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Tax bill hits capital gains on pensions

WASHINGTON—Administrators of pension plans that are operated entirely on employer contributions are taking a hard look at their benefit packages in light of the recently passed tax reform act that takes from these plans capital gains tax treatment on lump sum distributions.

Under the new law, capital gains treatment for lump sum distributions under qualified pension, profit sharing, stock bonus and annuity plans will be limited—for plan years beginning after 1969—to that portion of the distribution attributable to employe contributions.

The employer-contributed portion will be taxed as ordinary income, except that it will be eligible for a special seven-year forward averaging provision, designed to ease the impact on recipients of relatively small lump sum payouts.

THE HOUSE had called for a stiffer 5-year averaging provision. But, it was forced to ease its stand in conference committee because the Senate had voted to drop the matter and continue to allow the entire amount of lump sum distributions to be treated as capital gains.

Besides stretching the averaging period to seven years, the conference committee lessened the impact of the House measure by voting to allow the recipient of a lump sum payout to disregard

Continued on page 30

Exceptionally high winds pushed a fire on the Atlantic City Steel Pier, where damage is expected to be about $1 million.
—Wide World photo

Steel Pier fire damage estimate at $1 million

ATLANTIC CITY, N.J.—A late December fire destroyed approximately one-fourth of this summer resort's famous playground, the Steel Pier, causing an estimated $1 million in damages according to the pier management.

The Steel Pier is insured for fire damage by Appalachian Insurance of Providence, R. I. The $1.1 million policy has a $10,000 deductible, *Business Insurance* learned. The surplus line company, which specializes in unusual risks, is owned by MFB Mutal Insurance Co., the largest of the Associated Factory Mutual Cos. The company has elaborate reinsurance agreements both in the domestic market and with Lloyd's.

Appalachian does not use the Factory Mutual rating standards or procedures, according to sources there. Instead, it evaluates each risk under consideration individually and writes a special premium based on that evaluation—similar to Lloyd's procedure.

"We have no idea how it started as yet," George Hamid Jr., executive vp of Atlantic City's Steel Pier told *Business Insurance*. He set the damages at "about $1 million," explaining that "the pier was closed and we have very little electricity running in that part of the pier. The fire was really pushed by the exceptionally hard winds—about 45 mph—which have hit us over the past few days." ■

Business Insurance's 15 top stories of 1969

1 Buyer among first seven U.S. members of Lloyd's syndicates (Jan. 6)

2 AAU views skyjackings as thefts; provides coverage for lost planes (Jan. 20)

3 Inflation, tight market drive insurance costs up 10% to 100% in 1968 (Feb. 3)

4 Student protesters have campus risk managers in state of unrest (March 17)

5 USAIG insurer on worst air disaster in history; U.S. executives aboard (March 31)

6 Values of 7 retirement funds top $1 billion; Sears, G.M. lead list (April 14)

7 List 'missing' securities valued at $50 million; surety writers wary (April 28)

8 Missouri moves to close mini-mutual following Business Insurance expose (May 12)

9 INA moves to drop pollution cover on oil spillage mishaps (June 9)

10 Claims on Mill Factors losses mark first test of D&O policy coverage (July 7)

11 Strict safety, usual suppliers' coverages accompany Apollo (July 21)

12 747 makers reviewing new liability scheme; captive takes nose dive (Aug. 4)

13 Losses from 'thin lady' Camille fall far short of Betsy's toll (Sept. 1)

14 Stock exchanges' goal: full financial services (Nov. 24)

15 USWA wins 'biggest' benefit, wage gain of '69 (Dec. 8)

Equitable's new chief foresees wave of change

By STEPHEN GILKENSON

NEW YORK—The new chief executive of Equitable Life Assurance is a 59-year-old gentleman who, one would venture to say, is the type of father any daughter or son in their late teens or early twenties could be quite happy with. Even if he does wear white shirts, he is not the stodgy or unapproachable type often found occupying the upper floors of insurance halls.

When J. Henry Smith bounces one of his nine grandchildren on his lap you are likely to see a little leg, in other words. His hose are the mid-calf variety, not the executive length.

Mr. Smith recently took over the leadership of the $13.5-billion company, third largest life insurer in the country and a major influence and innovator in the group health and life field.

WHEN A NEW executive enters a new decade he is likely to draft a catch-all phrase he hopes will theme the upcoming administration. "Forward in the '70s" might be appropriate were it not so uninspiring.

Mr. Smith has drafted no such slogans. Instead, if an interview with *Business Insurance* the other afternoon is any indication, he is treating the future with quiet determination a feeling that changes—especially in the health field—are going to come in the '70s. Moreover, he is a believer that insurance companies like Equitable must play an active rather than passive role in those changes.

Just what might those changes be?

"IT'S A fascinating subject," he said with a sincerity that belies the fact he has been discussing same for the past 40 of his 59 years.

"We are getting some different conditions arising with regard to the different components that make up the health field today. And," he added, "those components in the health field differ from those that guide us in the other fields, such as group life insurance.

"We used to think it (the whole employe benefits area) as strictly homogeneous. Perhaps we can keep that up in the future but I am not sure.

"THERE IS, of course, the agonizing problem of the cost of health care today," the new chief executive went on. "But it goes deeper than that. The public should not be agitated so much about the cost of medical care as it should be about the competence of the health system in the United States." He emphasized the word system.

"Certainly," he continued, "it is an antiquated and divided system—a number of systems that don't really compete with one another. They go their separate ways. There is a desperate lack of organization of facilities for health care today, particularly for the indigent. A common mechanism is needed so that we might better utilize health facilities."

Mr. Smith was referring to what an executive at Metropolitan Life and others have recently called the "delivery of health care." Companies such as Equitable and Met have become increasingly interested in the subject, perhaps spurred on by recent interest by the Federal government and others in the private sector. The Equitable executive would be less than candid if he did not admit some of the motivation for the insurance sector's interest was inspired by the classic fear of big business: "If we don't do something about it, they (Federal government) will."

"WE FEEL insurance companies will have a substantial role in these changes that must come," Mr. Smith continued. "Right at this very minute companies and specialists are trying to find out just what that role might be. We haven't taken a very effective role in the past," he admitted.

"I think you are going to see insurance companies moving in very specific ways. You may even see them investing in health facilities. Surely you'll see them becoming more aggressive in a legislative way," he added, noting that right now major insurance companies were actively participating in integrated discussions that might lead to legislative proposals. "I expect one day soon we will be going to Congress with some sort of a proposal," he added almost casually.

Continued on page 30

Met curtain goes up with increased fringe benefits

NEW YORK—The fountain at Lincoln Center for the Performings Arts here seem to climb at least ten feet higher when the Metropolitan Opera's labor settlement was completed in time for a belated Dec. 29 opening performance of "Aida."

"Everyone here is very relieved and very pleased with the agreement," said Louis Sgarro, second vice president of the American Guild of Musical Artists, the union representing the solo artists during the dispute with the world-renowned opera company. "We were told by our lawyers that the fringe benefit improvements agreed on represent the most up-to-date and comprehensive plans available," he said.

The settlement, which culminated a wage and benefits dispute that delayed the 1969 opening of the Met for nearly all of 1969, was reached in the wake of an intervention by George Meany, president of the AFL-CIO. Citing the nationwide concern over the "impasse, which may threaten the future survival of this important cultural institution," Mr. Meany asked Harry Van Arsdale, president of the New York City Central Labor Council to aid in the belabored negotiations. Mr. Van Arsdale brought the negotiations to a successful conclusion in a matter of days.

THE TERMS of the agreement include improved insurance coverage for both the orchestra and the solo artists. It is written by Traveler's Insurance Cos. Blue Cross and Blue Shield writes the health plans.

Benefits resulting from the settlement include a new $5,000 group life policy and a new $5,000 accidental death and dismemberment policy to be paid for by the opera company, said a Traveler's spokesman. Previously the opera company's major medical coverage included a $100 deductible per cause of a claim plus an employe contribution for dependent's coverage. These features were changed during the agreement leaving a $100 deductible for each year's total claims. The employe contribution has been eliminated.

In addition, the maximum amount of coverage under the Met's major medical policy was raised from $15,000 to $20,000, the spokesman revealed.

The Blue Cross and Blue Shield plan was revised to include a new maternity benefit and an unlimited blood supply feature, noted a spokesman for the solo artists' AGMA (American Guild of Musical Artists). "Under the old contract agreement we were fully covered for the first 21 days of an expectant mother's confinement, however now we have 70 days full coverage and 180 days at half coverage plus full coverage of the first eight days of the delivery confinement," he said.

THE AGMA spokesman explained that under the new Blue Cross Blue Shield medical plan if the employes contribute a total of only six pints of blood a year any employe in need of blood will be furnished with an unlimited supply as needed.

"We have reverted to the four-star Blue Shield plan," he said, "and from what we can find out it's the best one that Blue Shield offers. Our dependents coverage has been extended under it until they reach the age of 23, providing they're still college students. We also have a $20,000 maximum coverage under the new plan," he said.

The general consensus among people contacted by *Business Insurance* indicated widespread approval and satisfaction with the new three-year contract. Just how it affected the opening performance of "Aida" was not quite decided. ■

Benefits for the orchestra and the soloist at the opening night of the Met are "the most up-to-date and comprehensive plans available," lawyers for the performers contend. —Wide World photo

Urge closer tie for London underwriters and salvagers

LONDON—Underwriters handling shipping casualties mainly insured on the London market are being urged to link up more closely on marine claims in America with surveyors employed by the London Salvage Assn.

The bid for more North American work has come from Robin Johnston, chairman of the London Salvage Assn., after a four-week tour of shipping offices on both the East and West Coasts and the Great Lakes. He visited San Francisco, Portland, Vancouver, New York, Montreal, Halifax and Toronto.

But in an interview with *Business Insurance* he emphasized that this was intended to apply to policies written primarily in Britain with either Lloyd's or major insurance companies, and there is no intention of competing with the U. S. Salvage Assn. on risks predominantly insured in America.

ON HIS RETURN in London he said: "There is no intention of competing with our friends in the U. S. Salvage Assn. on risks insured in their country, but there are many policies mainly written in London in which the surveyors employed by my association are not engaged.

"It will obviously help the books of the London Salvage Assn. as a whole, and stimulate our own surveyors employed in North America, if they can get a reasonable entitlement of work.

"We feel that increased business in North America will help overall costs and in the end could lead to lower charges. I think this is a fair point to make as far as policies written in the London market are concerned, and should not prejudice anyone."

Mr. Johnston reported that business has risen in gulf ports, but had fallen off on the West Coast because of the run-down in Vietnam and the advent of container traffic, with fewer ships. It had also declined on the Great Lakes and Seaway. ■

Offer risk advice for inner city

ALBANY—Residents of Hamilton Hill and others in Census Tracts 9 and 10 in Schenectady are going to be offered a free "inner-city insurance information service" manned by volunteer members of the Independent Mutual Insurance Agents' Assn. of New York State.

Believed to be the first of its kind in the nation, the service is designed to give information on property and liability insurance to inner-city residents. It will be started through the cooperation of the Schenectady Community Action Program (SCAP) and the Independent Mutual Insurance Agents Assn. (IMA).

The sevice will be coordinated by Mrs. DeWitt Steward, director of the neighborhood center, and Irving B. Mickey, IMA's director of communications. All of the volunteer, staff are Schenectady County insurance men.

MR. MICKEY said: "We know from our own experience and from published reports, that residents and businessmen in inner-city areas frequently experience losses from fires and other mishaps which are not properly covered by insurance.

"Although regrettable, it is nevertheless a fact of life that inner-city properties are often more difficult to insure than those in outlying areas. But there are ways of getting coverage, the fire and assigned risk pools being a notable example. We believe that much of the present loss and suffering which accompanies it could be averted if persons were properly informed as to how much insurance they should carry on their homes and other property and, particularly, if they knew how and where to get it." ■

Scent worth $3,000

An appeals court in London has awarded a 37-year-old English woman $3,000 in damages because she lost her sense of smell in a car crash.

GUIDE TO FEATURES

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Exchange vp sees data bank as theft deterrent

By STEPHEN GILKENSON

NEW YORK—In moves extremely uncharacteristic of high finance, the New York Stock Exchange is publicly acknowledging a problem often shrouded in corporate secrecy. And it is vigorously going about promoting its determination to do something about it shortly; that Wall Street is not dragging its feet, in other words.

According to a New York Stock Exchange executive, both the insurance and securities industries are hard at work developing a data bank which would store reports on stolen Treasury bills. A call to the central data bank would warn prospective buyers that the bills are hot. Eventually the bank might be expanded to cover all forms of securities.

The problem, simply, is the "disappearance," "loss" (sometimes known as outright theft) of securities and U.S. Treasury bills. Losses have always been a part of doing business on Wall Street. However, in 1969 they certainly reached a crescendo with the mysterious disappearance" of $13.2 million in Treasury bills from the Morgan Guaranty Trust Co. and the purported loss of more than $1 million in securities at Merrill Lynch, Pierce, Fenner & Smith Inc. here.

BANKS, STOCK brokerages and the N.Y. Stock Exchange, on behalf of its member firms, are frankly worried that recent losses will push insurance companies writing banker's blanket bond coverages over a precipice they are now tottering on and whether they should pullup stakes and get out of the market altogether. Rumors such as a recent one to the effect that at least one major stockbroker has been threatened with cancellation by its insurer, while not rampant on Wall Street, are getting more than the usual lip service.

Interviews on the problem with top officials in the financial community are not always easy to come by. It is even rarer when the executives approach you, through their public relations men, offering to discuss the subject.

Such was the case recently when Mahlon M. Frankhauser, vp and deputy director of the N.Y. Stock Exchange's department of member firms, sat down to discuss the situation with *Business Insurance*.

ASKED IF there was any real fear that insurance companies might pull out of the market altogether, Mr. Frankhauser commented:

"There is concern of reduced coverages and higher deductibles for brokerage houses. It is conceivable insurers could pull out altogether." However, he noted that that possibility would be reduced by the speed the industry takes to reduce the problem.

Of late there has been talk, labeled just that by the exchange vp, that the industry might start its own captive insurance company.

"VERY FRANKLY," he went on, "I don't think that's a real possibility. We want very much to stay with these companies. If the inconceivable happens obviously something is going to have to be done, but I don't think it is a real possibility. It has not been explored in any real depth to my knowledge," he added.

The figures aren't all in yet but securities industry people are estimating that losses of securities of all types at Big Board member firms alone will be in the neighborhood of $30 million in 1969, up from $23 million in 1968. A major portion of the losses are Treasury bill type disappearances from brokerage houses. However, the $30 million figure does not include bank losses of Treasury bills, such as the recent Morgan Guaranty loss.

"If the insurance industry pulls its coverage on Ts, the Federal government is going to have to act because it will impair the government's ability to do business," Mr. Frankhauser said the other day.

THE MAJOR problem of the continuing vulnerability of securities remains one of movement, the vp explained. "Little old men are still carrying these things around in manila envelopes," he said.

Lessening of this movement is the thrust of a two-pronged attack the industry has recently begun.

"We're working in two areas," the vp said of the projects his office has been handed by the Stock Exchange on behalf of its members.

THE FIRST, which Mr. Frankhauser and his staff is very high on, is an earlier reported plan that involves reducing the physical handling of Treasury bills by using the Central Certificate Service, the exchange's automated clearing unit, as a depository for the securities. CCS then would act as an agent for its member firms in their Treasury bill dealings among themselves and with the Federal Reserve Bank of New York, issuer and redeemer of the bills on behalf of the Treasury Department.

Hopefully, according to the vp, the system will be operational within six months. First National City Bank of New York is the first bank to participate in CCS.

The data bank idea is still on the committee table, but a very real possibility.

ACCORDING TO Mr. Frankhauser it would be a pilot project initially, with participation by both insurance companies and brokerage houses.

A formal proposal has been drawn up and submitted to both the insurance and securities industries by an outside firm that has the capacity to operate the bank, said the vp. It would be financed one-third by the insurance industry. The rest of the cost would be borne by the brokerages using the bank. An initial charge would be made for the service, plus a use charge for each inquiry.

Under the system, according to the vp, who noted that meetings are being held with both industries with general cooperation and receptiveness, a loss would first be reported to the insuring company. The insurance company would then report the number of the certificates missing and

Continued on page 34

Not very. You'd be sunk from the start. When you're dealing with a product you can see, and feel, and kick, you just naturally sell (or buy) the whole thing. Not so with a service like financial planning.

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washington watch

Ask CAB to investigate air carrier liability rates—cargo theft targeted

WASHINGTON The Senate Small Business Committee has recommended that the Civil Aeronautics Board initiate a formal investigation into air carrier liability to determine if the current rate, which is based on the weight of the shipment, is too low.

The recommendation was one of eight made by the committee following its investigation into the "increasingly acute rate of air cargo thievery and pilferage at the country's major air terminals where losses total many billions of dollars each year."

The probe was part of a broader, on-going investigation into the impact of crime on small business, with an emphasis on the vulnerability of goods and cargo to theft and pilferage "from the point of shipment from the factory or importation, as they enter the transportation network on their way to the wholesale distributor, retailer and consumer."

THE LACK OF reliable statistics concerning the extent of air cargo theft was one of the major problems confronted by the committee in its investigation, it said. But, it added, indications are that losses run well into the millions of dollars each year.

The impact of these losses on business is heightened by inadequate maximum rates of carrier liability, the committee pointed out.

In domestic air commerce, the air carrier's liability for the negligent loss of freight is set by law at 50¢ a pound, with a maximum of $50 per shipment unless a greater value is declared by the shipper.

In this case, the shipper can be covered for a larger amount by paying 10¢ for each $100 value over $50. But, according to the committee, there is no incentive to the carrier—either legal or otherwise—to disclose this option to the small shipper, who, it claims, typically is unaware of any limits on carrier liability.

BECAUSE OF this, the committee recommends that the CAB require all carriers to affirmatively disclose to the shipper the rate and limit of liability of the carrier, and the fact that the shipper can, by making appropriate declaration, obtain increased liability for his shipment.

The committee said it recognizes that neither the CAB nor Congress should consider raising the limit of liability without the necessary acturial information on the rate and extent of loss.

For this reason, it recommends that CAB compel all U.S. air carriers, air freight forwarders and agents to report on a quarterly basis all cargo damaged, lost, missing, stolen or presumed stolen, the value of such cargo, the amount paid and the number of claims against the carrier for such damaged, lost, stolen, or presumed stolen cargo.

If the CAB fails to act either on this suggestion, or the one that calls for a formal study of the current liability limits, the committee recommends that legislation be passed to accomplish the purpose.

Sen. Alan Bible (D., Nev.), chairman of the Small Business Committee, has already introduced legislation to require the CAB to have all domestic carriers file such reports.

To highlight the need for such legislation, as a first step in doing something about the pilferage problem, Sen. Bible told Congress that the largest international airport in the nation, New York's John F. Kennedy, was threatened by an industry boycott because of severe cargo losses.

INTERVENTION by a New York state legislative-sponsored crime commission brought about formation in 1968 of an Airport Security Council by the air carriers to deal with the cargo security problem, he pointed out, adding that the council's first act was to compel carriers to file cargo loss reports so the security people could learn the true scope of the theft problem.

Despite innovative security precautions by the Airport Security Council, two airlines there lost more than $1 million in cargo thefts in one week last month, he continued.

Sen. Bible then referred to testimony before his committee by the American Watch Assn. that said its cargo losses totaled $2.5 million dollars in two years. It pointed out that comparably, such a loss to the auto industry would total almost $400 million.

Other committee recommendations to help solve the air cargo pilferage include:

- That the CAB, after consultation with the secretary of commerce, be required to prescribe regulations establishing packaging requirements with respect to property transported in air commerce, which will insure maximum safety against theft or damage.
- That the secretary of transportation immediately begin a study to determine the need for minimal physical security standards of air cargo facilities at all U.S. airports engaged in interstate and international air commerce.
- That the efforts of the private sector, such as the Air Transport Assn. Security Council and the John F. Kennedy Airport Security Council, be encouraged and promoted—"Appropriate assistance and cooperation in such efforts on the part of the appropriate government agencies are urged and recommended." ■

President named

Kenneth J. Creber has been named president of Wm. H. McGee & Co. Inc., a marine underwriting management office, succeeding Harold Jackson who is retiring after 50 years.

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Touchy Question #78

Is the "security program" you maintain for your employees a highly dangerous "insecurity program" for you?

Security or retirement programs are "owned" by the employees for whose benefit they are maintained. The firm is in a sense their trustee, responsible for the quality and continuing health of the program.

If you read the papers, you know that an employee benefits program can go off like a bomb in the hands of the employer. One nationally-known corporation was recently stung for over $70,000 for giving an employee what turned out to be mistaken advice about which of several options to exercise. And in the wake of its discontinuance of a magazine, an old established American publisher is currently confronted by half a dozen lawsuits alleging that the security plan has been mishandled.

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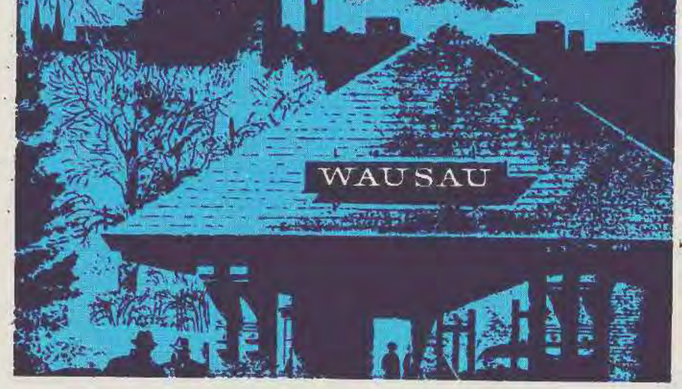

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following the funds

Boston fund administrators cast admiring eyes at small investors

By ALLEN M. WIDEM

BOSTON—That the mutual funds field has been casting an appraising, admiring eye over the pension fund management business is an accepted part of the American insurance industry outlook.

Significantly, one fund administrator, Boston-based Vance, Sanders & Co., is going after one particular element—the relatively small business organization.

In this case, Vance, Sanders is talking primarily of the business employing fewer than 1,000 persons.

IT IS NOTED that firms of this size account for a whopping 75% of all business names, but, in the main, few pursue programs of in-house pensions.

Vance, Sanders spokesman Lloyd Adams Jr. attributes the situation to the simple fact that the typical small employer cannot afford some sort of plan (tax advantages seem to accommodate that), and when he starts looking about for a pension plan, he finds he must hire a lawyer, an accountant, an administrator, a bookkeeping staff, among others.

As a result, the small business organization seems to bypass pensions.

MR. ADAMS, who functions as Vance, Sanders institutional sales chief, says his firm's approach has been brought into being via an Internal Revenue Service change permitting pre-approval of the essential format of a pension plan by a distribution company such as Vance, Sanders.

To date, 2,000 plans have been approved for 500 sponsoring organizations.

Most are the traditional pension fund managers—banks, insurance companies—but the minority is dominated by mutual fund groups.

