Computer claims analysis helps to cut costs

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business insurance

for buyers of employe, property and liability protection — 35¢ a copy; $8 a year — July 15, 1968

Industry in turmoil over riot losses

Thalidomide, Mer/29 claims number 60

NEW YORK—Richardson-Merrell Inc. has about 60 suits and claims pending against it for damages incurred by two drugs marketed in the early 1960's, nearly a third of which are covered by insurance.

However, liability insurance has run out for claims from 1960 through 1962, *Business Insurance* was told.

The drugs involved are Thalidomide, a tranquilizer which allegedly caused babies to be born malformed, and Mer/29, an anti-cholesterol remedy.

A trial is under way in Alsdorf, Germany, involving the West German manufacturer of Thalidomide (Richardson-Merrell was the U.S. licensee), with an estimated $25,000,000 in damage claims at stake.

The drug company this month settled out of court a $10,000,000 damage suit involving seven Ontario families with Thalidomide babies. Earlier, the British manufacturer, Drug Distillers Co. (Biochemicals) Ltd., agreed to an out of court settlement of 40% of the original claim. Payment went to 62 children and their families. ▪

Downtown sections of Oelwein (pictured above) and Charles City, Ia., were considerably damaged by a tornado and storm series. Although total loss figures are not yet final, the Iowa insurance department estimates damages at $50,000,000. It is also estimated that 265 businesses and 1,200 homes were destroyed or damaged. *Wide World photo*

Insurance-fund ties grow

NEW YORK—Life insurance companies are lining up to market mutual funds to corporation employes on a payroll deduction, tax-sheltered basis.

Such plans are being developed on an Internal Revenue Service-qualified basis even in cases where the employer does not contribute, according to Elliott Beier, manager of pension and profit-sharing services for Nuveen Corp.

The rush of life insurers to enter the mutual fund business has been explosive.

Whichever road they take in entering the equities field, life insurance companies will be seeking new approaches to selling life insurance and mutual funds on a group basis.

In the July 29 issue of *Business Insurance*, Mr. Beier will explore the use of mutual funds as a fringe benefit. ▪

Property-liability merger scurry faces federal, state agency scrutiny

NEW YORK—All forms of property-liability insurance mergers could be brought under control of the federal government pending the outcome of broad-scale federal and state studies of the accelerated trend toward mergers, *Business Insurance* has been told.

In a development last week the Federal Trade Commission announced it will study conglomerate mergers—including those of insurance companies.

THE RESULTS of the study, according to an FTC spokesman, could bring about an amendment to the McCarran-Ferguson Act which excludes the insurance business from the Sherman-Clayton antitrust laws and FTC scrutiny, providing insurers are regulated by state law.

A White House task force appointed by President Johnson is expected to submit a report to Congress on its findings by the end of the year.

State activities include an investigation by the New York state insurance department to determine whether mergers among property-liability firms are inhibiting competition.

In Pennsylvania, insurance commissioner David O. Maxwell issued a regulation requiring noninsurance firms proposing acquisitions of 10% or more of the stock of an insurance company to file detailed reports with his office prior to making an offer.

The questions facing federal and state authorities are whether mergers are creating monopolistic, anticompetitive situations and whether new legislation is needed to bring about controls.

THE ISSUE IN the insurance industry is complicated by the variety of mergers and confusion over the extent of federal and state control.

Basically control is split down the middle. State insurance departments, under McCarran-Ferguson, are responsible for mergers among property-liability insurance companies. The federal government is responsible for conglomerate mergers.

The purpose of the studies is to determine if McCarran-Ferguson should be amended and whether the federal government needs a stronger law to govern mergers.

MOST OF the merger activity has been between property-liability firms and conglomerates, holding companies and industrial companies.

Other types of merger activity among property-liability insurers, most insurance executives point out, has been taking place for years.

Still another type involves property-liability insurers with life companies. "These are not unusual and many property-liability companies own several life companies," said one insurance executive. ▪

Carriers tell of making mass cancellations; some agents dropped

NEW YORK—Insurance companies are taking unprecedented action to cut their losses from riots in what a broker calls a contraction "unique" in the annals of the insurance industry.

Both Royal-Globe (part of the British Globe Insurance Group) and Travelers Insurance Co. have acknowledged that they are cutting back coverage in "center city" areas. However, insurance department officials in New Jersey also singled out Continental Insurance Co. as one of the carriers which were cutting back, although Continental denied the charge.

The wave of cancellations was brought to light when Royal-Globe Insurance Group cancelled a reputed $40,000,000 worth of business across the U.S., primarily in riot areas, under pressure from its reinsurers to cut this exposure down to a total of $120,000,000. However, a broker who does a great deal of business with Royal-Globe said that none of his major business accounts had been affected by the reduction.

It is reported that Royal Globe also cut out those agencies who had been giving them what is now unwanted types of business. Royal-Globe contends that it had sustained more losses recently that its share of total fire and extended coverage business in the U.S. warranted.

In addition, *Business Insurance* has learned, U.S. Fidelity and Guaranty Co. has written letters to brokers in Chicago and elsewhere saying it will accept no new fire and extended coverage business in urban areas (particularly restaurants and saloons), unless part of a package deal.

LLOYD'S OF London and U.S. reinsurers are circulating a "letter of agreement" whereby U.S. primary insurers which participate in any federal or state riot reinsurance program would be excluded from obtaining private reinsurance for this coverage.

The move is aimed at "passing the responsibility" of riot losses—which insurers view as a social problem—to the state and federal governments. Only riot perils covered by back-up pools would be excluded from reinsurance in

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Few large accounts hit by cutback

NEW YORK—A spot check by *Business Insurance* shows that commercial buyers of fire and property insurance have not been hurt by a nationwide wave of policy cancellations.

John's Bargain Stores, a retail dry goods firm with 217 outlets throughout the eastern U.S., reported that although riot damage was suffered by its stores in Newark and Baltimore, coverage has not been affected.

"There have been some rate hikes lately," a source confirmed, "but these have been mostly due to increases in value and exposure, not the riot claims."

At J. C. Penney & Co., an insurance spokesman said that "so far, there haven't been any cancellations—thank God!" He added, however, that few of the Penney outlets are in what are considered target areas.

ACME MARKETS, a Philadelphia-based retail supermarket chain, said that some riot damage claims have been filed for stores in Baltimore and Newark. However, Liberty Mutual Insurance Co., Acme's carrier, hasn't moved to cancel any coverages.

A&P hasn't received any cancellation notices on any of its outlets, said a source at the company. He said insurers would be more likely to cancel smaller risks than larger ones which had a good spread of risk.

The supermarket chain is giving instructions to its store personnel on procedures to take if their outlets are caught in a riot, including ushering customers out of the store, putting cash in the safe and locating fire extinguishers near areas where fire bombs might be thrown.

The A&P executive expressed sympathy with the insurers' plight. "They have to make

Continued on page 22

A Business Insurance Opinion

Again we say. . .control firearms

Business Insurance and its sister publications have been crusading—along with hundreds of individuals and groups of all kinds—for more effective federal gun control legislation.

Specifically, we have been urging our readers to write their senators and their congressmen, and to induce others to write their senators and congressmen, urging the passage of strong legislation to do three things: (1) Ban the mail order sale of all kinds of firearms; (2) Require registration of all guns and the recording of all subsequent gun transactions; and (3) Make any crime or misdemeanor carried out with the aid of a gun a federal offense subject to stringent and mandatory punishment.

As a result of this activity on the part of *Business Insurance* and its sister publications, some thousands of extra voices have been raised in behalf of more effective gun legislation, and well over 500 orders have been received from publishers, radio and television stations, house organ editors, teachers, educators and others for sets of ads and radio and television scripts urging readers and listeners to make their feelings known to their Congressional representatives.

Every recent poll shows that the American public is overwhelmingly in favor of more stringent control of firearms in private hands; in fact, with majorities well over 80% showing in the polls, it is as clear as anything can be that there is far more unanimity on this subject than on almost any subject of broad public interest on which the temper of the public has ever been taken. *Yet the fight is far from won.* The strong voices of a tight, efficiently organized minority of less than 1% of the American people seem about to circumvent once again the clear mandate of the overwhelming majority. Congress is stalling, bickering over small details, backing away from doing anything.

It is clear that only a tremendous outpouring of sentiment can get effective gun legislation on the books before Congress adjourns Aug. 2. **So again we urge you, with all the earnestness we can muster, to write or wire your senators and your congressmen. If you have already written or wired, do so again. Tell them what you think. MAKE YOUR VOICE HEARD!**

Many readers of *Business Insurance* have applauded our stand. Others have taken us to task—not always politely—but in what we consider the true spirit of honest journalism, we have been glad to give back-slapper and mouth-slapper alike the right to express their opinions in our letters columns. See page 24 for a representative selection of letters responding to our "Guns must go" editorial.

Among other things, our position has been attacked as being "emotional" and "hysterical" by some who have accused us (with what seems to us like a tinge of emotionalism or hysteria) of urging confiscation of guns, or elimination of the right to hunt or fish, or of even more heinous crimes, like preventing the law-abiding citizen from defending his family and his property from the depredations of marauders. We have done none of these things and have no intention of doing any of them. To state it as simply as we know how, we advocate the *sensible control and regulation of firearms sale and ownership, and mandatory drastic penalties for their criminal misuse.* And we do not understand how any decent, upright, law-abiding citizen can be opposed to such controls.

On a more rational level, some readers have wondered why *Business Insurance* has taken up the cudgels in this battle for more effective gun control, and whether it is "appropriate" for a business paper serving the risk manager and the insurance and welfare function in business to take a stand on such a broad public issue.

In our opinion, it is not only appropriate but essential that a responsible business paper speak out on the major issues of the day, especially when those issues have such a clear and specific impact on business and on risk management and welfare activities and insurance costs. Nothing can be closer to the roots of the whole insurance structure than the matter of violence, lawlessness and contempt for the operation of the social structure —as recent stirrings in insurance and risk circles, both here and abroad, have so clearly demonstrated.

So *Business Insurance* will continue to speak up, from time to time, on matters of urgent social and economic import. We do not intend to abandon our primary concern with news and discussion of insurance, pension and welfare affairs. But we believe it is part of our mission, in serving our readers, to look at the whole world around us and to do what we can to help protect, preserve and improve the entire social structure. ▪

U.S. pension formula would lower benefits

WASHINGTON—The Treasury department's newly proposed formula for integrating private pension plans with Social Security would lower the maximum benefits receivable under integrated plans to 30% of wages above the new $7,800 Social Security wage base from the currently allowable 37½% of wages over the old $4,800 wage base.

The long-anticipated proposal can expect to meet stiff opposition as did the 24% formula proposed in Sept., 1966, and withdrawn under fire. The business community has 45 days, until Aug. 30, to submit written statements on the proposal to the Internal Revenue Service and to ask to testify at the expected hearings in the future.

The Treasury said it would publish soon a draft of a tentative supplemental ruling to assist interested parties in analyzing and commenting on the proposed regulations.

THE PROPOSAL stems from the Internal Revenue code provision that in order to qualify for special tax treatment, private pension plans may not discriminate in favor of higher paid employees. Under the regulations, in order to be deemed non-discriminatory, integrated plans may not pay benefits of more than 30% of wages above the Social Security base without paying the increased percentage on wages below the base. Thus, if the regulations become effective, employers with integrated pension plans will be faced with the choice of lowering from 37½% to 30% benefits paid on wages in excess of $7,800, or adding a 7½% pension on wages below this figure.

The Treasury department rejected two business community proposals concerning the regulations. One was that the mathematical approach by which the integration percentage is determined be dropped altogether in favor of a less "contrived" way of measuring discrimination. Another was that the regulations be simplified.

THE DEPARTMENT did however adopt one strongly-made suggestion. This was that a transitional period be included in order to give plans time to adopt to the regulations. Specifically this transitional period means that no change will be required in existing plans before Jan. 1, 1971. Only benefits accrued for service after Dec. 31, 1970, need conform to the integration percentage. ▪

Nonadmitted carrier bill readied in Pa.

HARRISBURG, Pa.—A bill which would bar the sale of insurance within the state by insurers not licensed to do business in Pennsylvania has been introduced in the General Assembly.

The bill excludes insurance purchased by corporate buyers, who it was said need to "shop" for the best rates.

A second bill, introduced in the House, proposes an amendment to the state constitution which would make it possible for Pennsylvania to consider alternative plans of compensation for auto accident victims. ▪

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N. Y. ruling makes consortium loss a new liability exposure

ALBANY—An appeals court ruling which held a wife may recover damages for loss of a husband's services could open the door to expanded liability exposure for corporations.

In a 4-to-3 decision a state court said wives could recover for loss of their spouses "consortium" (marital associations including sexual relations, love, services and solace).

The state case here involved a 40-year-old man who was paralyzed from the waist down in an elevator accident at the Southeastern Elevator Co.

A legal liability expert said the New York ruling is an extension to primary claims from which the injured party could probably collect anyway. "In effect," he said, "the court action just gives juries an opportunity to give away more money."

He said liability policies don't exclude claims made by wives for the loss of husbands' services, making it doubtful that the ruling would have any effect on liability rate structures. The ruling stemmed from a 1960 decision by the federal court of appeals in Washington which gave women the same right as men to recover for consortium losses.

While the appeals ruling did not comment on mental injury, past decisions held that emotional ills caused by physical injury or even fright are also compensable.

