. "The rate at that stage called for at least 12.5%, but it was decided as an interim measure to charge 9.75% subject to a realistic number of units remaining insured," he said.

Losses improved as a result of better rig designs and a better spread of risk globally, coupled with good weather and fewer hurricanes. Thus, he continued, the rate was reduced in 1969 to 8.75%. Rates have been driven down still further since then be-

cause of market competition Mr. Wingett noted.

"It would appear from our recent statistics that we have reached such a competitive rating level that the pendulum has swung in favor of the insured. That is what a free market is all about. However," he continued, "some of the uninformed competition which has recently appeared will no doubt suffer heavy losses. I hope they will be able to pay, even if not cheerfully. Following the pattern of history they will withdraw from the market once again," he believes.

MR. WINGETT also noted that deductibles on oil drilling rig covers are presently at about one percent, ranging between \$25,000 and \$100,000, but higher deductibles can be negotiated.

Endorsements are available on physical damage policies which provide extra coverage for business interruption protection in the

event of a total loss, Mr. Wingett said.

For fixed platforms, the policy wording is generally similar to the barge form for floating units or drilling ships, although the deductibles for permanent offshore installations generally run about three percent, ranging usually from \$10,000 to \$25,000, Mr. Wingett said.

Leading marine underwriters in Britain are studying the demands being made in several quarters for a change in cargo liability cover.

Responding to moves to get ocean carriers to assume more liability, Edward Rainbow, one such underwriter, said: "Cargo owners should have the right to make up their own minds in selecting an insurance contract.

"Our job is to provide our customers with what they want. Once we're satisfied that they are seeking a change, it will be for us to cater to it. But my belief is that the cargo interests value the right to pick their own insurers. For then they can negotiate an insurance contract suitable to their needs."

Mr. Rainbow, during a trip to South Africa, told the Assn. of Marine Underwriters in Johannesburg that the proposed convention dealing with the international combined transport of goods would be asked to extend the present rules to provide for strict liability of the operator.

BUT THIS would have the effect of making the operator liable with certain exceptions, for all loss or damage to the cargo, whether he was to blame or not, and would mean the cargo owner would lose his traditional right to get his own cover.

Mr. Rainbow is responsible for Commercial Union's world marine and aviation operations and was a prominent delegate at the International Union of Marine Insurance Conference in Berlin.

"Cargo owners should be able to choose the policy they want, at a price they find suitable, from the insurer of their choice. Some carry part of the risk themselves by a deductible or other restricted form of cover," he stated.

"But these options will be denied them if the operator provides an all-risk insurance cover at a price included in the freight charge. Premium differentials for good quality packing will disappear. This will be to the detriment of shippers who have shown claims experiences better than average. Cargo owners will have less easy access to underwriters in the event of difficulties over settling a claim" he believes.

"If the operator is faced with strict liability, he will have to get the necessary insurance cover, which was previously obtained by the cargo owner, and the cost will be added to the operator's charge to his client," he concluded.

PAN AMERICAN airline has repaid \$8.8 million which was advanced as a loan by war risks underwriters in London to cover the loss of its Boeing 747 jumbo jet hijacked by Arab guerrillas and destroyed at Cairo in 1970.

This follows the U.S. courts decision that the all risks underwriters involved in the case should be held liable for the claim.

The money was advanced pending settlement of the case, in which the full hull value of \$24 million was finally held to be the responsibility of the all risks section of the market because of the contractual nature of the loss.

Most of the all risk underwriters involved were in the U.S., but some British underwriters had interests as well. Judgment removing the onus of the claim from the war risks market was finally given last year.

Need a prescription for benefit awareness?

A PAID Prescriptions card provides
members of your organization with visible
proof of what you're doing for them.
Everytime a prescription is filled.
Immediately.

It also eases the aches and pains of
drug benefit program
administration,
clears up paperwork
congestion, and
lowers everyone's
blood pressure.



We're PAID Prescriptions and HAS.
Write us.*

* For our Basic Drug Program brochure.
Ask about our film, too.



PAID PRESCRIPTIONS®

Dept. 14

P. O. Box 4432, Burlingame, California 94010



Health Application Systems® provides management and data processing support to Paid Prescriptions.

Still time to enter Employee Benefits Communications Awards Contest

NEW YORK—More than 125 requests have been received for entry forms for the third *Business Insurance* Employee Benefits Communications Awards Competition.

Entries in the competition, which will honor outstanding communications in the field of communicating employee benefits to employees and their beneficiaries, will be accepted until Feb. 24.

Awards will be presented in April, during a luncheon at the Risk and Insurance Management

Society's (formerly the American Society of Insurance Management) annual conference in Dallas.

THE COMPETITION open to companies and their benefits departments as well as to private consultants who specialize in communications consulting who will be honored separately for their work on behalf of clients, will consider entries in four categories. They are booklets; personal communications, such as letters and computerized benefits statements; audio-visual materials used in such communications; and total communications program (which may be a combination of all or any of the above).

A panel of five judges has

been chosen to pick award winners. Judges are Douglas L. Allgood, director, corporate advertising at RCA Corp; Tony Cappiello, communications director and principal of Ries Cappiello Colwell, a New York advertising agency; Rita Epstein, editor of Risk Management magazine and director of the Risk and Insurance Management Society's news bureau; Jo Foxworth, president of Jo Foxworth Inc., a New York ad agency; and William H. Scherman, vp and promotion director of Newsweek magazine.

Any interested parties may request entry blanks, rules and other information as soon as possible by filling out and returning the coupon on this page.

Employee Benefits Communications Awards Competition

Mail to: Benefits Communications Awards
Business Insurance
708 Third Avenue
New York, N.Y. 10017

Yes, I am interested in entering our communications program(s). Please send me _____ entry blank(s) and the competition rules.

Title _____

Company _____

Address _____

City _____

State _____

Zip _____

Whirlpool to self-insure liability cover

BENTON HARBOR, MI.—Whirlpool Corp. changed its general liability insurance program to what corporate insurance manager Jake Pascal calls "a self-insurance program for general liability, most of which in our case is product liability claims."

Whirlpool will also consider going to a partially self-insured, or high deductible, plan on workers' compensation during 1975, Mr. Pascal said.

The idea was to generate better internal cash flow at Whirlpool. The changes made nearly a year ago have proved "helpful" in a time when working capital is short and borrowing is expensive.

Whirlpool also has put a moratorium on hiring, and will not continue its search for a manager of general insurance. The position was advertised in midyear 1974 as a newly created position under Mr. Pascal, expanding the insurance department.

THE CHANGE in liability programs involves a new \$100,000 per occurrence deductible for general liability, with pure insurance above that with Insurance Co. of North America, the same carrier Whirlpool has used for several years. Whirlpool formerly used a retro plan with a \$50,000 retention.

ESIS Inc., an INA subsidiary, will handle claims administration and provide engineering inspection services for Whirlpool. The administration services are a new addition to the program, said Mr. Pascal.

Mr. Pascal declined to comment on the specific dollar savings for Whirlpool in this new program, but said the cash flow generated by this change is "significant."

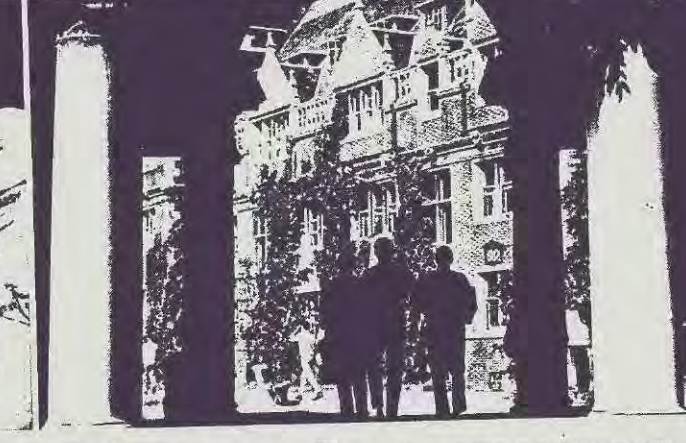
Knowledgeable sources close to the company, however, said that between \$500,000 and \$1 million would normally be recovered from the insurer's reserves for a company the size of Whirlpool going to this size deductible.

Whirlpool has liability coverage with INA above the deductible of \$100,000 per occurrence for bodily injury, and \$100,000 per occurrence for property damage, with a \$500,000 aggregate limit in each of those categories. Umbrella liability insurance covers on top of those limits.

Authorize rate hike

A 22.6% rate increase for New Hampshire-Vermont Blue Shield subscribers has been authorized by Vermont banking-insurance commissioner James Guest, and will be effective February 1. The health plan, which serves 600,000 members, originally sought a rise of 30.7%.

What do they all have working for them?



Chubb Boiler & Machinery Insurance.

Whether or not you have a boiler, there's a Chubb policy that protects your heating, cooling and power producing machinery and equipment. With offices nation-wide, we can offer close-at-hand service in engineering, inspections and claims.



CHUBB/PACIFIC INDEMNITY GROUP
Subsidiaries of The Chubb Corporation, 100 William St., New York, N.Y. 10038

CHUBB & SON INC., Manager: Federal Insurance Company + Vigilant Insurance Company + Great Northern Insurance Company + The Sea Insurance Company Limited + The London Assurance + Alliance Assurance Company Limited + Sun Insurance Office Limited + The Sumitomo Marine and Fire Insurance Company, Limited + Affiliated through **THE CHUBB CORPORATION**: Pacific Indemnity Group + The Colonial Life Insurance Company of America + United Life and Accident Insurance Company
Aviation insurance through Associated Aviation Underwriters.

editorial opinions

Cleaning the air

THE RELUCTANCE of insurance regulators to disclose the names of insurers whose financial conditions are being watched closely by state insurance departments concerns us.

In recent weeks, this magazine has made several attempts to learn the identities of the numerous insurance companies presently under close surveillance by regulators. The companies in question generally are being watched because deteriorating securities portfolios coupled with a bad underwriting year have seen their premiums-to-surplus positions erode dangerously.

This information, we feel, should be made available to the public—to individual and commercial insurance policyholders alike.

Almost to a man, however, insurance regulatory personnel we've talked to on the subject have hesitated naming companies under surveillance by their departments. Why? The prime reason, it seems, is a squeamishness on the part of regulators to fan any flame. As one official said, "This is an extremely delicate matter. We're dealing with financial institutions, and it could turn into a boat-swamping thing; it could create a panic among policyholders."

We're sorry. That argument doesn't really wash with us. Insurance policies, after all, are not really that "liquid." Moreover, we've never really given up the notion that when faced with truth—whether it be favorable or unfavorable news—people will act responsibly.

During the past few weeks the insurance community has been besieged with rumors about this company or that company "on the verge of going under."

It's time, we think, for the nation's insurance regulators to put some facts on the table. Name some names and offer some explanations about what the companies under surveillance are doing to shore up their financial positions.

Malpractice crisis

THE PROBLEMS with physicians' malpractice insurance have reached such proportions that they deserve high-level attention in this country.

The present insurer of malpractice in New York, for example, will withdraw its coverage of that state's doctors beginning July 1. The abandonment of the market by the Argonaut Insurance Co. of Menlo Park, Ca., has led the president of the Medical Society of the State of New York, Dr. Lynn R. Callin, to say that the state "will face a health manpower crisis of catastrophic proportions" after July 1 unless some plan is devised to see that doctors can obtain coverage at reasonable rates by that date.

Not typical, perhaps, but an extremely vivid example of what many doctors in this country are facing nevertheless, is the case of a Rye, N.Y. physician who recently notified her patients why she was retiring from private practice (the letter was adapted by the New York Times' Op-Ed Page).

"I began practice in 1958," Dr. Kane wrote, "and that year paid a premium of \$480. Ten years later, I had to pay \$4,800. Last year orthopedic surgeons in the metropolitan area had to pay nearly \$8,000, and next year the premium will be \$14,000."

"You all know that because I teach and run the Children's Foot Clinic at Presbyterian Hospital, I maintain only a small practice. It has recently averaged 260 patient visits per year. \$14,000 divided by 260 is approximately \$54. It would cost me more than \$60 per patient visit next year and that is a price that neither you nor I can afford," the doctor wrote.

Several possible solutions to the problem have been aired lately: the establishment of awards boards to limit damages to a specific schedule, as is now the case with workers' comp; mediation panels that would make recommendations to juries; the introduction of a no-fault concept that would base compensation on actual loss; and limits on lawyers' contingency fees.

We don't know the answers, but certainly some of these ideas deserve further exploration. What is needed first, of course, is leadership. The medical, legal and insurance communities must be pulled together to study the problem.

As Dr. Kane concluded: "It behooves all of us to make every effort to bring about a resolution of this problem that will protect all patients—those with legitimate problems and those who must pay for the suit settlements via their physicians' fees."

A welcome

THE ACQUISITION of controlling interest in CNA Financial Corp., the holding company for Continental Casualty Co. and Continental Assurance Co., by Loews Corp. late last year has created interesting speculation on the cocktail circuit during the past couple of months. What in the world are those Tisch brothers (Laurence A., Loews' chairman, and Preston R., president) up to?

It seems they're about to put CNA firmly back into the insurance business after several moves in extraneous directions by CNA's former management, and that should be good news for insurance consumers who are constantly looking for broader markets.

At a meeting with the insurance press in New York the other morning, the Tisch brothers seemed very sincere in their assurances that CNA was in the insurance business to stay, that they were presently seeking a new chief executive officer with a strong insurance background "who'll be the boss," that new CNA management would no longer be "pre-occupied with acquisitions out of its field" and that the Loews Corp. was prepared to pump more money into insurance operations if it becomes necessary to shore up its position in the future.

CNA, of course, has had a rather formidable past as a strong market for commercial insurance risks. And with promises like that it shouldn't be long before it gains some of the momentum it lost in recent years. We welcome the Tisch brothers into the business.

letters

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

EEOC corrections

To the Editor: We would like to correct certain inaccurate statements which appeared in an article on p. 34 of the Employee Benefits Issue of *Business Insurance* (Dec. 9, 1974) regarding the position of Equal Employment Opportunity on non-discriminatory employee fringe benefits.