WHAT Vance, Sanders is providing, in an overall view, is a choice of three basic employe benefit plans—complete with draft contracts, administrative procedures, necessary governmental form filing, and in-depth explanatory details for the employe himself.

Choices are between profit-sharing, money-purchase pension plans, or benefit formula pension plans.

Understandably, profit-sharing is largely dependent upon profits for available cash.

The money-purchase plan does not promise a specific amount, but does stipulate that an employer will set aside a fixed percentage of the employe's salary.

THE BENEFIT formula sets specific dollar and objectives, uses the plan to seek reduction of the amount provided by the employer via gains achieved by the plan manager.

Vance, Sanders, in all three situations, works through broker-dealers handling mutual fund shares. Used are the six mutual funds Vance, Sanders distributes as the investment end of the pension plan.

They include the $2.1 billion Massachusetts Investors Trust, $1.2 billion Massachusetts Investors Growth Stock Fund, $257 million Boston Fund, $45 million Boston Common Stock, $100 million Century Shares & Trust, and the newly-launched Vance, Sanders Special Fund.

TO BE SURE, this idea of investing pension funds in mutual funds is not a recent development.

Massachusetts Investors Trust and Massachusetts Investors Growth represent institutional ownership of all kinds—totaling more than $400 million total, and profit-sharing plans, to about $64.6 million.

What *is* new, however, is the introduction of the prototype pension plans with the effect of allowing the client to fill in the blank spaces in a typical contract, less the time-honored concern about formidable fees covering legal, accounting or administrative services.

VANCE, SANDERS, of course, is not giving its service gratis.

Mr. Adams emphasizes that the saving for the user is "considerable" when using the pre-packaged form, as compared with the individually-drawn program.

The new approach, now being vigorously marketed by Vance, Sanders and similar organizations, is accelerating the pace of institutional investment, since tax advantages are readily evident to both company and participating employe, under the inviting umbrella of non-taxable dollars.

AND THE individual decision-making, as far as investment is concerned, is sidestepped.

Mr. Adams, talking of the growth of the noninsured pension funds to total assets of more than $80 billion (compared with $33 billion in 1960), remarks:

"What we've seen is a shift from individual security devices to collective security devices."

Some observers point to increasing "homogenization" of money management, banks, insurance companies and mutual funds assuming, more and more, a common concept, a common cognizance of vigorous progressiveness. ■

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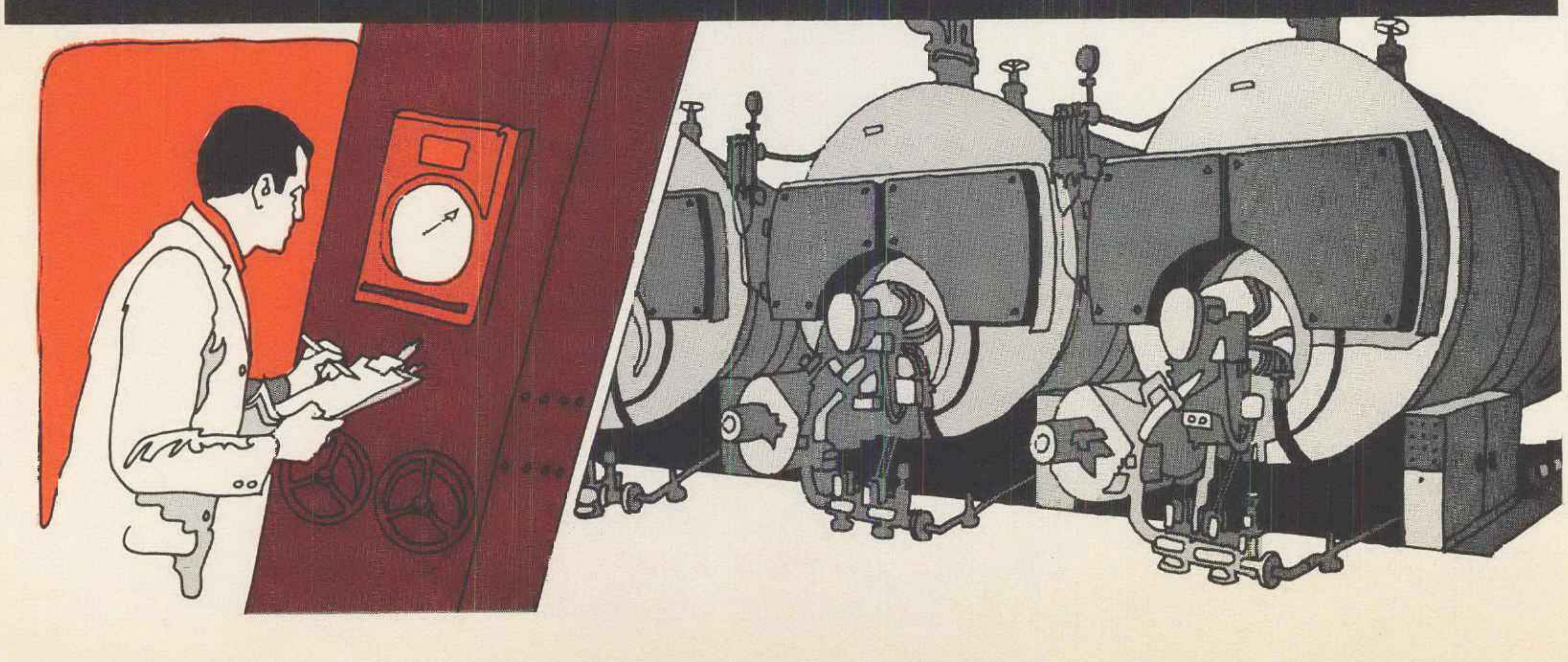
Offices in major cities throughout the United States and Canada



Cardiacs get more comp

TRENTON—Workmen's compensation for heart attacks in New Jersey increased 23.5 per cent last year, according to the state department of labor and industry.

There were 780 cardiac cases in 1968, with compensation payments coming to $6,441,474. In 1967 cases totaled 664, and the state paid out $5,271,611 in compensation.

Fatalities also rose from 116 to 126. ■

Lloyd's chairman Henry Mance sees profitability

LONDON—Increasing prospects for British underwriters in world markets in 1970 were forecast by Henry S. Mance, Lloyd's chairman, in an exclusive interview with *Business Insurance* as his term of office nears its end.

Reviewing his experience of the past year, with special emphasis on capacity problems, he gave this comment:

"I feel certain that Lloyd's is very close to returning to profitability. We are on the verge of a breakthrough in this direction. This will mean that we will find new members will be joining us, and in turn there will be a growth in capacity that everyone has been waiting for."

At the request of *Business Insurance*, Mr. Mance, who has been an underwriting member of Lloyd's for 30 years, gave his views on three questions of special interest.

BUSINESS INSURANCE: What do you think of the idea that the U.S. market will have to find additional capacity in years to come as the Lloyd's market becomes sated with the coverage demands of the U. S. insurance buyers?

MR. MANCE: Insurance is international and Lloyd's accepts a great deal of U.S. insurance business both direct and by way of reinsurance of American companies. All insurance markets are expanding, and all countries will have to find additional capacity. Lloyd's has never yet failed to meet a challenge. Its strength lies in its readiness to adapt its way of doing business. The solution to this problem, resting on the provision of more capital, will be found before long.

BUSINESS INSURANCE: What do you think of the relationship between U. S. insurance buyers and Lloyd's; should U. S. buyers plan to visit London to explain their companies' operations and their coverage needs?

MR. MANCE: Traditionally, Lloyd's brokers regularly visit their clients in all parts of the world to cement relationships. Thus Lloyd's underwriters, through Lloyd's brokers, are kept fully informed as to U. S. insurance buyers' requirements. However, it is true to say that many U. S. buyers have for many years visited Lloyd's and explained their companies' requirements, so the two-way relationship is a very valuable aspect of the matter.

BUSINESS INSURANCE: What do you see as Lloyd's relationship in the future with insurers in other areas, including countries behind the Iron Curtain?

MR. MANCE: Lloyd's, through its 240 firms of Lloyd's brokers, does business with more than 100 overseas countries, including those behind the Iron Curtain. Many of these countries have their own well-established insurance companies. But these companies not only look to Lloyd's to provide them with various types of reinsurance, but also expect the London market, because of its vast international experience, to provide them with a lead in finding fresh answers to their various problems and in pioneering new forms of insurance. The joint hull agreement is one example of the thinking of the London market which is followed in many other countries. There is no doubt that Lloyd's relationship with these countries will continue to expand.

Supporting Mr. Mance in these views was Paul Dixey, a deputy chairman of Lloyd's, who has worked closely with him on many aspects of its work in the past year.

Expanding his personal views, Mr. Mance said: "Premium rates have fallen to uneconomic levels and underwriters have been selling their services too cheaply. There has been a competitive outlook in achieving premium income as part of investment policies, even though the rates might be out of step with reality, that has made it hard for Lloyd's to get proper rate increases.

"But we are a pretty tough set-up, and skill in underwriting is showing itself again. Higher membership and larger deposits from existing members are certainly necessary as remedies. Overseas applicants for membership seem to be slow in coming forward, perhaps because in some countries they have special taxation problems. But we welcome their efforts, and expect they will overcome any major problems of this kind so that they can play their part in the Lloyd's of the future."

Mr. Mance, who completed a 40,000-mile tour of Australia during his term as Lloyd's chairman, said the market there was not as disciplined or coherent as that in the U. S. or Britain.

It faced too much rate-cutting because of a two-tier brokerage system tied to tariff and non-tariff business, but there was not sufficient capacity to handle some of its major risks such as mining and other big developments.

But there was vast economic growth throughout Australia, which was still remote from other business countries such as the U. S. and Britain, and there were bound to be big insurance requirements there. ■

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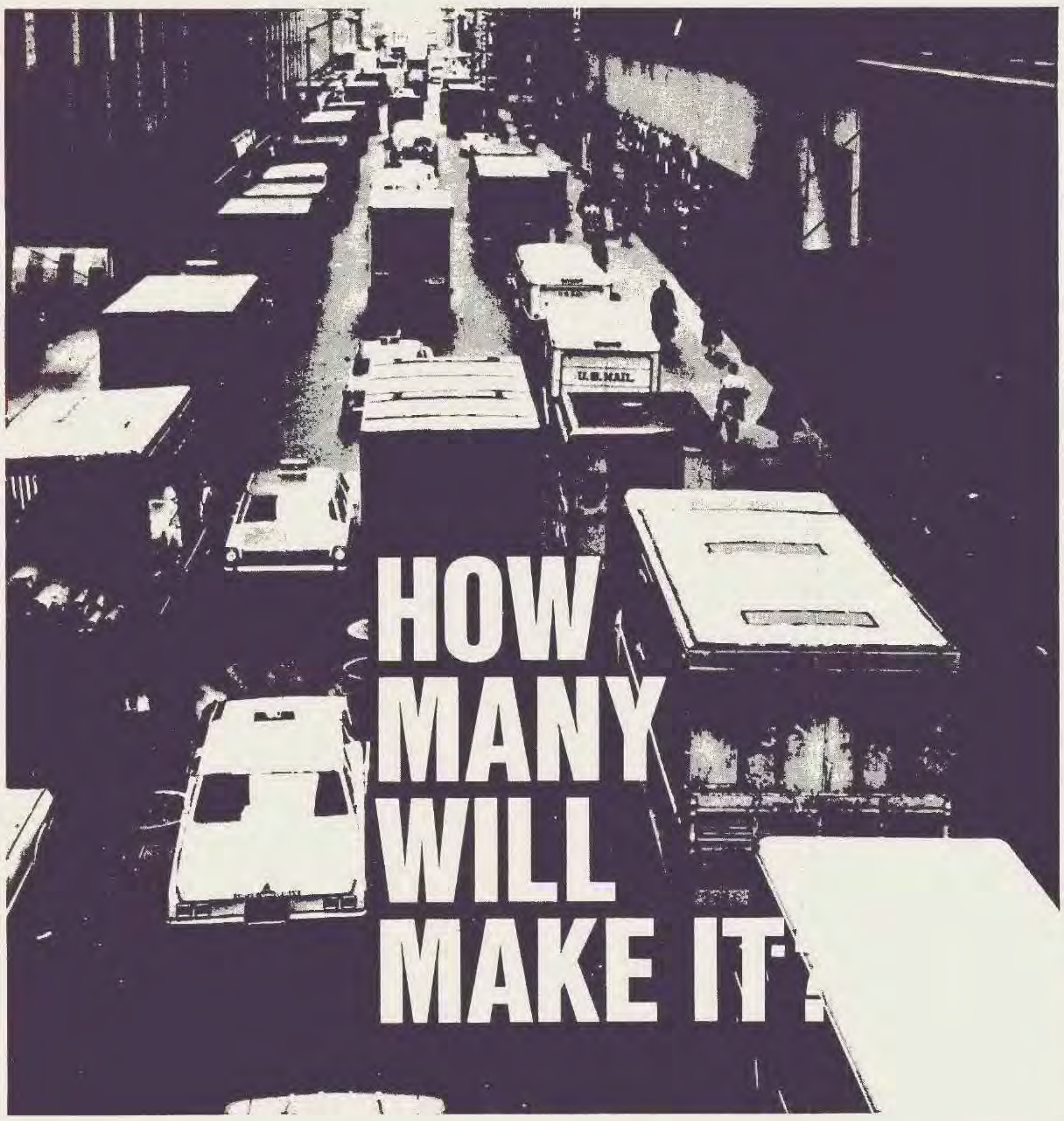

Some of these commercial vehicles are headed for destruction. Perhaps, this very day! The pity of it is that many an accident needn't have happened.

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info for buyers

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

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

• A non-slip material that conforms to any surface has been developed by the 3M Co. **Safety-Walk** is made of mineral coating and is applied by removing its paper liner and setting in place. Write 3M for a free sample and descriptive literature at BS & CP Div., Bldg. 224-5W, 3M Center, St. Paul, Minn. 55101.

• National Automatic Sprinkler and Fire Control Assn. Inc. has released **Automatic Sprinklers in Building Codes**, a 16mm, color, sound film. Narrated by Lowell Thomas, the film is directed primarily toward building officials, architects, engineers, fire prevention officers and urban renewal planners. The film details the basic principles of building codes and the part that automatic sprinklers play in providing for maximum public safety, design flexibility and reduced construction cost. Copies may be purchased directly from the association at 2 Holland Ave., White Plains, N. Y. 10603 for $110 per print. Or you may contact one of the 28 nation-wide offices of Modern Talking Picture Service Inc.

• **Effects of Sonic Boom** is a 174-page book recently published by Dr. J. H. Wiggins Jr. who heads his own firm of consulting researchers and professional engineers. The book is a synthesis of information and data resulting from various sonic boom overflight test programs and other research in that field of interest. The book sells for $16 and is available from the author at 2516 Via Tejon, Palos Verdes Estates, Cal. 92074.

• **A Practical Safety and Security Program for Small and Medium-size Plants** is a 38-page book published by Dartnell. It deals with the causes of accidents and where responsibility falls as well as covering elements of a successful safety program and avoiding false claims. Product liability and its relation to safety and preparations for dealing with civil disorders are also discussed. Copies are $2 from Theron Millger, Executive Consultant, 228 N. LaSalle St., Suite 1964, Chicago, Ill. 60601.

• **101 Ways to Save Money on Your Car** is an eight-page brochure released by the National Auto Club. Points covered include: getting more miles per gallon; making tires last; saving money on insurance; maintaining the appearance of the auto; saving on engine repairs; getting longer battery life. The item would be useful and appreciated as an employe-handout and would be especially valuable to drivers of fleet cars. For each copy send 35¢ in coins to the club at Box 2368, Elmont, N. Y. 11003.

• **The Narcotic Addict Rehabilitation Act of 1966** is a pamphlet distributed by the U.S. Dept. of Health, Education and Welfare explaining who is and who is not eligible for rehabilitative treatment and how non-profit organizations may obtain grants for rehabilitive purposes under this act. Copies are available at $5 per 100 or 10¢ each from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• A 34-page survey containing national vital and health statistics data in booklet form can be obtained for 45¢ per copy from the Superindentendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. **Regional Utilization of Short-stay Hospitals, United States 1965** covers discharged patients, days of care, and average length of stay for the four major geographic regions—Northeast, North Central, South, and West.

• Data on medical care utilization in the U.S., the United Kingdom, and Yugoslavia is collected in **International Comparisons of Medical Care Utilization,** a 74-page booklet priced at 70¢ per copy available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The report describes the conduct of the study and gives the findings and conclusions together with summary tables incorporating standardized rates.

• Companies with pension plans that are concerned about the substantially higher cost that could result from pension reform legislation may be interested in becoming members of the Assn. of Private Pension and Welfare Plans Inc. Members receive extensive information on pension developments and opportunities to express their views on legislation through local meetings of members with their own congressmen. A free brochure and additional information may be obtained from Joseph P. Leary, Assn. of Private Pension and Welfare Plans Inc., P.O. Box 1920, Washington, D.C. 20013.

• **How Creative Insurance Management Protects You** is a free booklet offered by Paige OBrion Russel, 40 Broad St., Boston, Mass. 02101, describing how the firm manages an account and lists some of its customers. The booklet can be obtained by writing the company.

• ESB Inc. has announced an improved line of air hoses and fittings for respiratory protection equipment. The line is approved by the U. S. Bureau of Mines. The new hose is green, the accepted color for air and oxygen, and has a cover of synthetic rubber to resist oil, abrasion and weather. It is available with pre-fitted couplings and clamps already installed. For further information, contact the merchandising manager, Willson Products Div., ESB Inc., P. O. Box 622, Reading, Pa. 19603.

• Fidelity and Deposit Co. of Maryland offers a 40-page book, **Embezzlement Controls for Business Enterprises.** The book's eight chapters discuss control of cash receipts and disbursements, merchandise and a program for small businesses. Also included is a check list of internal control procedures. For a copy of the item write the company in Baltimore, Md. 21203.

• **Financial Services—Putting More Venture into Capital** is a 16-page industry survey discussing trends in the insurance and financial fields and the development of the financial services company. Explanatory tables are included. To obtain a copy write Goodbody & Co., 55 Broad St., New York, N. Y. 10004.

• A revision of the 1955 edition of the **Safety in Quarry Operations Standard** has been completed by the National Safety Council. The 43-page document contains an illustrated appendix and sells for $5 per copy. (Discounts are allowed for larger orders.) Write the American National Standards Institute, 1430 Broadway, New York, N. Y. 10018.

• **Absenteeism Hurts** is a 16-page, pocket-size booklet published by the Drumcliff Co. The item is designed to re-awaken in the employe a sense of responsibility not only to his company but also to himself—because, as the booklet points out, absenteeism costs money and lowered profits lead to lower salaries. The booklet is available in quantity for use as an employe handout. Prices are available by contacting the company at P. O. Box 300, Lutherville, Md. 21093.

• The Factory Mutual Engineering Corp., 1151 Boston-Providence Turnpike, Norwood, Mass. 02062, has recently made available **The Automatic Sprinkler, Firesafety Fundamentals Vol. 4.** The need for sprinklers and how they control fires are among topics illustrated in the book. Types of sprinklers and systems and sprinkler temperature ratings are explained through diagrams. A sample copy is free of charge. Quantity orders are 10¢ each.

• **Recommended Safe Practices for Outside Storage of Logs** (NFPA No. 46B-T), a new, tentative text designed to minimize the fire hazard in log yard storage areas, has been published by the National Fire Protection Assn. The 16-page work, which does not yet have official status, resulted from requests of industries that use logs and on occasion must store them for various periods of time. Provisions of this work apply to log yard areas containing saw, plywood and pulpwood logs stored in ranked piles. The text covers controlling the arrangement and spacing of log piles and exposures to and from these piles, adequate fire prevention and protection, and prompt detection and suppression of fire. Copies of the item are 75¢ each from the association at 60 Batterymarch St., Boston, Mass. 02110.

• **A Study of the Financial Significance of Profit Sharing** is available for $5 from the Council of Profit-sharing Industries, 29 N. Wacker Dr., Chicago, Ill. 60606. The book answers the question "What can profit sharing do for my company?" The study covers 175 companies in nine major industries during the years 1948 through 1966.

• The Life Insurance Agency Management Assn. has released a research report entitled **Mutual Funds: Soundings from the Marketplace,** which attempts to answer the question: "Who buys mutual funds and why?" It delves into buyers' attitudes and examines the reasons some people prefer investing in mutual funds instead of in other saving devices. For more information on the report, contact the association at 170 Sigourney St., Hartford, Conn. 06105.

Indians get Alcatraz; aim at oil companies

SAN FRANCISCO—The Indians may be smoking peace pipes elsewhere, but in the West they are mainly on the warpath.

In one battle the Federal government may be trembling just a bit and in another a few insurance company executives may soon be trying to protect their scalps.

In the two-front Indian uprising, some 600 from a number of tribes throughout the West have physically taken over Alcatraz, the former Federal prison island in San Francisco Bay.

THE INDIAN teepee also has been hoisted in Federal district court here, where the Nondalton-Lime Hills tribe of Alaska, through Melvin M. Belli, has filed a billion-dollar damage suit.

The suit charges eight major oil companies, all presumably protected by insurance policies against such arrows of fate, with trespassing on Indian-owned lands in Alaska.

The Indians here on Alcatraz are claiming the abandoned 12 acre rock on the grounds of an 1868 treaty granting surplus Federal land to Sioux Indians.

THE modern-day Indians want Alcatraz for an Indian-run cultural-educational center.

The U. S. General Services Administration, in reasserting sovereignty over Alcatraz, contends the 1868 treaty was tested in court and rejected in 1964.

Attorney Belli, although not involved with the Indian invasion of Alcatraz, believes the take-over "points up the many injustices done to the only truly native Americans.

"IF THE oil companies are permitted to trespass on Indian land in Alaska and get away with it," he adds, "I see only a sort of reverse justice taking place at Alcatraz."

Mr. Belli's "class action" was filed on behalf of "all similarly situated" Indians, Eskimos and Aleuts living on 20 million acres around the Cook Inlet area of Alaska, near Anchorage.

Oil development in this area, according to Belli, predates "by a number of years" the current exploration on Alaska's more distant North Slope.

THE OIL companies accused by the Indians of trespass are Standard Oil Co. of California, Union Oil Co. of California, Texaco Inc., Atlantic-Richfield Co., Mobil Oil Corp., Marathon Oil Co., Shell Oil Co., and Pan American Petroleum Corp., a subsidiary of Standard Oil Co. of Indiana.

"These companies," Mr. Belli told *Business Insurance*, "have been trespassing on Alaskan land owned by the Indians since time immemorial. They simply kicked the Indians off the land without so much as a polite, 'May we?'."

Belli, in his suit, complains that the defendants built oil and gas drilling platforms "and removed these minerals, without the consent of the true, legal owners, the Indians."

Continued on page 28

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It happens automatically whenever things get too hot. And when it does, it releases a blaze-dousing spray to get the best of a fire, before it gets the best of a building.