Name Fiorentino

Ralph G. Fiorentino, formerly with Appleton & Cox, has joined the Hanover Insurance Group, Chicago, as inland marine manager at its western regional department headquarters.

Offers lease coverage on business rentals

MILWAUKEE—Commercial Loan Insurance Corp., in cooperation with the Small Business Administration, is offering lease insurance for owners of shopping centers, industrial parks, warehouses, other business locations and apartment buildings.

The coverage insures a fixed amount of rental income during a lease term against default on rental payments.

Under the lease guarantee plan, an owner, for example, could lease 3,600 sq. ft. on a 15 year contract for $18,000 with a lease insurance policy for $270,000. The total premium for 15 years would be $7,560, or $540 annually.

RATES FOR apartment property are separated. The minimum policy period is five years, the maximum 15. Premium rates range from 2.8% of total fixed rental for 15 years to 5.4% for five years. Apartment rates are lower. For example, a single prepaid premium on a five year policy would be 1.75% and annual premiums on a five year policy would be .5% for the first year and .375% during subsequent years.

Filings for these lower rates have been made in Wisconsin and will be made in the other 33 states the company is licensed to do business in, a CLIC spokesman said.

CLIC, a subsidiary of Mortgage Guarantee Insurance Corp., is reinsured with the SBA. The program was authorized by the Housing and Urban Development Act of 1967.

INITIALLY limited to small businesses displaced by urban renewal, federal highways or other federal programs, an amendment to the act has expanded the lease guarantee program to insure mortgages up to 80% of the property's appraised value to a $500,000 limit.

A CLIC spokesman said that the rental guarantee premiums can be capitalized into the loan on the property.

The coverage, CLIC spokesmen point out, enables financial institutions to make more favorable mortgage commitments to customers and increase loan security. The policy will not pay because of damage to the property, or construction, remodeling or refurbishing by the owner. The company recommends business interruption coverages for damage losses. ▪

Several police units consider starting captive

WASHINGTON—A proposed captive insurance company for all law enforcement officers would be owned, operated and directed by individual law enforcement officers and not by any particular law enforcement organization.

In the July 1 issue of *Business Insurance*, it was reported that the International Assn. of Chiefs of Police was planning a captive insurance company. However, *Business Insurance* was told, the IACP and other organizations will sponsor the program but not own the captive.

The captive insurance company, still in the formative stage, would underwrite most lines of insurance for law enforcement officers, including private needs such as homeowners coverage.

"A project of this magnitude could not be undertaken without the support of all organizations," an insurance source said. ▪

Miracle recoveries at rehab center salvage lives

By ROBIN MENZ

BOSTON—July marks the end of the first quarter century of Liberty Mutual's rehabilitation center and in that period more than 6,500 injured workers who attended the center have regained active lives.

The rehabilitation center, located at the company's main headquarters in Boston, has returned 85% of its patients to work, with two-thirds going back to their original jobs. The remaining patients either returned to the same employer in different positions or went to other firms.

George P. Sawyer, Liberty's manager of medical services, said that in addition to providing a substantial saving in workmen's compensation dollars for the employer, "we have returned to him a well-trained, hard working employe."

HE POINTED OUT that a retrained employe is much more determined to hold his job as well as being more safety conscious. The rehabilitation center avoids, as much as possible, modifying tools because "we try to train a person to return to his original job," Mr. Sawyer said.

Liberty Mutual estimates that during the past 25 years the center has saved policyholders in excess of $5,500,000. In one case, a young man who suffered the loss of both hands cost about $10,000 to rehabilitate and return to work. If he were not rehabilitated, however, and had never returned to work, he might have collected more than $120,000 in total weekly workmen's compensation payments during his projected life expectancy.

In another case, a bilateral amputee returned to work in 13 weeks saving the employer money that the employe would have required for prolonged attendant care. And a 29-year-old injured worker was rehabilitated in six weeks and cost his employer just over $2,300.

One of Liberty Mutual's own people suffered 95% paralysis because of a swimming accident in Dallas. Within 10 months the man was returned to Dallas to continue an active life as a claims adjuster. The rehab center trained him to use special equipment and to drive a car; the insurer located a home and set up an office; and within the past five years, this young man has lost only three weeks of work.

THE REHABILITATION process begins as soon as an injury occurs. The patient's doctor or the industrial doctor makes contact with Liberty Mutual and gives the details of the case.

Liberty Mutual's initial contact with the patient is through one of its 40 rehabilitation nurses located throughout the nation. The nurse contacts the family, employer and physician in order to obtain a picture of the social and economic aspects of the case.

Skilled hands of prosthetists Joseph Avani, left and Michael Amrich mold an artificial limb for an injured patient at Liberty Mutual's Rehabilitation Center in Boston. More than 6,500 workers have been restored to active living through rehabilitation.

The rehab nurse stays in constant contact with the patient's family until the end of the case.

Often, devices have to be installed in the home to meet the physical needs of the rehabilitated person.

"The family attitude is very much a part of the overall rehab process," Mr. Sawyer explained.

BESIDES INVOLVING the family in the process, the patient's employer is brought to the center to discuss what his plans are for the injured worker. The method of rehabilitation often depends on what opportunities the employer will make available to the patient—whether he will be returned to the same job or put in a completely different position.

Liberty Mutual has found that in a number of cases patients were trained for better positions, some even requiring further education.

After the evaluation process has been completed, the route of rehabilitation can be decided. This includes a combination of therapies and services to restore the patient to normal living.

First the patient must come to the rehab center in Boston. If he lives in the Boston area, special transportation arrangements are made; otherwise he is housed in a hotel near the center. The length of stay depends on the injury but the average stay is eight weeks.

"THE ATMOSPHERE IN a center like ours where all patients are suffering from physical damages helps a person overcome psychological barriers," Mr. Sawyer contended.

The rehab program consists of four parts—medical, therapeutic, prosthetic and vocational. Certified limb specialists are fulltime members of the staff. Detailed planning and careful fitting, integrated with a program of exercise and training, assure the correct on-the-job use of artificial limbs, it was explained.

The medical direction of the center is by an orthopedic specialist; the consulting medical staff includes qualified specialists in internal medicine, orthopedic surgery and clinical psychiatry, all associated with a Boston teaching hospital and medical school.

It's this professional team which evaluates each candidate referred to the center by an at-

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'BI,' IIA set series on risk management

BRYN MAWR, Pa.—*Business Insurance*, in cooperation with the Insurance Institute of America, will carry a series of articles aimed at helping readers with their practical insurance buying and risk management problems, beginning with the August 12 issue of this magazine.

THE IIA conducts a three-year national educational program leading to the diploma in risk management, one of the most widely recognized marks of professional competence for corporate insurance buyers. The goal of the upcoming series is to distill for *Business Insurance* readers some of the most useful facts and concepts in the IIA risk management program.

The series of monthly articles will emphasize solutions to real problems. Although all professions—including risk management—must rest on some body of theory, the theory will be presented through concrete applications and examples which many readers hopefully will be able to put to immediate use.

FOR EXAMPLE, the first article, on the fundamental objective of risk management, will show why money spent on effective risk management often can be a profitable investment which increases a company's earnings.

Later articles will concentrate on recognizing hazards, using each of the various means of treating risk and selecting the best insurance coverages. The projected format calls for an article devoted to each of the major insurance policies which corporate insurance buyers are likely to encounter.

To make the series as valuable as possible, readers are invited to suggest topics which they find particularly interesting or troublesome.

Blue Cross tests at-home benefit plan

HARRISBURG, Pa.—Capital Blue Cross and the Visiting Nurse Assn. of Reading are testing a program whereby Blue Cross subscribers in Berks County can receive home health agency services.

Blue Cross will provide coverage of up to 30 home care visits during any 90-day period for nursing service, oxygen therapy, speech therapy and dietetic service.

Prior hospitalization is not required before benefits become available, Blue Cross stressed. Also, during the experimental phase of the project, the use of home care benefits will not be charged against the days of hospital care allowed under the Blue Cross contract.

To be eligible for the pilot program subscribers must be under age 65 and not be eligible for similar care from a government or other home care program.

If the program is successful, the project will be expanded to include other communities within the 19-county area served by Capital Blue Cross.

Insurance embezzlement scheme investigated

TOKYO—Nippon Express Co. here is under scrutiny to find out whether the firm had insured freight it handled without the consent of the shipper and whether company officials had embezzled insurance premiums.

About 60 finance ministers last month conducted spot checks of Nippon's books and papers at 11 branches across Japan. A spokesman said business licenses of the insurance agencies involved could be suspended if enough evidence was turned up.

Famous folks live longer

NEW YORK—If you want to live to a ripe old age, it helps to be famous.

At least that's the gist of what statisticians at Metropolitan Life Insurance Co. discovered when they conducted a 12-year study of 6,329 professional and business leaders listed in the 1950-51 edition of "Who's Who in America."

The mortality rate of the prominent men in the study was 30% below that of white males in the general population the researchers found, and about 15% below that of males insured under standard ordinary life policies.

College professors, clergymen and scientists in the study lived the longest, with death rates from 10% to 15% below average for professors and men of the cloth and 20% below average for scientists.

Indict 36 Texans in insurance fraud plan

DALLAS—Nearly 300 false claims amounting to losses in excess of $300,000 to two insurance companies have resulted in the indictment of 36 Texans.

The mail fraud indictments charge that the 36 persons submitted phony injury and loss claims and documents to Aetna Casualty & Surety Co. and Standard Fire Insurance Co. from Feb. 15, 1966 to May 31, 1967.

The case has been termed by investigators as the largest of its kind in this area in at least ten years.

The claims included loss or damage from theft, vandalism, and auto accidents and injury. False injuries and false medical reports also played a part in the fraudulent scheme, the indictment alleged.

ONE CLAIM involving the purported theft of a boat resulted in a $1,250 insurance payment. Another claim in connection with vandalism at a home brought a $3,450 payment.

One person involved, the indictment charged, was supervisor for small claims at the time for Aetna, and in such capacity issued drafts against the two insurance firms.

CLAIMS WERE sometimes made in the name of applicants and other times false and assumed names were used.

The chief investigative agency in the case was the postal inspection service, assisted by the fraud and arson bureau of the American Insurance Assn. in Dallas.

Charles Eden, director of the bureau, said investigations began when an attorney hired by one of the persons involved in the fraud tipped off the insurance companies about the alleged scheme.

Mansfield heirs file against five insurers

NEW ORLEANS—A damage suit amounting to about $5,000,000 against five insurance companies has been filed in a federal court here in connection with the death of actress Jayne Mansfield in an automobile accident.

Aetna Casualty, Travelers, Hartford, Allstate and Interstate Fire & Casualty were named with others, including the City of New Orleans and Johnson Motor lines, in the suit which alleges that Miss Mansfield's death was the fault of three auto drivers involved.

The accident happened in June, 1967, when a car in which Miss Mansfield was riding collided with a trailer truck.

The largest part of the suit—about $2,750,000—is being sought by Matt Cimber, guardian of Miss Mansfield's son Antonio. Another claimant, W. W. Pigue, is seeking $1,300,000 as guardian of the actress' daughter Jayne Marie. Other claims have been filed by guardians of the estate.

A spokesman for the federal district court here said a heavy backlog of cases will stall the Mansfield hearings for many months.

washington watch

Civil rights act nuisance amendment in 1964 grieves pension managers

WASHINGTON—Four years ago during the fierce battle over the 1964 civil rights act, a group of southern Congressmen, led by U.S. Rep. Howard W. Smith (D., Va.), sponsored an amendment to add the word "sex" to the section which outlaws discrimination in employment "by reason of race, color, religion or national origin."

Of course, the amendment was not conceived with a view toward passage, but was part of the opposition's plan to smother the bill to death with amendments.

But, as the poet Robert Burns said, "The best laid schemes o' mice and men gang aft a-gley, And lea'e us nought but grief and pain for promised joy." And the Smith amendment became law.

IT IS NOT KNOWN whether the amendment caused Rep. Smith, or his cohorts, grief and pain, but it is certain that it has become a real thorn in the side of every pension plan administrator.

In February, 1968, the Equal Employment Opportunity Commission—which was set up to enforce the employment discrimination section of the 1964 Act—ruled that effective July 1, 1968, any pension or retirement plan which provides for a difference in optional or compulsory retirement ages based on sex will be in violation of the act.

The ruling brought cries of anger and anguish from both the business community and Capitol Hill and late last month the EEOC put off the effective date of the ruling to Oct. 1.

An example of the effect this ruling could have has been given by the Bell System Company, which claims that if it must readjust its pension program so that the retirement age for both men and women will be the same—i.e. that men are permitted to retire as early as women—its future pension obligations would be increased by $250,000,000.

THIS, OF COURSE, was not the reason for the postponement. It was done actually to give the EEOC time to rethink its position on the matter in light of a number of events which have taken place since February.

First came a decision on March 6 by the U.S. court of appeals for the second circuit upholding the constitutionality of the Social Security program's differentiations between old-age benefits for males and females.

Under the Social Security law the years of an individual's highest earnings are used in computing the "average monthly wage" upon which retirement benefits are based. The statute provides for the computation of a female's average monthly wage on the basis of three years less than that used in the computation for a male.

PLAINTIFF IN the appeals court case, Oskar Gruenwald, charged that this is in violation of the constitution's equal protection clause.

The court, however, ruled, "There is here a reasonable relationship between the objective sought by the classification, which is to reduce the disparity between the economic and physical capabilities of a man and a woman—and the means used to achieve that objective in affording to women more favorable benefit computations. There is, moreover," the court continued, "nothing arbitrary or unreasonable about the application of the principle underlying the statutory differences in the computations for men and women."