The article suggested that the EEOC had forbidden the use of sex-based mortality tables and had approved the use of tables based on factors other than sex. The EEOC position is that employee benefits, including periodic pension benefits, must be equal as between men and women similarly situated. The commission does not oppose the use of sex-based mortality tables per se, but only when such use results in the payment of different periodic benefits on the basis of sex. The commission has neither approved or disapproved any set of mortality tables, sex-based or otherwise.

We would like to point out that the discussion of *Geduldig v. Aiello*, 417 U.S. 484 (1974), should have referred to the holding of the Supreme Court, not a state court. Finally, staff attorney Jennifer Johnson was incorrectly identified as the general counsel. The general counsel of the Equal Employment Opportunity Commission is William A. Carey.

Issie L. Jenkins

Associate General Counsel,
Legal Counsel Division, EEOC,
Washington, D.C.

A consultant replies

To the Editor: It is to be hoped that not all brokers share the dim view of consultants expressed by J. R. Taylor in the Letters column of *Business Insurance* (November 25, 1974). It is certain that consultants generally have a much more charitable view of their professionals, including those in the ranks of brokerage firms. I hardly consider them enemies.

Consultants are certainly not saints, and there may be some guilty of the sins cited by Mr. Taylor. However, I will not consent to our being damned as a general class for a supposed bias that is non-existent in the case of most good risk management consultants. Like most other consultants, we do not favor direct writers per se, nor do we foreclose their being considered—to us the marketing system used is not nearly so significant as the scope of coverage, loss prevention

Continued on page 16

business insurance

the national newsmagazine for buyers of employee, property and liability protection and financial services

G. D. CRAIN JR.
founder (1885-1973)

MRS. G. D. CRAIN JR.
chairman of the board
RANCE CRAIN
president and editorial director

S. R. BERNSTEIN
chairman, executive committee
KEITH E. CRAIN
secretary-treasurer

ALFRED MALECKI, publisher

STEPHEN D. GILKENS, Editor (New York)

SUSAN ALT, Managing editor (Chicago)

Washington editor: RICHARD L. GORDON. Associates: New York—MARIE KRAKOWIECKI, MARGARET LeROUX, Chicago—ELISABETH WECHSLER, Los Angeles—JOANNE GAMLIN. Staff reporter: Chicago—PAUL MERRION. Editorial production chief: Chicago—DIANE DeROCHER. Editorial assistant: New York—LINDA MOSKOWITZ, Washington—DINAH DAVIS. Art director: JOE FARACI. Correspondents San Francisco—KENNETH MACDONALD (415-474-8532). Hartford—ALLEN M. WIDEM (203-232-3101).

DONALD A. WALSH, Advertising director (New York)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST. Chicago—ROBERT L. NIESSE. Los Angeles—DENNIS KOCH. Production manager: Chicago—JOHN JAMKA. Promotion manager: New York—RONNIE I. DRACHMAN. Assistant to the publisher: Chicago—CELIA MALOUHOS. New York—HOLLIS PIVOR.

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Pensions & Investments, Industrial Marketing, M. A. HARTENFIELD, executive vice president; D. J. CLEARY JR., senior vice president; ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, ROBERT W. KRAFT, vice presidents; MERRILEE P. CRAIN, assistant secretary; JAMES M. FRANKLIN, director of finance and administration. Cable address: CRAINCOM

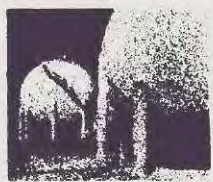
Published biweekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 50 cents a copy. \$12 a year in U.S. Elsewhere \$4 a year additional WILLIAM STRONG, circulation director. ROGER DEGRECORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush St., Chicago, Ill. 60611



Member of Business Publications Audit of Circulation



IT'S GOING TO TAKE A LOT OF INSURANCE TO HELP SOLVE THE WORLD'S ENERGY CRISIS.



Everyday now, new searches are beginning for new sources of energy.

And that means new risks.

For producers and processors and services, including utilities, in every corner of the world.

That's why so many of these companies are turning to American International Underwriters—a company they can depend on in more than 130 countries.

For example, since the very beginning of international oil exploration, 40 years ago, AIU has been providing coverage on refineries, pipelines, and tankers. Storage facilities, liquefaction facilities, and oil drilling rigs—both onshore and offshore.



And for *all* types of energy risks, we can promise you this: Wherever the search leads, chances are that AIU is *there*. With staff engineers. With claims people, ready to move quickly and helpfully whenever needed.

And with the kind of experience that assures you of the tailored program you want to fit your specific needs—and local requirements.

It's the same kind of expertise—and long, intensive association with insurance problems—that have enabled us to serve a vast and growing number of other fields, too, outside of Energy.

For more information, just mail the coupon.



American International Underwriters Corporation

Dept. BI015, 102 Maiden Lane,
New York, N.Y. 10005

- ☐ Please send me more information about your property and casualty coverages for energy and utility companies.
- ☐ My company operates in the _____ field. Please send me information about your service capabilities in this area.

Name _____

(Please Print)

Company _____

Title _____

Address _____

City _____

State _____ Zip _____

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with AIU.



A Member Company of
American International Group

Insured catastrophe losses in 1974 'year of the tornado' hit \$680 mill.

WASHINGTON—The Federal Disaster Assistance Administration (FDAA) said this month that 1974 has gone into their books as "the year of the tornado."

FDAA administrator Thomas P. Dunne said the insurance industry paid some \$385 million in claims in 10 states in the month of April alone.

He said insured catastrophe losses for 1974 hit an estimated \$680 million, almost double 1973

claims of \$356 million.

Tornadoes buffeted 187 counties in 10 states the first week in April, leaving almost 5,000 families homeless, 336 persons dead, 9,000 injured and 1,230 hospitalized.

In one 24-hour period alone, from April 3 to 4, 140 tornadoes touched down, eclipsing the previous high of 47 on April 11, 1965, the Palm Sunday tornadoes that hammered midwestern states.

Federal weather experts said that it is only "once in a century or two" that this many tornadoes will occur in such a short time span.

ALL TOLD, some 960 tornadoes, floods, storms, and other natural disasters struck communities throughout the nation last year, causing approximately \$1.4 billion in damage.

There were 46 major disaster

declarations during the year, affecting 590 countries in 31 states and three territories. This matched the 46 declarations made in 1973. The all time record was 48 declarations in 1972, the year of Hurricane Agnes.

Mr. Dunne said insurance could play a key role in reducing the impact of these disasters and added that most property owners were not willfully underinsured.

However, he said, many were caught in the throes of inflation and had not adjusted their coverage to meet inflated replacement costs for their property.

Particularly hard hit in some cases were businessmen who did not own buildings that housed

their enterprises. In several instances, he said, the property owner elected not to rebuild, leaving the businessman with no place to operate.

THE FDAA, he said, had an "understanding" with the American Insurance Assn. that included insurance representatives in federal disaster information centers to explain and assist insurance policyholders.

Having sufficient insurance, he said, eliminated a property owner from having to go through the unavoidable red tape involved in seeking disaster aid or Small Business Administration loans.

An encouraging note, Mr. Dunne said, was the fact that 5,489 communities across the country now participate in the federal flood insurance program, with 500,000 policies valued at \$12 billion in effect at the end of 1974.

He said that figures compared with 2,856 communities at the end of 1973 with 311,736 policies in force with a value of \$5.2 billion.

The FDAA, Mr. Dunne said, has spent much time in preparing or attempting to prepare for yet another potential disaster—earthquakes. Detailed planning is underway, for example, with California state and municipal authorities. But he added that the best estimates show only about 70,000 earthquake insurance policies are in effect in that quake-prone state.

"THE INSURANCE is available (from private underwriters)," he said, but it isn't being widely purchased, possibly because of high premiums.

Three states—Louisiana, Ohio and Oklahoma—were declared major disaster areas three times in 1974. Six states had two major disasters—Alaska, Arkansas, California, Illinois, Minnesota, and West Virginia.

Louisiana was declared a disaster area for floods on Feb. 23; for a hurricane on Sept. 23; and for storms on Nov. 1.

Ohio was declared a disaster area for tornadoes, April 4; for floods, May 31; and for floods again on July 11.

Oklahoma suffered from floods on March 22; floods, severe storms and tornadoes on June 10; and storms and floods again on Nov. 26.

DuPont sets up captive in Bermuda

WILMINGTON, DEL.—E. I. DuPont de Nemours & Co. Inc. established a Bermuda captive, the Brandywine Assurance Co., to insure property coverage for its European facilities to a \$10 million limit, a company spokesman told *Business Insurance*.

DuPont self-insures property and casualty coverage for all U.S. facilities up to \$10 million, the spokesman said. "We have an excess policy for coverage over the \$10 million amount," he added.

One of the main considerations for establishing the Bermuda captive, the spokesman explained, was that "we feel our own risk management safety and fire prevention programs have resulted in a much better than average loss experience."

DuPont has a record of low accident occurrence per man hour worked and in 1972 began marketing its internal safety program.

The captive is being managed by the duPont Co., the spokesman said; there is no reinsurance involved.

Guess who just ordered sprinklers installed in all his new high rise buildings?



The GSA, the federal agency responsible for letting most government construction contracts, has just ordered that all new buildings 5 stories or more in height be equipped with automatic fire sprinklers.

And Uncle Sam isn't the only one who's sold on automatic sprinklers as a way to insure life safety. To date, Connecticut, Maryland, Massachusetts, Ohio and scores of cities, towns and municipalities have passed tough new building codes banning new construction of unsprinklered high rise buildings.

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

A question of ethics. Occupants of high rises have the right to expect protection from a fire which could leave them stranded hundreds of feet above the reach of fire department ladders and hoses. Many fire experts agree that a modern sprinkler system is the best way to insure that kind of safety.

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

Cost savings. Sprinklering your next high rise will make it

safer and could save you money in many or all of the following ways: Flame

spread ratings of surface finishing materials can be increased. Fire ratings of

walls, doors, roofs, floors, beams, trusses and columns can be reduced. The distance between fire exits can be increased, leading to fewer stairways. Larger non-compartmented areas are permissible, and fire

barrier requirements can be eliminated. Smokeproof entrance closures to exit stairs can be eliminated if stairways are pressurized. The requirement for "areas of refuge" can be waived. Manual fire alarm systems may be eliminated. Fire hoses and cabinets can be eliminated. Riser piping is permitted to serve as combined sprinkler riser and fire department standpipe.

Sprinklers cost, it's true. But sprinklers save money, too. The average high rise can be sprinklered for approximately \$1 per square foot. Investigate the construction cost savings involved in your next high rise. The results may surprise you.

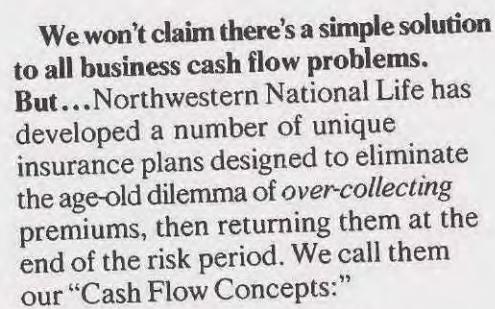
Grinnell Fire Protection Systems Company, Inc. has been designing and building sprinkler systems for more than 120 years. We would be happy to work with you in the planning of an automatic sprinkler system in your next high rise building. If you'd like more information on how we can help, call the nearest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

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



GRINNELL
GRINNELL FIRE PROTECTION SYSTEMS COMPANY, INC.

Photo by the Bettmann Archive



*Experience Rated Life Plan
Retrospective Premium Plan
Minimum Premium Plan
Administrative Services Only Plan
Stop-Loss Insurance Plan
with Self-Insurance
Securities in Lieu of Reserve Plan
Extended Grace Period Plan*

Northwestern National Life offers all these cash flow plans in countless combinations and variations. And, more importantly, we offer a good deal of experience implementing them. So you get the maximum dollar impact on cash flow. Managing cash flow can get complicated. And that's where we can be of real help. Just write or call:

Al Benson
Northwestern National Life
Insurance Company
Box 20
Minneapolis, MN 55440
(612) 372-5350



**NORTHWESTERN NATIONAL
LIFE INSURANCE COMPANY**
HOME OFFICE • MINNEAPOLIS, MINNESOTA

letters

Continued from page 12

services, claim adjusting attitudes and services, and premium. In any given situation, the best carrier may be either a direct writer or an agency company—and we will, by reason of the fact that we are

not dependent on one system or the other for our income, call them as we see them.

As to his assertion that the consultant needs buddies in the insurance business to keep him up to date on what's happening, who is kidding who? Consultants hardly live in a vacuum, and we probably review more different insurance programs in a year than a brokerage firm account executive

sees in three years. Most consultants are called upon frequently by brokers or agents for informal advice or information, and I know of no brokerage firm publishing anything comparable to the monthly letters, bulletins, or manuals that firms like Liner, Risk Planning Group, or Warren & McVeigh participate in publishing. I do not want to be immodest, but the Wyatt Directors and Officers Liability Survey certainly has contributed more to the education of insurance agents and brokers than they have generally contributed to either us or their clients on this subject. No one has a corner on knowledge—neither agent, underwriter, consultant, or risk man.

Mr. Taylor, I suggest that not everyone is grinding axes, but even if you are, do not brandish it! Grind it if you will, but better yet, bury it, and work in concert with other professionals. Then we can all get on with the job of serving our clients, to whom our first loyalties should lie.

Warren G. Brockmeier
Director, Risk Management
Services, The Wyatt Co., Chicago, Ill.

A second reply

To the Editor: Obviously Mr. James R. Taylor has an axe to grind, and the sparks flew in his article in the November 25 issue.

As an insurance consultant, I follow a strict "what is best for the client" attitude. The only time a local broker or agent loses an account is that time he has failed to do his job.

I enumerate some fine brokers and agents among my best "really" friends. This past week three called on me for assistance and advice, freely given. I have also learned much from them over the years. I have friends among the direct writers I might add, and we also exchange advice. Perhaps we exchange insults privately, but generally, we do get along when they understand (broker, agent and direct writer) that by agreeing, if they are not correct, they will ultimately have a better and more secure client.