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All in all, we believe we can give you more pointers on outfitting your plant with sprinklers than anyone else. So why chance it when you can play it safe? Let us help you put a damper on fires at your property.

Helping policyholders protect their business with sprinklers is only one aspect of the complete loss-prevention services the Factory Mutual Companies provide. For further information, contact your nearest Factory Mutual district office or write Factory Mutual System, Dept. C, Norwood, Mass. 02062.

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london line

London airport calls on Scotland Yard to fight world wide cargo thefts

LONDON—Airline security is being stepped up at London's major Heathrow Airport in line with the decision of the International Air Transport Association to fight world-wide cargo thefts.

Twenty specially-picked detectives from Scotland Yard have been named in the formation of a new "crime squad" to reduce losses there.

Estimates put the cost of goods stolen from world airlines at Heathrow Airport at more than $1,500,000 a year. Many British policemen believe that security is weak because many of the losses are covered by insurance.

BUT IT IS NOW feared that major crime gangs, some linked with American syndicates, are capable of moving in. So top police chiefs have decided to reinforce the present security set-up with agents who know London's underworld well.

They will work in liaison with the airport security men, and will also urge international airlines, including those with trans Atlantic routes, to improve their own security measures.

Police engaged on security blame many airlines for not spending enough money on guarding their loading areas, which are very vulnerable to sudden thefts. The airlines are criticised for rating theft risks low in their category of priorities, because they are protected by insurance cover.

SET AGAINST the amount of cargo that passes through the airport every year, the amount of stolen property is small. But already this year there have been many cases of banknotes being stolen while in transit, and six men face trial soon over the theft of watches worth more than $250,000 from the airport.

Now it is feared that criminals may start building up their own world-wide intelligence service to provide "tip-offs" about valuable cargoes passing through the airport, so gang-busting detectives will move in to stop it.

The International Air Transport Association has set up a special committee for airline security among its members because of extensive thefts at world airports.

* * *

LLOYD'S is preparing for the decimal era into which Britain will move in 1971 so as to keep in step with world commerce terms. The familiar signs of pounds, shillings and pence in sterling transactions will begin to vanish, and will be replaced by decimalised terms.

Underwriters and brokers have been asked to introduce "dual accounting" for their clients from Jan. 1, next year, in readiness for the change that will become operative under British law twelve months later, in early 1971.

They will express transactions in both pounds, shillings and pence and decimal terms in the interim period.

The majority of premium rates will be expressed as pure percentages, according to a report prepared by Lloyd's Insurance Brokers' Association. This system is suggested for marine and aviation business, which largely use decimal premiums now, and for non marine business in general. ■

Stricter oil pollution rules adopted

LONDON—Stricter new rules for oil pollution have been adopted by international delegates to the maritime assembly of the Inter-governmental Maritime Consultative Organisation in London where 54 nations were represented.

Once the rules are legally accepted by at least two-thirds of the maritime nations involved through their governments, they will come into operation, but this will take two or three years to achieve because of the time-consuming processes needed for ratification.

When the conference of the IMCO ended its debates, an official told *Business Insurance:* "These new amendments to the 1954 and 1962 international conventions on oil pollution will undoubtedly enable significant progress to be made toward total prohibition of the discharge and dumping of oil and oily residue into the sea by ships."

The changes will affect both tankers and other ships once they come into effect. Under the proposed amendments, there is a ban on discharging oil representing more than 100 in one million parts of the mixture, and the discharge must be under 60 litres per nautical mile and occur as far as practicable from land. Tankers ought normally to be more than 50 miles from land when discharging oil, which must not exceed one part in 15,000 of their total cargo-carrying capacity while on a ballast voyage. But there are certain subsidiary amendments which will be taken into account before the rules come into final operation.

Conferences planned by IMCO in the next four years include one on container ships in 1971, on collision regulations in 1972, and on marine pollution from all sources such as sea, land, and air traffic in 1973. ■

Met execs promoted

Metropolitan Life Insurance Co. has made two executive title changes in its group and pension division. William S. Thomas, senior vp in charge of group insurance and pension operations since 1965, has been named executive vp at Metropolitan. However, his duties are not expected to change appreciably. Judson F. Chapin, regional manager in St. Louis since 1968, has been named regional vp, group and pensions, for the same area.

Is there a medical benefit plan for ailing profits?

Medical benefit plans have a way of getting out of hand. Even as the costs of medical care keep climbing, employers are pressured to add a little more coverage here, an extra wrinkle there.

You may not even be overdoing it. You may need every bit of the employee coverage you now have. But without close professional attention, your medical plan can easily become a drag on your P & L Statement.

Before things go wrong, let Johnson & Higgins review your entire program. Your problem may be a lack of coordinated planning and effective control. Our staff of experienced consultants and medical plan specialists will make a professional examination of what you're spending, and how you're spending it. Help you eliminate overlapping coverages and install tight controls. Help you reshape your medical and other benefit plans to give you only the precise coverage you need, and at the most reasonable cost.

Our approach as insurance brokers and employee benefit consultants has one aim—protecting your profits.

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In major cities in the United States, Canada, around the world, and at 63 Wall Street, New York.

Widow wins policy suit but husband not on 'business'

TOLEDO—A Federal judge here has ruled that a $100,000 life insurance travel and accident policy purchased by a company for one of its executives was valid and payable even though the executive was not on a business trip when killed.

The case involved Louis N. Ollier, 54, of Toledo, an employe of Prestolite Co., who was one of 38 killed three years ago when a Lake Central Airlines plane crashed near Kenton, Ohio, en route from Cincinnati where he had spent several days with his seriously ill father.

Continental Casualty had rejected the claim of Mr. Ollier's widow on the ground that the deceased was not on a business trip at the time. The case was tried in October and Continental Casualty's defense was upheld.

ON APPEAL, however, U. S. District Court Judge Thomas Lambros noted that Mr. Ollier, a sales manager for Prestolite, had taken work with him to Cincinnati. Much of it, according to testimony from the first trial, was preparation for upcoming trade shows and business conferences. He would work on the material at his father's bedside and then mail it to his secretary in Toledo for followup.

Continental Casualty did not dispute the fact. The company attorneys argued that the work was being done of his own volition, however.

Two days into the trial, Judge Lambros discharged the jury, saying that he could see no disputed questions of fact for a jury to decide.

HIS DECISION also awarded Mrs. Ollier 6% interest from the date she filed the claim in addition to the $100,000. Interest amounted to $12,000.

In another trial earlier this year, a jury awarded Mrs. Ollier $175,998 in damages against the airline and General Motors Corp., which manufactured the engine and propeller that, attorneys contended, failed and caused the crash. She had sought $670,901 in damages in that suit and has appealed it to a higher court. The appeal is still pending. ■

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Canada unit tries first-aid training plan

TORONTO—The Workmen's Compensation Board of Ontario plans to try the "ounce of prevention" method to cut accident rates and will begin testing the effectiveness of massive public first-aid training later this year.

Orilla, an industrial and resort community located 80 miles north of here, will be the pilot city for the project. The board is having the St. John Ambulance Assn. run the program. The association will give first-aid classes in businesses, schools, institutions, and churches of the 21,000-member community. People will have their choice of an eight-hour course in fundamentals or an intensive 16-hour course primarily for factory and office first-aid attendants. Cost is $5 per person and about $3 on a group basis.

"Safety depends tremendously on individual attitudes," said C. J. Laurin, president of the Ontario Council of St. John Ambulance Assn. "First-aid training does make people more accident-conscious and thus less accident prone."

During the next two or three years, the board will keep track of the type, frequency, and time of Orilla accidents to determine the success of the program.

If results are favorable, the project will include a cross-section of Toronto construction companies. ■

Higher fire rates

The Michigan Inspection Bureau announced these commercial fire insurance rate increases: apartment buildings, 25%; brick buildings, 10%; frame buildings, 5%, and fire resistive commercial properties, 25%.

Read what the pros say about Atlantic:



"Atlantic Companies have proved themselves." Mr. Watts Carr, Jr., Executive Vice President, Southland Associates, Durham, N. C.

"Atlantic is part of the answer, not the problem." Mr. Donald W. Ownbey, Vice President, Ownbey-Smithe Insurance, Inc., Tucson, Arizona

"Atlantic brings you in at top management level." Mr. Arthur W. Pinkerton, President, Pinkerton-Madden-Burford, Omaha, Nebraska



"I consider Atlantic the aristocrat of the business. Big enough to handle any underwriting. Small enough to give its agents truly personal attention." Mr. William S. Ramey, President, Ramey-Mannan & Co., Inc., Indianapolis, Indiana

"Atlantic is the most stable company in our office." Mr. Sydney A. DeRoner, C.P.C.U., President, W. A. Schaefer & Co., Bloomfield, N. J.

"Atlantic has kept its capacity." Mr. John S. Childress, Partner, Charles L. Crane Agency Co., St. Louis, Missouri

To learn more about Atlantic write any of these professional agents or Mr. Harold A. Eckmann, President, The Atlantic Companies, 45 Wall Street, New York, N.Y. 10005.

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opinions

Decade of the consumer

In the Perspective section of this issue of *Business Insurance*, our columnists make predictions about the course of insurance, risk management and employe benefits in the decade to come. Their observations should be carefully noted by general corporate executives, risk managers and employe benefits administrators.

What they spell out is an era of the consumer, a time when individual and corporate requirements will shape the course of legislation, the design of insurance programs and the direction of employe benefits. There will be more than a little bit of Ralph Naderism in the decade to come, a situation that will both help and hinder the people who manage corporate insurance and employe benefits affairs.

For the risk manager the decade of the consumer will be a double-edged sword. As major consumers of insurance, corporations can expect more innovative insurance programs, greater flexibility in rating and a generally competitive climate within the confines of the capacity crunch that will loom larger as the 1970s progress.

On the other hand, businesses, and especially manufacturers, will be threatened by growing consumer awareness of the possibility of products liability suits and court action over air and water pollution that industry may cause.

Reform of auto victim compensation will be a major topic of debate in national and state legislatures during the decade ahead and the outcome may sharply affect the auto insurance costs of fleet operators. Yet the voice of the corporate insurance buyer has been strangely muted during the discussions of auto insurance that have taken place in the 1960s. Hopefully, insurance managers responsible for buying a substantial share of auto insurance coverage will assert themselves in the tussle over auto victim compensation that will mark at least the next several years.

Employers will certainly be faced in the next decade with reform, if not complete revamping, of the workmen's compensation system. Unions, as the spokesmen for consumers in this instance, have long insisted on updating the workmen's compensation system in terms of the numbers of workers covered and the amount of compensation injured workmen are paid. Now their demands take on fresh emphasis as the workmen's compensation benefit schedules lag farther and farther behind inflated wages and family expenditures.

Risk managers will also be confronted in this decade with a problem that is only incidentally related to the consumer. That is the problem, or the promise if you will, of advancing technology in every field of human endeavor. A new computer, a different manufacturing process, a fresh product on the market—every move toward greater material well being places additional responsibilities on the risk manager to find the loss prevention measures, to find the insurance markets to prevent the losses that may accrue from his company's changing operations.

In the area of employe benefits, the trend of the 1970s is clearly toward more and more comprehensive programs for workers. The demands upon the employe benefits administrator and his corporate superiors will be defined by legislative action and the demands of unions as well as those of unorganized workers.

Certainly there will be greater integration of employe benefits with direct compensation. And a growing number of companies will find ways to mesh the operations of the salary administrator with those of the benefits manager.

New directions and dimensions in Social Security and other government welfare programs may well diminish some demands for employe benefits. But the whole scope of benefits is bound to expand with the growth of the concept of personal security for every workingman and workingwoman.

Consumer influence on employe benefits will be felt more than ever before as more and more employes become aware of benefits offered to their counterparts. Communication is the new key word of the world, and those who attempt to hold down employe benefits will have to cope with greater understanding and communication among workers. While militant unionism as we knew it years ago may be waning, the demands of all workers have a better sounding board today through communications media that are becoming increasingly consumer minded.

Part of the growing consumerism of the 1970s will be reflected in increasing employment opportunities for minority groups in the insurance industry. As President Nixon's concept of "black capitalism" gains hold, more and more black businessmen will insist upon dealing with black insurance representatives whether they are independent agents, brokers or salesmen for direct writers. As we enter the new decade, there are few industries in the country that are so poor in minority representation as is the insurance business. And this is also true of the risk management profession.

For specific predictions of the impact of the 1970s on insurance management and employe benefits administration, readers should read the comments of our columnists in the Perspective section of this issue of *Business Insurance*.

Yet without looking at the comments of our columnists the thoughtful risk manager and the reflective employe benefits administrator will know that this will be a decade of challenge, a time of great testing for the consumer and those who provide products and services.

It will be a time that will demand new dimensions in risk management and employe benefits administration. And *Business Insurance* and its staff vow to exert maximum effort to report the news of the 1970s as it unfolds in the areas of benefits and risk management.

For all of us and for each of us the upcoming decade will be the greatest test of our lives and of our abilities to cope with the challenge of change.

Automobile Premiums Written 1951-1968

	Bodily Injury	Property Damage	Physical Damage
1951	$1 billion	$ 527.8 million	1.2 billion
1955	1.6 billion	839.5 million	1.7 billion
1960	2.7 billion	1.1 billion	1.9 billion
1965	3.8 billion	1.5 billion	2.8 billion
1968	5 billion	2.1 billion	3.7 billion

Automobile premiums for liability and physical damage lines have tripled since 1951, with a substantial portion being paid by fleet insureds. A special section in this issue of *Business Insurance* deals with the problems of corporate motor fleet insurance and loss control problems.

Get your oar in

In our special commercial auto and fleet report, there is an article announcing that the American Insurance Assn. has again shifted its ground on the question of how losses should be distributed under a no-fault auto victim compensation plan. This time AIA says that it favors imposing on commercial vehicle operators an "equitable" percentage of losses incurred by private cars and their passengers in collisions involving commercial vehicles.

This contrasts sharply with AIA's original plan of a complete no-fault system that would impose losses on the first-party insurers of each vehicle. When this position was announced in the fall of 1968, it was roundly criticized by those who felt that such an absolute no-fault system would not take into account the greater usage of commercial vehicles and their vastly greater exposure to accident hazards.

In the face of this criticism AIA amended its position with a trial-balloon statement suggesting "absolute liability" for commercial vehicles involved in accidents with private passenger cars. This position, in turn, was greeted by howls of protest from risk managers whose companies operate motor fleets. It was, they felt, an unfair way to adjust distribution of losses. And, they added, it would kill safety incentives.

AIA's dilemma over how to distribute losses under a no-fault auto victim compensation plan typifies the national confusion about how to cut red tape and costs from our present outmoded system.

Risk managers, as we have said before, should get their oars into the debate over auto victim compensation. They should watch closely the Department of Transportation's auto insurance report this spring and the reaction to it. Hopefully, the American Society of Insurance Management will arrange some meaningful discussions of the problem that will put insurance industry spokesmen and bar associations on the spot and require them to do some straight talking about the effects of alternative proposals on motor fleet operators.

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letters

Accurate job

To the Editor: Thank you for sending me the copy of *Business Insurance* with the article reporting some of my work. I would like to commend you for an exceptionally perceptive and accurate job of reporting.

Academicians are sometimes wary of having their work reported in periodicals, lest the nature of their work be unintentionally modified. I am happy to say that I had none of these feelings on reading your article. I especially appreciated the inclusion of my called-for research. I have already received one inquiry expressing interest in pursuing such research. I may well receive more in coming weeks.

Thanks again for a job well done.

Stanley M. Nealey
Associate Professor of Psychology, Colorado State University, Fort Collins, Colo.

Editor's Note: Dr. Nealey is referring to a recent article reporting a speech he made to an American Management Assn. conference regarding his studies on the "cafeteria approach" to employe benefits.

Exciting things

To the Editor: We, at AMA, very much appreciated your Nov. 24 issue in which you gave us such good coverage. I do hope we can again attract your interest.

I've been hearing all sorts of exciting things about your magazine from our registrants and faculty. You enjoy a fine reputation; I particularly like the wit and humor your writers include in their pieces. For example, the article by Susan Trausch on "Security For Cartier Diamond Termed 'Super Tight'" in the issue was downright funny.

Only a woman could have done that.

And the story of the overweight Metropolitan executive and the public relations man in the Nov. 24 issue really puts the stuffed-shirts in their places, and reads suspiciously like Steve Gilkenson.

David P. Dashner
Program Director, American Management Assn., New York

Bahama code

To the Editor: I notice on page 32 of your Oct. 13 issue that you have been able to furnish a copy of the Bahama Islands Insurance Code to Mr. Joseph P. Decaminda.

We expect to have occasion to place quite a bit of insurance on property in the Bahamas within a short length of time. For this reason, we would also like very much to have a copy of the Bahama Islands Insurance Code. We would appreciate it if you would let us have a copy or advise us where one may be obtained.

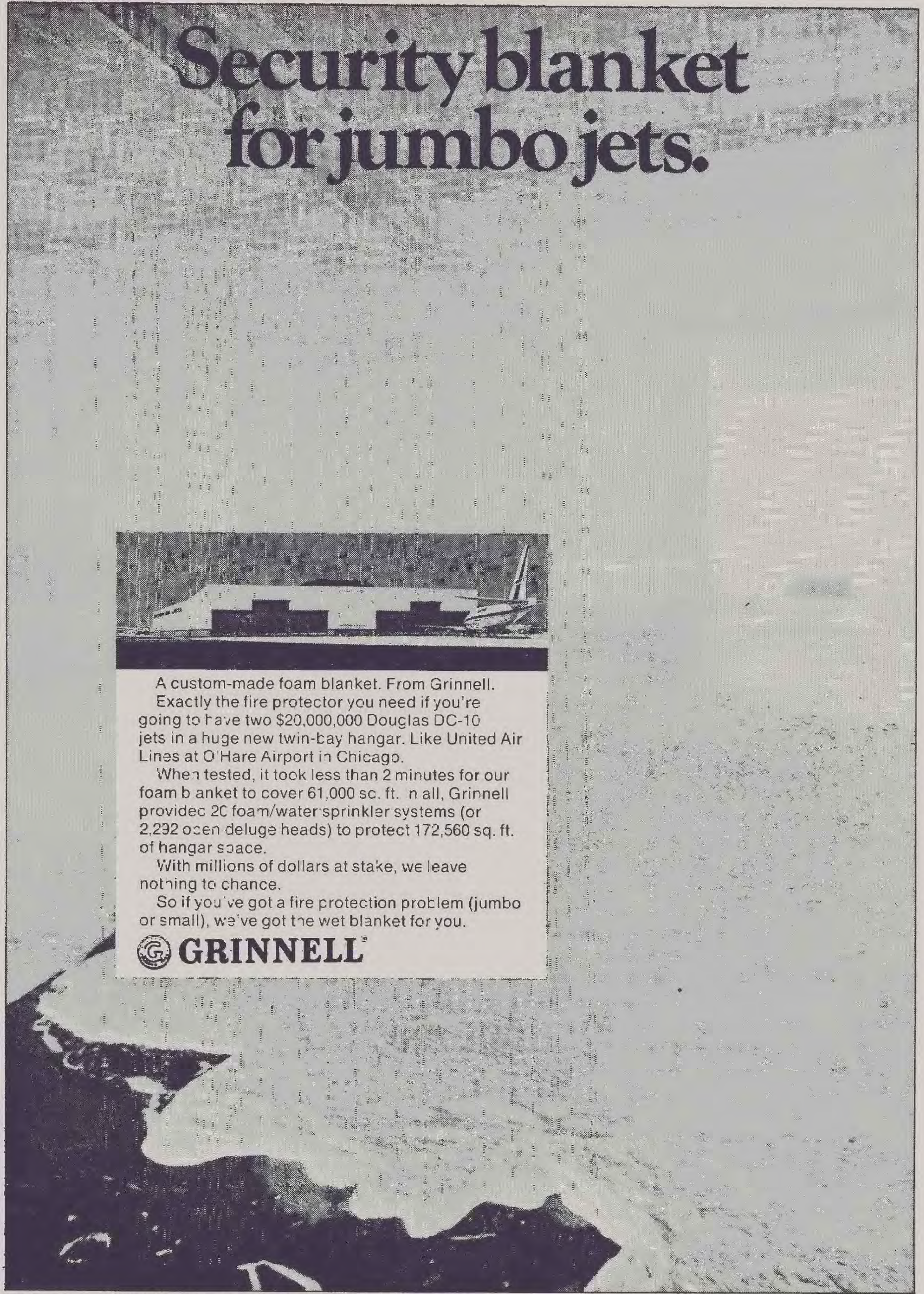
Hugh H. Murray
President, Associated Insurers Inc., Raleigh, N.C.

Editor's Note: A copy is being sent.

Most complete

To the Editor: Yours, without question in our minds, is the finest, most complete insurance periodical in the industry today. We eagerly anticipate each issue and read it, cover to cover. We wish you continued success for *Business Insurance*.

George A. Corkum
Executive Director, Fringe Benefit Consultants, Fort Lauderdale, Fla.



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benefit tax slants

Retirement plan may be invested with employer

By JOSEPH S. ROBINSON

NEW YORK—It's perfectly all-right for an employe's retirement plan to invest in stock of the employer. However, to make sure that the investment is proper, Internal Revenue asks that a full disclosure be made on the annual information return, Form 990-P.

Internal Revenue will give advance rulings in this area. The details for a plan investing in company stock can be found in Rev. Rul. 69-494.

* * *

INSURANCE bought with employe contributions to a pension plan is legitimate since a retirement plan can provide for incidental death benefits—through insurance or otherwise.

Here's how the matter was presented to IRS: A plan provided incidental pre-retirement death benefits through life insurance. However, the plan also allowed voluntary employe contributions of up to 10% of salary—all of which could be directed into more insurance.

Held: The rule that death benefits must be incidental to the primary purpose of the plan does not apply to insurance purchased with voluntary employe contributions (See Rev. Rul. 69-408).

* * *

WHEN AN EMPLOYER takes out group insurance for his employes, the insurer issues a master policy to the employer—the employe gets a certificate indicating his coverage. What happens if the master policy states that the employe may assign his group insurance, but the certificate issued to the employe specifically prohibits such an assignment? In just such a case, the tax court ruled that the terms of the master contract control and assignment is permitted. (See Gorky 53 T.C. No. 12).

* * *

A PROFIT-sharing plan of an affiliated group of companies will not win Treasury Dept. approval where forfeitures resulting from termination of employment are reallocated to all the participants of the adopting corporations. It is true that an employe's trust can qualify where several corporations contribute to it. But the qualification rules are applicable to each emloyer separately. In a case in which Internal Revenue was asked to rule, the forfeitures of employes of one corporation benefited the employes of another corporation. This was improper. (See Rev. Rul. 69-570).

* * *

UNREASONABLE compensation paid to an executive can result in a tax deduction turndown. In a recent case, the facts revealed that the company paid no dividends but handed out most of its profits to its president (who also happened to be the major stockholder) in the form of salary and bonus. IRS said the large payout was excessive and the Tax Court agreed. (Craigs Drug Store, Inc., TC Memo 1969-208).