The court then added that although Gruenwald did not press his argument by claiming that the Social Security law was also in violation of the 1964 civil rights act, "we find that that contention is also without merit."

A second factor influencing the EEOC's decision to postpone for 90 days the effective date of its pension ruling was certainly the Senate Labor Committee's strong reaction against it.

ON MAY 7 THE committee reported out a bill to give the EEOC license to issue judicially enforceable orders similar to the power held by the National Labor Relations Board. The EEOC is currently limited to methods of "conference, conciliation and persuasion."

As an amendment to the bill, the committee added a provision which would overrule the EEOC pension ruling by permitting "reasonable differentiation between male and female employes in the terms and conditions of pension or retirement plans, provided that such plan is not merely a subterfuge to evade the purposes" of the act. The amendment would apply to establishment of new plans as well as to existing ones.

In proposing the amendment the committee charged that the original intent of Congress in enacting the bill was "not to prohibit differential treatment of male and female employes under retirement or pension plans similar to the differentiation made under Social Security."

The bill—and amendment—are almost certainly dead for this session, but the feelings of the powerful Senate Labor Committee regarding the EEOC's pension proposals were made quite clear.

It is anyone's guess what the EEOC will do between now and Oct. 1. Some pension executives predict a revision in the guidelines to include a "grandfather clause" exempting all plans currently in operation. Others feel that the guidelines will be effected Oct. 1 just as written and the authority behind them will then be challenged in court. ▪

Fergusson, 72, dies

Thomas Edward Fergusson, founder 45 years ago of Fergusson Insurance Agency, Shreveport, La., died June 13 following a brief illness. He was 72. Mr. Fergusson was a past president of the Shreveport Assn. of Insurance Agents.

We hate paid vacations.

Nobody wants a 21-day all expense paid trip to the hospital. So we try to take as much of the sting out of it as possible. Claims are processed today. Most checks are on the way in less than 48 hours. And a rehabilitation program is waiting in the wings if needed.

But our interest is more than humanitarian. Every time an employee bounces down the stairs, it costs lots of money. Your money.

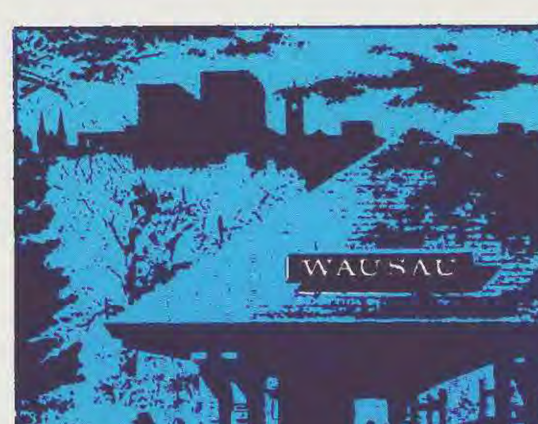
That's why we try to avoid the injury in the first place. We'd rather be safety counselors than travel agents.

It's just our way of putting your insurance money on an equal plane with your investment money. It's why we're the people who know business insurance like nobody else in the business.

And one phone call from you will send us packing.

Employers Insurance of Wausau.

Frank Martin (L.) with 30 years experience is typical of the professionalism our men bring to claims handling.



Get the healthy Wausau Story for yourself.

speaking of safety

N.Y. Public Library scours stacks to check out causes of hazards

By GEORGE YOUNG

NEW YORK—Insurance buyers and safety directors looking for new approaches to reduce costly personal liability claims might try the New York Public Library, where a tightly controlled safety program protects about 2,000 employes and 5,500,000 patrons.

Incorporated as a private, nonprofit trusteeship, the library's financial structure is dependent on budget appropriations from the City of New York and contributions from private donors.

Behind the white marble walls at the Fifth Avenue Central Research Library are stored close to 50 centuries of human thinking and experience—almost all of recorded history.

HOW EXTENSIVE IS the library's operation? Its information center, which handles about 10,000 queries a day, including a few from *Business Insurance*, gave the following facts about the library:

• It contains an estimated 8,000,000 research (noncirculating) and circulating books.

• The main reading room, which stretches almost half-an-acre, can seat nearly 800 people.

• It is the most-used free literary depository on earth.

The safety program, started formally in 1956, oversees the library's 83 branches, three research centers, four bookmobiles, and thirteen repair, route and passenger vehicles.

JOSEPH P. POMPILIO, assistant to the business manager, whose varied responsibilities include insurance and safety, sized up the program as an effort to find and eliminate accident-causing hazards.

The safety program is spearheaded by a safety committee which meets monthly and is responsible to George L. Schaefer, business manager. Its members include Mr. Pompilio, chairman; a registered nurse; two administrative employes; the library's building and construction superintendent; a security employe; and loss prevention engineers from the state insurance fund and the Consolidated Mutual Insurance Co., the liability carrier.

Each committee member is assigned specific areas. Mary Hoffman, the registered nurse, for example, reports on all public and employe accidents. The committee studies each report and if a hazard is thought to exist the library security system is sent out to investigate. The accident reports are signed by Mr. Schaefer and sent to Consolidated Mutual's claims department.

ALTHOUGH THE security setup is designed mainly to protect the library's buildings and property, John Murphy, security director, is a member of the safety committee and utilizes a seven-man investigative team to check out possible accident hazards.

If a hazard is found a report is sent to Joseph Banas, buildings superintendent, who dispatches a repair crew which in turn sends a formal "hazards removal" report to the safety committee.

Fred W. Flister, manager of loss prevention at Consolidated Mutual, offers the committee advice on new safety techniques. "The library does the safety job and we help by providing professional counsel," said Mr. Flister.

A COOPERATIVE health and safety effort has been arranged between the library and outside companies and associations.

At the last safety meeting, Mr. Pompilio presented material from Chas. Pfizer & Co. ("Four steps to weight control"), and the U.S. Department of Health Education & Welfare ("Smoking and illness"), all of which was made available to employes and supervisors throughout the library system.

Mr. Pompilio stressed that healthy people with alert minds are less prone to have an accident, and he urged insurance managers and safety directors to include the concept in their loss prevention programs. "There are many indirect causes of accidents which have to be considered," he said.

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New NAIC head boosts tax-free reserves

TRENTON—Charles R. Howell, newly-elected president of the National Assn. of Insurance Commissioners, is pushing for Congressional passage of a plan which would allow insurers to build tax-free reserves for riots and other catastrophe coverages.

"If tax deferments were extended, it would be unnecessary for the federal government to back up riot coverage for U.S. cities," said Mr. Howell, New Jersey commissioner of insurance and banking.

DURING AN hour-long interview, Mr. Howell outlined several board objectives on the agenda of NAIC this year. They include action on automobile insurance, holding companies, a flood insurance bill, mass selling of insurance, investment income and insurance capacity.

ATTACKING the invasion of the insurance industry by holding companies and noninsurance companies through mergers and acquisitions, Mr. Howell said, "The trend which has to be kept under reasonable restraint is a threat to the power and responsibility of insurance regulators.

"Mergers and acquisitions make it more difficult for the insurance companies to control their reserves and assets."

TO DEVELOP more capacity and to build up reserves, said Mr. Howell, investment income should be considered in ratemaking as it has been in such states as New Jersey, Kentucky and Pennsylvania.

THE MASS selling of insurance is a trend to be resisted, according to the NAIC head. Moves by labor unions to bargain for group coverage such as automobile insurance were viewed by Mr. Howell as a marketing threat to the individual insurance agent.

In other areas Mr. Howell was optimistic that a flood insurance bill would be enacted on a regional basis this year.

Also in the wind for NAIC, according to Mr. Howell, this year is a new central office to be set up in Milwaukee, to provide associations and individual insurance companies with research information. ▪

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.

• Hewitt Information Service, Inc. has revised their edition of an employe handout entitled **"How the Stock Market Affects Your Profit Sharing Account."** The 12-page booklet answers questions on investment securities and their changeable prices through charts, graphs and analogies. Sample copies are free by writing Hewitt Information Service, Inc., Libertyville, Ill. 60048.

• The newly revised **"Worldwide Directory"** has been released by the American International Underwriters Agency, Inc. This booklet, valuable when handling clients' requests for overseas coverage, is free by writing the agency at 175 W. Jackson Blvd., Chicago 60604.

• The California State Psychological Association is currently conducting a comprehensive survey to evaluate the range of industry mental health provisions and to determine for its membership which of the 1,800 companies underwriting health benefits will reimburse qualified clinical psychologists for services. A copy of the results of the industry-wide survey is available for $2.00 from John E. Armer & Associates, 4401 Wilshire Blvd., Los Angeles 90005.

• **"The A B C's of Product Liability Loss Control"** explains the need for accurate advertising and warranty, better quality control and coordination of customer complaint handling. The pamphlet is free by writing Miss Mary Biwer, Adv. Dept., Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wis. 54401.

• The Defense Research Institute has gone into its second printing of **"Excessive Medical Treatment in Personal Injury Cases."** Based on the writings of physicians in the fields of surgery, neuropsychiatry, neurosurgery and orthopedic surgery, the monograph examines the relationship of overtreatment of patients and their subsequent seeking of compensation for accidental personal injuries through lawsuits in the courts. Copies are available for $1 each, prepaid, upon request to the DRI at 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233.

• **"Engineer Your Employe Benefit Dollar for Maximum Efficiency"** is a 12-page brochure covering several cost areas of providing employe benefit programs. It emphasizes self-insurance for corporations with 200 or more employes and includes a typical case history. For a free copy write Executive & Employe Benefit Plans, Inc., 225 E. Broad St., Columbus, Ohio 43215.

• **"Paying for Your Pension—When and How It's Done"** is a 16-page, cartoon-style booklet designed to explain to members of pension plans the process by which their pensions are funded. Sample copies are available without charge by writing Hewitt Information Service, Inc., Libertyville, Ill. 60048.

• **"Hiring the Handicapped: Facts & Myths"** is a pamphlet which explains away misconceptions about handicapped workers from the insurance point of view. Single copies of the brochure are free by sending a self-addressed, stamped envelope to American Mutual Insurance Alliance, 20 N. Wacker Dr., Chicago 60606.

• A new edition of the booklet, **"Statutes Affecting Liability Insurance,"** contains digests of state statutes relating to negligence actions and liability insurance coverage of interest and importance for claims work. All laws enacted during 1967 and a table of time limitations are included. Cost is $3 plus applicable sales tax. Write: Editor, Law Publications, American Insurance Assn., 85 John St., New York 10038.

• For a number of years, efforts to control drunken drivers have been based on a blanket approach—"If you drink, don't drive; if you drive, don't drink." Many experts now say this approach is inappropriate for certain large groups of drinking drivers. **"The New Strategy against Drunken Drivers"** is a four-page reprint from the Journal of American Insurance which explains this new thinking. Single copies are available free by sending a self-addressed, stamped envelope to American Mutual Insurance Alliance, 20 N. Wacker Dr., Chicago 60606.

• **"Compensation without Fault"** is a research report compiled by Fellows of the Insurance Institute of Canada. The 16-page summary deals with the background of CWF, gives arguments pro and con, discusses features of all the most important proposals and studies (including the Keeton-O'Connell plan), and describes the few plans actually in force and those available from private insurers in the U.S. and Canada. Copies are obtainable for $1.75 from S. Stronge, FIIC, Dominion of Canada Group, 165 University Ave., Toronto, Canada. Please include cash with order.

• **"Facts You Should Know about Aviation Insurance"** is a guidebook in question-and-answer form which covers some of the basic facts about aviation insurance. Its eight pages include illustrations of cases involving this type of insurance and the solutions arrived at. The booklet is free by writing Associated Aviation Underwriters, 90 John St., New York 10038.

• **"Valued Form Business Interruption"** is a 12-page booklet designed for brokers, agents and insurance buyers to use as reference material or for presentations. A free copy may be obtained by writing The American Home Group, Department A-14, 102 Maiden Lane, New York 10005.

• With rising benefits and rates, a sound self-insurance program may be the only answer. An informative brochure, **"A Self-insurance Program for Workmen's Compensation,"** is available free by writing to Assurers' Service, Inc., 22 Batterymarch St., Boston, Mass. 02109.

• **"The Fundamentals of Accident Prevention"** tells in 14 pages the elements of a good safety program, how to obtain management leadership and how to interest the employe in the program. Physical layouts for safer working conditions and proper training and supervision of personnel are also discussed. The booklet, Organization and Administration Series Bulletin 247, is available for 15¢ by writing Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.

• The revised edition of **"Code of Federal Regulations (Title 38—Pensions, Bonuses, and Veterans' Relief)"** is available in paperback form by writing the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The book is 796 pages and is priced at $2.25.

• **"Notes on Old Age Benefits under Social Security Based on 1967 Amendments ($7,800 Maximum Earnings),"** is offered free by the consulting actuarial division of Alexander & Alexander, Inc. You may write them at 2 N. Riverside Plaza, Chicago 60606.

• **"AFIA Guide Europe"** features detailed information on insurance requirements and forms for 14 countries. The illustrated, 32-page booklet provides information of value to agents, brokers and insureds. It is free by writing the American Foreign Insurance Assn., 110 William St., New York 10038.