Perhaps Mr. Taylor failed to listen to the advice of a consultant and lost a good account?

Justin S. Lencke
Insurance Consultant, Marianna, Fl.

info for buyers

To receive literature listed in Info for Buyers write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*. Readers are welcome to submit items for possible inclusion in the column. A sample of your literature should be sent to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

• The Health Insurance Assn. of America has released a pamphlet setting forth questions the health insurance business has about **National Health Insurance—How Should it be Financed? How Should it be Administered?** It lists and briefly explains the industry's basic position: no Social Security financing, full use of private health insurers, and the capability of insurers to underwrite catastrophic coverage. Copies are available from the Health Insurance Institute, 277 Park Ave., New York, N.Y. 10017.

• **General Insurance Literature** is a selected list of publications, offered by the Insurance Institute of Canada. Except for life and health, this reference book lists available material on almost every other kind of insurance, along with a brief description of each. Although written from the Canadian viewpoint, many of the items come from the U.S. Price of the bibliography is \$4; write the institute at 220 Bay Street, Toronto, Ontario, M5J 1P3.

• **New Design for Savings and Thrift Plans**, a report covering fourteen items to consider when designing a savings or thrift plan, is available from Kwasha Lipton Inc. Topics include type of plan, eligibility, employee contributions, company contributions, investment funds, vesting and forfeitures. For a free copy write Henry F. Magnuson, Kwasha Lipton Inc., 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• The Western Assn. of Insurance Brokers is making available copies of a 27-page **Insurance Survey Form** prepared as a composite of those used by leading brokerages. Originally prepared during a commercial risk and analysis seminar last November, the forms cover property, casualty, inland marine, bonds, crime and miscellaneous forms of insurance. Copies are \$10 each; write to the association at 235 Montgomery St., Room 962, San Francisco, Ca. 94104.

• **Fire Extinguishing Equipment** is a pamphlet distributed by the Safety First Products Corp. on its commercial kitchen system, dry chemical extinguishers, industrial dry chemical and SF 1301 Hanlon total flooding system. For a free copy write E. T. Robinson, Advertising Mgr., Safety First Products Corp., 3684 Meadow Lane, Cornwells Heights, Pa. 19020.

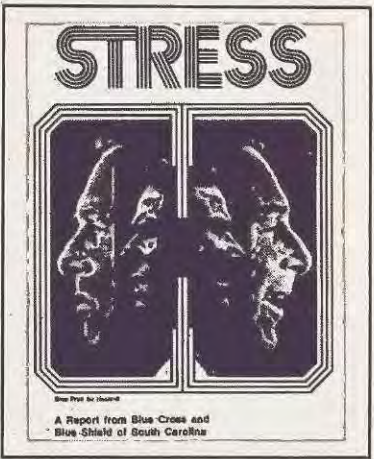
• **The RADA Advantage in Terminal Funding** describes the terminal funding program handled by Small/Parker/Ackerman/Blossom Inc. Prospective increases in monthly income under profit-sharing plans at termination of employment is discussed. For a free copy write the company, 1201 North St. Bldg., Peoria, Ill. 61606.

• A. S. Hansen Inc. has made available a reprint of a review of "You and Your Pension" by Ralph Nader and Kate Blackwell. The review, entitled **Know Thy Enemy... You'll Probably Disagree With Nader, But You'd Better Read Him**, can be obtained by writing the company, 600 Third Ave., New York, N.Y. 10016.

• **Directors and Officers Liability** is a new brochure available from Stewart, Smith Management Corp. The purpose of the brochure is to give some insight into the legal exposures of directors and officers and illustrate how properly designed D&O can protect them. The brochure is available free from the company, 116 John St., New York, N.Y. 10038.

• **ERISA and Fiduciary Responsibility Insurance**, written by Lance R. Sanberg, vp of Mack and Parker Inc., is available from the firm. The paper explains the new liabilities imposed on employee benefits, pension and profit-sharing trustees and other fiduciaries under the new pension law. A description of "ideal" insurance coverage for these liabilities is offered. To obtain a free copy of the paper write the firm, 209 S. LaSalle St., Chicago, Ill. 60604.

• Blue Cross and Blue Shield are making available a booklet entitled **Stress**, which explains what stress is, how it is caused, how to overcome it and what to do when nothing seems to work. Written



by 11 authors including pediatric psychologist Dr. Lee Salk and comedienne Joan Rivers, the laymen's language booklet may be obtained free in limited quantities by writing your local Blue Cross or Blue Shield organization.

• You don't have to spend more to spend better, says **Employee Benefit Dollars**, a brochure prepared by Prudential Insurance Co. of America. It suggests different combinations of life and survivor benefits which can be worked out to tailor life insurance protection to employees' true needs. For a free copy of this brochure write Director of Group Insurance, Prudential Insurance Co. of America, 3 Plaza, Newark, N.J. 07101.

• **Washington Information: National Health Insurance** is a complete information service on the subject of national health insurance which includes monthly newsletters, special bulletins to keep subscribers informed on fast-breaking activities, summaries of House Ways and Means Committee and Senate Finance Committee NHI testimony, etc. For subscription information write Washington Information: National Health Insurance, 399 Howard Blvd., Mt. Arlington, N.J. 07856.

Name your Element where coverage is needed



Southern Marine is there with skill, resources and the ability to meet unusual risks!

SOUTHERN MARINE & AVIATION
UNDERWRITERS, INC.

610 POYDRAS ST., (504) 524-4131, NEW ORLEANS 70130

Branch Offices in LOS ANGELES / HOUSTON / ATLANTA / TULSA

Serving insurance agents and brokers only — no direct business

A Complete Program Available

**PRE-PAID
LEGAL
INSURANCE
NOW!**

7 Years of Preparation and Research

WANT MORE INFORMATION?

☐ Please send me more information on pre-paid Legal Insurance.

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

UNIMARK/CALDWELL
Pre-Paid Legal Insurance

Charles Terrell Max Christian
Don Caldwell Guy Finley
Box 35948 Dallas, Tex. 75234
214/638-8070

Lower insurance costs through quality control

By ELISABETH M. WECHSLER

CHICAGO—"The aggregate value of product liability claims in the U.S. could top \$50 billion in 1975," predicted Robert H. Coleman, vp of A.T. Kearney Inc., adding that it has "increased a hundred-fold in the past 10 years."

The international management consulting firm released a study of 280 chief executives in 11 major industries about their product quality control and safety programs. More than half said their companies had been involved at one time or another in product liability litigation.

At least 50% of the companies surveyed cited reduced insurance costs as a benefit resulting from quality control and safety programs, according to Mr. Coleman and associate Gary J. Campbell, who jointly designed and evaluated the survey.

"I'm not prepared to tell risk managers how to manage their risks as a result of the survey," Mr. Campbell said. "But what companies do see by establishing an improved program of product reliability is that their insurance coverage is reduced."

"THE PRIMARY advantage of the programs comes back to the product itself," Mr. Campbell believes. "Any company that wants to reduce the payment of claims (on product liability) must first stop the complaints from coming in the door. (The programs) will have an input to insurance decisions," he added.

Kearney's questionnaire was designed "to spotlight the approaches and techniques used in product assurance programs and to measure their degree of success throughout those industries," according to the report.

"We looked at the manufacturing sector of the company, including the earlier phases of product development and engineering design cycles (up to the point that the product is in the consumer's hands)," Mr. Campbell explained.

"Often the guy in manufacturing really doesn't know what's going on in terms of negative feedback," he added. "Companies should try to make something positive out of the insurance claims and consumer complaints." He advised passing the information on to the engineering department so that they can take corrective action.

"Quality control and safety must go hand in hand," Mr. Campbell emphasized. "Companies should always want to design a quality, reliable product. It should function well but it also must have the safety of the consumer in mind."

"Companies regulated by the Occupational Safety and Health Administration and by the Consumer Product Safety Commission exhibited the highest level of dissatisfaction with their product quality and safety programs," the report said.

"Managers in industries regulated by the Food and Drug Administration expressed the greatest degree of satisfaction with their programs," the report continued.

\$5 million loan

Mission Equities Corp., a Los Angeles-based insurance holding company, announced it had concluded a \$5 million five-year bank loan. According to president E. R. DeRosa, "The proceeds of the loan will be invested in our Mission Insurance Co. subsidiary to continue its growth and development."

These results closely paralleled those industries heavily involved in product liability litigation.

"One could conclude," the report said, "that companies are intentionally doing a more thorough job of design and testing to obtain the benefits of reduced risk and improved market position."

"Of the 29% of the companies that do not have a formal quality and safety organization and system," the report continued, "most believe that an informal system is adequate for their purposes or they have a product which they consider is inherently safe or of superior quality. Program operating cost was not stated as being a significant reason for avoiding a formal program," the report said. ■



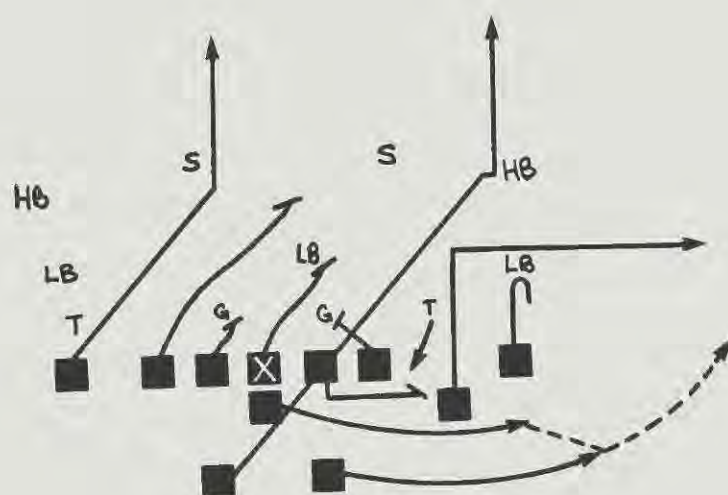
EST. 1899

DAVIS, DORLAND & CO.
INSURANCE BROKERS

99 CHURCH ST., N.Y., N.Y. 10007

TEL: (212) 791-2100

OPTION PLAY



The capacity to adapt quickly to changing conditions marks the competent professional in business as well as in sports.

If you're quarterbacking your company's pension or profit sharing fund's investments, you'll quickly appreciate the usefulness of Crown Life's group pension products.

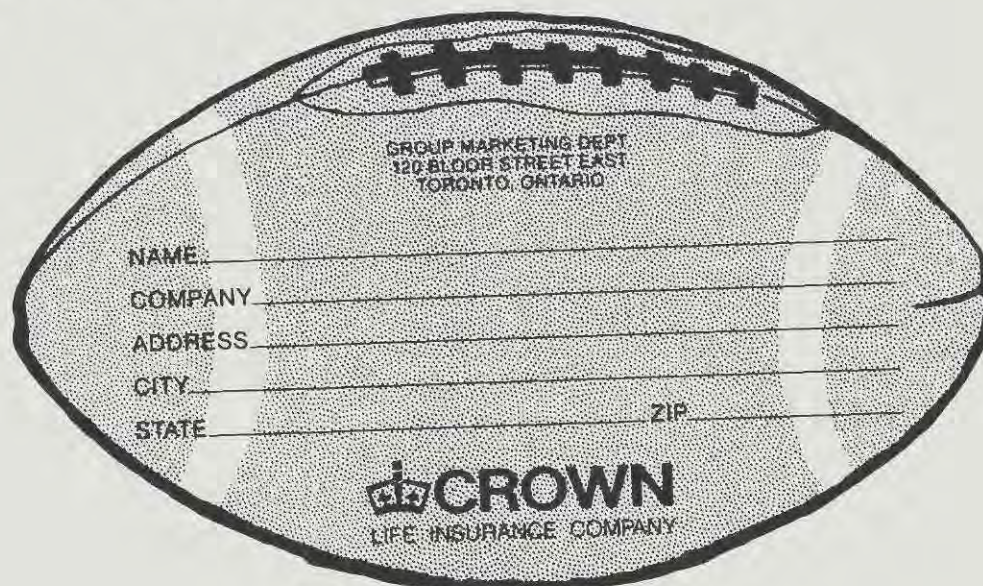
If steady ground-gaining appeals to you, we offer the guarantees of Deposit Administration.

Our "GRIP" package gives you additional options—fixed income funds and an equity fund, in proportions you choose and can change as conditions warrant.

We can give you actuarial or administrative aid, too, if you need it.

Whether it is funding stability or flexibility, actuarial or administrative support you're looking for, Crown Life has the bench-strength you need.

Just give your Crown Life representative the ball, or pass it to us here in Toronto.



Our account representatives work for you.



Insurance Buyers know, it's the people behind the policy that makes one industrial property insurer better than another. Your Arkwright-Boston representative works directly with you and brings a positive, professional approach to your insurance problems. He listens and then acts to give you prompt and accurate information. In this way we design an up-to-date insurance policy specifically to fit your company's needs,

minimizing costly gaps and overlappings. And continued direct communication will allow a constant updating of coverage.

Our account representatives provide only one example of how Arkwright-Boston works for you. Operating on a regional basis our engineers, underwriters, and account representatives work as a team. Decisions are made where you are. As a policyholder you will have

at your disposal the most advanced loss prevention and research facilities to solve any unique risk problems you might have. There are many more features — maximum capacity, financial stability, appraisals, immediate loss investigation, and prompt claims adjustment to name only a few.

Plan for a strong future. Let Arkwright-Boston work for you.



Arkwright-Boston Insurance

Regional Offices: Boston, Massachusetts;
Cleveland, Ohio; New York, New York; Chicago, Illinois;
Atlanta, Georgia; San Francisco, California

All major property insurance lines — including fire and extended coverage, boiler and machinery, difference in conditions, inland and ocean marine.

business insurance

PERSPECTIVE

Insurance playing vital role in energy crisis

"Lloyd's of London has responded to the ever-increasing value of the new drilling rigs and has increased its capacity to insure the more expensive and sophisticated offshore drilling rigs from \$10 million to \$50 million."