* * *

HEALTH PLANS will be required to file information returns on certain payments to doctors. The new ruling applies to payments made starting with 1969—except in cases where the accounting system of payers are not geared to retrieving the necessary information for 1969, in which case they can report commencing in 1970.

Here's the new reporting requirement: Any insurance company, union or employer having a self insured plan that makes payment of $600 or more to doctors or others furnishing medical or health services on behalf of any one individual must report this on Forms 1096 and 1099. (Se Rev. Rul. 69-595). ■

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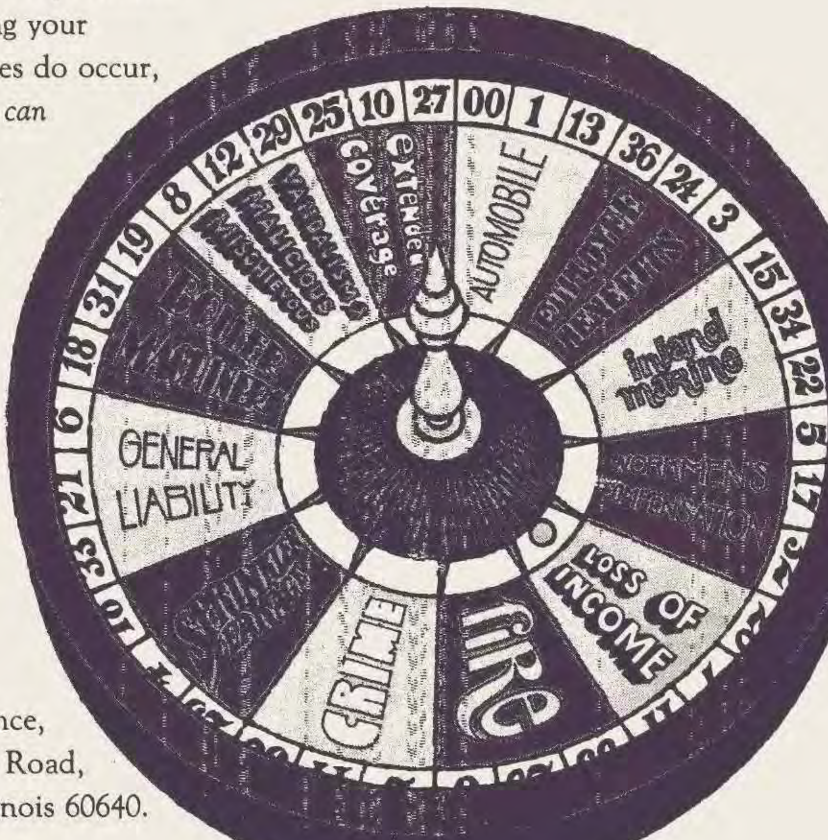

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commercial auto & fleet report

This lady trucker seems to find her job enjoyable. For the reactions of other women in the transportation industry, see story below.
—Wide World photo

AIA revises stand on trucks' liability under no-fault plan

CHICAGO—The American Insurance Assn., the trade associations of stock insurance companies, has adopted its third position in 18 months regarding the status of motor fleet insureds under no-fault auto insurance reform.

In a statement prepared for this *Business Insurance* commerical auto and fleet report, AIA advocated "a middle-of-the-road approach, perhaps more equitable, (that) would provide for reimbursement of the private passenger insurer by the commercial vehicle insurer for a stated percentage of private passenger bodily injury losses suffered in accidents involving a commerical vehicle."

Auto insurers in other trade associations, meanwhile, generally support a less drastic revision of the auto victim compensation system, one that would retain the element of fault and third-party liability. Such a system, they claim, would have no measurable effect on the auto insurance premium share borne by private autos as against commercial vehicles.

AIA's new statement contrasts markedly with positions previously taken by the association. Here is the chronology:

JULY, 1968: *Business Insurance* revealed exclusively that AIA would back a no-fault insurance system generally along the lines of a proposal by two law professors that calls for the elimination of costly litigation in auto accident cases. Instead there would be first-party coverage under which the insurer of the vehicle involved would pay for bodily injuries to vehicle occupants and for property damage without regard to fault. T. Lawrence Jones, president of AIA, denied that his association backed such a plan. AIA support of a no-fault plan was announced in October.

Under the original AIA proposal, every vehicle would be covered by first-party insurance and each, whether private or commercial, would pay a premium based upon losses incurred. Opponents of the AIA no-fault plan immediately criticized the premium distribution because it would not take into account the usage of vehicles—those that are driven 200,000 miles a year would pay roughly the same as those that are driven only 5,000 miles.

OCTOBER, 1969: In an effort to blunt criticism of the no-fault plan premium shift, AIA President Jones sent up a trial-ballon suggestion that commercial vehicles be held absolutely liable for the costs of injuries or property damage in accidents involving private passenger cars. This proposal was roundly denounced in *Business Insurance* by risk managers of corporations with motor fleets, some of whom are members of a group that met informally with AIA officials to discuss the no-fault auto insurance plan.

Some risk managers suggested that "absolute liability," as proposed by AIA last year, would defeat defensive driving safety programs by taking away commercial drivers' incentives.

In the face of these criticisms from fleet operators and their risk managers, AIA amended its

Continued on page 32

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Women safety directors work amid axle grease and four-letter words

By SUSAN TRAUSCH

NEW YORK—Sitting primly amid the axle grease and four-letter words of the trucking industry, Alverta Jackson and Evelyn Pernot look as though they accidentally stepped into the wrong business.

But they marched right in, started with dispatcher and clerical jobs, and moved right up to become two of the few women safety directors in the motor fleet world.

"Actually, I was scared to death when they offered me the job, but I never run away from anything," whispered Miss Pernot who came to a *Business Insurance* interview with laryngitis, and went back to work immediately afterwards.

SHE HAS been with Arrow Carrier Corp. in Rochelle Park, New Jersey since 1922 and worked as typist, clerk, dispatcher, and secretary to the president before becoming safety director.

"They didn't have any other office help in 1922," she said. "I was it."

She explained that when Arrow's insurance company requested the firm to appoint a safety director, the president chose her.

"THE INSURANCE company was not at all happy that I was appointed. They wanted a man," Miss Pernot said. "But our president said he'd fight that every inch of the way and that the fleet would work and cooperate with me. And they have, bless them all!"

Although some of the technical language has rubbed off on her, she depends primarily on her maintenance supervisors to handle the mechanics of the operation.

"I learn a lot more about people than I do about trucks," she said.

SHE IS, however, a graduate of the Fairleigh Dickinson insurance course, which she was required to take after her appointment as safety director, because the post involves handling claims and helping to place insurance.

"There we were," Miss Pernot said about her classes, "34 men and me."

At Arrow she is in charge of 125 men and a fleet of 130 motorized vehicles and 125 trailers which travel in New York, New Jersey and Pennsylvania. Like a country doctor, she is on call 24 hours a day.

"I HAVE A phone right next to my bed," she said. "I tell my drivers that if they have an accident they should call me no matter what time it is. I notify the Markel Service (general agents who place Arrow's insurance and maintain safety checks) immedi-

Continued on page 24

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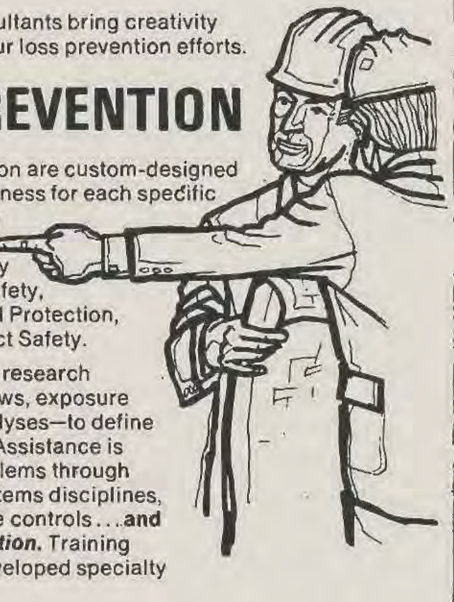

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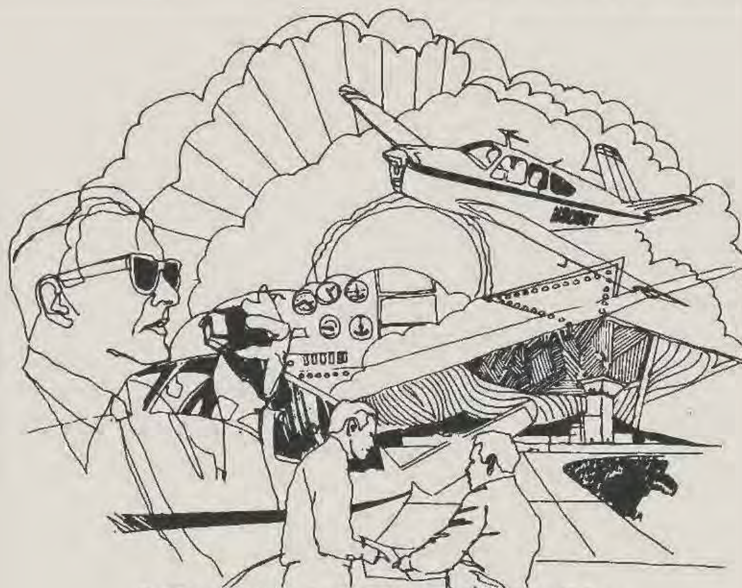

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Fleet safety training programs get round of kudos

UNIVERSITY PARK, Pa.—Shouting above growling truck motors and heavy footsteps echoing in his terminal, Erwin Levin, safety director for Branch Motor Express in New York City, praised the National Committee for Motor Fleet Supervisor Training in the gruff voice of the road.

"They know their stuff," he said, summing up the general attitude of the trucking industry toward the safety program. "Those people cover everything."

Mr. Levin's driver trainers were among the 132,697 fleet personnel enrolled last year in the committee's courses, which cover just about everything from company philosophy to license plate screws.

THE NATIONAL committee, begun in 1945 as an offshoot of Pennsylvania State University's Institute of Public Safety, is now working through 50 U.S. schools and the Canadian Safety League.

Jerold C. Heiken, committee secretary, told *Business Insurance* that courses are usually given annually on college campuses and ran about a week. Evening classes were also available for people who couldn't take time off.

"There are courses for everyone from the company president on down," Mr. Heiken said. "This is the only program of its kind in the country. The National Safety Council has something similar in vehicle safety, but it's not as fleet oriented."

OUTLINING THE program's seven courses, he explained that the class in motor fleet supervisor training, which fulfills partial requirements for safety director certification, is the most popular.

"Almost every week I hear of two or three companies that are looking for safety directors," he said. "It's hard to find the right kind of guy for the job. It's a pretty all-inclusive role."

He said the supervisor course covers employe selection, training and incentive programs, the need for uniform nationwide regulations, and insurance plans.

THE REST of the program is made up of courses in maintenance of commercial vehicle, motor fleet maintenance management, driver trainer instruction, school bus supervision, fleet operation and terminal management. Most of these are lecture and discussion courses.

"The commercial vehicle maintenance class is a little different. It's our nuts and bolts course," Mr. Heiken said. "We have technicians from automotive manufacturers come in with axle and engineering parts and talk about all the mechanics of a vehicle."

He noted that the driver trainer course had the heaviest emphasis on class participation.

"THIS IS A course for teaching people how to teach people," he said. "Students prepare and present lesson plans to the class. They are critiqued by the instructor, the class and are viewed on video tape so the person can critique himself. Students then present the lesson again and try to improve it."

Russ Martin, driver trainer supervisor for Humble Oil's transportation department, took the course at New York University in 1967.

"It was excellent," he said. "It really taught me how to handle a class. They explained what to do with the wise guys and how to bring out the quiet people."

HE SAID the vehicle maintenance courses improved Humble operation by reducing maintenance problems.

"The courses help to cut down on accidents," Mr. Martin said. "I think what's most helpful is the emphasis on defensive driving. That's how you have to drive to stay alive today."

According to figures compiled by the National Committee of Motor Fleet Supervisor Training, accident claims in Seattle were reduced from $48,322 to $28,704 after city vehicle managers took the safety courses. Los Angeles reported a saving of $2,750,000 in operation costs of city vehicles for the period between 1953 and 1961.

"IT's A fantastic program," said Bruce Main, chairman of the New York State Motor Truck Association's Council of Safety. "We have put many of their instructions into our driver trainer program. What we find most helpful is talking with a driver after an accident and telling him exactly where he went wrong."

Mr. Heiken said the committee is supported by national grants and contributions from its membership, made up of representatives from 18 automotive, highway safety and insurance organizations. He noted that an additional 100 leaders in these areas have served on subcommittees and have taught classes.

"All teaching is done on a voluntary basis," he said. "People do it because they feel it's their contribution to the industry."

DWIGHT MCCRACKEN, vp for automotive safety at Liberty Mutual Insurance Co., is one of these instructors. He has been with the national committee since 1947.

"We feel it's one way to help our policyholders be more insurable," Mr. McCracken said. "The return we get for casting our bread upon the waters comes when we look over a company's record and see that an improved safety program has cut down accidents. Then we lower premiums. Everybody wins."

Raymond D. Hart, head of Aetna Casualty's engineering department, explained that the American Insurance Assn. helps round up and train insurance men to teach courses in vehicle operation and maintenance safety, and types of coverage. Similarly active in supporting programs is the American Mutual Insurance Alliance.

"NOTICES ARE sent out every year telling when and where instructor training will be given," Mr. Hart said. "There's always a lot of response. In fact, we haven't even sent notices out yet and have been getting calls from people who want to teach."

Richard O. Bennett, secretary-treasurer of the Insurance Institute of Highway Safety, said his organization has been contributing about $25,000 a year to the national committee since 1959.

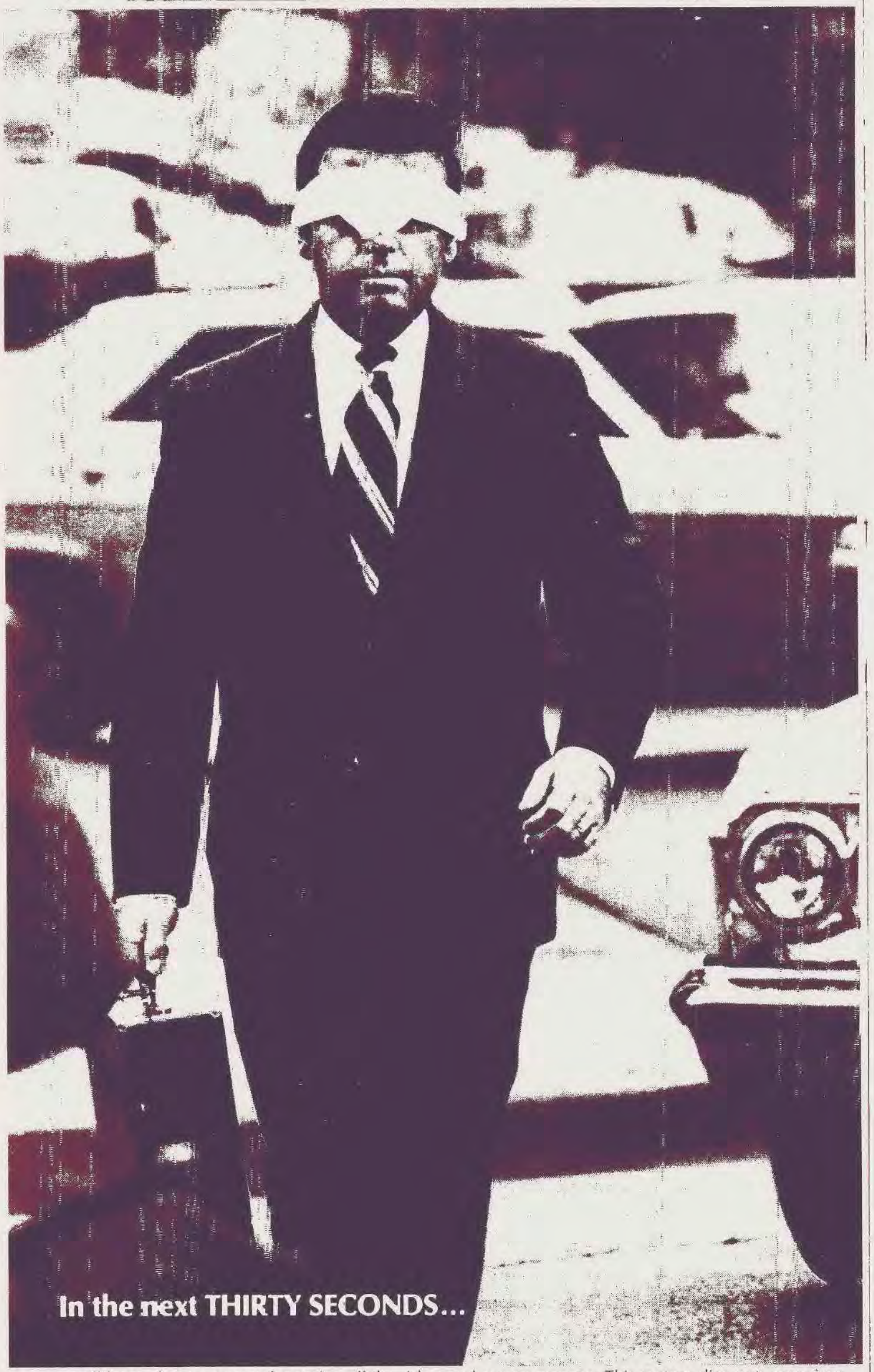
"The whole insurance industry is involved in the committee," he said. "There's good evidence that it reduces accidents."

Mr. Heiken attributes the program's success to the wide range of people involved in teaching and studying.

"But we still don't feel we're reaching everyone who should receive training," he said. "We've still got a lot of work to do." ■

Rejoins Trans World

George Davies, formerly at Lloyd's of London brokers W. E. Found & Co. Ltd. and Hartley, Cooper & Co., has rejoined Trans World Excess Inc., New York, where he will be in charge of all placements in London.



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Sam Markel had a safety idea in 1929 . . .

RICHMOND, Va.—Fleet insureds could learn something from Samuel Markel.

In 1929 highway accidents were eating up the profits of his Richmond bus line insurance firm but he didn't panic. Instead of jacking up premium rates and dropping policies, he just sat down and figured out a way to make the roads safer.

He developed a safety checking service that still keeps tabs on his clients' drivers and reports problems to managers. The idea expanded into the Markel Service, which is now used throughout the United States and Canada as an on-the-road safety patrol.

STANLEY MARKEL, the founder's son, who is now president of the company, told *Business Insurance* that the service works as a general agent for several insurance companies. Transit Casualty Co., Fireman's Fund American and the Calvert Fire Group are among them.

"We place trucking and bus firms with these insurance companies and provide the safety service as part of the policy," Mr. Markel said. "Self-insured firms can buy the service for about $3.50 per safety check."

He explained that his service issues new clients a recommended safety program outlining procedures for driver hiring, training and disciplining. His main job, however, is out on the road.

"WE TRY TO get into the guts of the accident problem," Mr. Markel said. "Insurance companies usually make general accident trend reports and the National Safety Council puts up a lot of posters. This is all very helpful. But our boys are out there on a daily basis checking to see that drivers are being as careful as they should be."

The 200 Markel cars, which patrol major U.S. highways on a 24-hour basis, are equipped with cameras that automatically take pictures of violators. Speed, mileage traveled, time and date of violation are also recorded.

Markel patrolmen flag down trucks to check licenses, trip assignment sheets, logs and physical record cards.

CLIENTS' vehicles are stamped with the Markel emblem (a large black M on a yellow map of the United States) so patrol drivers can spot them.

"The patrol can develop pictures and get a report to an employer in 24 hours," Mr. Markel said. "This time factor is very important. Management must know about poor driving as soon as possible so they can do something about it."

He noted that his service makes reports on good driving too, and that on the whole, truck and bus drivers are careful.

"WE OFTEN tell managers to give drivers a pat on the back," he said. "We've never had any trouble with drivers or unions. They don't regard us as policemen."

Markel clients agreed and said that drivers realized the need for the service.

"Markel has a psychological effect on drivers," said Harry Olson, safety director for Allied Van Lines in Chicago. "They know theyr'e being watched and they know it's necessary."

MR. OLSON said his company gets about 1,000 reports in a month and 10 to 15 per cent of these are violations.

"We've been using Markel

Stanley B. Markel

since time immemorial," he said. "They do a very good job. They're the largest safety service and have patrols in about 40 states. This is handy for us because we move families all over the country and it's impossible to keep daily contact with drivers."

E. Rimmele, safety director for Sears Trucking in Cicero, Ill., said that Markel men help drivers fix flats and also provide surveys on areas and runs.

"WE'VE USED Markel for 4½ years," he said. "I don't have documented proof that it's cut down on accidents but the accident rate has dropped since we've used them."

James Russell, safety director for Glendenning Motorways in St. Paul, Minn., said his company bought the service because it was reasonably priced.

"They do a wonderful job and cover all of our territory and the

Continued on page 28

Markel camera-cars record subscribers' traffic violations.

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Avis prefers that lessees place insurance coverage themselves

NEW YORK—Avis is not in the fleet leasing business in a big way. Not, at any rate, like some of the biggies—Hertz, Ryder, Berman and Leasco, for instance. But the company is trying harder these days.

"Until now we've made it a practice to service some of the smaller lessees, those companies with a need for perhaps five or ten trucks, on the theory that it is good business," John Murphy, vp for insurance and safety, told *Business Insurance* during an interview the other day.

"But don't get me wrong. We are after all types of accounts now," he added.

JOHN MURPHY is a lawyer who was a legal advisor for H. P. Hood & Sons, the dairy people, before joining Avis in 1961. After a brief meeting you get the feeling that somewhere along the line he was also a salesman or maybe even a public relations man. He was neither. However, he did teach for a while and that with his experience as a lawyer makes him sound extremely convincing.

"We're pretty large in the maintenance and full service area. We try to tailor each lease to specific needs. For example, we do a transportation survey of an industry and company seeking a lease arrangement and then try to design a specific truck. For a retail delivery fleet we would pay specific attention to the clutch, for instance. Maintenance is awfully important;" Mr. Murphy explained.

When it comes to insuring a fleet of trucks, however, Avis' pitch is somewhat lower keyed.

"BASICALLY WE try not to be in the insurance business. We are in the leasing business, not the insurance business," he said.

There are two reasons for this, the vp noted. First, the company doesn't want the lessee to think that Avis is a market for cheap insurance based upon its inability to determine the risk. In the early days of leasing a lot of insurance companies lost money on leasing companies because of this, Mr. Murphy explained.

"Second," he went on, "we don't want every insurance broker in the country down on us. If a company wants us to get the insurance we'll ask a lot of questions why they want us to get it. We don't write a lot of the larger corporate accounts because, quite frankly, they can do it better," he added.