• The College of Insurance offers two brochures, one describing its one-year Multiple Line Certificate Program. The other details its nine professional certificate programs, which include: bonding, casualty insurance, insurance accounting, insurance adjusting, life insurance, multiple line insurance, ocean marine insurance, property insurance and reinsurance. Copies of the brochures may be obtained by writing the college at 150 William St., New York 10038.

• **"Striking the Windshield"** is an illustrated booklet which presents recent automobile accident investigations which indicate that the new (post-1965) laminated windshield markedly reduces the number and severity of facial lacerations caused by head-to-glass impact. The 80-page item is free by writing Libbey-Owens-Ford Glass Co., Safety Glass Dept., 811 Madison Ave., Toledo, Ohio 43624.

• The sixth revision of **"Basic Insurance Books"** is offered by the Insurance Information Institute and the Library of the Insurance Society of New York, Inc. It is a selective bibliography of the property, liability, marine and surety insurance fields. The 20-page pamphlet includes title of the book, author, publisher, price and a brief description. Also included are lists of publications, reference books, periodicals and publishers' addresses. Copies may be obtained from the Insurance Information Institute, 110 William St., New York 10038. Bulk orders 6¢ each.

• **"What Every Executive Should Know about Pension, Profit Sharing and Deferred Compensation Plans"** is offered free by the Lambert M. Huppeler Co. The booklet presents a step-by-step explanation of the plans and their implementation. You may write the company at 400 Park Ave., New York 10022.

EDP-analyzed claims may cut costs

By LOUIS HAUGH

CHICAGO—A tractor-trailer jacknifes when a rear tire blows out, colliding with another auto and spilling its contents over Interstate highway 30.

The driver, J.D. Brooks, an employe of the southwest division of Consolidated Corp. of America, is injured, as is the driver of the auto, Calvin A. Yokum.

Just what will this accident cost?

The amounts allocated for the four claims that stemmed from the accident include $2,000 for auto liability, $10,350 for auto collision, $6,250 for employe injury and $2,750 for cargo loss.

The accident happened July 20, 1967, and Consolidated received a monthly computerized report August 10, which included these claims, four other new claims, an up-to-date accounting of other open claims plus various statistical summaries of loss ratios, costs and frequency.

AS IT HAPPENS, the Consolidated's report is prepared by a computer research service for that company's broker, in cooperation with the insurance carriers that have Consolidated's business.

More and more risk managers are turning to the use of a computer to keep their fingers on the cost of insured and noninsured claims stemming from all lines of risks including workmen's compensation, liability, automobile, fire and extended coverage, crime, fidelity and burglary. Risk managers are using computer-analyzed information to tell management in dollars and no nonsense terms just exactly what accidents are costing.

There are various sources for these computer-produced reports. They may be compiled within the company, from a broker or agency, or from insurance companies.

The costs, some managements are finding out, are staggering, and periodic reports prepared by computer help sort out these costs and isolate them so they can be reduced. They point out that insurance costs can no longer be thought of only in terms of premium dollars spent.

FOR EXAMPLE, one manufacturing company maintains its workmen's compensation records so that if the name of any one employe is involved in an accident more than three times, his immediate superior is asked to investigate.

As a result of the investigation, the employe may be fired, and the company's unions have supported several firings.

Guyon Saunders, head of Computer Claims Control, which provides computer record service to 50 brokers and agents in the U.S., pointed out that there are three advantages to having complete cost accounting on insured and noninsured claims: managing the risk, controlling costs and marketing.

"By highlighting claims, computer analysis can provide management with accurate, current and concise measurement tools to aid decision in areas that may be completely unrelated to insurance," Mr. Saunders said.

THE REPORTS also point out conditions which may reflect symptoms of operational failure and uncover much wider expenses that may be reflected in claims cost, Mr. Saunders said.

"Finally," Mr. Saunders said "computer reports can decompartmentalize a company's insurance program and provide a powerful tool with which to negotiate the broadest possible protection and the maximum loss prevention service at the lowest effective cost."

Some companies prepare their own reports. For example, Cargill Inc., Minneapolis, uses a direct-charge accounting method of tabulating its workmen's compensation costs. Since the system was set up, Cargill has cut its workmen's compensation premiums by about a third and reduced its modifier of standard rates from plus 50% to minus 5%.

(For a complete story on the Cargill direct-charge method, see the May 6, 1968 issue of *Business Insurance,* page 28.)

Vulcan Materials Co., Birmingham, Ala., also uses a computerized internal cost accounting method for all its insurance programs. Vulcan self-administers all group insurance programs including medical, life and workmen's compensation.

From data on standardized report forms from its 600 plant locations, Vulcan prepares two monthly reports, one a safety analysis and the other a claims analysis. Both reports show a five-year composite of claims costs.

M. GLENN JACKSON, corporate risk manager at Vulcan, said the computer reports have made it possible for him to project costs as much as five years in advance. "In these days of tight markets," he said, "we need that much lead time to find adequate coverages."

Vulcan also maintains computer records on its property and liability claims. It handles all its own claim work, both insured and noninsured, and allocation of dollar reserves is done at the corporate level with a staff of 14.

Several insurance companies provide computer reports on claims cost. For example, Continental National American Group provides an industrial risk information service for its clients. These reports show, among other things, loss frequency, average claim age, patterns and trends in loss records.

Another carrier, Employers Insurance of Wausau, uses computer analyzed data in connection with loss control programs for its insureds' group health and workmen's compensation coverages.

THE COMPUTER Claims Control report catalogs and computes claims costs, showing open claims by category, cause, location and present valuation. The report also shows claims by various insurance classifications (but not necessarily by insurance policy), such as workmen's compensation, general liability, automobile liability and collision, motor truck cargo. It shows type of coverage, frequency, loss ratios, tentative retro-trend analysis for retrospective rating plans, plus complete claims history for up to five years.

Copies of the report are designed for the insured's management, its safety department and various operating divisions.

The report may also provide some unwanted information.

Mr. Jackson pointed out that the Vulcan report keeps track of pension data, in addition to information on the various group and property liability coverages.

"Each July 1, the computer updates all pension data and everyone is automatically one year older. That's one bit of data that we wish the computer wasn't so darn accurate about," he concluded with a sigh. ▪

American-Standard benefit plans include distributors, own employes

By ROBIN MENZ

NEW YORK—A leading manufacturer of plumbing and heating products acted as a catalytic agent in getting its independent businessmen to participate in an insured benefits program tailor-made for their needs.

Modern America Cos., Dallas, developed the benefit; American-Standard Inc. endorsed the program for its heating and plumbing distributors and other marketers, including the local neighborhood plumber.

What the plan brings to these independent contractors, according to George A. Beise, manager of marketing services for American-Standard, is a chance to have a retirement program which up until now most have not had. Participants have a choice between a "guaranteed retirement plan" and a "dual dollar plan."

THE MODERN AMERICA plan is completely unrelated to the pension plans offered to American-Standard personnel. American-Standard's pension package for salaried personnel includes a non-contributory retirement plan and a voluntary supplemental contributory retirement plan.

The "greatest need" for Modern America's program is in the small business, with 25 or fewer employes, according to Mr. Beise. "The smaller fellow doesn't really have the time to organize an adequate program."

American-Standard provided the point of contact for Modern America. The first letter introducing the insured retirement program was sent out by American-Standard to its nearly 900 distributors. Enclosed was a business reply card addressed to Modern America.

IN THE FIRST letter, the distributors were asked to extend the program to their dealers and contractors. By this "we were able to reach a broader base of people," Mr. Beise said.

After the initial letter of introduction, Modern America took over with follow-up contacts. Beyond endorsing it American-Standard has no part in the program, either legally or financially.

Both retirement benefits are completely optional to all distributor employes. Depending on the contributory arrangement, an employer may qualify for tax deductions under the Keogh plan.

THE GUARANTEED retirement plan is underwritten by Continental Assurance Co. of Chicago. Benefits under the plan will vary with a participant's entry age and the amount of his monthly deposits into the plan.

Under the dual dollar plan, half the monthly deposit is put into guaranteed dollars and the other half into variable dollars. Here again Continental Assurance handles the guaranteed part and Stein Roe & Farnham Stock Fund Inc. handles the variable dollars.

Modern America has noticed an increasing interest in the mutual fund plan because of its provision for inflation.

THE RETIREMENT plans, in addition to guaranteeing an optional form of income after retirement, also provide an income in the event of total and permanent disability, plus death benefits up to $20,000.

By offering this program on a mass basis, the distributors are afforded the opportunity of receiving a high amount of benefits per dollar contributed.

But what does American-Standard receive from the program? The company, for one thing, expects to strengthen marketing relations with all those persons who help distribute its products. The company believes, according to Mr. Beise, that such a program will help reduce labor turnover and stabilize the marketing team of distributors and trade.

In a nutshell, the employe retirement plan provides independent businessmen with an added fringe benefit to attract better employes for their companies.

American-Standard's non-contributory pension plan for its 5,300 active salaried employes guarantees an employe with at least 15 years' service that his pension together with Social Security will not be less than 35% of his final average monthly earnings.

The basic formula for determining a man's pension is six-tenths of one percent of that part of the average monthly earnings equal to the "average social security limit" times all years of continuous service, plus 1.2% of average monthly earnings in excess of the average social security limit, times years of continuous service not exceeding 35.

THE COMPANY USES the final ten years in determining average pay but "we assume current minimum average monthly earnings of $570 so that everyone will get a decent pension," said Herbert F. Hadley, manager of benefit planning.

Under the pension program an employe of any age who becomes permanently disabled after he has completed 10 years of service is entitled to a lifetime pension. His pension is computed under the basic formula using as a factor not only his actual years of continuous service, but also all subsequent years of continuous service which he could have accumulated prior to his normal retirement date.

Free group life insurance is provided under the group life plan for the retiree; however, his coverage is reduced upon retirement and each year thereafter to an eventual amount of not less than $1,250 nor more than $12,500.

Added in 1967 was a widow's

Continued on page 20

Mob infiltrating insurance field on international scale: Humphreys

PORTLAND, Ore.—Organized crime is moving into the insurance business on an international scale, Joseph A. Humphreys, former Massachusetts insurance commissioner, warned here.

The main victims of these inroads are U.S. businessmen and investment brokers, Mr. Humphreys told the National Assn. of Insurance Commissioners annual meeting. The former state official now heads NAIC's alien companies branch.

Mr. Humphreys outlined the favorite device of the racketeers as a "paper" insurance company set up in a British commonwealth territory. "Nassau is a favorite," he stated. "The commercial code is very loose and it is possible to form an insurance company for only £15."

Mr. Humphreys said the racketeers give their company an impressive name and usually peddle "surplus line" insurance to hard-pressed businessmen in the U.S.

After collecting premiums in a crash sales program in this country, he said, the operators vanish with the money and leave a "ghost" company behind. Nobody knows the size of this racket, but the premiums and unpaid claims are estimated in the millions, he asserted.

"The number of 'paper' companies run into the hundreds," he emphasized. "You usually suspect a Mafia operation when you run into a large-scale conglomerate of companies, or something which takes a lot of money and organization."

Mr. Humphreys said the "paper" companies usually are staffed by former American insurance executives who know the business thoroughly, and who have been ousted in the industry's growing trend toward merger.

He said the racketeers also set up phony banks and mutual fund companies which offer exorbitant profits on securities.

Legal remedy is difficult, he stated, because the overseas companies cannot be sued in the U.S. and the criminal aspects of the cases often are mired in technicalities. ▪

Outlines dental incentive plan

SAN FRANCISCO—A dental incentive plan in which dentists pay patients to take care of their teeth was outlined at a two-day meeting here of the National Assn. of Dental Service Plans, a three year old organization which is sponsored by the American Dental Assn.

The organization includes 22 nonprofit dental care programs in the U.S. Largest of these is a California plan with more than 1,000,000 members.

Most subscribers belong to insurance plans sponsored by union welfare funds. The programs also provide service under a number of government projects such as Medi-Cal and Head Start.

DR. KENNETH J. Ryan, Flint, Mich., national president, proposed that incentive plans "become a part of every pre-payment program" and that the programs "should cover millions more Americans."

Dr. F. Gene Dixon, San Mateo, Cal., managing director of the California Dental Service, said about 20,000 members of the California Teachers Assn. and their families are now covered by dental pre-payment programs with incentive plans.

"WE ARE REWARDING families," Dr. Dixon said, "for going to the dentist regularly and for seeking preventive dental care."

Under the incentive plan, a family pays about 30% of its dental bills and the program pays 70%.

If everyone in the family goes to the dentist for cleanings, examinations and fillings at least once a year, the plan pays 80% of the family dental bills during the second year; 90% the third year; and 100% the fourth and all other years.

A family which neglects regular care is penalized by an increase in its share of payments for a year.

DR. DIXON estimated for a typical family of four people cost of three-fourths of all dental care expense is about $10 a month in California. Orthodontia can be included in most group plans for about $1.50 a month additional.

For older people for whom false teeth and bridge work are needed, patients split the charges 50-50 with the dental care program. ▪

opinions

Faulty reasoning?

The "no fault" liability system, much discussed as a possible scheme to unclog the courts of auto crash cases, has also been suggested for study by the airline industry.

S. W. Shepard, vp of Rohr Corp., proposed such a plan at an American Management Assn. meeting in February. He called for the federal government to require the accident-type insurance for all airline passengers (added to the price of the ticket) in lieu of claims and litigation over who or what was at fault.

Mr. Shepard explained that such a plan would be patterned after workmen's compensation insurance, with higher amounts paid for a married man with dependents than for a person without dependents.