By PALMER D. SPARKMAN
Chairman
Johnson & Higgins of Texas Inc.

WHAT IS THE ROLE of the insurance industry in meeting the energy crisis? To begin with insurance is one of the most important elements supporting the global search and development of new sources of energy, particularly oil.

Since the late 1940s, Lloyd's of London has held a historic position of leadership in developing and writing all forms of insurance for the oil and gas industry, and until two years ago, London had been almost the exclusive market for the high risk exposures of offshore rigs, platforms and control of well. The London Drilling Rig Committee, comprised of six prominent Lloyd's underwriters and one company member, writes the great majority of the world's offshore drilling fleets. However, this position does not go unchallenged.

The developments over the past few years clearly demonstrate that the insurance industry has more than kept pace with the rapidly changing petroleum technology, and the need for greater amounts of insurance and new forms of coverage to protect the drilling firms and the oil companies. The best example to show the dynamic responsiveness of the marine insurance market in the United States is the formation of the All American Marine Slip in January, 1973, to provide a strong domestic market for marine exposures. This new facility has a capacity of \$25 million to offer to the oil and gas industry and is actively involved in insuring such unusual risks as drilling rigs, offshore pipelines, control of well and single-point buoy mooring systems.

Another interesting and more recent development is the formation of the AIG Oil Rig Pool for underwriting offshore oil drill-

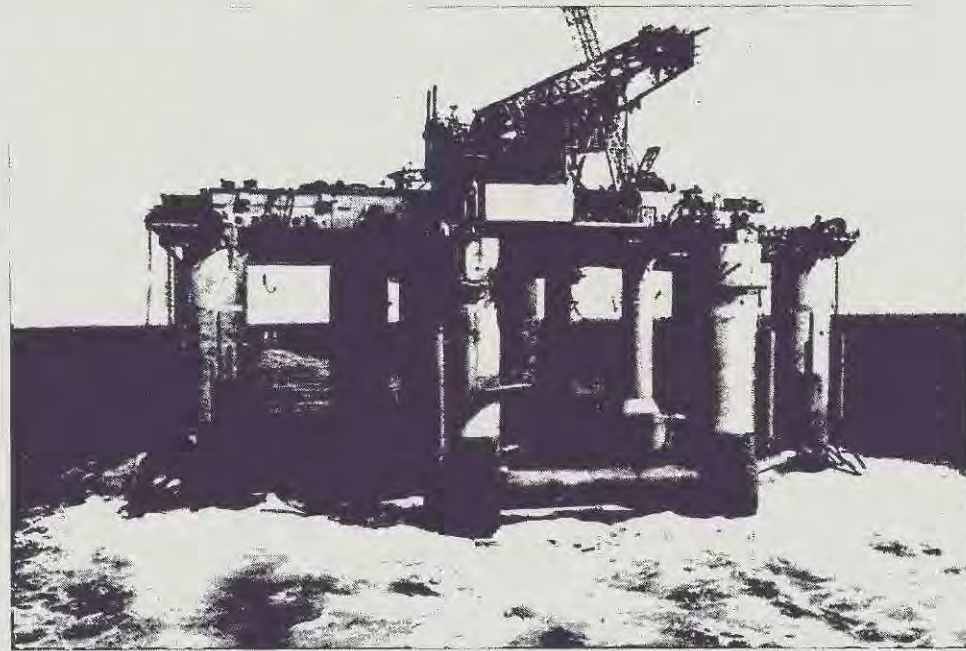
ing and production risks. This new facility has an automatic capacity on any one risk of \$15 million, and with facultative reinsurance, it has additional capacity.

Because of the worldwide search for offshore oil, drilling companies have built over 100 new rigs in the past two years, and because of the uncertainties in the Middle East, much of the current exploration is being done in new offshore territories adjacent to those countries which have the most urgent need for developing their own supplies of oil and gas. No area of the world has received more attention in recent years than the North Sea, and it is now estimated that by the 1980s, the North Sea will be the 5th largest oil producing area, coming after Saudi Arabia, Iran, United States and Russia.

THERE IS NO DOUBT that most of the excitement, money and new technology are centered in the North Sea, and this has led to the construction of platforms in the major new fields such as Forties and Ekofisk. Last summer, the world's largest offshore structures for permanent production of hydrocarbons were installed in 416 ft. of water in the North Sea's Forties Field.

This area is one which offers a real challenge to the offshore oil operators, brokers and insurers. The North Sea is one of the roughest oceans in the world, and drilling units must be designed and constructed to withstand 100-ft. seas and 100-mile-an-hour winds. Except for the summer months in certain shallow water areas off The Netherlands where jack-ups are used, most of the approximately 30 rigs drilling in the North Sea are new generation semi-submersible drilling rigs. Some of these rigs are fully self-propelled and have the same maneuverability characteristics as ships.

They can drill in high seas and gale winds without having to "trip out of hole" be-



One of the new semisubmersible drilling rigs en route to its site in the North Sea.

cause of motion compensators in the draw-works and special tensioners on the casing. Last winter I spent five days on a new self-propelled semi-submersible drilling rig in the North Sea, and it is amazing how these rigs, which are often as long as a football field and about as wide, with 8 anchors set have virtually no movement in 20-ft. seas and 60-mile-an-hour winds. They just keep on drilling, regardless of the weather.

The semi-submersibles used in the North Sea are valued from \$20 to \$40 million. One prominent drilling company is now studying the feasibility of building a 400-ft. dynamic-positioning, semi-submersible drilling platform which would cost approximately \$80 million. In addition to her four propellers for high mobility and propulsion at 12 knots, there would be four azimuthing variable speed thrusters and nozzles on the lower hulls for stationkeeping capability in hurricane force winds.

Lloyd's of London has responded to the ever-increasing value of the new drilling

rigs and has increased its capacity to insure the more expensive and sophisticated offshore drilling rigs from \$10 million to \$50 million in the past four years.

IN ADDITION TO RIG, builder's risk and tow insurance covering the movement of drilling rigs from one location to another, there is control of well insurance which is considered to be one of the most important coverages for oil and gas operators. As the result of the enormous expense of offshore exploration and the additional hazards caused by rough water, most oil and gas exploration involves the use of special business arrangements called "joint ventures" in order to share the costs and the risks.

One of the joint ventures acts as the operator and is responsible for organizing and managing the drilling of the well. Under most joint ventures, the assets and liabilities are shared by each participant in relationship to his respective percentage in

Continued on following page

Chessie cuts risks with casualty prevention



"Casualty prevention has 467 employees, down from approximately 600 three years ago, and a responsibility budget of \$37 million, \$24 million of which is for medical expenses, freight loss and damage claims."

By EDWARD M. HUDGINS
VP-Casualty Prevention Department
Chessie System, Baltimore, Md.

CASUALTY PREVENTION is not just a fancy new title for the same traditional railroad activities. It is a new name, of course, but casualty prevention for Chessie System embodies far more. Risk management doesn't cover it either. While Chessie's efforts are directed primarily at prevention, prevention must be complemented by casualty management.

Simply stated, our role is to institute and enforce compliance with procedures designed to reduce railroad-related casualty losses to persons, employees and property—our own and our customers'. When losses are incurred, we seek to minimize them, and reach equitable settlements promptly.

As originally organized, seven separate

departments composed the casualty prevention group: personal injury prevention (formerly the safety department), general claims, freight damage prevention services, freight claims, medical and surgical services, police and property protection, and insurance. More recently Chessie's employee alcoholism rehabilitation program has been added. Each of these departments plays a major role in either preventing accidents and losses or in handling the problems that arise out of accidents, damages and losses.

PRIOR TO THE CREATION of the casualty prevention department in October 1971, the seven original assigned railroad functions were vested in three separate departments. Coordination of functions, all of which overlap, was more difficult and tedious. Today, by close cooperation effected through single control and unified effort,

we are able to analyze our problems and agree on the best approach for their resolution more promptly and more efficiently. Although all staffs are limited, we can take on projects which heretofore we were not fully capable of tackling.

With the exception of freight claims, which is located some distance away, headquarters personnel of all departments are located on one floor of B&O's Central Building in Baltimore. The department is headed by a vp, who reports directly to the president. The department's minimum staff consists of William F. Howes, Jr., assistant vp; and Robert W. Schini, assistant to the vp—administration.

Casualty prevention has 467 employees, this is down from approximately 600 three years ago, and a responsibility budget of \$37 million, \$24 million of which is used for medical expenses, freight loss and damage, claims.

Our first and most important responsibility is employee safety, an area that in past years has not received the industry priority it deserves. While numbers of accidents alone, as defined in terms of ICC reportability, are inadequate and misleading

Continued on following page

business insurance

PERSPECTIVE

Chessie . . .

Continued from preceding page

yardsticks by which to judge performance, they are the principal criteria at present.

On the basis of numbers alone, Chessie's record is less than good. We have two primary problems. The first is our inability so far to completely convince many of our supervisors, non-contract and contract, that they personally are directly responsible for the safety of every employee under their supervision. There is too much lip service and far too little by way of positive action. We still have a big job to do in the area of motivation and acceptance of responsibility. The second half of our twofold problem is the difficulty we have in instilling in our employees a continuing consciousness of safety in everything they do.

The supervisor in charge has personal responsibility for the safety of all employees under him. The personal injury prevention department, under the direction of Al Cary, assists in planning and implementing the supervisor's safety program and monitoring its effectiveness. Personal injury prevention is supported in turn by the general claims department which investigates all accidents and reports to personal injury prevention on unsafe practices and conditions. PIP efforts are also supported by medical and surgical services. This department checks on working conditions that could adversely affect health, such as excessive noise, ventilation, sanitary conditions, etc. The medical department has responsibility for determining whether or not employees are physically fit for their job assignment, correction of disabling conditions, and the rehabilitation of injured employees. Prompt, professional evaluations are a must.

Another PIP function is the coordination of Chessie's grade crossing evaluation and protection improvement programs. This is handled by Bruce Belfield, crossing protection engineer.

Ancillary to, but not strictly a part of either personal injury prevention or medical and surgical services, is our alcoholism rehabilitation program under the leadership of Don Matthews, a professional in the field of alcoholic rehabilitation. We recognize it for what it is—a disease. Counseling is designed solely to help the individual. It is done confidentially and with complete anonymity. The objective is to help the individual control the problem before it jeopardizes his job, safety and health.

Additionally, our medical department, under the direction of Dr. I. Kaplan, works very closely with personal injury prevention to see that we comply with health and safety standards promulgated by the Occupational Safety and Health Act of 1970 as it applies to the railroad industry. The efforts of these departments are closely coordinated by casualty prevention.

THIRD PARTY and employee claims are investigated, evaluated and settled by the general claims department under Harold Owens. Promptness, thoroughness and fairness are key words to successful claim handling, especially claims of employees arising out of on-duty injuries. Unlike every other industry, except maritime employees, who come under the Jones Act, railroad employees are not under a compensation act, which limits recovery but enables the employee to collect compensation regardless of responsibility for the accident. Railroad employees come under the Federal Employers Liability Act. It is very easy to prove negligence under the FELA and there is no established limit to the amount a single employee can recover. A badly injured railroad employee in Baltimore recently received \$1.3 million in an out-of-court settlement. Needless to say, prompt and thorough investigations are a must as are fair and equitable settlements of all claims.

That's the human side of our program.

Now let's look at the freight loss and damage and property protection side. A team effort, led by freight damage prevention services and consisting of that department, freight claims, and police and property protection working closely with transportation, mechanical, engineering and marketing personnel, is largely responsible for Chessie's improved freight claim performance. Each year during the last three years, we have reduced losses and damage to lading which has meant yearly reduction in freight claim payout. Our 1973 payout slightly exceeded \$10 million, which is still too high, but even so we were the second lowest per \$100 of gross revenue among railroads with \$200 million or more gross annual revenue. We will do better. During the first six months of 1974 we had the lowest payout.

FREIGHT DAMAGE prevention services, under Bob Hoffman, has been completely reorganized under staff specialists knowledgeable in preventing damage, especially to more troublesome and costly commodities, such as automobiles, fresh meats and processed foods. Freight damage prevention leans heavily on police and property protection personnel, under Jim Musser, not only to protect merchandise in transit which, in view of the prevailing crime rate, is a very difficult job, but to beef up in-

spection at origin, intermediate points and at destination. Our police have been given special training in these areas and are invaluable in supplementing the efforts of freight damage prevention services. FDPS commodity specialists are strategically located around the system to advise and assist our customers in proper packaging and loading practices. Additionally, they monitor the loading and insist, if necessary, that approved methods be followed. Of course, this is carefully coordinated with the freight claim department under Maurice Good.

There is no single approach to damage prevention. Causes are myriad. The fact that most of the damage seems to occur when two or more carriers participate in a single shipment complicates appropriate corrective action.

OUR APPROACH to the resolution of casualty problems is well coordinated and intensified, but not essentially different from other railroads. Like other railroads, we have programs to promote careful car handling in trains and at terminals. Terminal performance is monitored by impact recorders in selected cars. We also use radar and other devices. When we locate trouble spots we work with the operating and engineering departments to find out why. If it is careless switching, yard conditions or whatever, we work with the department concerned to take corrective action. Currently we are involved in our "Terminal 50 Program." The name is derived from a technical means of determining whether or not coupling speeds at a particular terminal are within acceptable limits.

Police and property protection works closely with freight claims in protecting lading at derailments. We insist that department heads go to the derailment site to insure careful handling of merchandise

by those clearing the wreck. Unless this is done, and property at the scene is properly protected and secured, the lading loss and damage bill will be substantially higher. Review of methods and close attention to salvage disposal has greatly increased the dollars recovered through sales of damaged goods.

WITH CRIME RATES, especially theft, extremely high, our police and property protection department has its hands full. Many thieves will work hard and under difficult conditions, for example, to steal copper telephone wire strung on high poles, even though they could make more money in less time by honest work. The fact that 20% to 30% are caught doesn't seem to deter them.

When we experience a derailment of consequence, curiosity seekers and would-be thieves gravitate to the scene with remarkable speed, especially when electronic equipment, alcoholic liquors, automobiles, and automobile parts are scattered over the ground.