In the New York metropolitan area, the vp estimates, Avis has about 2,000 mostly small corporate accounts. The company has some dairy trucks, liquor distributing trucks, delivery vehicles in the garment district and a couple of newspaper accounts on Long Island. About 75% of these are leased under a four-year arrangement. The balance are daily rentals or transient accounts which are used by companies to fulfill needs during peak delivery periods.

AVIS WILL offer insurance as part of the fleet arrangement as a "convenience," however, and Mr. Murphy estimates that about 50% avail themselves of the convenience. "We'd like it to be somewhat less than that," he said.

When Avis does lease a fleet with insurance as part of the package, the firm carries a Liberty Mutual policy. The minimum limits under the arrangement with the insurer are $25,000/$500,000. "I lean to minimums of $500,000/$1 million. Basically a company that leases trucks needs enough coverage so a loss won't put them out of business," he said.

"Whether we insure the vehicle or not," the vp went on, "we keep cards on every driver and check licenses for violations." He noted that occasionally Avis will ask a lessee to drop a driver with a poor record or high loss experience, but essentially the leasing contract only insists that drivers of leased vehicles be licensed for the type of vehicle they drive. "This must seem to be a very minimum requirement, but you'd be surprised," he said with a laugh

IN ADDITION, the company also seeks three way cooperation between Avis, the lessee and the insurance company when it comes to driver education and safety programs conducted by the insurer.

"When we first started out with Liberty Mutual in 1962 I use to get memos telling me to tell Liberty Mutual to mind their own busisess," Mr. Murphy said, referring to the insurance company's active role in communicating loss prevention suggestions to its insureds. "But we have since let Liberty tell us a lot on the subject," he added.

Avis' arrangement with Liberty Mutual contains a retrospective rating plan under which accounts are reviewed yearly. Rates are subject to change according to loss experience of a particular lessee. However, the vp noted the leasing contract for fleet trucks runs four years and Avis does not up rates to the lessee even if Liberty Mutual boosts its rates. Aside from the fact that it may be contractually difficult, Mr. Murphy notes that it would be "bad for business."

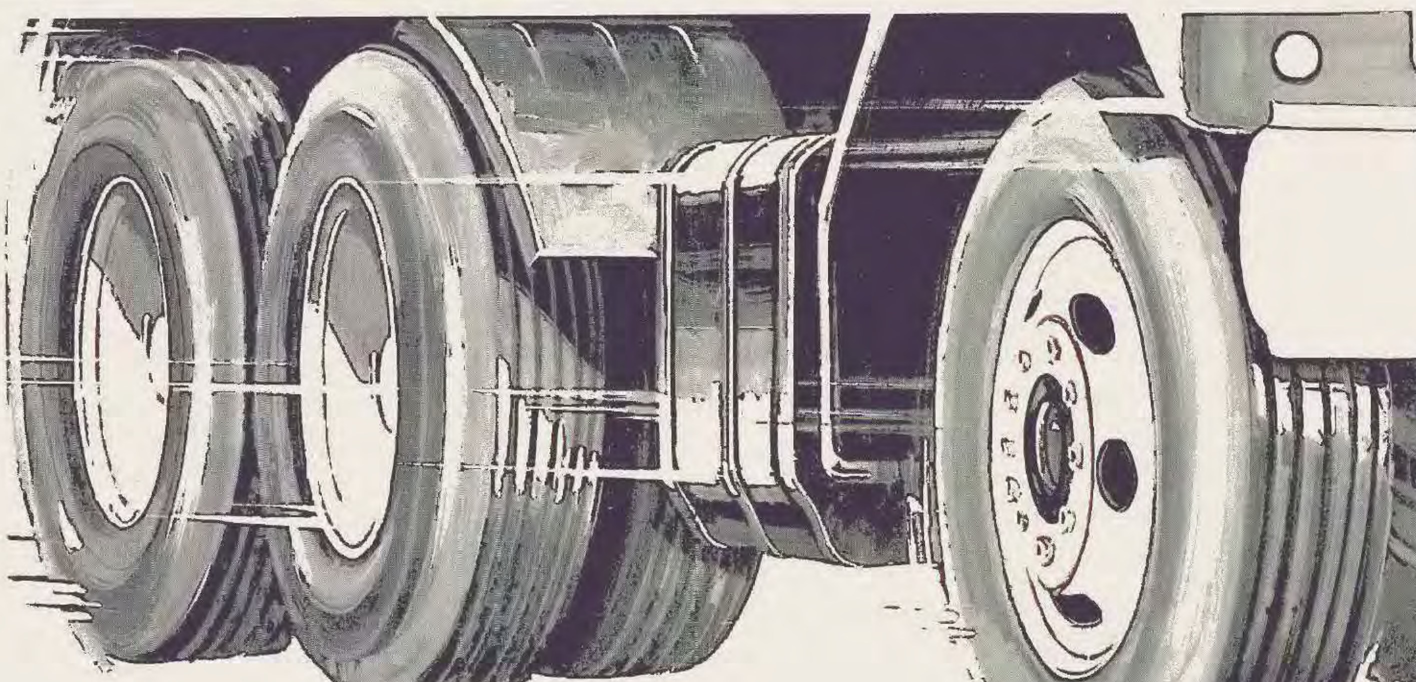
DESPITE THE fact Avis prefers the lessee obtain his own insurance on a group of vehicles Mr. Murphy says such arrangements cause his company the most problems.

There are all types of exclusions in policies which can present problems when a claim is filed, he said.

"We had a case in Cleveland in 1963," he said. "A propane truck blew up in our garage there while it was being serviced. 'Ha, ha,' the leasee's insurance company (not Liberty Mutual) said. 'That was in maintenance when the accident happened and you're not covered.'" Mr. Murphy said that the insurance company did not get completely off the hook but that a lot of nasty legal problems arose from the situation.

MR. MURPHY WAS referring to a clause which can provide a serious loophole in insurance coverage for those leasing companies that allow the lessee to provide his own insurance coverage. The clause states: "No coverage shall apply as respects the lessor while the owned motor vehicle is in the care, custody or control, of said lessor or while the motor vehicle is loaned, rent-

Continued on page 21



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Federal truck standards few; more are coming

By THOMAS LUTZ

WASHINGTON—Since 1966, when the first Federal vehicle safety standards went into effect, little notice was given to how the new regulations affect trucks.

Initially, the efforts by the Federal government were aimed at the private passenger car accident and injury problem. There are now a collection of some 30 standards, only about one third of which apply to trucks.

The standards themselves are considered modest by critics of the vehicle manufacturers and the government standard-making program, and recently there have been more complaints that the Federal government vehicle safety program is underbudgeted and understaffed. (The National Highway Safety Bureau has an annual budget of $25 million and a staff of 518; the government program to save migratory birds has a budget of $39 million annually.)

THE MANUFACTURERS contend that, while they have had some difficulty in meeting certain standards (14 million cars and trucks have been recalled since 1966), they have made considerable progress in developing safer vehicles beyond what is called for by the Federal standards.

As for trucks, manufacturers hold that too little is known to establish more standards. "Truck safety is harder to put your finger on because there are fewer accidents involving trucks to study and the time-lag factor is more significant in terms of gathering data to final sale than with passenger cars," a Ford spokesman told *Business Insurance*.

This lack of hard data on crash and death causes in truck accidents prompted the automotive crash injury research project at Cornell University, working in conjunction with the American Trucking Assn. and the Interstate Commerce Commission, to try to develop such data.

As an extension of an earlier study, Cornell researchers focused on truck accidents involving 680 trucks and 970 injured occupants.

THE RESEARCHERS found that:

- 40% of injuries were caused by door openings.
- 17-19% of the injuries were the result of the driver being ejected from the cab. (These percentages compare with 11% for the same cause of injury in car accidents.)
- 2.6% of the injuries were caused by fire, which compares with .4% in car accidents.
- 6.2% of the injuries resulted from load shiftings in single unit trucks, excluding pickups.
- 21.6% of the injuries were caused by load shiftings in tractor-trailers.

THE CORNELL study also shows that injuries are more severe in accidents involving large trucks, and the leading causes of injury are ejection and the hitting of the driver with the steering system.

Researchers concluded that there should be a reduction in door opening injuries and ejection by the development of better means to keep the doors closed —i.e., better door latches—and by requiring greater use of seat belts.

The study also suggested that improved interior design be developed, especially for larger trucks that have "less forgiving" interiors.

In addition, the researchers concluded that there is a need for greater fire prevention in trucks but no specific course of action was determined. Also, the study concluded that methods should be developed to cut down on load shifts, although, here again, nothing specific was decided.

FLEET SAFETY directors interviewed by *Business Insurance* said that their own experience with truck accidents bears out the Cornell study, but they went further with suggestions.

Safety directors complain that the lack of cab comfort in larger trucks creates fatigue hazards, to which manufacturers countered by saying that "many people feel that truck seats are more comfortable than car seats."

The fleet safety men also charged that cabs for larger trucks are not designed to accommodate both large and small men. As an example, one safety director demonstrated to *Business Insurance* that a 5'9" man sitting in a late model semi-truck is required to slump in his seat so that his direct line of vision is not straight into a sun visor.

The same truck cab was designed with not much more than about one-half inch space between the accelerator and the brake; the interior door handles operated to open the door when pressed downward, which means that a driver who is thrown forward would likely open the door with his elbow.

TRUCK MANUFACTURERS counter such charges by saying that the fleet owner probably could have ordered the trucks made any way it pleased him, and that most large trucks are made to order.

Yet another complaint of a fleet safety director is that manufacturers have not installed as standard equipment rear-view mirrors that allow drivers to see the "blindspot"—from the end of the trailer to the side of the cab. Such mirrors are available on the market, and truck manufacturers contend they can be ordered with the truck—although they are not considered standard equipment.

Part of the problem in truck safety design, according to the manufacturers and some government officials, comes about because of time lag. There is at least a five-year lag between gathering data for a particular safety item and time when the improved truck is ready to take the road.

After that, the truck can have a life expectancy of eight to ten years. Consequently, while fleet safety directors and the Cornell study can show that ejection is a major problem—and that better door latches and retention devices are needed—manufacturers and the government standard-setting body may already be on their way to helping to solve the problem. In fact, an amendment to the door locks and door retention components standard will become effective January 1, 1970, and in 1972.

Continued on page 22

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Tribune fleets autonomous; each is held accountable for its losses

The Chicago Today delivery fleeet, 215 trucks, is one of four autonomous fleets owned by the Tribune Co. Each fleet management is responsible for its own losses.

CHICAGO—The Tribune Company delivery fleet, which is composed of four autonomous fleets, distributes millions of newspapers and thousands of packages daily to hundreds of stops. That's why its loss prevention program is aimed at holding each fleet accountable for its own accidents and losses.

The Tribune Company fleets include the New York Daily News (340 trucks), the Chicago Today (215), the Chicago Tribune (120) and the Sentinel Star Express Co. (119), a package delivery service based at Orlando, Fla.

Each fleet operates its own program to select, train and further develop safe drivers as well as provide drivers with properly selected and well-maintained vehicles. Each fleet management is held responsible for its losses, both in terms of dollars and the standard frequency reporting method.

SVEN THOMSEN, insurance manager of the company, told *Business Insurance* that the Tribune Co.'s retrospective rating plan, underwriten by Zurich-American Insurance Cos., covers all fleets with the exception of the New York Daily News. The retro plan insures the company's vehicles, workmen's compensation and general liability. The New York Daily News fleet is handled separately with the state fund providing workmen's compensation.

Jere L. Lillich Jr., loss prevention coordinator for the Tribune Company, works as an advisor to the fleets and reports to Mr. Thomsen.

Mr. Thomsen explained that, although each fleet operates separately, "the unifying philosophy is to provide drivers with well-maintained and safe trucks and then train drivers in defensive driving techniques. You get each fleet to do these two things by holding them responsible for their losses."

Mr. Lillich said that each month line supervisors are informed of their fleet's safety record through bulletins that report the fleet's accident frequency.

The management level men for the fleets also get reports, the loss prevention coordinator said. These reports give sophisticated dollar breakdowns of the fleet's losses, thus holding management responsible for any problems.

AS AN EXAMPLE of how the loss prevention program works, Mr. Lillich told *Business Insurance* that the Chicago Today fleet separates the functions of acquiring and training safe drivers and securing and maintaining safe trucks.

Driver applicants for the Chicago Today fleet are tested with one of three different written exams. Besides being concerned with Illinois law, the exams pose situation problems for prospective drivers to solve.

Next, applicants are given road tests, which encompass driving, turning, parking and backing up. The motor vehicle records of prospective drivers are also checked. If a prospective employe has problems with either the written or the road test, he is given training to help him meet the standards required by the company to take a Chicago Today truck on the road.

After the two tests, a new driver is accompanied by a regular driver to familarize him with a route and provide more on-the-job training.

REINFORCING the Chicago Today driver training program are an incentive system and a board of review that investigates accidents and penalizes drivers for those accidents deemed preventable.

The incentive system awards drivers with significant prizes for accident-free records. But all accidents are investigated by the driver review board of supervisors to determine blame and drivers who are found to be at fault are given demerits, which subtract from the prizes they can receive.

After the driver review board finds a driver is responsible for three accidents in a given period —usually a year—the board calls for dismissal or probation of the problem driver.

At the end of each year, drivers are given a banquet and awards for accident-free records.

VEHICLES selected for the Chicago Today truck fleet consist of step-in vans with aluminum bodies mounted on three types of chassis, according to Mr. Lillich. The trucks have dual wheels that, because of their greater traction, contribute to the safety of the fleet.

The aluminum bodies reduce the weight of the trucks, thus allowing a larger load, and are impact-absorbing. Mr. Lillich said that the aluminum bodies have reduced the cost of materials used for both repairs and maintenance work by 10%.

Since 1964, when the aluminum bodies were introduced for the Chicago Today fleet, the total saving has been about $50,000.

In addition to acquiring the special trucks, the company uses a comprehensive preventive maintenance (PM) program that keeps them operating well. The PM program operates at three levels, with a frequency service schedule maintained for each phase based on manufacturer's recommendations and "a lot of

Continued on page 28

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Fleet drivers told: Car can 'talk' to other drivers

By TERESA NORTON

NORTHBROOK, Ill.—"Communication" is frequently cited as the solution to a vague multitude of problems. One specific problem it can reduce, if not solve, is motor vehicle crashes.

Learning to use a car to "talk" to other motorists on the road is an integral part of Allstate Insurance Co.'s Driver Engineering Service.

"Great horn blasts and quick stops are the result of non-communication," said Al Bard, who developed the program and is a consultant in the company's driver education section. Signalling with a horn, turning and brake lights, and eye-to-eye contact are all stressed in the program as ways to warn another motorist of changes in driving patterns.

Mr. Bard conducted Allstate's first training session, available to Allstate's fleet insureds and fleets insured by other companies, in 1966. To date, 300 drivers have participated in the two-day program, which is given in Morristown, N. J., Atlanta, Ga., Menlo Park, Cal., and Northbrook, Ill., the company's home office. All eight Allstate instructors who conduct the course hold degrees in traffic safety.

STATISTICS from one company whose drivers underwent the training show a lengthening of man-months between accidents from 9.6 to 24.5 per driver.

The Link Driving Simulator, made by the Link Group of General Precision Systems Inc., is used for six of the 18 class hours. The simulator is a life-size model of the driver's side of a car and is used in conjunction with films of actual traffic scenes and computerized instruction.

The films, produced by Allstate, present the subject using the Link simulator with traffic situations ranging from average to those with high crash potential. The driver's response is transmitted to the computer, which feeds back immediate correction when necessary through a flashing light on the dashboard. If the driver should have braked and didn't, the brake light flashes.

The films are used to duplicate the crash experience of the driver and the instant computer feedback allows him no time to from bad road habits or repeat mistakes. Many Link Driving Simulators are in use, but the feedback mechanism is unique to the Allstate system.

THE SIMULATORS are equipped with back mirrors on each side to pick up filmed scenes from cameras at the front of the classroom. These duplicate the view from a rear window and are coordinated with the ongoing film the driver sees before him.

Ten hours of classroom instruction and testing are also provided for the driver. Mr. Bard told *Business Insurance* that "these are not lectures, because we don't have all the answers. We want to hear their ideas."

Classes are limited to eight or ten people. If possible, all are from the same company so that questions brought up will be relevant to the entire group. Two instructors are used for each session, he explained—one to guide the discussion and one to act as a catalyst for the group.

Allstate is furnished with motor vehicle reports on all drivers prior to classes so that instructors can "lead them into discussing their own accidents and identifying their own solutions," said Mr. Bard. The insurer also receives copies of any crash reports that may have been personally written by the driver involved in order to look for revealing personality clues. "If, in his own description," said Mr. Bard, "the driver uses the word 'suddenly' several times, it may indicate lack of perception on his part of other motorists' signals. So he does think everything happens 'suddenly'."

HE NOTED that Allstate has always requested that a company's problem drivers be the ones to receive the training because, if that hazard is removed, "we can keep the good drivers good."

Two hours of on-the-road application of theory complete the course, with all eight subjects offering constructive criticism to each other. The accompanying instructor questions their reactions constantly and makes them verbalize the logic behind their decisions.

Allstate then submits a written report, containing recommendations and suggested corrections, to the customer's insurance manager.

The main problem the insurer has faced in conducting the program is related to what Mr. Bard calls "management's false economy;" companies are unwilling to 'lose' the production of their drivers and salesmen for two days because they look at profits in the light of monthly quotas and delivery schedules. But, he said, profits should be viewed in terms of the amount of money lost if a top salesman or driver were disabled or killed. "What would the margin of profit on the company's goods have to be to make up for that kind of loss?" he asked.

ACCORDING to Mr. Bard, management's ideas of short-term economy prevent them from seeing the indirect financial loss resultant from an accident. Based on a study of accident statistics from companies Allstate has worked with, the amount of indirect financial loss from an acci-

Continued on page 31

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Avis...

Continued from page 18

ed, or leased by the lessor to any individual, firm or corporation other than the named insured."

However, he noted, most of the major fleet insurers are deleting such exclusions from typical policies. But, he added, the problem remains a "constant fight."

"All we ask of the lessee who obtains his own insurance coverage is the same quality standards we would provide if we insure the fleet."

The quality standards John Murphy was talking about are insurance coverage for a "full 365 days a year." It's called, he said, "Murphy's law." ■

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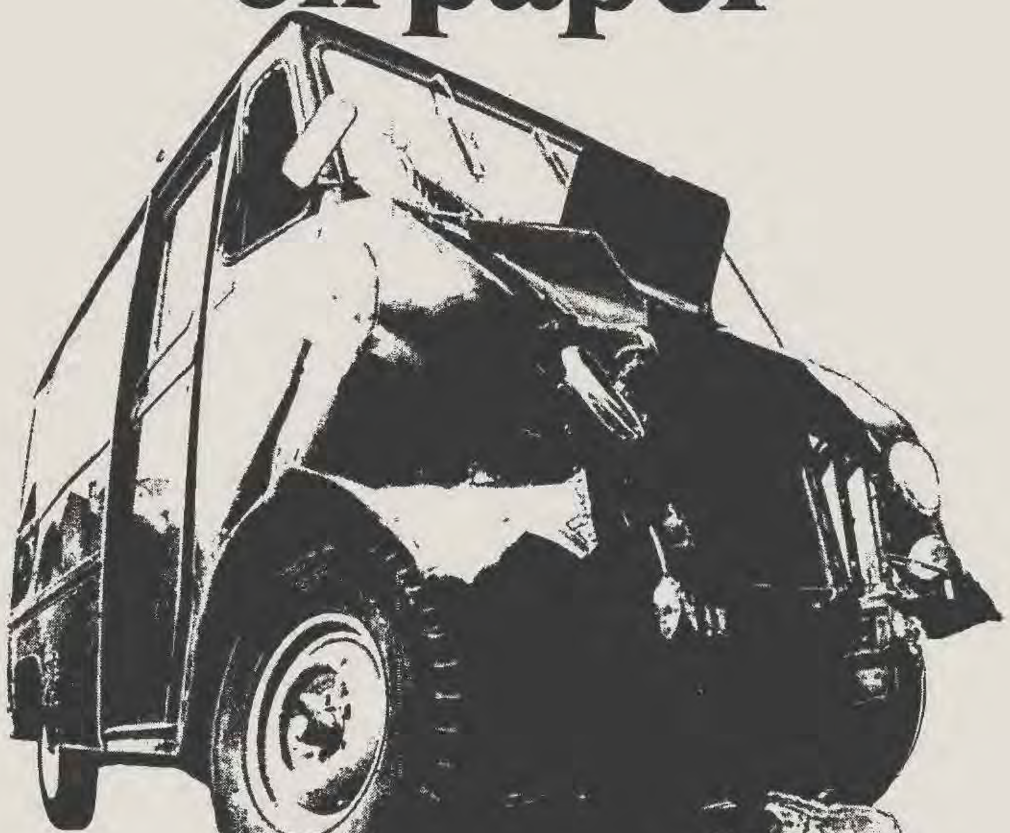

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Trucking group hopes to halt fast-rising thefts

WASHINGTON—In an apparent attempt to curb an ever-spreading blight, the trucking industry has established a national committee to attack increased thefts and hijackings.

Set up under the aegis of the American Trucking Assns. Inc. here, the committee is currently attempting to establish an identity for itself under the initials TICOTH.

TICOTH, not surprisnigly, stands for Trucking Industry Committee on Theft and Hijacking. Its four long-range goals are: working with legislative and regulatory bodies on the national level; establishing a system for reporting occurrences of thefts and hijackings; instituting a national personnel data information center, and publishing a recommended security manual.

FACED WITH increased thefts and hijackings, which have led to rapidly rising insurance premiums and, in some instances, threats of insurance cancellation, the industry is tackling the problem out of what can best be described as a sense of desperation.

In New York recently, a detective in the police department's safe, loft and burglary squad candidly told area truckers that they will have to take a large measure of hijack protection themselves because of the thinness of New York City police coverage on truck thefts.

Detective James Roberts told members of the N.Y. State Motor Truck Assn.'s operations council that there are 38 men on his squad. However, he noted, only 15 of them regularly cover truck thefts within the 364 square miles of the city's five boroughs.

According to A. E. Hocklander, chairman of TICOTH's subcommittee on industry cooperation, the committee is now seeking support from state and other affiliated trucking associations so that it might carry out its aims. Also suggested by the committee is a method of network reporting of hijackings and thefts of complete tractor and trailer units in a way that would assure national coverage when a crime does occur.

While TICOTH's ultimate aims are still very much in the drawing-board stage, Detective Roberts has suggested some aids that might help curb the problem.

The New York City police department, for example, has an alarm procedure for trucks "overdue" at destination. He told truckers that even if they have a truck overdue by only a half hour they should call the department's safe, loft and burglary squad.

The police, he noted, must have immediate information (including truck license plate numbers and other vehicle identification markings) because at today's road speeds a stolen vehible can be out of the city in an hour. The detective also advised that his office be called separately when a company has a hijacking in the N. Y. or N. J. area. The call should be made in addition to phoning the local precinct, he explained, because often it takes many hours for the local precinct to put the theft on the department teletype. ■

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Continued from page 19

THE GOVERNMENT, according to Ken Pierson, acting director of the U.S. Motor Carrier Safety Bureau, is also trying to cope with some of the safety problems discussed in the Cornell report and by those fleet safety directors who voice criticism.