Now a top airline official has embraced the "no fault" idea. The rationale for such a procedure, according to Charles F. McErlean, exec. vp and general manager of United Air Lines, would be to provide a freer flow of safety information—information which is sometimes held back to avoid tort liability or to avoid unfavorable publicity.

It can be argued that the "no fault" plan is inequitable because it gets the airlines off the hook for liability coverage, with the passenger—who had no part in causing an accident—paying for liability insurance whether he wants to or not.

Mr. McErlean's goal of providing a freer flow of safety information certainly can't be faulted—and this might be a new argument for the proponents of the Keeton-O'Connell "no fault" auto plan. But is it fair for airplane builders and engine manufacturers to be absolved of blame when they might be at least partially culpable?

Perhaps a more equitable plan would be for the airline industry to adopt a "no fault" plan in the interests of furthering the flow of safety information, but with the stipulation that all parties involved —the builder of the aircraft, the engine maker, the airline and even the government—share a portion of the liability.

This approach would have an added advantage of spreading the risk for the huge liability payments that the industry faces with the coming of the SSTs and jumbo jets.

Passengers shouldn't have to pay for the possibility of injuring themselves, it seems to us. Liability should remain squarely on the shoulders of those who might play a part in causing an accident.

The case for higher rates

"There is panic in high places" over the shrinking insurance market, a broker told us the other day, and he added that his firm was thinking of taking steps to explain to his clients why they have a hard time getting adequate coverage.

The reasons should be fairly obvious. Lloyd's of London, for the first time in its history, suffered a loss for 1965, and there are reports that Lloyd's underwriters are looking around for safer avenues of investment.

Big conglomerates are moving into the insurance industry, with an eye on the cash flow and surplus funds of the insurers. Insurance buyers and brokers fear that the conglomerates will turn thumbs down on their insurance subsidiaries writing catastrophic coverages —which could deplete the insurers' surplus funds account if hit hard enough. It's also feared that the conglomerates will simply shut down insurance lines which aren't profitable, thus drying up the market even more.

As if all this weren't enough, one insurance pool went out of business last fall and now another is on the ropes. As reported in the last issue of *Business Insurance*, the Aircraft Builders Council, plagued by high rates and inadequate capacity, will meet soon to discuss the possibility of closing its doors.

That, in a nutshell, is the situation. The chairman of Lloyd's, Ralph Hiscox, told this publication several weeks ago that insurance buyers have been getting bargain rates for the last 20 years and that the only recourse is higher premiums.

From time to time, we hear buyers who have taken a hard look at the capacity problem and who have come to the conclusion that higher rates are the only way to generate increased underwriting facility.

The problem is, of course, that it's one thing to admit to yourself that higher rates are necessary, but it's something else again to convince top management of the need.

Maybe as a starter you could leave this editorial under the door of your boss' office.

Benefit managers' new job

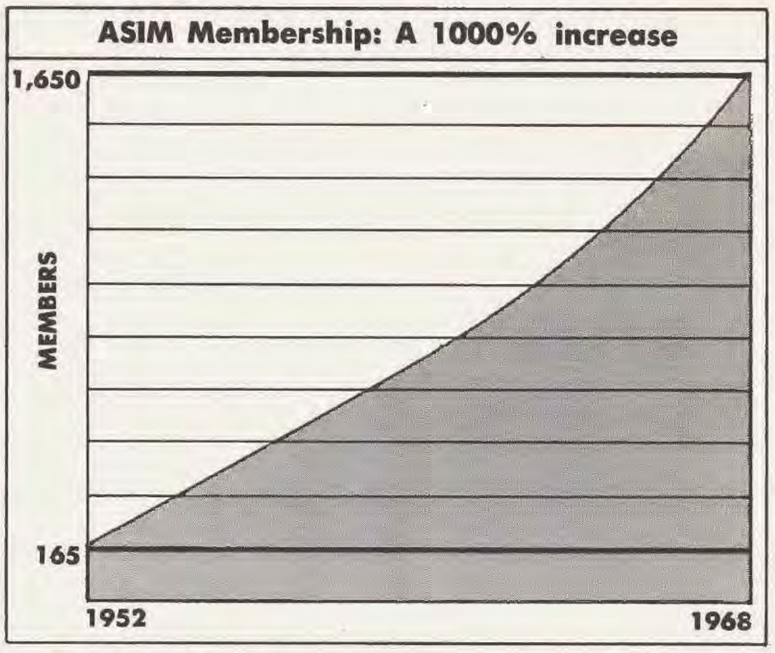
College placement directors know that graduates are uninformed about, and uninterested in, the fringe benefits of the companies that interview them. In a list of 22 reasons for accepting positions, fringe benefits ranked 15th in one college report.

Since this lack of interest in benefits affects all industries, perhaps a concerted effort by benefit managers on a nationwide basis is needed to effect a change. The graduate needs to understand how much money benefits actually add to his income—since money is one of his prime reasons for choosing a job—and how much money he saves by participating in a group plan, as opposed to purchasing individual health and life insurance policies.

A fringe benefit program should become a determining factor in job selection. And a public relations campaign that achieved this goal would aid the graduate in making a more accurate and satisfactory job choice, both for himself and his employer.

A healthy sign

On this page is a graph that shows that membership in the American Society of Insurance Management has increased 1000% in the 16 years since it was founded in 1952. This growth is a healthy sign that risk managers take their professionalism seriously. Other healthy signs include participation in American Management Assn. insurance seminars, increasing numbers of risk managers seeking Chartered Property-Casualty Underwriter (CPCU) certificates and, we proudly add, the interest shown in *Business Insurance* as a newsmagazine for buyers of property, liability and employe benefit protection. We salute ASIM for its membership growth and welcome the 1000% increase as a measure of the determination of risk managers to reach full professional status.



The American Society of Insurance Management Inc. is one of the fastest growing professional associations in the nation. It started in 1952 with 165 members, encouraged to form a nationa association by a group of New York risk managers. Today ASIM has more than 1,650 members, a 1000% increase in 16 years. Thirty-eight ASIM chapters in all parts of the U.S. and Canada promote professionalism through seminars and regular chapter meetings at which prominent insurance experts present information that aids members in solving risk management problems.

Source: American Society of Insurance Management Inc.

business insurance

for buyers of employe, property and liability protection

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letters

More on Vogt

To the Editor: I have read with interest Mr. Vogt's recent article concerning self-insuring workmen's compensation. Basically I agree that in certain cases self-insurance can be a more economic means of meeting workmen's compensation obligations than insurance purchased through a private insurance company or state fund.

Today an important aspect of a workmen's compensation self-insurance program, as opposed to an insured plan, is the fact that it frees up a large amount of cash that can either be used for other purposes, or invested in liquid assets at an attractive interest rate.

However, I do take issue with certain statements which were contained in the article. For example, I do not agree with the following: "The business which must spend over $100,000 in premiums for its workmen's compensation policy, up to $200,000 cannot afford not to self-insure this risk." This statement is far too broad. There are many risks of this size that are insured either under a guaranteed cost, or more likely, under a retrospective plan at rates which are more economic than a comparable self-insurance program.

Also, you stated that a risk with a premium of $100,000 will pay an insurance company $41,000 for expenses, and $59,000 for loss costs. A $100,000 risk with a stock company will receive a basic premium discount of 14%, and in most cases can receive a further stock participating dividend of 6%, thereby reducing the $41,000 expenses figure to some $21,000. Also, certain retrospective rating plans can produce even lower fixed cost figures.

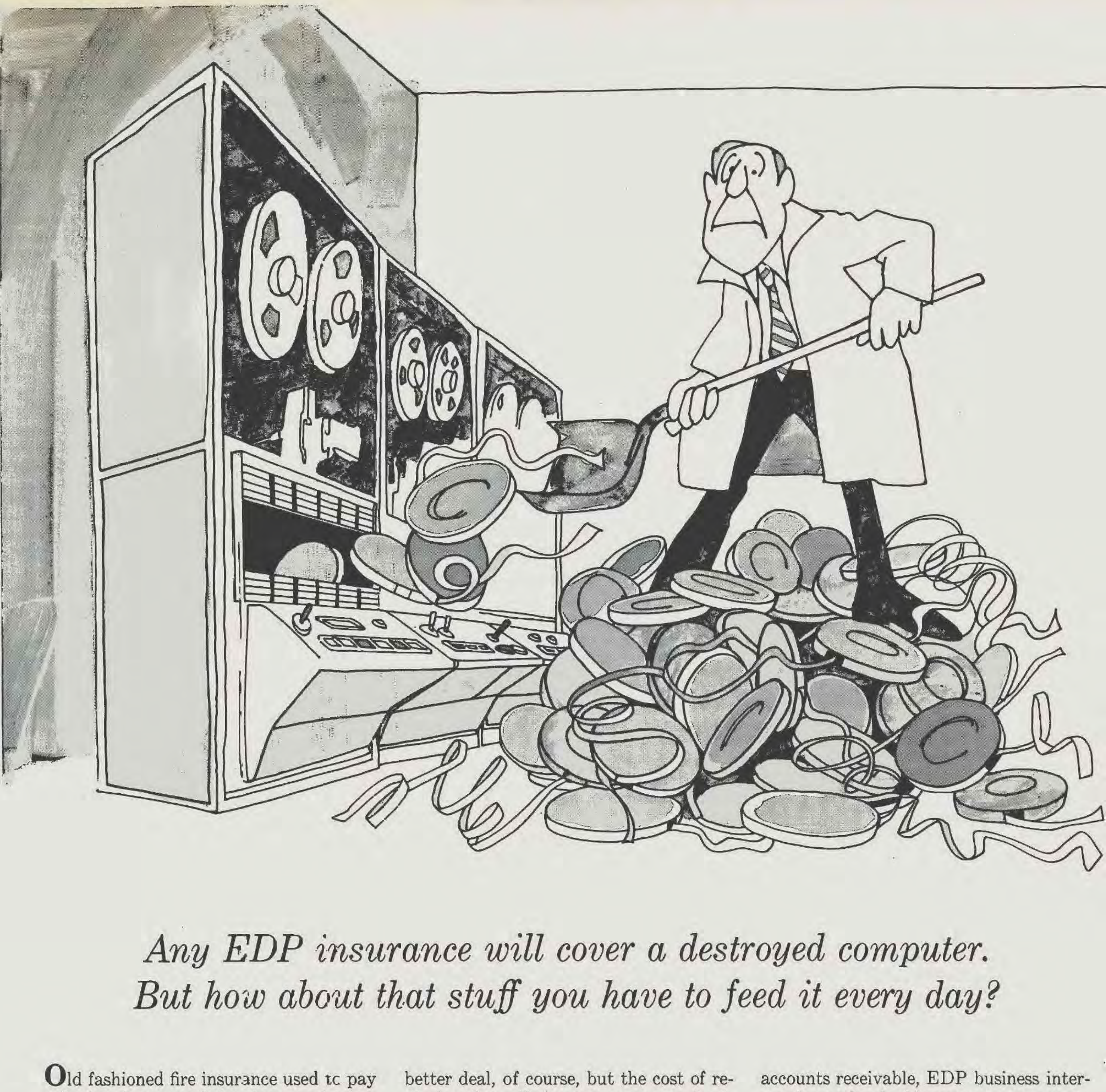
I do not think that safety management only by a fellow employe will necessarily produce lower accident frequency. Any good safety program, whether a company is insured or self-insured, will be managed principally by an employe. The safety services of an insurance company will be provided on a consulting basis. I feel that the impact of an insurance company's recommendations is helpful in getting management to improve conditions, and an insurance company safety expert can supply many specialized safety devices which many large companies do not have at their disposal. An insurance company safety engineer receives training on a variety of different risks. With equal ability, this individual is bound to have a better background than a man who sees only one risk.

I do not think that it is possible to make general recommendations concerning workmen's compensation insurance; I think that each risk has to be analyzed individually in terms of insurance and the various rating plans that are available, and self-insurance. I also feel that it is difficult to set up an efficient self-administered workmen's compensation program which will be economic, unless your premium level is significantly higher than $200,000.

James H. Doyle
Weymouth, Mass.

'Best I've seen'

To the Editor: May I congratulate you on your May 6, 1968 is-
(Continued on page 16)



Any EDP insurance will cover a destroyed computer.
But how about that stuff you have to feed it every day?

Old fashioned fire insurance used to pay only for the cost of the destroyed tape, which was a little like paying for the canvas a Picasso was on.

Then, other types of insurance came along that covered the cost of tapes or cards *and* what you shelled out to put the info on them in the first place. That was a better deal, of course, but the cost of replacing those files on an emergency basis sometimes ran to 3 times the original cost!

So the St. Paul's EDP Property Package (as you might have guessed by now) covers the computer and the cost of replacing your files on a crash basis. In most cases, the package can also include accounts receivable, EDP business interruption and valuable papers coverage on a valued basis.

Naturally, we'll also do a safety survey and try to cut the risks of losing your files in the first place—which is better for everybody. The cost of replacing them can really eat you up.

OUR CREDENTIALS

The St. Paul originated EDP coverage and wrote the first policy ever in 1961. Since then, a number of rather reputable firms have called on us for this kind of insurance. Among them: American Express, John Hancock Mutual, Equitable Life, Dun & Bradstreet . . . and like that.