Last year we had a bad derailment near Kent, Ohio. A number of automobiles were on the ground and a few were in, or partly in, the nearby Cuyohoga River. The automobiles cannot be re-sold, but undamaged parts have value. After working hard for three days and nights, we had recovered all of the automobiles except one that was bottom up and completely covered by the muddy, rain-swollen waters of the Cuyahoga.

Although the area was dark, and the car was completely under the swift flowing surface of the river, we felt it would be safe overnight. It was winter and the water was very cold. The next morning our driver or "frogman" who was wearing a heavily

Continued on page 22

Energy . . .

Continued from preceding page

the joint venture. Under some circumstances, one of the joint venturers could be liable for not only his share of the joint venture but also for the joint venture as a whole. Because the liabilities and expenses are so enormous, most operators purchase control of well insurance to protect the joint venture itself against an offshore or onshore well getting out of control as the result of fire, blowout or cratering.

SINCE THE COMPREHENSIVE general liability and umbrella policies exclude liability for pollution arising out of drilling, underwriters in both the London and U. S. market are now willing to quote for an additional premium pollution liability and the cost of clean-up, which could run into millions of dollars as the result of oil spillage. Policies have also been negotiated recently in which underwriters have quoted coverage for additional expenses following fire, blowout and/or cratering to restore the well to the depth reached when the peril occurred. This "extra expense" coverage is normally excluded from typical control of well policies.

When oil is discovered and production equipment has been installed, the operator and owners of the platform have a liability for removal of wreck in the event the platform is badly damaged or destroyed. In the Gulf of Mexico, for example, one platform is operating in nearly 400 ft. of water, and you can well imagine that the cost of debris removal of a platform from the ocean bottom would run into the millions of dollars.

Although control of well has been available for many years, most of the extensions mentioned above have only been made available in the past few years as a result of the myriad of potentially staggering liabilities involved in offshore exploration and the need for corporations to protect their very substantial investments.

The final element in this operation is that of maritime shipping. Since most of the world's current requirements for oil are shipped by tankers, it is interesting to study briefly the role of commercial insurance. Financial institutions, whether you are building an offshore drilling rig or a large oil tanker, require proper financial security. In most cases, this must be backed by

insurance. In other words, rigs and ships simply could not be built or operated unless the banks, Maritime Administration, and insurance companies (investors as opposed to underwriters) have a proper guarantee that if the vessel is lost, there will be funds available to pay the outstanding loan.

Crude oil can be transported at a much cheaper cost by large tankers, and this has resulted in such tankers as VLCCs and ULCCs (Very and Ultra Large Crude Carriers), which are 200,000 and 300,000 tons or larger. Because of their high value, the American Hull Syndicate increased its capacity in 1973 from \$25 million to \$40 million. The London market has increased its capacity from \$50 million to \$75 million to provide a total capacity of in excess of \$125 million. This amount is not needed for ULCCs but is certainly required for LNG tankers which will cost that much or more.

In late 1973, the American Hull Syndicate emerged as a real factor as respects underwriting builder's risk insurance on drilling rigs. Previously, Lloyd's of London provided most of the construction insurance on rigs, just as it had on completed offshore drilling units. Recent American Hull Syndicate quotations have been very competitive with Lloyd's and have had a profound impact on the underwriting attitude of London. The upshot of these developments is that for the first time, builders of offshore rigs are in a position to benefit from intense and vigorous competition between U. S. and London underwriters for builder's risk insurance.

THE AMERICAN MARKET has been particularly attentive to the technological advances incorporated in new shipyards while London has just recently agreed to specific rate credits based on the merits of each shipyard. Such countries as Norway, France and Japan have been keenly interested in participating in the marine insurance requirements of the offshore drilling industry. In the summer of 1972, the Norwegian Oil Rig Pool was formed, and although it is heavily dependent on London for 85% reinsurance, it will retain 15% on its own national business. The French have a new rig pool which is apparently independent of either London or U. S. reinsurance and is guaranteed by the French government. The Japanese have shown an increasing interest in participating in the offshore oil and gas industry and are making available their sizable capacity.

One of the most significant contributions to the insurance industry was the formation of Oil Insurance Limited on December 15, 1971, as the result of the very deep concern about the availability and cost of certain forms of insurance for oil companies. OIL is an international mutual insurance company organized to insure all risk physical loss or damage to members' property, both onshore and offshore, and also includes coverage for control of well and pollution liability. And, in October, in response to the ever-increasing capital investments of the petroleum companies, OIL's limit of \$75 million can be reinstated in the event it is exhausted and an additional \$75 million is available. OIL amended its insuring agreements to include vessels, effective January 1, 1975.

THE ENERGY CRISIS and the shift of much of the world's oil exploration to offshore waters have had a profound impact on the insurance industry. Risk managers have had to work very closely with their broker in analyzing and evaluating risks, and, oftentimes, meet with marine underwriters in New York or London to explain exactly what is required. Brokers have had to prepare comprehensive and technical reports to outline accurately the specific characteristics of each risk so that underwriters can quote proper rates. Underwriters have responded to the challenge, and in recent years, rates for almost all offshore exposures have dropped significantly and, even more importantly, the availability of coverage and capacity has increased.

The insurance industry, as a whole, has responded admirably to the energy crisis, and barring a series of catastrophic losses involving rigs, platforms or pollution or, worse yet, a worldwide depression, the insurance industry will be able to continue to play a vital and important role in meeting the worldwide energy crisis. ■

Mr. Sparkman has been with Johnson & Higgins 15 years. He has spoken before ASIM and CPCU chapters. He has an AB from Brown University, and did five years of postgraduate work at the College of Insurance. He has a diploma from the University of Texas school of offshore drilling. Until three years ago, Mr. Sparkman was with J&H in its New York office, specializing in oil, gas drilling, marine and heavy industrial accounts. He was a lieutenant in the U.S. Navy.

Why some of the nation's top corporations find it good medicine to be one of our insureds.



Go over the Fortune 500 list and you'll find that about half the companies on it are Allendale policyholders.

The reason is simple. No other insurance company better caters to their insurance needs.

For example. At Allendale we offer unmatched loss control know-how. Know-how that helps a company prevent a disaster from crippling or destroying its productivity.

We also offer custom-designed coverage to meet the specific requirements of a company.

And if a catastrophe does happen, Allendale has experienced, engineering-oriented adjusters to help get your business back in business without delay.

Whether you're on the Fortune 500 list or off it, insure with the tops — Allendale! Allendale Mutual Insurance Company, Allendale Park, Johnston, Rhode Island 02919. Associates: New Providence Corporation, underwriting manager for Affiliated FM Insurance Company and Appalachian Insurance Company.



Allendale Insurance

Chessie System . . .

Continued from page 20

padded rubber suit went in the river to hook up the cables for the crane to pull the car out. When he emerged from the water he told the bystanders that they were not going to believe what they were about to see. When the car was pulled up, all four wheels were

missing. Our hook-up man wasn't the only frogman in that area.

Finally, our insurance group headed by Gene Gibson evaluates the need for and obtains insurance coverage necessary to protect Chessie against major casualty losses which might seriously affect its financial condition. We obtain

competitive bids when substantial or unusual coverage is involved. We do not insure against the "every day" type risk. Both general claims and freight claims, as well as the transportation and engineering departments, participate in risk evaluation.

FORMERLY THESE seven departments reported to the law, finance and operating departments with three separate team captains, each of whom had other major responsibilities. The importance of casualty prevention sometimes tended to be secondary. Today, through staff meetings, all eight department heads keep abreast of each other's problems. Seldom is a problem's ultimate solution confined to a single department. The key is a joint, prompt and well-coordinated team effort. Employee safety has been and is our biggest single concern. It takes a lot of do-

ing to reorientate the thinking of 38,000 people, but we are making progress.

During the first year of organization, we were largely involved in reorganization, personnel changes and formation of procedures and policies. We were able to show modest improvement in casualty control. In 1973, our second full year of operation, despite the effects of inflation, Chessie System reduced its casualty cost by 12.5%, which with a departmental reduction in the cost of administration, meant that approximately \$5 million was added to the bottom line. We continued in 1974 to show improvement in a number of areas. Our overall casualty cost will slightly exceed 1973 figures, and that's not bad when you consider substantially increased revenues, increased man-hours worked and the inflation experienced during

the year. Even so, 1974 figures will be far better than any other recent prior year.

We will continue to attack injury and loss and damage problems with a vigorous team effort. In 1975 we should profit even more from what we have learned in the past. We think our organization is well designed for its assigned tasks.

Mr. Hudgins is a native Virginian. He was educated at the Episcopal High School in Alexandria, and at the University of Virginia where he received degrees in liberal arts and law. After engaging in private practice for four years, Mr. Hudgins was employed in the law department of the Chesapeake and Ohio Railway Co. Later he served as general claims attorney for both C&O and B&O. He also served in the Virginia Legislature for 14 years.

the best of both worlds...



The best Special Purpose markets of the NEW & OLD worlds are used by imaginative seasoned technicians to provide superior service. This, coupled with the wealth of forty-two years of creative marketing experience in excess & surplus lines, makes us confident and proud to be able to serve agents, brokers and their valued clients.

**ILLINOIS
R.B. JONES inc.**



175 W. Jackson Blvd. • Chicago, Ill. 60604 • Phone (312) 922-6020

Safety critic appointed director of lagging Illinois OSHA program

By PAUL R. MERRION

CHICAGO—When she was a contestant on To Tell The Truth, all the panelists except one were fooled.

Rachel Scott, a petite ex-journalist who appears to be much younger than her 27 years, does not look or act like the author of "Muscle and Blood," a hard-hitting book on hazardous work conditions in America.

Nor does she look like the newly-appointed director of the Illinois Industrial Commission.

BUT UNDERNEATH that soft-spoken, shy exterior lies a crusty muck-raker who has spent the last three years criss-crossing America, gathering information on industrial accidents and talking to people who had been affected by diseases of the workplace.

And now, as a result of that

book, she has been appointed to direct the record-keeping and standard-setting arm of the Illinois occupational safety and health program.

The Illinois OSHA program has been under fire lately, both from the federal OSHA watchdogs and some safety professionals in Illinois. Ms. Scott's appointment, which some see as an attempt to dispel charges of inaction, has also caught some heat.

The federal OSHA, which monitors new state programs during their first three years, sent a 190-page evaluation of the Illinois program to the Illinois Department of Labor on Oct. 2, 1974. The report was critical of the over-all administration of the plan, especially training of inspectors, recognition of hazards and strictness of enforcement, according to an official in the Illinois Department of Labor.

The federal report also zeroed in

on the failure to implement a management information system, for which the Illinois Industrial Commission clearly has the responsibility, the official said. Ms. Scott has stated that establishment of the centralized data bank is one of her main concerns.

CRITICISM HAS come from the private sector as well, in the form of a letter to Secretary of Labor Peter Brennan from the greater Chicago chapter of the American Society of Safety Engineers, (ASSE), urging that federal approval of the Illinois program be withdrawn. Besides citing the failure of Illinois to fill key staff positions with qualified safety professionals, the letter charges "incompetent and neglectful administration" and claims that there has been adverse publicity associated with the appointment of an unqualified director of safety and health . . . (which) detracts from the effectiveness of the OSHA Act nationally as well as in Illinois."

Ms. Scott had a chance to defend herself and her qualifications at a meeting of the greater Chicago chapter of the ASSE on January 13. She was invited to speak because "A lot of people are confused on what her role is," an ASSE official said.

At the meeting, Ms. Scott outlined what she intends to do:

- Set up an industrial health institute at the University of Illinois, Chicago Circle campus, for research and standard-setting to prevent occupational illnesses.
- Start employee health clinics around the state, where workers can be examined by physicians specially trained in discovering work-related diseases.
- Establish a safety and health program for state employees.
- Provide funds for graduate school training for occupational health professionals.
- Establish a committee to work on the safety problems of the small businessman.

SHE EXPLAINED that she has no enforcement authority; the Illinois Industrial Commission takes care of record-keeping and standard-setting only. After her speech, she fielded questions from the audience, and at the end, her critics gave her warm applause and presented her with a certificate of appreciation.

"She clearly outlined her responsibilities. I was impressed with her capability in answering questions, and I think it will be very interesting for the executive committee to re-evaluate her," said James Smirles, secretary-treasurer of the ASSE chapter.

No need to shop any farther . . .



LOOK AT A LEADER

All-Star Insurance Corp. is a leader in pioneering innovative primary coverages augmented by domestic facultative reinsurance facilities covering 49 states.

All-Star has developed a reputation for skilled underwriting; ability to package property and casualty risks, and fast claims service giving agents and brokers a competitive edge.

All-Star is ready to serve your needs for national and multi state property and liability programs; insurance facilities for risk management; specialty programs for unusual risks, and package and blanket coverage for franchise operations.



ALL-STAR INSURANCE CORPORATION

Charles J. Murphy, Vice President and General Manager

5401 N. 76th Street P.O. Box 2917 Milwaukee, Wis. 53218
(414) 466-8300 CABLE: ALLSTARWIS MILW TELE: 2-6879



a Pol Corporation company

**Look at a leader
Contact All-Star today.**

people

Duffield goes to new post in Midwest

Thomas A. Duffield will assume the newly-created position of vp-insurance and risk management for Archer-Daniels-Midland Co. in Decatur, Ill. on Feb. 1. A major responsibility for Mr. Duffield will be to activate the company's captive in Grand Cayman Is. The agriculture-related company is best known for its textured vegetable protein food additive. Loren Allen, manager of property/cas-

ualty insurance, will report to Mr. Duffield.

Mr. Duffield has been assistant treasurer and director of risk and insurance management at Foremost-McKesson Inc. since July, 1973. With his impending departure, the San-Francisco-based company has decided to reshuffle the organization and divide his responsibilities among three other assistant treasurers. **Garrett Scholtz** will assume most of Mr. Duffield's workload.