Mr. Pierson's bureau, which is in charge of regulation of interstate over-the-road carrier operations, is now collecting opinions on the mandatory installation and use of seat belts for truck and bus drivers, which help curb the number of truck drivers ejected from their vehicles in accidents.

The same bureau is also collecting comment on a safe loading of cargo regulation which might counteract the load shifting problem found in the Cornell study, and a regulation to stipulate the type of size of fire extinguishers to be standard equipment on trucks, another problem discussed by the Cornell researchers.

In addition, Mr. Pierson said, his bureau is revising driver qualifications in terms of driver screening, tougher physical exams, broader rules for drug and alcohol use by drivers and critieria for disqualification of drivers.

Mr. Pierson said that his bureau has a $2 million annual budget and employs about 188 people, 92 of whom are safety investigators.

THE NATIONAL Highway Safety Bureau, which often works in conjunction with Mr. Pierson's bureau, is also working on a possible standard aimed at attacking a specific problem uncovered by the Cornell study.

A spokesman for the NHSB said that it is now writing a draft of a standard for performance requirements of the stability and control of coupled vehicles. Among the many problems the standard would attack is jackknifing of trucks, which is sometimes caused by load shifts.

In addition, the NHSB is receiving comments on a proposed standard for tilt cab latches. Beyond that, the bureau is considering a standard on rear underride protection (guards around the backs of trailers that would prevent small vehicles from driving underneath the trailers) and an up-hill performance standard. ■

Tobacco firm solved at least one problem in '60s

By GEORGE LANGWORTH

NEW YORK—Lorillard Corp., one of the nation's leading cigaret manufacturers in an industry facing a troubled horizon in the '60s, discovered at least one problem it could do something about.

Liberty Mutual, the company's carrier, made a comprehensive study of the company's fleet auto operations and turned up some alarming facts.

The report revealed a three-year rising trend in the number of vehicle accidents. Moreover, the figure represented a 30% higher accident rate per vehicle than a comparable sales fleet used as a yardstick in the report. It was also reported that Lorillard's accident frequency rate was 45% higher than the other sales fleet studies with comparable exposure. In 1965, four out of every ten Lorillard company cars were involved in an accident.

ON REVIEWING the Liberty Mutual report—which even went so far as to say "your fleet is involved in too many accidents, which can only lead to more injuries to your people, higher future accident costs and increasing insurance premiums"—top execs at Lorillard and its parent, Loew's Inc., were apparently in agreement: Widespread change in the fleet operation was desperately needed.

Compiled from company statistics during the first six years of the 1960's, the document pointed up what has become an increasing trend across the country. "There had been a major shift in risk exposure," said James McCormack, assistant vp at Liberty Mutual. "In-plant accidents have traditionally caused the greatest number of fatalities and workmen's compensation losses. However, our studies indicate that now only 3% of the fatalities occur in the plant," he noted.

Lorillard operates a nationwide sales fleet of 966 automobiles. It was found that the fleet had become the major source of workmen's compensation fatality claims and losses.

Said Mr. McCormack: "Twenty-one percent of all employes killed at Lorillard during working hours died in vehicles. Sales fleet accidents accounted for 18% of Lorillard's workmen's compensation losses." During the six years reported on, accidents cost over $518,000.

THESE FACTS, coupled with Lorillard's rising number of accidents—in keeping with the rest of the nation—called for action. Lawrence Tisch, board chairman of Loew's Inc., Robert Tisch, president of Loew's Inc., and Mr. Emanuel Yellen, past board chairman, top executives for the company, and its owner made it clear that they were far more concerned about these findings from the standpoint of their employes' safety rather than any immediate monetary losses, said James McCardle, insurance manager for Lorillard. "We believe that the safety return in the long run will exceed its cost four-fold," he said.

"Since only 5% of accidents are caused by mechanical failure," Mr. McCormack said, "the major source of the problem rests with the driver; you must reach this individual."

Fine—Lorillard was all for it. But just how do you provide driver-training for more than a thousand salesmen scattered all over the 50 states, and on the road most of the time?

In March of 1968 Lorillard and Liberty Mutual began a drive to solve the problem. The cigaret manufacturer gathered its 16 area managers for a series of two-day seminars in a training course devised by Liberty Mutual called Decision Driving, Charles Swanson, division manager for Liberty Mutual, explained. The plan was to train the area manager who has the most ready access to the problem to teach his individual salesmen the rudiments of prudent, intelligent driving and then to conduct a continuous program of monitoring each salesman's progress.

THE PROGRAM is based primarily on teaching the driver to use his eyes to his full advantage. "Psychologists agree that more than 80% of all our learning comes through the *seeing* sense," reads the presentation. "It is evident therefore that our *seeing* sense is the most important feeding device to our decision-making machine—our brain."

The program's classroom discussion centers on the major causes of accidents, "inexperience, inability to concentrate, irresponsibility, intoxication and immaturity," and a five-step breakdown of the decision-driving sequence, listed as:

- Expand your "look-ahead" capacity.
- Size-up the whole scene.
- Signal your intentions early.
- Plan an escape route.
- Take decisive action.

The other half of the program consists of a "commentary drive" during which each supervisor is placed in an automobile in a driving situation, explained Mr. Swanson. "First, he is asked to verbalize what his eyes are doing—the training instructor demonstrates this and then, one by one, each of the supervisors tries his hand," he said. The group under instruction then critiques each supervisor's performance, utilizing the principles covered in the discussions. "They discuss how this man can improve," said Mr. Swanson.

Many of the area sales managers felt that they didn't have the knowledge or the confidence to teach safe driving to their salesmen, said Mr. McCormack. But the letters received from area managers a few weeks after taking this training course expressed real enthusiasm for the positive effects of the program, he said.

LORILLARD'S area managers are also getting help from the 14 driver-trainer consultants whom Liberty Mutual employs in 14 different cities, asserted Mr. McCormack. With their help, the area supervisor is "pre-testing the salesman to find out what his driving knowledge is, then educating him in decision driving, then testing him to see what he's learned. Our research shows that 85% of all those educated in the program should score 85% or better," said Mr. McCormack.

In addition to these efforts, Mr. McCardle revealed that Lorillard has instituted an awards incentive program which officially recognizes a salesman's safe driving record. "If a man's record of accident-free driving warrants it he is awarded with a lapel pin,

Continued on page 34

A report on safety from Transport Indemnity.

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Jack Hayes
Vice President-General Manager

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Women . . .

Continued from page 15

ately and they have a patrol car take pictures. It's vital to act right away to get witness reports and tire track marks."

She noted that Markel has placed the insurance with two companies. One covers auto, property and public liability, and the other covers workmen's compensation.

Drivers, she feels, are usually very careful. But when they do have an accident, she talks with them and explains what they did wrong. If poor driving continues, a formal warning is issued. The next step is time off without pay.

"I VERY rarely do this," Miss Pernot said. "I feel it's the last resort because it makes a whole family suffer. Just talking with the men and trying to under-

Miss Evelyn Pernot

stand their problems is usually enough. When they know someone really cares about them and is depending on them to do a good job, they do it."

She gets to work at 7:30 in the morning to be able to talk with her men before they leave. Her safety program also includes writing personal letters to drivers' homes about four times a year.

"I think a personal letter is much better than some envelope stuffer in their paychecks," she said. "I usually have the letters illustrated with stick figures and cartoons. The men call them 'Miss Pernot's funny papers.'"

WHEN SHE'S not working on a fleet problem, she does needlepoint, and collects antiques. She also has recently been invited to join the council of safety supervisors of the American Trucking Assns.

But her work takes up most of her time.

"It's not just a job," she said. "It has been a way of life. And it isn't all smooth sailing. In my book, it's still a man's world."

SHE NOTED that trouble is most likely to come from outside the firm, because so many people

Mrs. Alverta Jackson

try to make false claims against trucking companies.

"A person will say that a truck dented his car fender or threw a stone up at his windshield, but when we check the license number he gives us, we usually find that our driver wasn't even in the area," she explained. "People think a trucking company will just pay and not question the claims. But I don't let them get away with that."

At the W. T. Cowan trucking company in Baltimore, Alverta Jackson doesn't let them get away with it either.

"I'M A REAL hard nose about insurance claims," Mrs. Jackson said. "I check everything and don't pay a cent until I am absolutely sure of the facts. Once I'm sure, I try to settle it as fast as possible."

Mrs. Jackson explained that Cowan is primarily self-insured and she must process all claims up to $10,000. Those above $10,000 go to the company's insurance claims office.

"We haven't lost a driver in 15 years," she said. "I'm very proud of our record. The men have some of the toughest highways in the country. They travel from West Virginia to New York City. The JFK Highway and New Jersey Turnpike are terribly congested."

SHE BEGAN working for Cowan in 1949 as a clerk. In 1957 she was appointed assistant safety director and in 1965, director. She is now in charge of 325 drivers.

"I outlasted six men," she said. "Finally somebody said, "Bert," (they've always called me Bert), you should have this job. You know more about it than anybody else.' So I got it."

Mrs. Jackson, who was been nominated for the 1968 safety director of the year award, and is the only woman certified by the National Committee for Motor Fleet Supervisor Training, feels that the most important help to her fleet is understanding.

I THINK that a woman can do more than a man as a safety director," she said. "I think the men feel that being a woman, I understand their problems better. They know I'll really listen to them."

She said she tries to send men out on the road in a good mood.

"If a man comes to work after an argument with his wife, he's not going to be in a good frame of mind for driving. I always try to give them a cheery 'good morning' and maybe talk out the problem so he won't take it with him," Mrs. Jackson said.

AT COWAN, fleet men are referred to as "chauffeurs" not truck drivers.

"They are gentlemen of the highway and I treat them all with respect," she said. "I don't pull any punches. Sometimes a safety director gets a reputation of hiding behind billboards to check up on employees out on the road. I hope I've done something to eliminate this image. I tell them exactly what I think."

Cowan men, who have won six state championships at truck rodeos, apparently appreciate the treatment. When she walked into one company meeting in New Jersey, they presented her with a dozen long-stemmed roses.

"THEY ARE wonderful," she said. "I love them all dearly. This is primarily still a man's field, but I feel that there will be more women coming into it and that a breakthrough is starting."

She admits that she doesn't understand much mechanical language, but has appointed a driver trainer to work with her men in this area. She also has shop supervisors reporting to her on vehicle equipment.

"I keep a good relationship with the shop crew and they explain to me what the problems are," she said. "They won't let anything unsafe out of the yard."

Mrs. Jackson and Miss Pernot have written to each other, but have never met. ■

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business insurance/perspective

A LOOK AT THE 1970s

Auto insurance: A different system

by William H. Rodda, President, Marine Insurance Handbook Inc., Chicago, Illinois

Automobile insurance is moving toward a compensation system, but people resist giving up their right to sue when big money appears possible. A program which provides instant money for minor injuries, or for injuries that the claimant has caused to himself, has much appeal. Two basic ideas are being promoted by various associations of insurers and by officials. One is a first-party accident type of insurance under which everybody would be obligated to carry insurance to protect himself and his family against injury. The other is a compensation system under which insurance carried by the automobile operator would cover the out-of-pocket costs of accident victims. One or the other of these proposals is likely to be enacted in many states.

However, the right to sue probably will be preserved for those who feel that the benefits of the compulsory plans are not commensurate with the injury. The net result will be more certain and probably more generous payments for less serious accidents but a continuation of the big verdicts when people feel that there is a chance to collect. Costs of automobile insurance will rise with the more generous payments, which means a further increase in automobile insurance rates.

Products liability will become more costly as the consumer demands and gets more protection from product injury. Already the doctrine of privity between manufacturer and user has been eroded almost to the point of extinction. Maker and seller are often held responsible jointly for any untoward effect of a product. Products liability insurance will become more expensive as manufacturers and merchants are held to stricter accountability for their goods. Makers and sellers of products may have to assume a substantial portion of the liability costs as a business expense, with insurance being reserved to cover only the major claims. Automation of products manufacture tends to make a certain proportion of error inevitable. Costs of such errors may become a routine business expense.

NEW HAZARDS, new types of construction, and new products are likely to bring catastrophes before safeguards are developed. Disastrous fires that already have occurred in high-rise apartments and hotels are an indication of potential hazards. A fire on an upper floor coincidental with a city-wide electrical blackout could result in a disaster. Few of the new and taller buildings have any emergency power of their own for elevators and fire pumps. There is a question whether the new designs and new materials in the 80- and 100-story buildings will withstand the stresses of wind, vibration from street traffic, sonic booms and possible earthquake. The severest earthquake ever to hit the U. S. centered in southeastern Missouri in the early 1800's. A repetition of the quake today would reduce most of our midwestern cities to a shambles.

Federal government control of the insurance business has been increasing year by year. A continuation of the present trend will soon make the Federal government the major factor in the supervision of insurance. The method of encroachment by the Federal bureaucracy is to provide a service, such as flood insurance or the proposed insolvency fund, and then to specify how companies must operate in order to have the service available. The control of banking through the Federal Deposit Insurance Corp. is an excellent example of the method by which insurance may become subject to Federal control. There are, in addition, proposals for direct Federal supervision to replace state supervision. The Federal bureaucracy is an expensive operation. The impact on insurance of Federal supervision would inevitably be an increase in costs of operation and, consequently, higher rates. ■

Workmen's compensation: States lose control

by Carl J. Vogt, supervisor workmen's compensation, General Tire & Rubber Co., Akron, Ohio

It does not take a person who earns his daily bread (no butter) dealing with the administration and the functioning of several of our state workmen's compensation statutes to confidently state that in the decade ahead there will be radical changes in the area of workmen's compensation.

For better or worse, in sickness or in injury, the Federal government is wed to the principle that, in its infinite wisdom, it can better serve the working man in each and every state plus the U. S. protectorates by pre-empting the employe benefit field. Workmen's compensation, being the granddaddy of all the employe benefits, stands squarely and solidly in the exclusive control of the several states. It is my prediction, made with tears in my eyes, that the states will lose their heretofore exclusive jurisdiction over this benefit area as certainly as the Podunk High basketball team would lose to the Harlem Globetrotters.

Contrary to the fuzzy thinking of the day, as expressed by Sen. Yarborough, Sen. Javits, and James O'Brien, an assistant director of the AFL-CIO's department of social security, workmen's compensation was not and is not a social insurance benefit. It was and is with the exception of Federal Employer's Compensation Act, an economic system paid for by the employer. This cost of industrial accidents is borne by the industry which develops these injuries.

It is not paid out of general revenue taxes. This cost item reduces profit and consequently motivates industry in a dollar way to reduce accidents. The same day that tax money as opposed to profit dollars pays the cost of industrial injuries, the employer will have the same interest and control he does in how a welfare dollar is spent. All it can do is put its corporate chins up in the air, clear its throat, and yell FOUL at the top of its corporate lungs. This process will make the legal entity feel better, but will not benefit the working man who will then be paying for his own industrial injuries.

The more immediate and less drastic change will be in the area of industrial environmental health. Currently in the Federal legislative hopper and about to be disgorged upon industry are laws which will spell out benefits due all miners, particularly coal miners, who are afflicted with respiratory disease. It appears that the proposed law contains no effective provision to filter out those unfortunate workers who contract the diseases naturally from those workers who contract it because of their working conditions.

FOLLOWING ON the heels of this legislation will be noise pollution control. Get ready for a blast of news from this source. Industry will bear the cost of the awards, still to be set up, for those workers who lose their hearing from non-traumatic causes. The natural aging process lessens one's ability to hear sounds. This carries the medical label "presbycusis."

Last, and not the least costly, the Federal government will set up standards of payments. These standards will be based on either the Longshoremen and Harbor Workers Act or the Federal Employees Compensation Act. The AFL-CIO favors the latter, according to their Mr. O'Brien. In a recent labor news conference over the Mutual Broadcasting System, he noted that the Federal Act paid a maximum of $405 per week, while under the present state laws the maximum is $150 a week, this being the state of Arizona. What he forgot to mention was that tax money paid the $405 per week and all of us know there is an unending flow of that kind of money. The fact that a wage dollar is smaller in one state than another, and that a dollar purchases more goods and services in one state than another is immaterial to the advocates of "let's treat everyone the same."

The above vision, like the one which visited Jacob Morley one Christmas Eve, is not inevitable. If the states will examine their existing laws, accelerate their up-dating, and make them more comprehensive, then the Federal government may look at the state and say, "God Bless Them, Every One." ■

Employe benefits: More flexibility

by Howard L. Peck, partner, Hewitt Associates, Libertyville, Ill.

One of the general trends evident for the 1970s in employe benefits is the move toward more flexibility and freedom for the employe to adapt the company's benefit program to fit his personal situation. This involves a growing recognition on the part of the employer that needs and desires vary from employe to employe.

This trend shows up in the form of more varied retirement options, as well as preretirement options under retirement plans. Also there is greater use of individual account plans, such as savings plans, that help employes to create reserves as they have the need and desire. Various kinds of deferred compensation arrangements also can be cited.

There is a growing recognition of the problems of inflation and its effect on both the active and the retired person. There are more and more medical care plans that are using "reasonable and customary" provisions, rather than flat dollar allowances. There are frequent up-dating of benefits for people already on retire-

Continued on following page

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ment, as well as some tendency toward including in plans a provision for benefit escalation tied to the cost of living.

IN ADDITION, the individual account plans also serve to help offset the effects of inflation by permitting employe investments in equities, often including the common stock of the employer company. (The proliferation of mutual funds and the army of salesmen promoting them as group capital accumulation devices will do nothing to slow this trend.) In some cases these plans are being used as parts of basic benefit programs and in others, strictly as supplements.

A trend that has been apparent for some time and appears to be gaining momentum is the tendency toward the use of various forms of survivors' benefits in retirement plans, both on an automatic and optional basis.

What do these trends and other developments suggest as to the direction of employe benefit communication? Certainly the growth of optional forms of benefits and voluntary plans puts a greater burden on the communicator to help the employe understand the alternatives available to him and the implications of each. There probably will be a greater use of computerized reports to spell out employe choices and their effects. This would apply to retirement options, optional survivor benefits, and participation in voluntary plans, including deferred compensation.

There is increased use of surveys and interviews to determine employe needs, desires, and concerns.

We are seeing a greater use of devices and methods designed to help the employe get the information he needs and when he needs it, rather than having it doled out by the employer at times that suit the employer's convenience. For example, some companies are establishing benefit information centers, designated benefit communicators in the field and in the work place, special telephone numbers the employe can call to get the information he wants.

As benefits take over a greater role in the compensation pattern and as the employe's voice is heard more clearly, it is evident that there is need for innovation and resourcefulness in developing communication devices and techniques to supplement and replace conventional media. ■

Auto costs: Reductions required

by John P. Olsen, insurance manager, Ingersoll-Rand Co., New York

To make any predictions that cover a decade in my view would be a bit presumptuous. However, it might be of interest to speculate where certain problems now with us will end up.

The first that comes to mind is whether there will be a major overhaul of the law governing automobile accidents. In the '50s certain knowledgeable insurers were predicting that there would be a form of compensation or liability without fault system sometime during the '60s at the latest. The same predictions continue.

I remain skeptical. My reasoning is simple; the plaintiffs bar with its major economic interest in the present law will effectively bar any legislation that would eliminate this lucrative income. Some will argue that we have a workmen's compensation system that has effectively avoided this lobby but I would remind them that workmen's compensation legislation preceded by a considerable number of years the plaintiffs bar as we now know it.

THE FINAL ANSWER to the costs relating to automobiles will not be the law itself but the elimination or substantial reduction in accidents and injuries. Hopefully, with automobile and highway design improvements, there may be some major breakthrough shortly. It seems ironic that we can build a racing car to go 200 miles an hour and watch drivers walk away from these accidents while the rest of us have difficulty surviving accidents at a fraction of that speed.

It will be interesting to see how long the industry will effectively respond to the insurance requirements of jumbo jets. Continued participation will be in the same proportion to the accidents involving these huge aircraft. Any series of crashes will effectively dry up what is already a tight market. There seems little question that if the industry is unable to respond, we will see Federal legislation probably involving some indemnity similar to the Price-Anderson Act possibly with a limitation of liability.

If the American Society of Insurance Management can match in the next ten years what it has accomplished in the '60s, it is fair to say it will develop into the most effective and leading force in the insurance industry.

I tend to view the market contraction of the last several years, particularly in the property field, as part of the temporary cycle which has been on and off again since the end of World War II. It seems the easiest way to loosen capacity is simply to develop underwriting profits.

THE PROFITS will be secured by the combination of increased premium and reduced losses. However, I would add that this present tight market will prove to be only cyclical *if* the new talent emerging at the insurers doesn't begin to evidence some change in attitude.

I think we will see major overhauls in the insurance benefits program in most corporations. It is almost certain we will see a "supermarket" approach where the employe will be able to pick from various benefits available. The benefits available will cover just about everything including dental, prescription drugs, various life and health insurance selections, profit sharing, savings plans, etc.

One group expert, somewhat seriously, indicated that if this comes about the employe will have to retain his own actuary in order to make a prudent selection. I'm not sure whether this will precede or follow pension "portability"—another almost certain development. ■

Computer problem: Insufficient data

by Robert E. Abrahamson, corporate insurance manager, Control Data Corp., Minneapolis, Minn.

The "Computer Age" has brought with it, some seemingly unique and unusual property and liability insurance problems that will confront us increasingly in the next decade. Some types of electronic data processing exposures are difficult for the risk manager to assess, or the insurance company to underwrite because of their intangible nature. The insurance industry feels that it may have some large loss potentials from computers, but because of the relative youth of the computer industry, it still does not have sufficient data for proper risk evaluation.

The use of computers in the manufacturing process, with the subsequent business interruption potential, has prompted some property insurors to resurvey their assureds' exposures to indirect property damage losses. Depending on the risk, insurance carriers may, in the foreseeable future, be recommending a "back-up" computer at a remote location in the event of loss or damage to the main computer system. Prudent internal risk management may also dictate this redundancy.

There are areas of liability exposures unique to the computer equipment manufacturer, data processors involved in the processing of financial, scientific, medical and miscellaneous other statistical records of others, and also those firms doing consulting, engineering and construction management, with the use of computers. Primary and excess liability policies normally contain exclusions pertaining to breach of professional duty by any reason of any negligent act, error or omission. This could possibly subject a firm to a possible exposure to a large loss unless the exclusions are deleted or modified or specific coverage is obtained.

COVERAGE IS available through limited markets for errors and omissions in the processing of financial type data. It is, however, generally unavailable for those involved in scientific and medical records data processing. This then becomes an area of self-insurance or non-insurance.

Some of the problem coverage areas for computer users and the computer industry fall within the realm of the unknown. It is the errors and omissions, professional liability, product liability and business interruption exposures inherent in the use of computers then, that frighten the underwriter and create problems for the insurance buyer. These problems manifest themselves in the form of restricted markets with subsequent very high rates or no markets at all.