THE ST. PAUL
INSURANCE COMPANIES

Serving you around the world... around the clock

Sabotage-plagued Pacific Gas takes special security measures

By KENNETH MacDONALD

SAN FRANCISCO—Plagued by a series of thefts, vandalism, an attack on an employe and sabotage of its power lines, Pacific Gas & Electric Co. has begun a program of special security measures.

These measures include the use of additional guards, helicopter patrols and other security precautions.

The company's liability insurance coverage is primarily in the London market. In addition, PG&E has a "sizable retention" to protect against losses, according to Justin A. Crockwell, manager of the insurance department.

The acts of sabotage in Northern California began with the destruction of a PG&E transmission tower by a bomb blast.

Another tower was damaged in March and in April a third transmission tower was crippled, plunging the San Francisco Peninsula area of San Mateo into temporary darkness.

A WEEK LATER Dale Morrow, 27, a jobless construction worker from Colorado, turned himself in to police and confessed having used a PG&E bulldozer to knock down a transmission tower, as a protest against the Vietnam war.

Since then, PG&E has filed suit in San Mateo superior court against Mr. Morrow, seeking $28,400 for repairs and $50,000 in punitive damages. Mr. Morrow remains in jail waiting trial on felony charges.

Interfering with utility lines or equipment, in California, is a felony, punishable by fine and imprisonment of up to five years.

PG&E's gas and electric systems are built in grid patterns so that damaged sections usually can be closed off and energy routed in another direction, to keep service interruptions to a minimum.

In June, a saboteur used explosives to topple three power transmission towers. An early morning blast cut off power to 30,000 PG&E customers.

TWENTY MINUTES after the transmission tower explosions, another blast wrecked a tractor at a rapid transit construction site in Berkeley. Several hours later two telephone cables were cut disrupting service for a brief time.

Police would not indicate whether the three incidents were connected. It was the ninth incident of utility sabotage since Feb. 1.

As the aftermath of an earlier gas explosion in San Jose, PG&E, without waiting for completion of its investigation, began making advances on claims "to relieve cases of hardship rising from the explosion."

The explosion destroyed the home of Mr. and Mrs. Frank Page. Other homes and several parked cars were damaged.

THE EXPLOSION AND the lengthy series of sabotage prompted PG&E executives to reiterate the company's previously expressed support for "strong and efficient safety regulations for natural gas pipeline" operations.

A statement sent to Congress declared "we believe in legislation which would give the Federal Power commission safety regulatory power over interstate pipelines and reserve for state public utilities commissions their continuing regulatory authority over local distribution systems."

PG&E told the California Public Utilities commission that the company's position regarding federal gas pipeline safety legislation had been presented in February to Congress.

Mr. Crockwell told *Business Insurance* that he believes enactment of the pipeline safety bill would not require increased insurance "at least for the larger companies."

"This might not be the case for the smaller utility operators, however. These utilities might possibly have to increase their liability insurance." ▪

Ex-insurance head sworn in as U.S. aide

COLUMBIA, S.C.—Charles W. Gambrell, South Carolina chief insurance commissioner for nearly five years, has been sworn in as an assistant U.S. attorney here.

Leroy M. Brandt, a former deputy commissioner, succeeded Mr. Gambrell as chief insurance commissioner.

Mr. Gambrell will be in the civil division in Columbia. His resignation as chief insurance commissioner, submitted last December, was effective June 28.

Mr. Gambrell served as insurance commissioner since February, 1964, when he succeeded William F. Austin. Mr. Gambrell joined the insurance department in 1960 as director of the fire and casualty division. ▪

Ward's employe benefit history gives insights into past and future

CHICAGO — Montgomery Ward & Co., which established the first group life insurance program for employes of a major corporation, mixes a traditional package of employe fringe benefits, accenting employe contributions, with voluntary payroll deduction savings and insurance programs.

The history of the Ward protection and security program provides an idea of the evolution fringe benefits have taken over the years, and in addition, hints at the direction they may take in the future, both Ward officials and experts in employe benefit programs agree.

On July 1, 1912, Ward signed a contract with Equitable Life Assurance Society to provide 2,912 employes with an average of $2,000 of life insurance each

First of three parts

without a medical examination. The life cover was one part of the Ward "economic plan" as it was called.

The plan provided the following benefits for married employes with five or more years service:

- $100 funeral and burial expenses;
- Pensions for widows for 25% of final wages for life or until remarried;
- Additional 20% of final wages for one dependent or 25% for two or more dependents until the children reached age 16.

FOR UNMARRIED employes, the economic plan provided $100 funeral and burial expenses and one year's wages to a beneficiary designated by the employe.

Other employe benefits included a doctor, nurse and hospital service and salary continuance for sickness or injury. The plan was initially compulsory, and employes contributed 3% of their annual salary with the company paying the remainder.

According to an announcement of the benefit plan printed in 1912, Ward estimated its portion of the cost would roughly equal employe contributions.

Apparently the disability provision proved more costly than Ward anticipated, because in 1914, Ward revised the plan by eliminating the compulsory feature and the employe contribution in exchange for dropping the disability benefit. Eligibility was cut for some portions of the plan to one year of service.

The Ward profit-sharing and stock distribution plan in 1916 for employes with ten years of service included stock option privileges and a 6% annual dividend. Employes earning less than $2,500 annually were given five shares of Ward common stock after 25 years of service.

IN 1921, WARD changed to a group contract and service plan with Equitable and offered employes a minimum of $500 of life cover and units of $100 for each year of service, up to a $3,000 maximum.

Aaron Montgomery Ward, who founded the retailer in 1872, is credited with having originated the idea of group insurance when, in 1910, he directed company executives to make inquiries on the feasibility of providing group life insurance.

He was very solicitous of his employes, providing a medical director as early as 1890, various training programs and free malted milk twice a day.

Mr. Ward's proposal met with a chorus of criticism from the insurance industry. For example, the American Life Convention called group insurance "a menace to legal reserve life insurance, a discrimination against regularly examined policyholders, unfair in principle and dangerous in practice."

IT TOOK Ward officials two years to formulate its group plan. During that time, an Equitable director and president of a leather firm purchased a group policy for his company, as did several other small companies.

In 1927, the Ward group insurance plan provided disability benefits of ten months up to five years, ranging from a minimum of $50 per month up to $90.

In 1936, a self-insured hospital and medical plan was added and in 1938, accidental death and dismemberment insurance, also self-insured, was added.

In 1947, these coverages were placed with Equitable and dependents became eligible. In the 1930's Ward provided employes automobile insurance with premiums added to the employe's store charge account.

THE AUTO cover was administered through the corporate insurance department until June, 1966 when it was transferred to the personnel division.

Ward added surgical benefits in 1951 and in 1956 the group insurance plan which had been a condition of employment for some time, was again made voluntary with the company paying for most of the premium. In addition, major medical was added.

IN 1957, a retirement plan was begun and in 1963, major changes in profit-sharing, retirement and group insurance coverages were announced. The 1963 upgrading of benefits was the last major revision, except for a long-term disability plan for management employes in 1965.

In succeeding issues, *Business Insurance* will outline the existing Ward fringe benefit program and how the company tells its benefit story to employes. ▪

Anderson, Clayton changed risk manager's job as captive grew

HOUSTON—Anderson, Clayton & Co., long synonymous with "King Cotton" throughout the South, formed a captive insurance company in 1923 to take advantage of its favorable loss experience and engineering expertise in its rather specialized lines of business.

This captive has now matured to a full-fledged subsidiary, seeking outside business and contributing to the profit picture of the company. As the captive has emerged, the risk manager's job at Anderson, Clayton has also changed.

Robert W. Sumners

Anderson, Clayton accounted for all the captive's business, according to Robert W. Sumners, vp and treasurer of Anderson, Clayton, shortly after the company incorporated Export Insurance Co.

However, when the company embarked on an ambitious expansion program in the 1950's, due mainly to a decline in the cotton business, the captive also expanded, insuring speciality risks. "We wanted to use the sizable net worth our insurance subsidiary had built up," Mr. Sumners explained.

THE INSURER now has departed completely from the true captive definition as exemplified by changing its name to Ranger Insurance Co. in 1966.

Currently, Anderson, Clayton accounts for what Mr. Sumners termed "only a small portion" of Ranger's business. Outsiders estimate that less than 20% of Ranger's business, which is more than $23 million, comes from Anderson, Clayton.

Mr. Sumners explained that all company buildings, machinery and equipment exposures, as well as life and health/accident coverages are purchased in Ranger companies. He said that outside purchases of insurance include some food plant risks written with the Factory Mutual System plus some other miscellaneous coverages.

In addition, Anderson, Clayton insures its Latin American operations through local agents and local carriers, with some reinsurance written by Ranger. It is estimated that the total Anderson, Clayton annual premium is something more than $3,000,000.

IN THE 1920's and 1930's, a management agency operated the captive insurer and the corporate insurance function for Anderson, Clayton. In the 1950's, Anderson, Clayton set up a corporate insurance department, which secondarily operated the captive company. Then in the middle 1950's, when the insurer began taking outside business, the insurance company president also functioned as corporate insurance manager.

Then, as Anderson, Clayton diversified, coupled with the insurance subsidiary's expansion into outside markets, the corporate insurance function was separated from the captive and brought into the treasurer's department as a staff responsibility, Mr. Sumners explained.

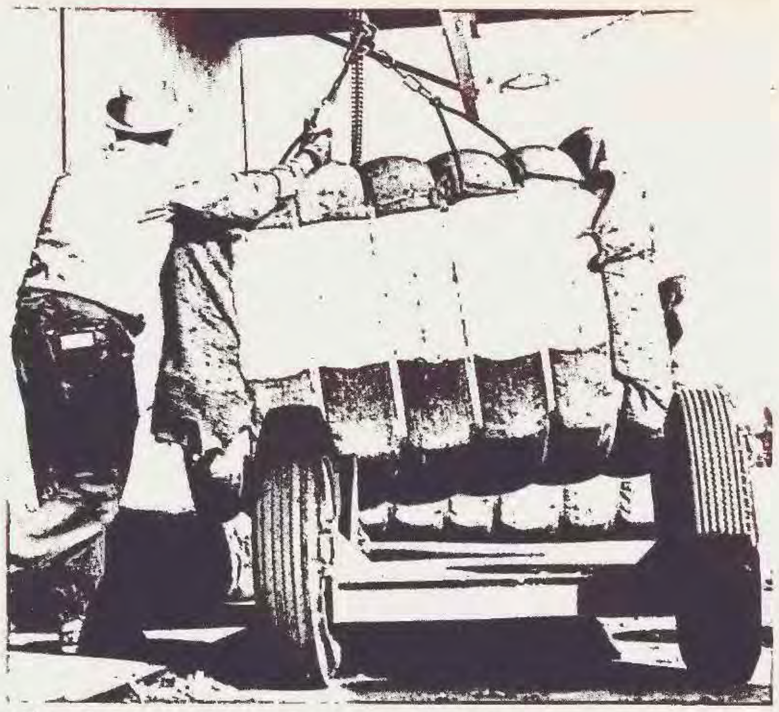
The present corporate risk manager, John A. Lindquist, joined the company earlier this year from General Acceptance Corp. Mr. Sumners explained that as Mr. Lindquist settles into his new post there may be some redefinition of responsibility. Currently, part of his duties are to study actual losses and estimate possible losses.

"Right now, our insurance department places its coverages with Ranger," Mr. Sumners said, "but the department is under no obligation to do so. However, everything else being equal, the business will go there."

THE INSURANCE department, Mr. Sumners said, is responsible for recognizing the insurance risks of the company and recommending self-insurance, deductibles or coverage limits. He said that due to a long-term loan agreement, the amount of the deductible on some coverages is not as high as Anderson, Clayton might wish. He said the company has negotiated to increase some retention levels, however.

"Originally, the captive was a matter of service to the parent and a means of profit recapture because of our good loss experience and engineering," Mr. Sumners said. "Today, Ranger and the corporate risk management function are each going their own way, together, as paradoxical as that might sound."

Anderson, Clayton & Co. has 24,000 employes. Its major business lines include a foods division manufacturing and selling Chiffon soft margarine and Seven Seas salad dressings; a livestock feed and planting seeds division; cotton ginning, crop financing and oilseed milling division; cotton, cocoa and coffee merchandising; general merchandise warehousing and heavy equipment manufacturing.



Although not a majority source of income as when it was known as "King Cotton," these cotton bales coming off an Anderson, Clayton & Co. press at a cotton gin in Arizona represented 42% of the company's income in 1965-66 as compared with 72% ten years earlier. The company formed a captive in 1923 to write coverages on cotton and cotton oil mills and gins.

The Ranger group includes a life insurance company, an insurance exchange, a company writing special auto risks, a management company, a surplus lines underwriting group, a general agency, and a recently added company which specializes in writing coverage for butane-propane dealers, gasoline jobbers, anhydrous ammonia dealers, and gas utilities. ▪

Texas store gets new trial

AUSTIN, Tex.—Texhoma Stores Inc. has been granted a new trial by the state supreme court here to determine whether American Central Insurance Co. should pay for losses resulting from a fire at its Walnut Hill Village store.

Owners of the store brought a lawsuit against the insurers for alleged losses due to fire in excess of $95,000. The insurance company contended that the fire was intentionally set and that the loss was substantially less than claimed.

The case has been in and out of the courtroom, first ending in a hung jury and others ending in dismissals by the judge because the owners refused to produce income tax returns for admission into evidence.

However, an appeals court held that the insurance company failed to prove a good reason for producing the owner's income tax statements and that the trial court failed to determine the relevance of the income tax returns.