Bell & Howell Co. named **Bruce C. Wilson** manager of corporate insurance earlier this month. **H. Jay Varner**, who formerly held the position, left the company in July to join Clark Equipment Co. in Buchanan, Mi. Mr. Wilson previously was assistant director for corporate insurance at Motorola Inc. No one has been hired to take over his position at Motorola. Mr. Wilson will be responsible for all risk and insurance management at Bell &

Howell, except for employee benefits programs. He will report to the vp-treasurer.

Harley-Davidson Motor Co., a wholly-owned subsidiary of AMF Corp. in Milwaukee, appointed **Jonathan Seaman** product liability manager earlier this month. Mr. Seaman left Home Insurance Co. in New York to assume the newly-created position.

The position of insurance analyst, unfilled for several years at Carborundum Co., has been recently activated. **Bruce McHarg Kirchner**, formerly a group insurance underwriter at the Travelers Co. in Hartford, will be responsible for analyzing group insurance plans and the pension program for Carborundum's hourly and salaried personnel. He reports to **Edith Lichota**, risk manager.

James Pike has joined City Investing Co. as an assistant to

Daniel McCarthy who is director of corporate risk management. Mr. Pike formerly worked for Southern California Edison where he

worked with Mr. McCarthy, who was manager of insurance. No title has yet been designated for Mr. Pike at City Investing Co. ■

Umbrellas . . .
if it's big or unusual
we'd like to quote.



J. H. BLADES & CO., INC.

713/526-6551 P. O. BOX 22003 HOUSTON 77027
512/826-2378 P. O. BOX 12085 SAN ANTONIO 78212

To reach us toll free, simply ask your local operator in the following cities to call the number listed for your city.

New Orleans - Enterprise 7021

Los Angeles - Zenith 9-0216

Dallas, Austin or Corpus Christi - Enterprise 70216

Argonaut will drop cover for N.Y. doctors

NEW YORK—Plagued with soaring malpractice insurance premiums, New York doctors took their case to the state government this month, lobbying for, as their badges read, "fair malpractice legislation."

The state medical society recently reached an agreement with the Argonaut Insurance Co. whereby malpractice rates won't be increased by 196.8% as the company had requested; Argonaut instead will terminate all the society's malpractice policies July 1.

During the six month grace period, doctors and legislators will be seeking a solution to the malpractice problem. Several proposals including a joint underwriting association and a reciprocal insurance company are being considered.

"We're in favor of going the self-insurance route," a spokesman for the society said. "We can't wait for the anticipated legislative changes."

ASKED IF THE society had been approached by any other malpractice underwriters, the association's general counsel commented, "Nobody's been beating down our door with offers."

The New York State Medical Society has been but one of a number of malpractice insurance cancellations recently effected by Argonaut.

The underwriter recently withdrew from its contract with the New Jersey Hospital Assn. and an Argonaut spokesman told *Business Insurance* the company is considering future withdrawals from some states if requested rate increases are not forthcoming.

Argonaut is undergoing massive internal reorganization. Following the resignation of nine of the company's senior executives in recent weeks, Lawrence Baker, chief deputy commissioner of the California insurance department, was named executive vp and director for the company.

Speculation that Baker's boss, commissioner Gleason Payne, is slated for a position on Argonaut's board of directors is "purely conjecture at this point," the Argonaut spokesman said. ■

Report merger

Cooksey-Robinson Insurance Service Inc. of Orlando, Fl., has been merged with Poe & Assoc. Inc., a large independent insurance agency based in Tampa. Cooksey-Robinson will operate as a division of Poe & Assoc.

business insurance
announces its 1975 special
international insurance issue
Publishing Date: March 10 Ads Close: February 26

This year, **BUSINESS INSURANCE's** special **INTERNATIONAL INSURANCE** issue, while also covering other geographic areas of the world, will focus primarily on insurance markets in the United Kingdom and London, in particular.

Coverage will be given to corporate ventures abroad and the methods of handling risks for these. Changes in the domestic insurance and reinsurance markets vs. the London markets will be reviewed along with topics such as:

- Leading London underwriters and brokers' views on international insurance trends.
- An overview of Lloyd's . . . its recent changes and adaptations to the changing world of economics and risks.
- International participation in aviation, marine and resource development underwriting.
- What U.S. brokers and risk managers are doing in conjunction with London markets.

- Changes in the risk management and employee benefits picture in the United Kingdom.
- Changing legislation and risk management in Canada, Germany, Africa, Australia and the Far East.
- The international position on reinsurance of nuclear risks.

The London reports will be the results of on-the-spot reporting by Business Insurance's own staff and its United Kingdom correspondents. The entire issue will be the combined effort of the largest and most professional news staff of any magazine serving the highly important audience of commercial consumers of insurance, employee benefits and related services.

Your advertising message in the all-important **MARCH 10 INTERNATIONAL INSURANCE** issue will reach nearly 100,000 such risk, financial and employee benefits executives, and the thousands of brokers and consultants serving their needs.

Reserve Your Ad Space Now, Ads Close February 26.

business insurance

New York: 708 Third Avenue, New York 10017, (212) 986-5050

Chicago: 740 Rush Street, Illinois 60611, (312) 649-5275

Los Angeles: 6404 Wilshire Blvd., California 90048 (213) 651-3710

Balloons . . .

Continued from page 1

velopes," are not ordinary. Nor is the insurance that covers them.

But as companies are realizing the vast promotional benefits of soaring up, up, and away in balloons with their corporate logo in full and glorious view, there have

been a growing number buying balloonist liability as part of their corporate insurance programs.

The Balloon Federation of America in Washington named two broker sources as the chief placers of insurance for balloonists. They are L. C. Sides Insurance in Tampa, Fla., and the Iowa office of Alexander & Alexander, Inc.

Both brokers place cover-

age through Lloyd's of London. Thomas Davies, managing vp of Alexander & Alexander and himself an avid balloonist, says 95% of balloon cover comes from London. "No domestic markets are what you would call excited about hot air balloons," he said.

FORMERLY WITH the Iowa A&A office, Mr. Davies is now in Denver. John Casterton, who crews and does ground maintenance for balloons that Tom Davies pilots, manages the Iowa office. He says the broker has been placing balloon insurance for about three years, and deals only with balloons in this country.

Mr. Davies estimates that Alexander & Alexander places about 60% to 70% of the balloon insurance in this country. Of that amount, Mr. Casterton said roughly 10% is corporate; most insurance is bought by balloon clubs.

Hull insurance is not as popular as just liability for most

balloonists, apparently. It is determined by the value of balloons, for one thing, and they are getting more expensive.

"Some balloons are really getting up there," Mr. Casterton deadpanned. He said an all-risk hull policy brokered through A&A would have a premium of 3.5% of the value of the equipment. "A \$7,000 balloon would cost \$245 a year for all-risk hull coverage, less a \$250 deductible," the Iowa A&A manager explained.

The more typical liability coverages that are being purchased by corporations cost \$125 per year per balloon for coverage of \$100,000. For \$225 per balloon per year, coverage of \$500,000 is available.

Besides Forbes, other companies said to own and insure balloons for corporate purposes include Porter Paints in Louisville, Ky.; the Southern Corp.; Lark Cigarettes; Wrangler; Budweiser; Monroe Shock Absorbers; Kentucky Fried Chicken; Faultless Sporting; and

Liggett-Myers, to name a few.

Mr. Casterton said a pizza chain called "Flying Tomato Inc." placed coverage through A&A for a red balloon shaped like a giant tomato. Its gondola is green and looks like a tomato leaf. The chain seems to like the tomato-balloon for selling pie in the sky.

Larry Sides, who runs A&A's competitor in balloon coverage placement, L. C. Sides Insurance of Tampa, explained his firm's relationship with Lloyd's of London.

"We use forms called 'binding line slips' from Lloyd's, which authorize us to commit insurance for balloons up to a specified limit. For balloonist liability, that limit is \$1.25 million. If a company wants more insurance than that, we'll have to get it on the open market," Mr. Sides explained.

HE SAID HIS firm has 17 syndicates and places insurance for slightly over half the balloons in the United States and two-thirds of the balloons in the rest of the world." (Based on his estimates and estimates from A&A, that would mean that the two firms alone place insurance for approximately 120% of the balloons in this country.)

Mr. Sides emphasizes that his firm does not restrict itself to the \$1.25 million limit of commitment from Lloyd's for insurance. But he evidently does not think it is wise to overinsure a hot air balloon.

"I've seen some corporate insurance buyers ask for \$50 million in coverage. That's stupid. You couldn't do \$50 million in damage with a balloon if you deliberately flew it into a dynamite factory," he exclaimed. "Anybody who buys that much just does it for a status symbol," he added.

Instead, Mr. Sides said a corporation could buy a "first class" hull and liability policy for a \$500 annual premium in a commercial package offering \$1 million in coverage for balloon, equipment and personal liability.

The Tampa broker had one warning about the lower cost (\$200 annual premium) balloon policy described as covering "business and pleasure" purposes.

"Some of the balloon policies that are supposed to cover 'business and pleasure' are misleading. By 'business' a lot of them mean personal business only. The minute an insured accepts any remuneration for doing whatever he's doing in the balloon, in many cases it voids the policy.

Mr. Davies is awaiting the completion of a special balloon he is having built for himself in England. When it's ready (sometime in February, he hopes) it will sport special designs, including a rising and a setting sun and 42-foot high pine trees, sewn onto its Dacron envelope. The insurance? "It will be through the London market, of course," he said.

THE BALLOON Federation of America is watching corporate enthusiasm for hot air balloon with expanding interest. As insurance for this market grows, so it hopes, will its membership.

Balloonist Tucker Comstock, wife of federation president Bruce Comstock, said the organization has just made available its first offer for corporate membership, costing about \$250.

"We haven't had a taker yet," she said. But she estimated that corporate balloon insurance accounted for about 15% to 20% of what she knew to be written, and that that was a sign that more corporations were climbing on the balloon bandwagon.

For the brokers placing balloon coverage in London, that could be a small bonanza. But for domestic insurers, except for Royal-Globe, the balloon insurance picture is little more than up in the air. ■

MATTHEWS-DANIEL COMPANY

7015 GULF FREEWAY, SUITE 232
P.O. BOX 26836, HOUSTON, TEXAS 77032
TELEPHONE 713 644-1971

SURVEYORS • ADJUSTERS

DRILLING RIGS • WELL SERVICE UNITS

SPECIALIZED PETROLEUM SERVICE EQUIPMENT

COMMERCIAL HULLS • OFFSHORE STRUCTURES

Metropolitan Life has developed a new system for handling group dental plans.

Metropolitan Life has designed group dental insurance plans specifically tailored to the particular needs of a number of companies large and small.

Our qualifications for administering a dental plan, *and administering it with great economy*, stem from our development of a new system especially designed to handle group dental plans.

Our capabilities include:

Ability to design and implement a new plan regardless of whether your company is large or small.

Professional dental consultants with the expertise to develop and maintain good relationships with the dental fraternity at all levels.

Practicing dentists who serve as consultants to Metropolitan clients on a local basis.

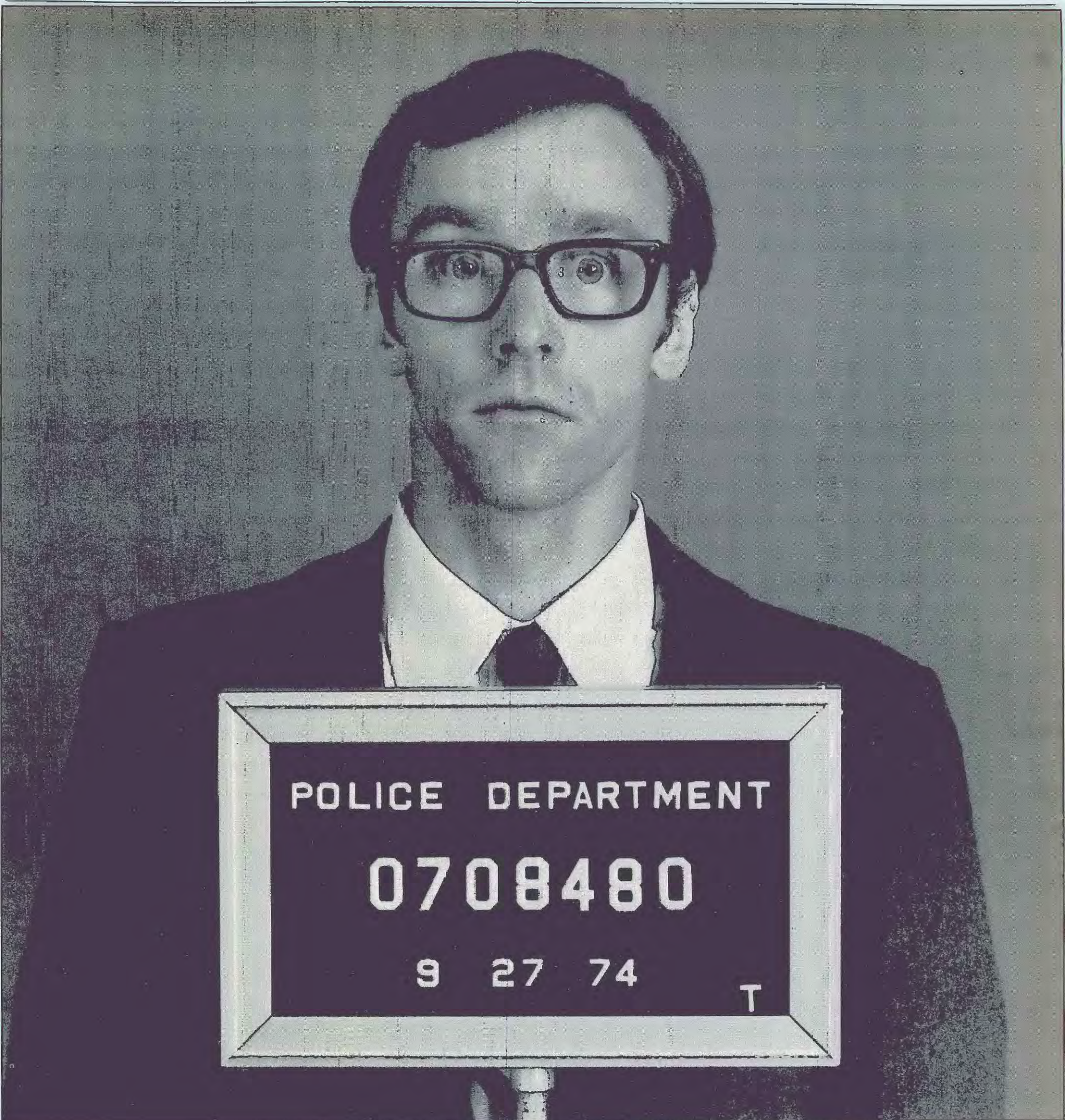
A claims processing system that is fully computerized and functioning efficiently from both a facility of payment and expense point of view.