The growing sophistication of business in general, the advent of the super computer, and the ever increasing dependency on computers have brought on risk problems unique unto themselves. Air traffic control, structural stress design in new construction and the guidance of spacecraft in the Apollo Program, all involve computers and it is only the beginning. ■

Benefits: Government action coming

Bion Francis, manager of benefits planning, Colt Industries, New York

In forecasting benefit developments for the coming year, the first consideration must be given to the possibility of government action. I believe that Congress will enact laws in at least three fields which will affect employe benefits:

• Increased Social Security benefits and taxes. We are almost certain to have such increases. The question is how much. The increase in benefits will probably be in the area of 10% to 15%. This may give some indication of the progress in the squeeze of Social Security benefits and taxes upon the system of private pensions.

• Regulation of pensions. The coming year may well see passage of a Federal law to regulate pension plans. This will probably impose requirements on (a) eligibility of employes, (b) vesting, (c) funding, and possibly (d) Federal insurance on pension plans.

• Safety. Congress is interested in this field and there is a good chance of a Federal law here also.

Next to government action the most important influence on benefit programs will be that of labor negotiations. There are about 5 million employes with union contracts expiring in 1970. What form will the bargaining take for replacement programs? During the coming year the primary emphasis of bargaining will probably be on the following:

• Money. Both employes and employers are being squeezed by inflation. For this reason we may have the hardest bargaining in years with increased probability of strikes. It appears now as though the Federal Government will do its best to stay out of this bargaining and let the employers and unions slug it out.

• Cost-of-living increases. Because of the squeeze of inflation we will probably see an increased demand in bargaining for automatic wage increases based on increases in the cost-of-living index.

• Group homeowners' insurance and automobile insurance. There has been a lot of talk about this in recent years. However, I believe that during the coming year this will probably remain talk. Action will be limited by legal difficulties and by emphasis on increased wages.

• Drug and dental plans. These will probably get some attention during union negotiations and may even be adopted to a limited extent.

• Widow's benefits. These have obtained a foothold and may spread. However, I feel this increase will also be slowed down during the next year or two.

YOU WILL NOTE I have said nothing about pensions, which have taken up so much attention in past bargaining. Major unions have obtained so much in this field, and the demand for more money is so great that I do not expect to see a substantial increase in major pension plans next year. Most of the serious bargaining in pensions will probably be by the smaller unions who want to catch up with what the major unions have obtained. ■

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Kept man.

Roddis predicts first-party auto insurance in five years

LOS ANGELES—Adoption of a first party automobile insurance system within 5 years was predicted here by Richard S. L. Roddis, professor of law at the University of Washington and former California State Insurance Commissioner.

Prof. Roddis was speaker at an Insurance Information Institute seminar.

"Ever since the 1920s," Mr. Roddis said, "there have been discussions of and proposals for a direct compensation system.

"HOWEVER," he added, "the fundamental policy decision to implement the change will not be made by the insurance industry but will come in spite of widespread opposition from segments of both the bar and the insurance fields."

While most public criticism and concern in recent years has been directed to the fire and casualty business, Mr. Roddis predicted "increasing criticism will in the future go to the life insurance and accident and health fields.

"Some form of a national health insurance or a cooperative Federal-private program within the Federal structure is inevitable," Mr. Roddis added.

Mr. Roddis cited inability of private industry to control medical costs; increasing concern for the distribution of health care services, the "patchwork" nature of coverage afforded by insurance and the success "at least in the minds of laymen" of present Federal health care programs.

J. CARROLL BATEMAN, president of the institute and another speaker, told the audience that "Federal regulation of the insurance business seems inevitable.

"This," Mr. Bateman said, "will come either as the result of the adoption of the Magnuson bill for a Federal insurance guaranty corporation or as a result of the gradual vitiation of public law 15 and the gradual application of the antitrust laws to insurance."

Mr. Bateman added that the metamorphosis of the insurance rating bureaus, already beginning as a result of the New York open competition law, "may have public relations benefits for the insurance business.

"This may come," he said, "inasmuch as joint bureau filings have tended to attract the lightning of public opposition to rate adjustments." ■

Tribune . . .

Continued from page 20

experimenting."

THE FIRST level of the PM program is basic. It includes oil changes and grease jobs approximately every four weeks. At the same time, mechanics check for worn axles, bad brakes, fluid leaks, transmission trouble, worn fan belts, bad mufflers, worn springs. Also examined are hanger and U-bolts, cut or bruised tires, batteries and accessories (oil and gas gauges, horns and wipers), and all glass and door operations.

The second level of service is performed every six to eight weeks, depending on mileage and conditions of driving. Wheels are removed to inspect brake linings, engines are tuned and front-end alignments are checked. In addition, the complete electrical system for each vehicle is checked using an ignition scope and analyzer, while at the same time each truck is given all the service that is required under the first level of the PM program.

The last phase involves major repair and maintenance work. This part of the PM program is performed at least once a year and can involve such major repairs as the engine being pulled and transmission replaced.

Following the Chicago Today PM program has reduced service calls to one per 40,000 miles of truck operation, and there has been an approximate 15% reduction in fleet mechanical maintenance operation costs, Tribune Company officials maintain. ■

Stock split proposed

Corroon & Black, New York broker, has proposed to split its stock two for one.

Indians . . .

Continued from page 9

TITLE TO the land, Mr. Belli said, "has never been terminated by sale, legal action or any other method and the Indians are still the legal owners.

Attorney Belli also contends that the oil companies' actions had "drastically changed" the Indian way of life "and by ruthlessly destroying game and permitting their own employes to hunt and fish, have endangered the very livelihood of the Indians."

The San Francisco attorney, long noted for winning huge settlements for his clients and equally long considered anathema by insurance companies which have paid the settlements, said the oil companies "have never made any kind of an offer to buy the land or the mineral rights" from the Indians.

NEITHER the Indians as individuals nor through their tribe have any insurance.

He believes the oil companies "undoubtedly will fight the action vigorously, but they are protected against any loss by huge insurance policies, probably including catastrophe and title policies."

Spokesmen for the insurance companies in this area as well as for the oil companies refused to make any comment on the lawsuit, contending "it's a legal matter and if the case ever comes to trial will have to be settled by the courts." ■

Markel . . .

Continued from page 17

cost is practically nothing, only $3.50 a report. It would cost us a lot more to train a man and have a car out there all the time," he said.

MR. RUSSELL pointed out that during the three years his company has used Markel, drivers had cut down on speeding and were observing the company limit of 55 mph on freeways.

Although Mr. Markel appreciates the satisfied customers, he stressed the fact that his service is only one phase of company safety.

"It's up to employers to follow through on our reports and constantly be aware of safety. We feel that the most work in this operation is done by the people who buy the service," he said. ■

Benefit group formed

Financial Architects has been organized in Encino, Cal., to specialize in employe compensation insurance and benefit programs as well as general insurance and investment planning.

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Defensive driving keynotes safety program at Illinois Bell Telephone

CHICAGO—Defensive driving is the watchword among drivers who operate vehicles for Illinois Bell Telephone Co., the largest non-government fleet owner in Illinois.

The fleet, which Illinois Bell self-insures, has been operated by defensive drivers for more than a decade, according to Walter G. Miles, staff supervisor in charge of field safety for Chicago general plant personnel of Illinois Bell.

Revised periodically, the safety program now emphasizes proper operation of van trucks, an important part of the Illinois Bell fleet.

The company divides its operation into three geographic areas: Chicago, the city's suburban area and the rest of the state. The total fleet numbers about 6,000 vehicles, and although there are slight variations in the driver-training programs from one area to another, all three areas cover the same basic safe driving techniques in their training programs.

THE ILLINOIS Bell driver-training program for the Chicago operation was revamped when management decided in 1958 that 200-vehicle accidents a year were too many. An outside consultant —the Smith System of San Diego, Cal.—was called in to train driver instrutors, and the result was that the number of accidents per year was cut down to slightly more than 100, Mr. Miles said.

Since then, the company's fleet has grown and traffic has become much more dense, creating a situation that has prompted management to once again embark upon a drive to improve its driver-training program. Last year, six men were again trained in the defensive driving and they are now training divisional safety supervisors and foremen, who in turn train craft employes who drive vehicles.

This additional safety training effort is also now an important part of the company's program to hire the so-called hard-core unemployed in the Chicago area.

As part of the new driver-training program, Illinois Bell has created a booklet called "On the Spot," a brief safety program for operating van trucks.

THE ACTUAL training program consists of two separate training sessions. The first session involves the use of the AT&T driver-training program, composed of several movies and a slide presentation followed by short tests on the topics covered. AT&T operates the nation's largest motor fleet.

The AT&T sessions are concerned with, among other topics, backing up, parking, driving on highways, defensive driving and driving van trucks.

The second session is Illinois Bell's own program. It involves the use of the defensive and safe driving techniques for van truck driving.

As part of the defensive driving techniques, company drivers are taught to aim high in steering, get the big picture, keep their eyes moving, "leave an aut" and make sure they are seen by other drivers on the road.

A SPECIAL VAN truck that provides seating for three persons and a driver is taken on the road and the men take turns at the wheel. Each driver explains his actions while the nondrivers watch so they can give the driver a critique.

The techniques taught for the safe operation of van trucks include showing the drivers that they are closer to the front of the truck than in conventional vehicles and that this new position makes a new driver think he is further away from the back of another vehicle than he actually is.

Drivers are told to keep one car length btween themselves and the car ahead for every 10 miles per hour of speed, and that a 10 feet space should be kept between the car ahead and the van when stopped.

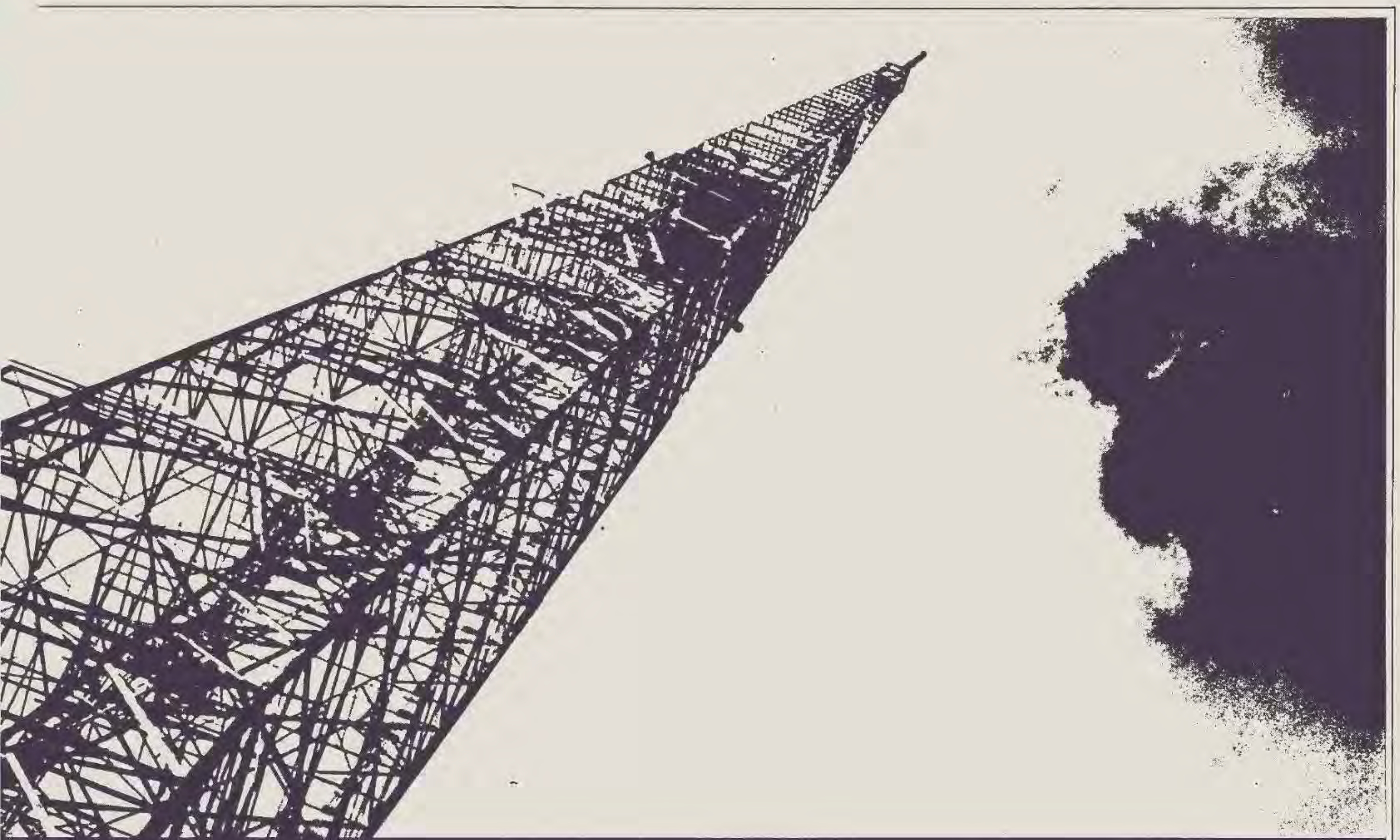
In addition, drivers are also told that their new position in the van throws off their orientation for turning corners. Drivers are told to "ride wide" when turning corners. Vans turn more sharply than conventional cars, and careless drivers strike curbs.

ANOTHER POINT in the van driving program is that drivers must concentrate on driving a little more toward the center of the road because vans do not have front fenders, which are often used in conventional vehicles to judge relative position in traffic.

A van's shape also requires that drivers be alert and look around more than 90 degrees when stopped at a light. This is necessary, again, because of the driver's position in the vehicle. Also taught in the session is parking and how to stay "visible" to drivers of other vehicles.

Mr. Miles explained that Illinois Bell drivers are observed closely for a minimum of six weeks by their foremen, who record their observations of the driver's ability to handle vehicles.

"If a driver has a problem or develops one, he is put into further training until his problem is solved," Mr. Miles added. ■



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Union offers group-type auto cover

INDIANAPOLIS—United Auto Workers Local 662 at Delco Remy in Anderson, Ind., the largest UAW local in Indiana and the second largest in General Motors, is offering its members a type of group auto insurance through College/-University Insurance Co., Indianapolis.

Robert C. Morris, president of College/University, states that the program is, "not a group plan in the technical sense. This program represents a pioneering step toward group automobile insurance plans. It is one of the next steps in employe fringe benefits."

The plan affects more than 17,000 members of the local. Even though the plan is individually rated, Floyd Felzien, president of UAW Local 662 reports that "the company is providing an average premium savings of 15% to 20% for most participants." Other features of the program include a guaranteed lifetime renewable clause, and a guaranteed issue provision.

Delco Remy is not involved in the group-sponsored automobile insurance plan. The firm is not making any payroll deductions or paying any part of the premium. ■

Tax bill . . .

Continued from page 1

compensation earned in the year of the payout and the capital gains portion of the distribution when calculating his tax on the "ordinary income" portion under the seven-year averaging provision.

The conference committee also adopted a Senate plan to ease the impact of the tight new tax treatment adopted for restricted stock plans—those where securities are given to the employe subject to certain restrictions.

Currently, tax payment on these plans is deferred until the restrictions lapse, and, then the employe is taxed only on the value of the stock when it was given to him—usually many years earlier—not on any appreciation realized in the interim.

THE NEW LAW closes this loophole. It provides generally that the employe be taxed on the fair market value of the stock immediately upon its being given to him.

In cases where the employe's interest in the stock is forfeitable, he wouldn't be subject to tax until his interest is nonforfeitable.

However, the tax would be assessed on the value of the stock at that time, not—as now—on the generally lower value at the time it was given to him.

The Senate plan—adopted by the conference committee—gives the employe the option to treat stock subject to forfeitable restrictions as if it were not subject to these restrictions, and pay tax on the value of the stock at that time. There is, however, no provision for refund if this option is elected.

The conference committee also stuck with the Senate's decision to kill the House-passed plan to require a person to pay taxes on deferred compensation in excess of $10,000 a year at the same rate he would have had to pay if he had received in the year it was earned. ■

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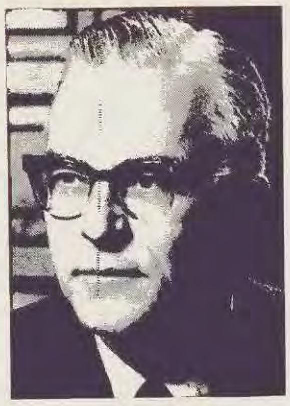
Crash landing brings 747 claim

LONDON—The first jumbo jet insurance claim will result from a crash landing of a Boeing 747 at Rentor, Wash.

Estimates here are that the claim will run between 25% and 30% of the total hull liability of about $23 million. It is believed that liability is split roughly between Boeing itself, which still owns the aircraft, the two major U.S. aviation pools and Lloyd's.

Cost to the London market is expected to run more than $2 million.

A spokesman for Boeing said that the 747 landed on a 5,000-foot runaway at Rentor, "which is much shorter than the plane normally lands on." No one was killed, and, said the source, the $2 million loss to Lloyd's "doesn't sound unreasonable."



J. Henry Smith

Equitable's . . .

Continued from page 1

Mr. Smith, who has been in the business since 1930 when he took a clerical job in Equitable's home office after graduating from the University of Delaware, believes that while health insurance is making all the news these days, changes in the group life area will be no less fascinating.

"I'D BE inclined to predict that survivor life insurance is going to make significant gains in the '70s," he asserted. His feelings were echoed by James Atwood, a senior vp in charge of group insurance at Equitable, who noted that more and more companies, employes and unions are recognizing the importance of gearing life insurance to need and salary. "We're very aggressive in this area," Mr. Atwood said, adding that Equitable and Prudential have been the leaders although other companies are now showing increased interest.

"In group life insurance there has been kind of a notion that the employer should provide the employe something like two times salary as a benchmark. But I think this is something of the past today. Employers are thinking more in terms of need," Mr. Smith went on. In addition, he said, there appears to be increased interest on the part of employers to gear survivor life insurance to pensions.

"I suspect they'll be integrating it with pensions soon," he ventured, adding that Equitable has recently begun such a program for its employes whereby up until retirement it is the dependent benefit is provided by group life and after retirement it is related to the pension and integrated with it.

Commenting on a recent announcement that New York Life Insurance Co. has developed a fixed premium variable life insurance policy that would vary in value dependent on the degree of success of reserves invested in common stocks, Mr. Smith said that Equitable was also keenly interested in the concept. However, he admitted his company is willing to let New York Life do the spade work (there are legal problems to be worked out which may take some time). Equitable will probably merely jump into the swim downstream.

HOWEVER, he noted, "I'd be inclined to doubt you'd need to apply this concept to group life." (Earlier, New York Life told *Business Insurance* the new form of insurance could eventually be sold on a group basis.) "I think this would be rather awkward and expensive to do. And it would probably not do the job. Group life should ride along with salary."

Mr. Atwood, who happened to be the group expert in the house at the time, the house being Mr. Smith's large and appropriately comfortable office high above New York's midtown area, agreed with his boss.

"Basically group insurance is geared to salary," Mr. Atwood piped in. "Therefore it in itself is variable." ■

James firm buys brokers

CHICAGO—Fred S. James, Chicago-based national insurance brokerage, has agreed in principle to acquire four regional insurance brokerage firms. All transactions involve either Fred S. James common stock or cash.

"A study on our part," Arthur M. Jens Jr., president told *Business Insurance*, "led us to conclude that the most economical office size in professional insurance brokering was between $3 million and $6 million of fees and commissions income. Our objective will be to increase the sizes of our principle offices to this amount."

The four companies involved in the recent acquisitions are: Lightner-Cox Inc., Harrisburg, Pa.; P. J. Perry & Co. Inc., Seattle, Wash.; Folger & Erlin, San Francisco, Cal.; and J. Rosenthal Co., Portland, Ore. Acquisition of the Joseph K. Dennis Cos., specialists in mass merchandising in professional association group insurance, is pending. (*Business Insurance*, p. 1, Dec. 22, 1969.) The terms of the five acquisitions involved $774,000 in cash and 85,830 shares of Fred S. James common stock, which currently sells for about $27 a share.

TOTAL VALUE of the acquisitions is estimated at more than $3 million.

In a statement to *Business Insurance* Mr. Jens said: "With the Folger & Erlin addition our San Francisco office will approach $2 million in annual income from fees and commissions. The addition of J. Rosenthal Co. in Portland will bring the income of that office close to $.5 million. In the Seattle office the income will approach $1 million with the addition of P. J. Perry & Co. Inc., and the McGovern-Carroll-Caverly acquisition made earlier this year. Acquisition of Lightner-Cox Inc., in Harrisburg, will provide service to the central industrial area of Pennsylvania."

Mr. Jens said that the four companies and the pending acquisition of the Dennis Cos. will add $2 million in annual revenues and are expected to contribute approximately $300,000 to after-tax profits. When the acquisitions are completed, Fred S. James Co. will have offices in 12 cities across the country. ■

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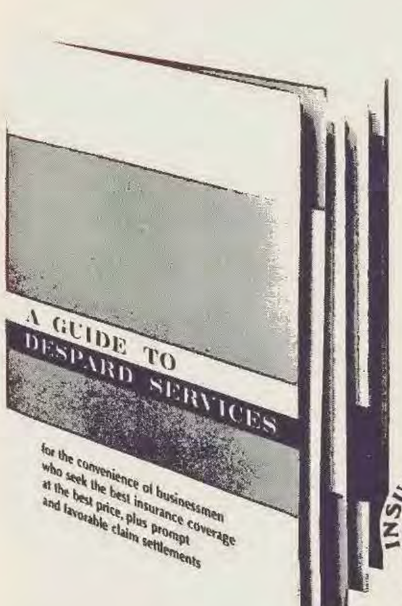

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Driver-incentive program developed by Honeywell to curb accident rate

MINNEAPOLIS—A rising auto accident rate at Honeywell Inc. triggered the inception of a driver-incentive plan for its fleet drivers.

Developed in 1968, the incentive program awards, at the end of a calendar year, each driver who has not had a preventable accident for that year. The awards are a key chain and a wallet card recognizing the employe's ability to drive safely.

Richard Sweitzer, corporate manager of industrial hygiene and safety, explained that "preventable" means "our driver could have prevented an accident from occuring by more alert driving."

ALONG WITH the driver-incentive program, Honeywell, in conjunction with its liability insurer, Hartford Insurance, and the National Safety Council, has a safe-driving course as part of its salesmen's training program. The eight-hour course is not a driving program but "is used to make our people more cognizant of how they contribute to accidents," Mr. Sweitzer said. "It's really a defensive-driving course."

Actually, he went on to explain, that the safe driving program is just getting underway. About 60 employes have completed the program. The course is taught by qualified instructors.

"We would like to reach all of our employes with this course in the form of day-long seminars," he said.

Through the driver-incentive program and the safe-driving course, Honeywell hopes to reduce its liability rates. According to Allen Brosius, corporate insurance manager, "With this program we hope to see reductions in our rates."