The supreme court, in granting a new trial, sided with the appeals court. ▪

letters

Continued from page 12

sue of *Business Insurance*.

Within the confines of one magazine, this is the best collection of articles on loss prevention's role in alert risk management that I have seen.

In reading preceding and subsequent issues, I am happy to see that you give a good deal of space to loss prevention aspects, and will look forward to subsequent issues to sharpen my professional skills.

W. H. Griswold
Manager—casualty loss control, Alexander & Co., Chicago

EDP request

To the Editor: EDP Weekly listed a publication entitled "EDP Growth Forces Buyers to Look at New Risks" as being available from your files.

It will be appreciated if you would send a copy to my personal attention.

John R. Myers
Purchasing, Computer & Technology Communications Engineering, St. Paul, Minn.

Editor's note: A copy has been sent to Mr. Myers. Copies are available for other readers.

business insurance/perspective

Workmen's compensation in Canada

by J. E. Benoit
vice president
Harry Price, Hilborn Ltd.
Montreal, Canada

J. E. Benoit

Workmen's compensation laws in Canada differ substantially in many respects from those in the United States and this is difficult to understand when one realizes that our two countries are composed of peoples with similar ethnic backgrounds and with philosophies which are somewhat identical.

Each of the ten provinces and the two territories has its own workmen's compensation act as the legislation of compensation is delegated to the provinces by the British North America Act.

Workmen's compensation in both the Northwest Territories and the Yukon Territory is provided through the medium of insurance rather than through a workmen's compensation board or commission as found in the provinces. However, workmen's compensation ordinances have been enacted by the territories and are regulated by commissioners who may designate a referee whose decision is final and conclusive and is not open to question or review in any court. Both commissioners usually appoint the workmen's compensation board for the Province of Alberta as referee. Every employer who is subject to the ordinance of either N.W.T. or Yukon Territory, unless otherwise exempted, is required to obtain a workmen's compensation insurance policy through an approved insurer.

THE FEDERAL GOVERNMENT also passed two compensation acts entitled the Merchant Seamen Compensation Act and the Canadian Government Employes' Compensation Act. The merchant seamen compensation act provides benefits to every person employed or engaged on

- A ship registered in Canada, or
- A ship chartered by demise to a person resident in Canada or having his principal place of business in Canada.

Every employer coming within the scope of this act is required to cover the risks of compensation arising under the act by insurance or by other means satisfactory to the board. Coverage is usually provided by a protection and indemnity insurance policy issued by a marine insurance company.

The Canadian government employes' compensation act is peculiar in that its application is controlled by and subject to the benefits of the compensation law in effect in the province in which the employe resides. Claims are reported to the Federal Compensation Board and it in turn reports to the provincial board or commission involved. The provincial body then investigates the claim and makes payments directly to the employes and to the hospitals and doctors. The federal board then reimburses the provincial board or commission on a cost plus basis. All Canadian government employes, including those of federal agencies or corporations, are subject to this act.

WORKMEN'S COMPENSATION may be said to be the first legislation of a social welfare nature. The employe gives up his rights to recover damages from his negligent employer and receives in return certain benefits, whether the injury is caused by his negligence, or that of his employer, another employe or a third party.

In 1902, the province of British Columbia passed the first workmen's compensation act in Canada. It was modeled mainly after the British act and was limited in coverage to specified hazardous industries. It required employers to be insured or to prove financial responsibility and it provided medical care, compensation for permanent total disability, permanent partial disability and temporary total disability, death benefits and funeral allowances. An arbitrator was named by a supreme court judge to adjudicate claims.

The provinces of Alberta and Quebec followed British Columbia in 1908 and 1909 respectively but it was the province of Ontario which enacted compensation in 1914 which provided the present basis for the Canadian legislation. Chief Justice Meredith submitted a report to the legislature of Ontario and suggested principles which were subsequently adopted in all Canadian provinces although there were, and still are, some variations in coverage and in benefits and to some extent in procedures.

EVERY COMPENSATION law enacted in Canada contains the following broad principles:

1. The common law rights of the employe's right of suit against his employer are taken away.
2. Practically all industry is subject to the operation of the act.
3. Agriculture is excluded and no province covers farm workers compulsorily.
4. The principle of liability without fault applies so that the workman is entitled to receive benefits irrespective of his own negligence, or that of his employer, another employe or a third party for an injury by accident arising out of and in the course of his employment. The one exception is a serious and wilful misconduct by the employe. In this case he can recover only if the injury results in serious or permanent disablement or death.
5. Industrial disease due to the nature of the employment is subject to the same benefits as if the disease were a personal injury arising out of and in the course of that employment.
6. Industry is divided into classes in accordance with the hazards inherent in the different industries. Each class is assessed by the board or commission for the cost of accidents occurring to workmen in that class plus the cost of administration, accident prevention and rehabilitation of injured workers.
7. Medical and hospital benefits are provided without limitation.
8. It is not lawful for employer, either directly or indirectly, to deduct from the wages of his workmen any part of any sum that he might be liable to pay to the board or to permit any workman to contribute in any manner towards indemnifying him against any liability he has or may incur under the act.

BENEFITS HAVE increased substantially over the years and are still being augmented. Basically, all acts provide similar benefits although payments may vary slightly from province to province. The two ordinances of the N.W.T. and Yukon Territory and the merchant seamen compensation act fall in line with provincial acts in the amounts and bases of payments.

Temporary total disability payments are based on 75% of the annual earnings of the workman, subject to a maximum which varies from $5,000 per year to $6,600 per year. The latter provides for temporary total or permanent total of $150 per week. Benefits to widows are not related to earnings but are on a fixed monthly sum for life or until remarriage at which time a lump sum is paid which may be equal to the monthly payments for two years. Benefits to dependents are also on a fixed monthly sum. The maximum age of dependent children varies from 16 to 18 years, and under certain conditions to 21.

In the U.S. the employer who is required to insure against his liability for payment of compensation benefits may do so by a policy placed with private insurers or exclusively with the state fund as provided by legislation. In Canada, with the exception of the territories and the merchant seamen's compensation, all compensation is controlled by the province. The provincial board or commission fixes an assessment to cover the cost of accidents particular to a class. Usually the rate of assessment is estimated for the ensuing year and the board may, in its discretion, charge increased assessments retroactive to the start of the year if the experience warrants a higher rate. In Canada, the board or commission is substituted for the courts; it determines responsibility, pays claims, sets up pensions and the adjudication is final. In effect, therefore, even if a workman took a case to trial the court would have no jurisdiction as the board or commission is a law unto itself.

The risk manager should fill an important niche in workmen's compensation. Even though it is not usually covered by private insurers, there are many areas in which a good risk manager can effect savings for his company. In dealings with the various provincial boards or commissions as well as with the federal government and the territories, we have found that they are more than cooperative. Here are some situations in which we have been involved and which may prove to be of interest to risk managers in Canada or to those in the U. S. who may become involved in Canada:

- All acts or ordinances contain a section which reads somewhat as follows: "Where a person, whether carrying on an industry within the scope of this act or not, herein referred to as the 'principal,' contracts with any other person for the execution, by or under a contractor, of the whole or any part of any work for the principal, the principal shall see that the contractor files the statements and declarations required by this act; and, if any principal fails to do so *he is liable to the penalties provided by this act.*"

It can readily be seen that the onus is on the principal to set up proper machinery to control this condition. Our procedure is to check with the compensation board involved and get confirmation in writing that the contractor is in good standing and has paid all assessments required for the work before releasing final payment and holdback to the contractor. On large jobs it is recommended that periodic checks be made unless you are certain that you are fully protected by adequate contingency or holdback.

- Under certain circumstances, and where the job is a large one with many contractors and subcontractors, the board may agree to waive subrogation against all contractors and subcontractors covered by the board and working on the contract. This is an extremely important concession if you have a wrap-up liability policy covering all contractors and subs as it eliminates what would otherwise become bodily injury claims under that policy.
- We have had jobs which extended into two or more provinces and have had the provinces agree to work as a unit and name a common rate. This not only reduces cost but also simplifies the reporting, investigation and settlement of claims. It also permits unification of medical services and accident prevention.
- Most contracts written today are subject to hold harmless clauses in one form or another. If the clause extends to indemnity and hold harmless either party against loss for claims for injuries to employes of the other party, it is imperative that you get approval of all interested compensation boards; otherwise, you could find yourself in the rather odd situation, if you are the employer of the injured person, of paying assessments to the board and then having the board demand reimbursement from you of all loss payments as you had in effect waived its subrogation rights. We have even had one board tell us that such a waiver is illegal and would not be recognized by the board. In this event, the board would go against the other party who would then look to you for recovery under the indemnity clause. Certainly, it is a condition which should be discussed with your liability insurers.
- It is important that you be covered for contingent employes' liability as while the boards are substituted for the courts workmen have been known to take legal action against their employers and the contingent employes' liability would indemnify in such event.

One last suggestion—know your loss experience. The compensation boards keep detailed information which is available to you and while you can do little to reduce your individual assessment this information is important when you are talking accident prevention to your company. It is a proven fact that for each dollar paid by the compensation board for claims your company spends five dollars covering the cost of additional detail work and correspondence, lost time and man hours and employing and training new personnel. ■

References: Compensation acts for all provinces; Canadian Government Employees' Compensation Act; Merchant Seamen Compensation Act, and Ordinance for Northwest Territories and Yukon Territory. *Our special thanks go to J. E. Eades, Q.C., chairman, Workmen's Compensation Board of British Columbia, whose article "Workmen's Compensation in Canada and the United States" was of extreme help to us. This article originally appeared in the newsletter published by the International Association of Industrial Accident Boards and Commissions.*

Giles on the law

Courts rule on heater liability, windstorm damage, crash helmets

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

John W. Giles

Those who have a products liability policy should not be bashful about claiming that the defective product was an "accident" within the terms of the policy. A recent decision of the Oregon supreme court (Ramco Inc. vs. Pacific Insurance Co., April 24, 1968) lends support.

In that case 69 of the plaintiff's heaters were installed in the units of a motel. Not long after, when the first extremely cold weather came, the heaters failed to produce the heat for which they were designed.

It was found that they contained defective coils. The cause of the defect was not definitely determined, but it was determined that it was a fault of plaintiff's manufacture.

The court ruled that this was an "accident" under the policy.

* * *

Most insurance policies mention "windstorm," but they do not define it.

WHEN THERE IS no definition, the court says a windstorm must be a wind of sufficient violence to be capable of damaging the insured property either by the impact of its own force or by projecting some object against the property. In order to recover it is sufficient to show that the wind was the proximate or efficient cause of the loss or damage, in spite of the fact that other factors contributed to the loss.

Any wind that is of such extraordinary force and violence as to injuriously disturb the ordinary conditions of things insured is tumultuous in character and is a windstorm.

* * *

Comprehensive liability may not give protection against claims brought about by defective products. Here is the picture in the light of a recent decision by the U.S. court of appeals.

The case involved the processing and sale of peanuts for use as seed by farmers. The seed failed to germinate, and various dealers and farmers claimed damages against the processor.

THE INSURED'S POLICY provided for liability by the insured for accidents occurring away from the premises owned or controlled by the insured. The insurance company was relieved of liability because this was not an accident occurring away from the plant as a result of the failure of the seeds to germinate.

The court cited several cases supporting this view, and in all these seed operations a comprehensive liability policy was not adequate protection. A policy should be specifically written to cover all consumer claims resulting from failure of seeds to produce the intended crop.

* * *

It has been said that children should be seen and not heard. Unfortunately, they are often heard in the courts today, especially in cases involving children who were injured trespassing on a private firm's property.

Recently, in a federal case a mentally deficient eight-year-old boy was able to gain a recovery from a steel plant for injuries which he sustained when he came in contact with a 6,600-volt electric transformer located on the plant's property.

Although the boy was a trespasser, the court said the steel plant had a duty to take steps reasonably necessary to prevent injury to persons who were likely to come in contact with a dangerous condition.

There are many cases in which trespassing children have recovered, and the courts and juries seem to support their claims for injuries.

* * *

Much has been said recently about the strict liability of manufacturers for defective products. The other side of the coin is reported in a Tennessee supreme court case.

The court held that a cooking oil manufacturer has no duty to warn a housewife of the possible explosion of a bottle when she rebottles and recaps the hot oil, without showing that such use is customary and that such recapping creates a danger of something more than an isolated explosion.

The court intimated that it is hard to guess all the ways that a housewife will put such oil to use and difficult to compose warnings to fit all the possibilities.

* * *

Recently the Michigan supreme court decided that a statute requiring Michigan motorcyclists to wear crash helmets was not a valid exercise of the state's police power and hence void.

The Rhode Island supreme court has seen more light and has wisely decided that suicide for Rhode Island motorcyclists is not a wise course. That court says a statute requiring the wearing of crash helmets is a valid exercise of that state's police power.

The requirement, in the view of the court, bears a reasonable relationship to highway safety generally. The court also notes that even if the crash helmet requirement was not motivated by safety reasons, the legislature is not powerless to prohibit individuals from pursuing a course of conduct which could conceivably result in their becoming public charges ■

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Managing your money

How to make your house pay for itself

by Joseph S. Robinson
member of the New York Bar

(Insurance managers and employe benefits directors are experts at managing their employer's assets, but not always as proficient in managing their own. Herewith begins a series on handling personal financial affairs.)