An experienced staff of communication specialists provides assistance in developing literature and other material for use in giving plan information to employees.

With the greatly increased interest in group dental plans, wouldn't this be a good time to get the full Metropolitan story?

Call, toll free (800) 221-3280. In N.Y. State (800) 522-3374. N.Y. City only, call 578-2470.

✱ Metropolitan Life
Where the future is now



One side of your employees we hope you never see.

We're not pointing fingers, just trying to make a point.
Employee dishonesty costs businesses an estimated \$4 billion every year.

Which in turn leads to an estimated 33% of all business failure.

With a Fidelity Bond from The St. Paul, we help make sure your business doesn't join that unfortunate club.

First, a Fidelity Bond itself gives you a subtle psychological deterrent against internal dishonesty.

And of course, if white collar crime should crop up, we cover your losses.

In addition, we offer somewhat broader coverage than the standard form in most states.

At a reasonable price.

And in those states we always include claims expense and personal injury coverage. No charge.

Service? One of 44 service centers tries to contact you the same day it receives your claim.

Fidelity Bond. It makes trusting your employees a whole lot easier.

Call an independent agent for the The St. Paul about it today. He's in the Yellow Pages.

**THE ST. PAUL
COMPANIES**



Serving you around the world... around the clock
St. Paul, Minnesota 55102

Hartford basks in ITT help; bucks price problem

This is the first of a series of articles that will run from time to time based on interviews with key executives of insurance companies on a broad range of issues of concern to commercial insurance consumers.

By MARIE KRAKOWIECKI

THE HARTFORD Insurance Group kicked off the New Year by starting to pump into its capital surplus the more than \$126 million it received as a pre-Christmas

stocking stuffer from its doting parent, International Telephone & Telegraph Corp.

The no-strings-attached capital inflow will undoubtedly stem rumors that were starting to spring up (unfounded, according to Hartford officials) to the effect that the Hartford was struggling to maintain a healthy ratio between premiums and surplus, due to stock market losses.

Many insurance analysts use a four-to-one ratio as a safe rule of thumb for a property/casualty underwriter: For each surplus dollar, there should be four premium dollars to back up possible liabilities.

DeRoy C. ("Pete") Thomas, the Hartford's soft-spoken executive vp and member of the office of the president, said in early January that the Hartford Group is "per-

fectly content" with its present ratios, and had, in fact, never been on a less than solid basis.

BEFORE THE \$126 million shot in the arm by ITT, Hartford Fire reported a six-to-one ratio; at the year ending Sept. 30, it has \$1.7 billion in premiums written but only \$273 million in the surplus fund.

And nine-month figures through Sept. 30, 1974 released by the California insurance department on the Hartford subsidiary, Hartford Accident and Indemnity, show up a ratio of more than 16-to-1, with premiums of \$593 million backed up by only a \$35 million surplus.

In contrast, early this month the Hartford said its ratio (for the company as a whole) was 4.5-to-1, subject to fluctuation monthly

depending on what the stock market does.

While Pete Thomas feels secure about the company's capital surplus position now, he and at least four top commercial underwriting executives from the Hartford were candid about one inflationary villain that is giving them headaches: the pricing mechanism for large commercial risks.

James F. Wyatt, the senior vp who heads up the Hartford's newly-reorganized office of underwriting, admitted ruefully that new business in commercial property/casualty departments has been "pretty flat" during the last six months.

PRICE, BOTH MEN agreed emphatically, is the one factor responsible for about 95% of account switches made by corporate buyers of insurance. Most of the Hartford's biggest accounts in the property/casualty area are written annually, which means that price negotiations come up each year. And it looks like the negotiations will get rougher in 1975 as claim rates soar with inflation, and buyers try to hold back insurance pricetags.

"Even with good experience, corporate insurance buyers have got to anticipate inflationary cost rises. Every element that goes into the make-up of a plan affects the insurance, such as hospital expenses and rising automobile damage costs," cautioned J. Philip Griffin, secretary and manager of the Hartford's special accounts insurance department (SAID) which runs commercial accounts that pay in excess of \$150,000 annual premiums.

Brokers can make or break the Hartford's luck when it comes to winning an account, apparently, but the company has a standing policy of not taking corporate accounts except through a broker.

Mr. Thomas admits that the company has lost a few big accounts that way. "When a broker approaches us and says, 'I don't want you to see my client. Just submit a sealed bid,' then the Hartford has tended to be less successful," the executive vp said.

THEY CLAIM, HOWEVER, a large degree of success when the broker acts as an intermediary and assesses the client's underwriting needs and additionally explains to the client the loss control services included in the Hartford's price.

While the company is anxious to have insureds recognize the importance of its loss control services as a part of the underwriting package costs, it still seems to be groping for a happy solution to its pricing quandary.

"Pricing is still an art; it is not a science," is the pronouncement by Donald R. Frahm, vp in charge of the casualty excess division. He said there has yet to emerge a consistent pattern for pricing, particularly among larger (\$150,000 annual premiums and above) accounts, which typically are bargained on an individual basis.

The company has tried to raise its insureds' inflation-consciousness through an "inflation fighters" program which has a rider that periodically increases premiums and coverage to offset inflationary effects in exposure values.

But, according to Robert W. Dressel, assistant vp in charge of commercial property underwriting, the program has not been well-received by corporate buyers of insurance.

Mr. Griffin, whose specialties are the Hartford's giant policies

Continued on page 30

PRACTICAL RISK MANAGEMENT

A monthly permanent reference for the professional or part-time risk manager

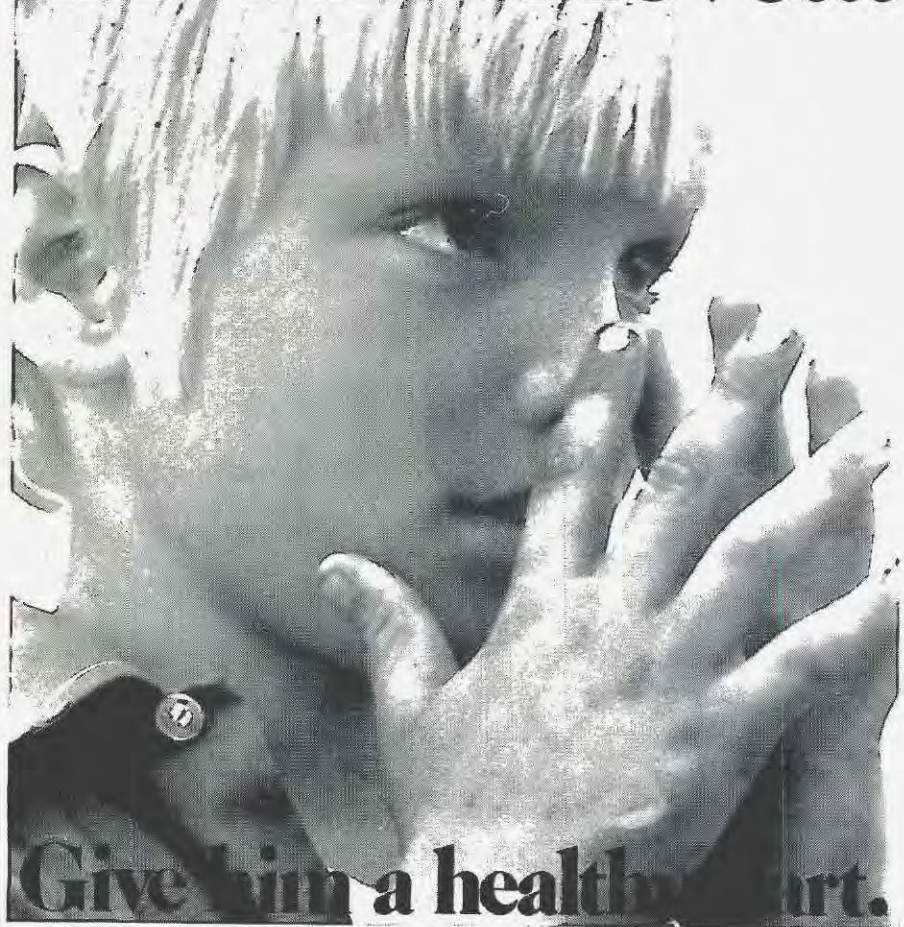
DEPTH
BREVITY
PRACTICALITY

First year:
\$75/year or
\$20/quarter

For sample issue write:
Practical Risk Management
Box 3998 B
San Francisco, CA 94119

Written & Published by
Warren, McVeigh, Griffin & Huntington
Risk Management Consultants

Give him love...



Give him a healthy heart.

He needs you to teach him good health habits *now* to reduce his risk of heart attack and stroke later in life.

Your Heart Association advises:

Serve him foods low in saturated fats and cholesterol.

Teach him not to begin smoking cigarettes.

Help him maintain normal body weight and exercise regularly.

Make regular medical check-ups a family routine.

Give Heart Fund 
American Heart Association

Continued by the Publisher

Why does Revere insure with AFIA?

One look tells you why. Revere Copper and Brass makes a wide range of copper and aluminum products but probably none is as well known as its Revere Ware. It's become an American tradition and symbolizes the quality of the products manufactured.

Because people rely on Revere, it's only natural that when Revere needed foreign insurance, it wanted an organization it could rely on. And that's one reason why Revere and its insurance brokers chose AFIA Worldwide Insurance.

AFIA has over 250 staffed offices of its own throughout the world, almost twice as many as any other American underwriter of foreign insurance. Through these offices and AFIA's 3800 employees abroad, Revere Copper and Brass knows its insurance program will get the care and polish needed.

It's one reason why AFIA insures 90 of the top 100 U.S. companies operating abroad.



WORLDWIDE INSURANCE World Headquarters: 1700 Valley Road • Wayne, N.J. 07470

U.S. branch offices: New York • Chicago • Dallas • Houston • Los Angeles • Miami • San Francisco • Seattle • Wash., D.C.

Consolidation is Foremost—McKesson's theme

By ELISABETH M. WECHSLER

SAN FRANCISCO—For a company bent on acquisition in the last seven years, Foremost-McKesson Inc. has managed to keep its insurance head above water by consolidating coverage and centralizing risk management.

With five major divisions covering the spectrum of ethical drugs, food products, wine and spirits, chemical distribution and land development, a diversity of insurance problems would seem likely. Not the least of which is having operations spread through 40 states and 29 foreign countries.

Thomas A. Duffield, Foremost-McKesson's director of risk and insurance management since July, 1973, has followed a theme of policy consolidation and self-insurance where cost analysis indicates this is warranted.

As he prepares to leave Foremost-McKesson on Feb. 1 (see People column), Mr. Duffield observed that "the difference between insurance buying and risk management is stepping back and analyzing the risk."

TYPICAL OF HIS approach is the structuring of the company's Bermuda captive to insure property risks. Foremost-McKesson self-assumes the first \$100,000 per occurrence, of which the first \$10,000 is charged to the company location incurring the loss.

"That's big enough to make sure the local manager will take care of his responsibility," Mr. Duffield explained, adding that the captive, Golden State, insures the next \$100,000 plus 1% up to the policy limit of \$16.5 million for fire and extended coverage risks.

Mr. Duffield said the reinsurance is placed through Hopewell, a well-known Bermuda firm.

In addition to the captive, a

Hartford . . .

Continued from page 28

like those of Continental Oil, (handled through the SAID department which he manages) pinpointed another key concern of underwriters: the evolution of the legal environment which has blown claims on casualty coverages to gargantuan proportions.

"The number one problem here is the size of the awards. Number two is the evolution of the last decade of getting directly at manufacturers and going more to an attitude of 'let's forget about negligence—somebody was hurt.' The manufacturer is made to pay, and claims are going up and up," he said.

PETE THOMAS had a few comforting words for the corporate insurance buyer, despite the note that the insurance industry lost more than \$6 billion in the stock market.

"I'd like to make it clear that stock market problems don't get passed on to the corporate buyer," he stressed, adding:

"I thought some of the discussions I've seen in the press between insurance buyers and insurance presidents were very unfortunate. The president says something like: 'with all our losses we'll have to raise rates to get the appropriate price' and the buyer will say: 'That's irresponsible. Your stock market problems aren't our problems!'"

"I think the issue should be framed better. I don't think any insurance company really means it wants the insurance purchasing public to pay for our market problems."

property protection committee has been set up, Mr. Duffield explained, with several representatives from the five major divisions. "It functions to review and evaluate the engineers' recommendations on locations and then implement them," he said. They usually involve protection of the facility such as sprinkler or fire pump installation, he added.

Production capability is a small part of Foremost-McKesson's business. It's mainly a distribution company and the result of a 1967 merger between Foremost Dairies Inc., operating west of the Mississippi, and McKesson & Robbins Inc., based in the eastern U.S.

ONLY U.S. FACILITIES are insured through the Bermuda captive, Mr. Duffield continued. "We haven't been able to consolidate the foreign operations into our insurance program yet," he said. "In general, those operations aren't big enough to be of concern," he added, because of the low level of premiums involved and the small insurance department staff available to investigate this area.

There are "additional complexities to insuring foreign property," Mr. Duffield explained. "Many countries are nationalistic about foreign companies buying their own country's insurance." M. A. Gale & Co. is their broker for international insurance, he said.

Recently, Mr. Duffield dispatched staff member John Foudy to Jakarta, Indonesia, to evaluate insurance coverage for a Foremost International condensed milk processing facility there.