THE CHANGE, he said, would be gradual because "our rate is based on a moving average of our loss experience. For instance, when our policy is renewed July 1, the rate will reflect several years' experience rather than just one."

During the first year of the incentive program about 3,000 of 5,000 drivers received awards. Those eligible for the program are drivers permanently assigned a company car or truck and drivers of Honeywell-insured personal cars.

The incentive program also establishes three successive years of driving without a preventable accident as a proving period to allow the driver to demonstrate that safe driving has become a habit. If he has a preventable accident during this period he loses his standing and must start over.

Honeywell, Mr. Brosius explained, tailor-made this program to fit its needs. The program has created an awareness among branch managers for the need for safe driving. The program was communicated to the 172 U. S. branches through several letters, including a memo from the vp of marketing and a bulletin endorsing the program from our president."

IN ADDITION to rewarding the good drivers, Honeywell is attempting to identify the poor drivers. On a computer the firm keeps track of each driver and his driving record. If a man has three accidents in a 12-month period a letter is sent to his division manager who decides the course of action to be taken. He could ask the man to carry his own insurance, pass him on a merit raise or take away his company car.

Each branch is charged for its own collision and comprehensive accidents. All such costs and collision recoveries are the responsibility of the individual branch. At the end of the year the total branch costs less its recoveries shows up on its profit and loss statement.

Honeywell also sends out quarterly reports showing how the branches rank with one another and how various regions of the country compare in terms of accident cost per car.

A safe driving committee of five including Mr. Brosius and Mr. Sweitzer was set up to administer the fleet safety program. Presentation of awards are made annually at an informal ceremony in the branches. ■

Allstate . . .

Continued from page 21

dent can be determined by multiplying the cost of the physical damage by six.

Allstate tailors its program to meet the needs of each company it deals with and instructors become familiar with all the duties of each driver, in order to understand how they affect his attitude on the road. The program may be given on any two consecutive days of the week, but the insurer doesn't recommend enrolling drivers who have been on the road all week in a weekend course.

For companies with large fleets, Allstate will work out a plan of one or two programs a month so that, eventually, all fleet drivers can attend.

Allstate stresses that the effectiveness of the class as a training tool depends on management's willingness to demand a high level of performance from its drivers. The Defensive Driving Course, given by the National Safety Council, is sometimes used in preparation for the Allstate program.

Mr. Bard and his staff are presently working out a six-hour mobile course that could be offered to a customer at his place of business. The customer could then be trained to give the class to his own drivers. ■

Homes razed by oil fire

HOUSTON—A fire at a Mobil Oil Corp. marketing terminal here destroyed three homes and damaged others.

A spokesman for the oil company said it was the first fire at the complex since the installation was built in 1930. The facility, which included five storage tanks and stretched about six blocks, handled sales to service stations.

Mobil was the firm involved in a Sept. 9 pipeline explosion north of Houston where nine new homes were destroyed, six more were damaged beyond repair and 11 others were damaged less seriously. A 14-inch pipeline apparently split along a seam, spewing gas that then exploded into flames. ■

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formed in 1955, has grown to a worldwide organization by following this policy: give customers the most for their money.

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Leaders in Design and Engineering

PA&E, with headquarters in Los Angeles, ranks as one of the largest design firms on either side of the Pacific. The company is equipped to guide a project from initial feasibility studies to detailed supervision of construction.

The company's customers are private firms and government agencies in the United States and abroad. A cross-section of projects includes: public buildings, airports, commercial and industrial plants, highway survey and design, and port facilities.

Facilities Engineering in Viet Nam

PA&E's largest area of operation, in terms of manpower and equipment, is in providing maintenance services for U. S. military bases stateside and overseas.

In Viet Nam 25,000 employees of PA&E serve as the U. S. Army's "Public Works Department." Someone has to build barracks, operate power plants, and provide potable water. With PA&E on the job, military personnel are freed from these non-military tasks.

Insurance Problems Overseas

In PA&E's Viet Nam operation, casualty claims had become a costly problem. Mr. Rothbart, Corporate Administrator for PA&E, in cooperation with Mr. Zimmerman and Mr. Schweitzer, representing Zimmerman Insurance Associates, Inc. of Los Angeles, worldwide insurance brokers for PA&E, believed improvements could be made in the insurance program. Based on Argonaut's successful competitive bid, and experience developed during numerous field trips to the Far East, brokers recommended placing coverage with Argonaut.

Argonaut prepared an insurance package covering casualty lines and bonds for PA&E in Southeast Asia. In July 1969, Argonaut Pacific Operations opened a Saigon Office to service the account.

Recently Mr. Rothbart commented, "Argonaut has provided us with the kind of prompt claims service that's important to our people in Viet Nam. At the same time, cost per claim has been reduced. With Argonaut we have cut the net cost of our workmen's compensation and other insurance by 25%. That's efficiency PA&E appreciates."

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Consider Jewel trucks to be rolling billboards

MELROSE PARK, Ill.—Whether it's a 244-mile haul to Benton Harbor, Mich., or a two-mile run to the closest outlet, Jewel Companies Inc. foodstore semi trucks usually end up navigating around housewives and other shoppers in parking lots designed for family cars. That's one reason Jewel's 325 drivers are specially trained in the skills of safe driving and well rewarded for logging accident-free miles.

"Driving a Jewel truck," according to Gary E. Holub, the originator of the company's driver training program, "is like driving a billboard around town. We have to instill the real meaning of public responsibility because we're customer oriented." To do that, Jewel spends approximately $1,200 on each driver, putting him through a rigorous two-week training program designed to deal solely with the problems Jewel drivers confront on the job.

Upon completion of the training program, each driver becomes eligible for awards, which are granted every quarter and at the end of each year, for "above average driving performance."

THE INSURANCE for the 813 units of Jewel's fleet is "designed to take care of accident frequency," according to R. Paul Venzka, Jewel's insurance manager.

Jewel self-insures for damage to its own trucks plus contents and buys first-dollar, $10,000-limit bodily injury and property damage liability coverage writen by Maryland Casualy Co., Mr. Venzke explained.

The self-insurance portion is funded and budgeted based on past experience. Beyond the $10,000 liability limit of the Maryland Casualty coverage, Jewel has a layer of corporate retention that comes into play before the company's excess liability coverage responds.

In the past, Jewel also self-insured for bodily injury and property damage liability. The present insurance program was instituted about the same time the company started its unique driver training program.

Expert training in a specially provided area enables Jewel's 325 truck drivers to maneuver semis in parking lots designed for family autos.

THE TRAINING program itself starts with the selection of potential drivers. One of every 10 applicants is picked to enter the program and only about six of every 10 that are selected make it through the first two weeks and become Jewel drivers. Class size is generally held to five men.

The course consists of one week of intensive classroom study (of which 25% of the week is devoted) and equipment training on Jewel's property here (which constitutes the remaining 75% of the first week's work). At the end of the week, drivers are tested to see if they will continue with the program.

The second week of the course involves on-the-job training with an experienced driver with careful backup supervision and evaluation. Thereafter the new driver is watched closely, and at the end of 60 days, the company makes a determination of whether or not the driver should remain on the road.

Of the 125 men who have been selected and passed the driver's training program since its inception in 1965, 105 were men who had never driven a truck before.

"WE FEEL WE can do more with an untrained driver," Mr. Holub told *Business Insurance*. "We can establish an untrained driver's habits, which is often easier than teaching an experienced driver how to break bad habits."

In all, there are 20 sessions in the first week of the training program. The majority of those are devoted to the practice and review of the art of safe driving.

One session is devoted to coupling and uncoupling the semi and the trailer. Another teaches students how to use mirrors and back up, and yet another is devoted to the right- and left-hand turns.

Among the more specialized

Continued on page 33

AIA shifts . . .

Continued from page 15

stand in a statement to *Business Insurance* for this commercial auto and fleet report.

"Under a no-fault auto insurance system," the association said, "the cost of claims for bodily injuries suffered by occupants of private passenger cars involved in accidents with commerical vehicles can be borne entirely by the private passenger insurer or can be shared in some equitable way with the insurer of the commerical vehicle. As used in this context, the term commerical vehicle means a vehicle designed or primarily used to transport property or equipment over a public highway.

"If a private passenger insurer assumes the entire cost of private passenger bodily injury losses arising out of such accidents, then the present insurance costs borne by commercial vehicles under the existing automobile liability insurance system would be shifted to some extent to private passenger vehicles. On the other hand, an equitable sharing of such loss costs between private passenger vehicles and commercial vehicles would achieve more balance in the cost savings that will accrue from a system such as the AIA proposes.

"Based upon existing information, it would appear that some redistribution of private passenger bodily injury losses suffered in accidents involving commercial vehicles should be made. An extreme alternative would be to provide for the complete assumption of such losses by commercial vehicles. A middle-of-the-road approach, perhaps more equitable, would be to provide for reimbursement of the private passenger insurer by the commercial vehicle insurer for a stated percentage of private passenger bodily injury losses suffered in accidents involving a commercial vehicle."

While the AIA amended its position regarding commerical vehicle premiums under a no-fault plan, members of the National Assn. of Independent Insurers and the American Mutual Insurance Alliance continued their support "in Connecticut" for the Cotter plan, a modification of the auto victim compensation system proposed by Connecticut Insurance Commissioner William R. Cotter.

Main features of this plan would be compulsory insurance for private autos, mandatory arbitration of small claims, increased medical pay insurance provisions and advance payments for those who sustain injuries in auto accidents. This system, proponents claim, would not shift the premium burden, but instead would cut 10% to 15% off of present auto insurance costs by cutting litigation and eliminating red tape to make first-party benefit payments promptly. Commissioner Cotter's plan was amended and finally stalled by the Connecticut legislature.

An informal group of members of the American Society of Insurance Management has met from time to time with officials of auto insurance trade associations and with others interested in the revision of the present system.

A comprehensive study of alternative proposals for auto insurance reform is expected to be released in May by the Department of Transportation. This report, observers feel, will have a strong impact on what action, if any, is taken by Congress and state legislature to reform the costly and burdensome system of compensating auto victims. ■

Automatic Fire Alarm Company has changed its name to

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AFA

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Over the years we at AFA — the leader in building protection — have added more and more building protection services until we finally had to change our name to reflect our modern capacity.

Expanding rapidly we now provide automatic electronic detection alarm systems to organizations throughout most of metropolitan New York, New Jersey, Philadelphia and Boston.

Services available include supervised connections to our central stations, police headquarters or fire departments and a typical installation may include:

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2. Holdup alarm systems and service
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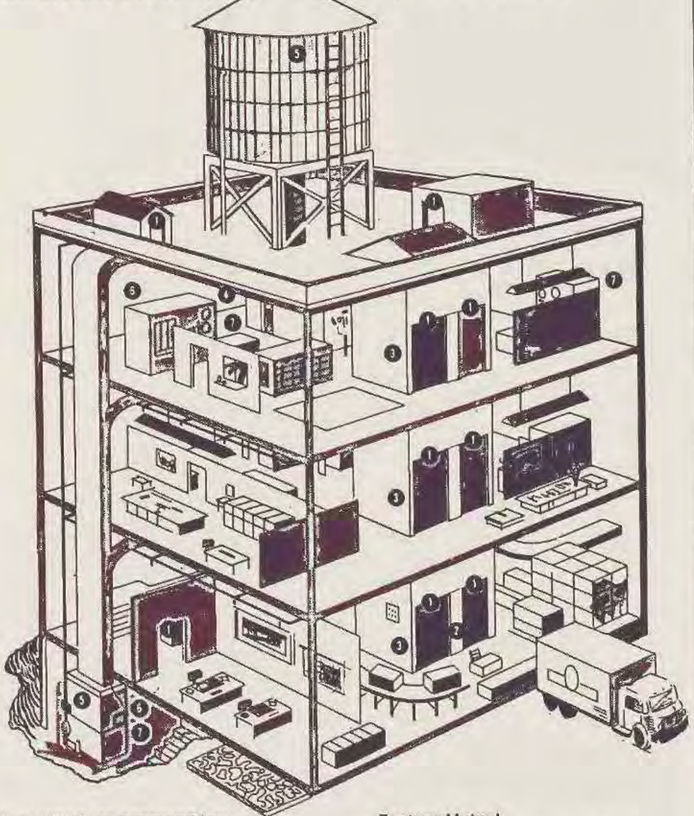

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Hevron gets risk post at Mallory

INDIANAPOLIS—Robert A. Hevron has been appointed corporate insurance manager at P. R. Mallory & Co. here, John C Walsh, the company's treasurer announced.

Mr. Hevron will be responsible for Mallory's property and liability insurance program, as well as

Robert A. Hevron

the company's employe group insurance benefits.

Marsh & McLennan is the prime broker on Mallory's property and liability insurance. The company's union-negotiated benefits plan covers 9,000 U. S. employes at major plants and facilities in nine states. The company also has Canadian branches.

Prior to joining Mallory, Mr. Hevron was Northern U. S. regional manager of the savings and loan division of the Provident Life & Accident Insurance Co. for four years. Earlier, he was associated with the Indiana Insurance Group here for 15 years.

Concerning his new job, Mr. Hevron told *Business Insurance* he is "very, very interested in being on the other side of the desk. I wish I had known then (when with insurance underwriters) what I know now."

Mr. Hevron succeeds Samuel P. Archino, who died recently. George Moyer, Mr. Archino's predecessor, was called back from retirement as a consultant; his duties terminated as of December 31, 1969. ■

Sues dental plan for $1.5 million

MARTINEZ, Cal.—A $1.5 million suit has been filed against California Dental Service, a health insurance plan, by Dr. Marshall J. Thompson.

The suit, filed in Contra Costa County superior court here by the dentist, charges the dental insurance plan with refusing to reimburse him even though his patients subscribed to the program.

Dr. Thompson charged the service would not pay him because he had refused to join the association, which is similar to the Blue Shield program.

"My patients," he declared in the suit, "being subscribers to CDS were entitled to select a dentist of their choice and, upon approval by the plan, the dentist would be reimbursed.

"Instead," the suit stated, "a star chamber hearing by the dental service executives decided to exclude me and my patients from the program." ■

Jewel . . .

Continued from page 32

parts of the course are reviews of the Smith System of driving, defensive driving and Jewel's own safe driving rules. In addition, each student is told what to do in case of an accident and what happens to him in the event that an accident is deemed to be his fault.

MR. HOLUB explained that a safety committee composed of three drivers, one mechanic and a road supervisor determines whether or not each accident is preventable.

After a driver has one preventable accident on his record, he is likely to be interviewed by his supervisor. In the event that he has two preventable accidents, he is interviwed by his supervisor and Mr. Holub.

It is at this stage—with two accidents on his record—that a driver goes with a driver trainer on another shakedown run. Supervisory personnel try to root out any personal problems the driver might have and work closely with him to correct his driving problems.

In addition, a road supervisor will also observe the driver while on his route—without the driver's knowledge. "In most cases, we've been able to save drivers at this point," Mr. Holub said.

BUT IN THE event that a driver has three preventable accidents in a six-month period, he may be released.

"At present, about 90% of all the accidents we have are judged to be preventable by the safety committee," Mr. Holub added, demonstrating that the drivers on the committee are tough on their peers.

The same system of holding drivers accountable for their preventable accidents also rewards those drivers who perform safely.

Every three months, drivers are awarded certificates that are redeemable at Jewel stores for merchandise. These awards can vary from $5 to $18, depending on the driver's record. Annual bonus awards can range from $10 to $45. And after a driver has driven 10 years without a preventable accident, he qualifies for the Jewel Wall of Fame, a placque display of driver names prominently placed at the end of the driver's lounge.

JEWEL'S TRUCK maintenance is handled by Lewis J. Neeld, transportation maintenance manager, in the company's garage on the grounds here.

At the moment, the truck maintenance program is undergoing revision. Shortly, all preventive maintenance work; road calls and major rework will be recorded by computer and better information will be available to Mr. Neeld and and his 55-man operation.

"The EDP will tell mechanics how well they are doing," Mr. Neeld said, adding that an incentive program may be established to reward the mechanics for their work.

However, as it now stands, a complete crew is on full-time duty to do preventive maintenance work. Oil changes are now performed every 2,000 t0 4,000 miles. In addition, an oil analysis purchased from an outside source tells the maintenance mechanics what should be done to which semis. ■

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Tobacco . . .

Continued from page 23

a small gift or eventually perhaps a cash award," he said.

Lorillard has utilized Liberty Mutual's decision driving for safety program almost two years. *Business Insurance* asked Mr. McCardle what it has done to help the tobacco company save money.

"Our fleet premiums are figured under a loss rating program in which the losses of the prior year are used to prepare a prospectus for the coming year. We arrive at a premium that guarantees us coverage for the next year's exposure. This is running on the average of $150 per automobile. No increase is expected in this premium for next year based on the review of our fleet losses for 1969." While premiums are rising sharply every year all across the nation, Lorillard feels the stability of its premium represents a dramatic saving over what it would be if the company kept up with the national trend, he said.

The loss rating program utilized by Lorillard is somewhat different from the conventional retrospective rating plan, Mr. McCardle said. "Under the retrospective plan you pay your losses after the fact; however, the loss rating program operates on a prospectus from which a premium is derived in advance which guarantees our coverage for the coming year," he explained.

MR. MCCARDLE explained that Lorillard's combined liability and comprehensive collision limit was in excess of $1 million. In addition, the company's manufacturer's output policy covers that merchandise which the salesman carries in his automobile for promotional purposes. The coverage provides an approximate limit of $250,000 on any one conveyance with a $500 deductible.

Fleet salesmen also are covered for cash on their person under Lorillard's comprehensive crime policy. Lorillard also has blanket excess coverage with "reasonable" limits for practically every conceivable loss. "Our major concern is that we have full and secure coverage," Mr. McCardle added.

Lorillard utilizes Chevrolets, Fords, Plymouths and Ambassadors in its sales fleet, said George Klock, fleet manager for the company. "We have resorted to the fancier models because their trade-in value is greater than the less expensive ones," he said. The average life of a Lorillard sales fleet automobile ranges from 26 to 28 months, he added.

The fleet is protected by the Babaco Alarm system which is installed in each car. "The alarm is triggered whenever the security of the car is breached without a key," Mr. Klock explained.

IN ADDITION to the alarm system Lorillard has found that removing the decals identifying the automobile as a company car and the car's alarm system have helped to deter thefts. Allowing the choice of any color that a salesman desires, and changing the form of vehicle registration, which, under the old method, had resulted in a precise sequence of license numbers easily identifiable, have also been successfully utilized in curbing thefts, Mr. Klock added.

A persistent source of vehicle damage is that suffered in parking areas. "Our salesmen spend a lot of time in shopping centers because our major outlet for our cigarets is the supermarket," Mr. Klock explained. "As a result each year about 27% of our cars suffer some form of minor parking damage. It really nickels and dimes us to death," he remarked ruefully. ■

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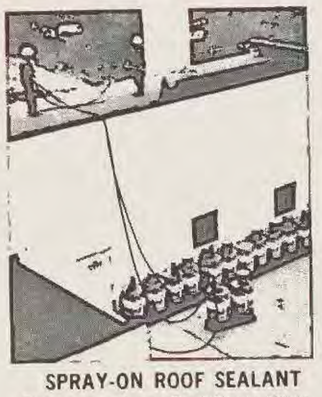

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Japan atomic pool sets U.S. reinsurance

TOKYO—Japan's Atomic Energy Pool, wary of increasing its dependence on London for reinsurance, has arranged for $5 million worth of reinsurance within the United States.

The outlook for reinsuring Japanese nuclear installations in the United States had been poor up to the present, but the Japanese have been concerned over the instability of the pound, and have hoped to keep reliance on London at a minimum. The pool now places 36% of its reinsurance coverage in London.

With additional reactors under construction by Tokyo Electric, Kansai Electic and other power companies, and because of the desire to retain some margin of flexibility in domestic reinsurance capacity, it is expected that Japan will seek additional coverage in the United States in the near future.

In terms of the amount of reinsurance of nuclear installations, the agreement with NELIA and NEPIA places Japan third in the world, behind the United Kingdom and France. West Germany is the fourth-ranked nation in reinsuring nuclear installations in the United Statees. ■

Joins airline captive

James D. Cameron, formerly a senior officer at Hanover Insurance Co., has joined Air Transport Insurance S.A. in New York.

Term, straight life package give Pick employes choice

CHICAGO—Adaptability is the apparent key to employe benefit programs that offer both term and straight life insurance coverage.

Such programs, now available through a number of insurers, usually provide a tax-deductible term life plan paid for by the employer and an ordinary life insurance plan that can be added for an additional premium payment by the employe.

The Pick Hotel Corp. here uses its life insurance program to provide one more option for those employes who stay with the company.

"OUR BENEFITS program is not designed to aid in recruiting," Frank Daniel, Pick Hotel treasurer said, "since an employe must have four years of service before it goes into effect."

But Mr. Daniel noted that the benefits, of which life insurance is only a part, have been effective in holding long-term employes.

Of the 285 people eligible for the plan, 91 have taken permanent life insurance. ■

Exchange . . .

Continued from page 3

the name of the broker to the data bank. Brokers and banks accepting Treasury bills could first make an inquiry on an interconnected phone system and get an oral report.

"IT HAS SOME shortcomings, notably on the amount of inquiries that can be made, but we are working on these," Mr. Frankhauser said of the plan. Initially, he noted, the bank would be limited to Treasury bills because of their easy negotiability. In the future, however, the system could be expanded to all forms of securities.

Mandatory fingerprinting of most brokerage house employes in New York state and tighter security measures at banks and brokerage firms has only been a partial answer to the problem of securities thefts, Mr. Frankhauser admitted. Indeed, one might wonder if it has been even that, considering the increase in activity of the sophisticated thieves.

"It's only a partial answer because it depends completely on getting rid of people with records" who might be likely candidates for larceny, the vp said.

ON THE first fingerprinting go-around 150,000 employes were inked and the N.Y. Stock Exchange is just now beginning to get reports on these.

The fingerprinting is done by the individual brokerage houses who then send a set of the prints to Albany for a check by the attorney general's office. The attorney general then sends a report to the Stock Exchange. Positive reports are submitted by the exchange to the particular broker hiring an employe with a record. It is then up to the brokerage to take action. Member firms have been cooperating, Mr. Frankhauser said.

The system is still somewhat hampered by the fact that the securities industry in New York suffers a 50,000-employe-per-year turnover, however, and also by the fact that there is no Federal check on fingerprints.

"THE FBI has been singularly uncooperative," the vp said, noting that the exchange has continually attempted to get Federal Bureau of Investigation checks on prints and has been turned down time and time again. "I guess it is a question of time and money to make the inquiries," he said.

Mr. Frankhauser noted that hopefully this situation will change if legislation introduced in Congress by a New York member earlier this year gets passed. Essentially the bill would authorize the FBI to accept fingerprints relative to Securities & Exchange Commission matters and provide the funds necessary to staff up for a separate fingerprint clearing house.

Until now the insurance industry has not given any overt support to the measure, but Mr. Frankhauser believes it would be in the industry's best interests if it did. ■

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