As for other domestic risks, these are insured or self-assumed in various ways, he explained. R. W. apHugh is Foremost-McKesson's insurance manager.

Difference in conditions is insured for \$5 million per occurrence by National Union Fire Insurance Co., Mr. Duffield said. Deductibles range from \$10,000 for transit to \$500,000 for earthquake and flood coverage at one Connecticut location, he added.

Hartford Steam Boiler Inspection & Insurance Co. covers boiler and machinery risks up to \$1 million per occurrence, he said.

THE COMPANY'S land development division, Foremost-McKesson Property Co., has course of construction insurance for up to \$300,000 per unit based on reported value, according to Mr. Duffield.

On the casualty side, Foremost-McKesson is covered by CNA Insurance Group for auto, general liability and workers' compensation (in states where it is not self-insured). The first layer is insured up to \$50,000 per occurrence. Harbor Insurance Co. insures the excess policy up to \$250,000 (with the first \$50,000 as a deductible). The umbrella excess is insured for \$25 million over the basic coverage, Mr. Duffield said.

Johnson & Higgins is Foremost-McKesson's broker for most casualty coverage, he said.

Product recall insurance, included in the general liability policy with CNA, covers \$300,000 per occurrence with a \$10,000 deductible. "It only pays the expense of recovering a product," Mr. Duffield pointed out. "It doesn't cover liability from a defective product," he added.

For advertisers' liability, Foremost-McKesson has \$100,000 coverage with no deductible.

Fidelity bond coverage is underwritten by Pacific Insurance Co. of N.Y. for \$5 million, with a \$25,000 deductible per occurrence. There are different limits

for different sections of the policy, Mr. Duffield said. Fred. S. James is the broker for this policy, he added.

Mr. Duffield mentioned that the company may want to endorse the fidelity bond policy to cover some aspects of fiduciary liability—namely, "to protect the property of the pension fund from employee dishonesty." For third party exposure, Mr. Duffield said Foremost-McKesson planned to look into fiduciary liability insurance depending on the cost and extent of coverage.

"The (pension) law didn't create fiduciary liability," he said. "It was always there but now it's spelled out. We may buy coverage if it's appropriate or we may self-insure."

MR. DUFFIELD said the company has two layers of directors' and officers' liability coverage but he declined to name the carrier or describe the limits of coverage. "I don't think that's information that should be made public."

Short-term disability insurance covering accident and sickness is partly underwritten by Prudential Insurance Co. of America, partly self-insured, and partly insured through the state plan, where required, Mr. Duffield said.

Long-term disability coverage is underwritten by Continental Insurance Co., he said.

Foremost-McKesson self-insures workers' compensation in California, Hawaii, Missouri and Ohio, Mr. Duffield said.

"You should have a large concentration of employees in the state to make it economical to self-insure (workers' compensation)," Mr. Duffield advised, adding that it depends on the industry.

"Construction is a high-risk industry. One thousand construction workers would present different insurance problems from a 1,000-employee manufacturing plant," he explained.

"But if it's a fairly stable employment in a relatively small geographical area, then it might be worthwhile to self-insure," he said, advising against making a decision solely on the basis of premium level or number of employees.

IN CALIFORNIA, Foremost-McKesson pays Employers Self-Insurance Service (ESIS) to administer its workers' compensation claims. Mr. Duffield said, "there's a saving to the company because we don't pre-pay."

ESIS has draft authority on a Foremost-McKesson bank account, Mr. Duffield explained. Twice a month, ESIS totals up the claims payments and then withdraws the necessary funds. Foremost-McKesson covers the draft.

Mr. Duffield's job includes placing insured benefit programs, though he is not responsible for benefits planning. Consolidation of benefits is not yet complete among the companies that were recently acquired, he said, and the company is working to eliminate all discrepancies in this area.

Prudential underwrites major medical and dental coverage, Mr. Duffield said.

As far as the pension plans are concerned—there are more than 20—Mr. Duffield is responsible only for those that are insured. Many of these plans are no longer active plans, he said.

"With each acquisition a decision had to be made whether to fold them into the basic plan or leave them alone," he said. "Some of them are insured and some are not."

The company's main pension plan, which is a non-insured plan,

covers about 9,000 of the company's 17,000 employees, according to Mr. Duffield. "The bulk of the others are covered by union plans or else haven't completed the three-year eligibility requirement," he added.

SOME OF THE inactive plans are insured by the Equitable Life Assurance Society of the U.S., by State Mutual Life Assurance Co. of America and by others, Mr. Duffield said. "We must decide what to do about them—either bring them into compliance or terminate them," he said.

Towers, Perrin, Forster & Crosby, the actuarial consulting firm, has been retained to help Foremost-McKesson examine the compliance requirements of these plans. In the meantime, Mr. Duffield said, the company has requested a deferment for the Jan. 1, 1976, deadline under the federal pension reform act.

Mr. Duffield was hired by

Foremost-McKesson two months after Risk Planning Group, a consulting firm, completed a risk management survey for the company. Formerly, Mr. Duffield was corporate director of insurance for Northrop Corp.

Reflecting on his professional and educational background, Mr. Duffield said he thinks it's easier now to get formal risk management training. His educational background includes liberal arts and law, though while he attended night school he worked as a claims adjuster.

Mr. Duffield said he learned a lot about casualty insurance at that job: "There's no better way to get an understanding of casualty insurance than to see it in operation at the level of an auto accident," he said. "It gets home to you quickly," he said.

He said he also values his legal training, which he credits with giving him the "mental discipline for problem solving."

classified advertising

RATES AND CLOSING TIME: \$2.75 per line, minimum charge \$11.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$23.50 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611.

HELP WANTED

BUREAU CHIEF- RISK MANAGEMENT

Salary starts at \$14,760

Minimum Qualifications:

4 yrs mgt experience in risk mgt program. May substitute college for up to 2 yrs experience. Duties include responsibility for state-wide risk mgt program for state owned property, casualty, liability, and bond risk exposures, and other risk mgt duties. Closing date Mar. 17, 1975. Contact ID Personnel Commission, Statehouse, Boise, ID, 83720.

our classified section
gets results . . .

for more information
about placing
classified ads

contact

Ms F. DeCorrevont

BUSINESS INSURANCE

740 Rush St.

Chicago, Ill. 60611

312-649-5340

EMPLOYEE BENEFITS SUPERVISOR

Foremost Insurance Company is a specialist in mobile home and recreational vehicle insurance. Since incorporation in 1952, we have grown to the point where we now operate in 49 states. Our imaginative marketing programs and superior products have vaulted us into a leadership position in our specialty area.

Our current opening for an Employee Benefits Supervisor reflects an addition to our expanding Personnel Division. This individual will assume total responsibility for administration and development of our employee benefit programs. We're seeking a personnel professional who has had major responsibility in employee benefits and can offer innovative ideas that will improve administrative systems and bring higher return on benefit dollars spent. Send complete resume with salary history and requirements to:

Colleen Brown

foremost
INSURANCE COMPANY

500 FOREMOST DRIVE, S.E.
PORT OFFICE, BOX 2400
GRAND RAPIDS, MICH 49501

An Equal Opportunity Employer

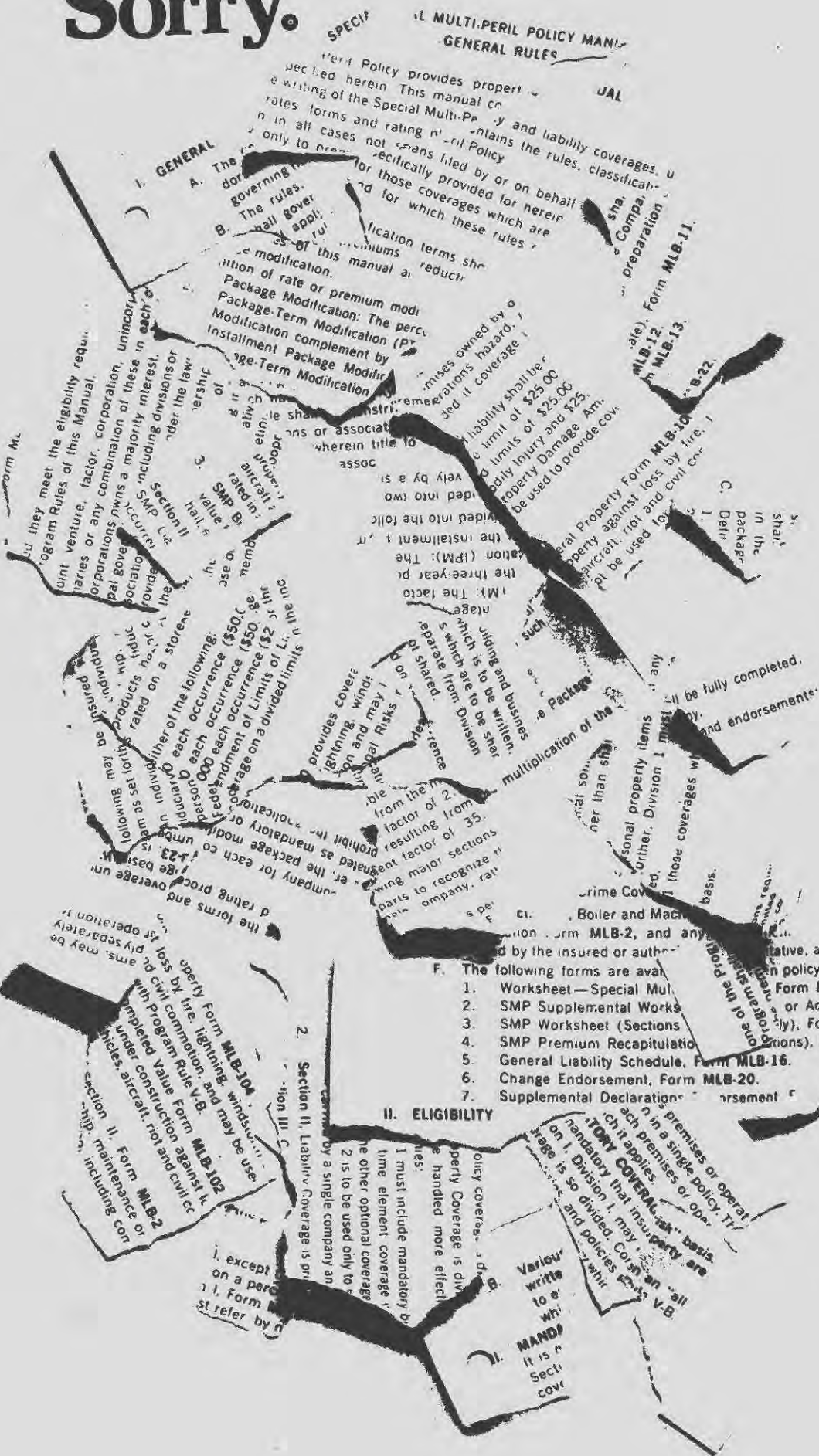
Male/Female

EMPLOYEE BENEFIT ADMINISTRATOR

Fortune 500 company, headquartered in small north central Ohio town. Heavy involvement in all aspects of corporate employee benefits administration. Help to analyze, recommend, and administer group health insurance, pension plans and savings plan. Position will emphasize heavy pension plan administration, and federal labor/treasury department reporting. Work with corporate management and actuaries to assure that all plans meet the requirements of the 1974 employee retirement income security act. Position reports to Corporate Director of Risk Management. Position requires college degree and 1-5 years experience in employee benefits preferably with a major health & benefit insurer. MBA helpful but not necessary. Salary commensurate with education, and experience, \$15,000+

BOX 525, BUSINESS INSURANCE
740 RUSH ST. CHICAGO, ILL. 60611

To the fellows who wrote the book on multi-peril coverage. Sorry.



Look, when we created *our* multi-peril, we just *had* to throw out the book.

After all, our goal wasn't to devise another look-alike coverage.

It was to forge a *better* package. And we think we've got one.

American Home's Commercial Multiplecover Policy is better because it's rated under an independent filing. We don't go by the SMP book.

Which means we can be flexible. And more easily able to find new ways to fill your specific needs.

And *our* underwriters have the authority to act. Right on the spot. Without delay.

And lastly, it's better because we listened to the complaints of agents and brokers before we created our multiple-peril cover. They told us their biggest problems with *other* multi-peril packages were service and engineering.

So we designed our support systems, from the very start, to ensure that our engineering is always timely and our service dependable.

It's multi-peril that has gone one step farther. To the point where—thanks to our rating flexibility—we can apply our multiple peril to just about any piece of business:

Including light industry. Trade groups. Business associations. And even those insureds who have been paying too much for their coverage. As well as prospects who couldn't get coverage at all!

For more information about our Commercial Multiplecover Policy that doesn't go by the book, send this coupon.

*Available in states where approved.

AMERICAN HOME/NATIONAL UNION INSURANCE COMPANIES

Dept. BI015, 102 Maiden Lane,
New York, N.Y. 10005

Please send me details on your Commercial Multiplecover Policy.

Name _____ (PLEASE PRINT)

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

 Member Companies of
American International Group

He's Major Group Headquarters.



Every Continental Major Group Account Executive has: Complete Financial Authority □ Complete Underwriting Authority □ Complete Field Decision Authority □ Complete Account Service Responsibility.

Your Continental Assurance Major Group Account Executive has complete financial and underwriting authority plus complete responsibility for servicing your account to your satisfaction.

He can make decisions. He can assume the responsibility. He can answer the questions—*on the spot*.

You know your Continental man will give you superior service because he's a profit center. We've given him bottom-line responsibility—so, he'll hustle to keep you happy.

Because he's an independent decision-maker, you won't hear: "I'll let you know when I hear from the Home Office." It's "Yes." "No." "Now." "Definitely."

Next time the Continental Assurance Major Group Account Executive calls, spend a few minutes with him. You'll be talking with Major Group Headquarters in *your* office!

At Continental, when you buy group, you deal with an individual.

Continental Assurance Co.

Call your nearest Continental Assurance Company Major Group Office: Atlanta, Boston, Chicago, Dallas, Detroit, Indianapolis, Kansas City, Los Angeles, New York, Pittsburgh, Salt Lake City, San Francisco