Many hard-working homeowners find today's prosperity a myth as far as their own personal finances are concerned. High mortgage payments and steep property taxes cut deeply into their income. Steadily rising living costs do the rest.

If this is your experience, you needn't take it lying down. You *can* put your house on a paying basis in any number of ways—thanks to the tax law. Here's just a sample of the tax breaks available when running your home.

RENTING OUT A ROOM or using it as your office gets you the same expense allowance the tax rules grant to every businessman. For example: Suppose you own a five-room house and rent out a room to a tenant. You can write off 20% of your heat and light bills along with other outlays as part of your general operating expenses. What's more, if you have a repair bill on a radio or other appliance which you provide for the tenant, this too is fully deductible.

What about using part of the house as an office? For instance, let's say you're an insurance manager for a company and set aside a room in your house to operate a private brokerage practice on the side. You're entitled to allocate a share of the house expenses as a business deduction.

Even if you use the room just to do company work, you may *still* get the deduction. But here, you'll have to show that you're doing the "homework" as a *condition* of your employment. Also, be prepared to prove that you use the room for company business on a regular basis . . . occasional work won't do.

In a recent case, a teacher was denied a deduction when using a portion of her home to prepare lesson plans. *Reason:* There was no proof that the "office at home" was either necessary or required in holding down the job.

What can you deduct? Assuming you meet the "business use" test for deducting house expenses, you can take off all items attributable to the office. For example, the installation of a separate phone plus monthly charges; the cost of keeping the office clean or even painting it. In addition you can write off some depreciation and, as we said before, a part of your household expenses such as light, heat and repairs. Keep in mind that property taxes and mortgage interest are fully deductible in any case.

What about capital gain seekers who manage their investments at home, or the many housewives who run an at-home business or do part-time work at home? Are deductions permitted in these instances? Yes, according to a recent ruling of the Tax Court in dealing with this situation.

M. H. LIVED IN A ONE room apartment where she did her work. She had a personal portfolio of securities of publicly-held corporations which she managed herself. She collected research material, financial reports and subscribed to a number of stock advisory services. She also visited her broker once a week. M. H. was allowed to deduct a portion of her rent, phone, cleaning and repair costs on her apartment in addition to cab bills. *Reason:* She ran her investments in a businesslike way.

But the story doesn't end here. M. H. also performed secretarial duties at home for a local art and book store. She spent about 20 hours a week in this capacity. *Result:* M. H. won an additional tax allowance for this work including a depreciation deduction on a vacuum cleaner and an air conditioner. The decision makers said the expenses were necessary to maintain the household.

So, if your $50,000 house is keeping you broke, better think about putting it to work for you. Chances are, you can develop a sweet sideline business partially subsidized by Uncle Sam. And while you're at it, why not make your wife your partner. She might do a good job in building that second income . . . or perhaps in buying the Cadillac you always wanted to go with the house. ■

Florida construction firm fights sea, swampland and insurance

ST. PETERSBURG, Fla.—A multi-state heavy construction company specializing in work that almost always involves fighting the sea or swamplands faces complicated insurance problems.

Misener Marine Construction Inc., St. Petersburg Beach, Fla., has solved many of its problems with the employment of a full-time safety engineer and in the process saved more than his cost in premiums.

The engineer, Robert Orr, has cut insurance claims through his work so that his salary has been saved several times over in reduced premiums, according to Thomas Hucknall, insurance counsellor for Upham Insurance Agency Inc., who handles the Misener account.

"The trouble with many companies in hazardous businesses," Mr. Hucknall explained, "is that their losses continue to run high and after a while no insurance company wants to write their policies. But Misener's wisdom in employing a safety engineer means there will always be a ready market for their insurance business."

AND, HE IMPLIES, there's also the savings in life and personal injury resulting from the safety engineer's work.

Richard H. Misener, founder and president of the firm, has other ideas on insurance he puts into practice. He points with pride to company-owned trucks, always freshly painted and scrubbed, with a variety of materials handling equipment mounted on the beds.

There's one unusual thing about those trucks. There's the name of a man emblazoned on the door, right over the company name.

"We assign a man to a piece of equipment like that and it's his," Misener said. "That means nobody, but nobody else dares operate it. It also means the individual takes better care of the equipment and there are fewer mishaps."

Mr. Misener pointed out that in much of his company's work, insurance isn't something just left up to the company. The Army Corps of Engineers, for example, requires a hold harmless clause in all contracts. Utility companies often tell Misener how much liability insurance it must have.

THESE REQUIREMENTS usually are fairly standard, running $100,000 and $300,000 public liability, $50,000 and $100,000 property damage, $100,000 and $300,000 for automobile liability and $50,000 auto property damage.

To meet these requirements, the company furnishes the customer with a certificate of insurance. However new policies aren't written each time, but the coverage comes under a blanket policy written by Maryland Casualty. This basic policy carries $1 million liability, which is higher than requirements of most utility and public agencies.

Misener has marine equipment and other construction tools covered by Firemen's Fund. This includes tugs, barges and cargo.

Started in Florida in 1945 as a waterfront construction company dealing primarily in residential land development, the company now has completed more than 4,000 construction jobs. These range from Maryland, to Virginia and the Carolinas, throughout Florida, along the Gulf coast to Mexico to the U.S. naval base at Guantanamo, Cuba. ▪

Private firms ask to sell in Saskatchewan

MONTREAL—Commercial insurance companies are working with the Saskatchewan government to obtain permission to sell insurance in the province, according to the annual report of the All Canada Insurance Federation.

Currently, the Saskatchewan Government Insurance Office is the only insurer writing auto coverage in the province.

"If the rules of the game are equivalent, we are convinced that the private industry can compete successfully with the Saskatchewan government," said J. E. Burns, president of All Canada.

"I would hesitate to predict a firm date for our re-entry into the Saskatchewan market. It will certainly not be this year and perhaps not next," Mr. Burns stated. ▪

'Focus on me', buyer tells insurance admen

MOUNT POCONO, Pa.—Insurance companies were advised today to use problems common to corporate insurance buyers to improve the effectiveness of buyer-oriented advertising.

James R. Taylor, assistant manager, insurance and real estate department, Atlas Chemical Industry Ltd., Wilmington, said there are "an awful lot of identical problems. What insurance companies must do is speak to these problems."

Mr. Taylor listed, as examples, directors' and officers' liability and special coverages such as professional liability insurance for doctors employed by corporations or engaged in corporate-sponsored studies.

"IF YOUR COMPANY specializes in areas like this, let us know about it," he said. "There's a lot of misdirected money going into ads that don't reach the insurance buyer."

Mr. Taylor was one of three panelists discussing "factors influencing the purchase of insurance, including, the role of advertising" at the 45th annual Insurance Advertising Conference. His co-panelists were Robert J. McRell, director, insurance and safety, Eastern Freight Ways Co., Carlstadt, N.J., and William F. Quinn Jr., corporate insurance manager, Rheem Mfg. Co., New York.

Mr. Quinn said the most effective media for insurance advertising aimed at corporate buyers is print. He referred specifically to *Business Insurance* and praised "the good articles and editorials" in the publication of interest to buyers. He said the magazine "has mounted an all-out effort to focus on me."

BUT ADVERTISING meant for buyers "has fallen short of the mark," he stated. "Case histories of problems and their solutions can be used with success, and I would also suggest the discreet use of testimonial advertising and ads including the services of companies toward the elimination or reduction of dollar swapping."

Mr. Quinn went on to criticize insurance advertising in general, stating that it "hasn't told of the great contribution of insurance to the economic well-being of the U.S." He said better insurance advertising "can also help people to understand some of the terms used and take the mystery and suspicion out of insurance." He added that too often the public is "confronted with a lot of gibberish and people don't have what they think they have" in the way of coverage.

During a question period, Mr. Quinn was asked if he thought direct mail advertising was effective in selling to buyers. He said it was, "But you have to make sure you know whom you're mailing to." ▪

Lowers award because seat belts unused

VANCOUVER—A British Columbia supreme court judge has reduced the damages involved in a fatal car crash because the dead man was not wearing a safety belt.

Justice Craig Munroe gave damages of $63,178 to Mrs. Tuan Pei Yei Yuan for the death of her husband, Dr. Shu Lung Yan, in a two-car collision here Oct. 8, 1966.

The judge found Graham Farstead's negligence in entering an intersection at excessive speed was the cause of the accident.

However, he also found that the doctor, who was thrown from the vehicle, was guilty of contributory negligence for not wearing a seat belt, and his failure to do so contributed to his injuries.

As a result Judge Munroe held that Mr. Farstead was 75% to blame; the doctor, 25%. ▪

Kostmayer, Hoff named

NEW YORK—The appointment of John H. Kostmayer as vp and director of financial services and Gerhardt M. Hoff as director of insurance company operations was announced by International Telephone Telegraph Corp.

In their new positions Mr. Kostmayer will be responsible for managing ITT's worldwide activities in mutual funds, insurance and consumer and industrial funds. Mr. Hoff will supervise the firm's life insurance operations. ▪

Gets award in club mishap

ALBANY, N.Y.—Dr. Albert Vander Veer II, noted Albany surgeon, has been awarded $435,000 for the injuries which he suffered four years ago in a golf cart accident at the Albany country club.

The verdict, reportedly the largest ever returned in Albany supreme court, was handed up by the jury to Justice Russell G. Hunt. The trial required almost three weeks.

The verdict is against two of those served—Willig & Brown Inc., the firm which leased and serviced the golf cart, and the country club itself.

Cleared of responsibility for the accident by the jury were: Dr. Thomas I. Tyrrell, also a surgeon; Victor Comptometer Co., maker of the cart; and Robert K. Mix, the country club's golf pro.

THE TWO SURGEONS and two other golfers were to have comprised a foursome. When the time approached for their game, Dr. Vander Veer walked down a path toward the first tee and Dr. Tyrrell got into a golf cart, which had been reserved for him, and started it up.

He had gone only a short distance toward Dr. Vander Veer, who was walking away from him, when he applied the brakes on the cart and, he said, "there was no response."

"Hey, Bert, Bert, look out. I can't stop this thing," yelled Dr. Tyrrell, according to testimony, and moments later Dr. Vander Veer was struck.

The Victor company made the cart in 1962 and sold it to a New York City firm where it was used in a metropolitan area. Then it was sold to Willig & Brown, which leased it to Mr. Mix and the country club. The firm had a service contract and contended that it inspected the cart immediately before and after the accident, and nothing was wrong with the brakes. ▪

Township pays in crash case

OTTAWA—The Township of Toronto, and one of its police constables, has been ordered to pay a Portuguese immigrant $177,209 in damages for injuries he received in a 1964 traffic accident.

The plaintiff, Manuel Dias, suffered severe brain damage and lost use of his legs when his car collided head on with a police vehicle.

A unaninous judgment by the Supreme Court of Canada said that the constable was entirely to blame for the crash. Lower courts held that Mr. Dias should share in the blame. ▪

Am.-Standard

Continued from page 10

benefit for active employes who die after age 60 and with 10 years of continuous service. A widow receives a pension for life equal to the pension that would have been payable to her if her husband had retired at the time of his death and had elected a joint and survivor option, with the provision that 75% of his reduced pension be continued to his widow.

American-Standard's supplemental contributory retirement plan is completely voluntary and gives employes a choice between a fixed- or variable-dollar plan. Depending on which program an employe elects, his annual pension will be supplemented by either 25% of his contributions (fixed) or 25% of the current value of his contributions (variable).

An active employe contributes 2.5% of his compensation.

A FEW ILLUSTRATIONS offered by Mr. Hadley show how much the supplemental plan adds to the regular pension. One retiree receives $180.32 from non-contributory plan and $64.16 from the supplemental plan; another gets $177.71 from the company program and $88.59 from the supplemental program; and a third gets $347.96 from the non-contributory plan and $130.87 from the contributory plan.

If an employe terminates his association with American-Standard he gets back his contributions plus any earnings under the variable fund. Last year the fund earned 8.28%.

Mr. Hadley noted that among the participants there's a high percentage of younger employes who don't care about pension benefits but who find the supplemental program a means of "enforced savings."

Morgan Guaranty Trust handles the non-contributory pension fund while First National City Bank handles the supplemental fund.

AETNA LIFE AND Casualty underwrites the American-Standard's group insurance package, including hospitalization, medical-surgical coverage, major medical and life insurance. Prudential handles the long term disability coverage, which has 84% employe participation.

The major medical portion is written with an 80% coinsurance clause and $100 deductible. It covers among other things prescription drugs, psychiatric care, and doctor's visits in the home. The major medical plan, Mr. Hadley pointed out, pays 50% of excess expenses for treatment of a mental or nervous disorder while not confined in a hospital. If a patient is confined to a hospital, then the usual 80% will be picked up.

Under the basic plan, hospitalization is limited to 120 days per illness at the semi-private rate and the surgery schedule carries dollar limits. Maternity benefits are $150 for hospitalization and $120 for doctor's fees.

THE BASIC PLAN and major medical carry a Medicare offset and coordination of benefits provision. The employe's contribution to the plan is 1% of compensation with an additional premium for dependents. For employes with salaries over $5,000 the monthly premium is $6; for employes under $5,000, the premium is scaled down.

The group life insurance program pays two times annual earnings up to $200,000 and in the case of accidental death and dismemberment, it pays two times annual salary up to $20,000.

In 1967, American-Standard instituted a long-term disability program which pays half the current rate of pay until 65 up to a maximum of $1,200 a month. The program met with great enthusiasm because "it offered our employes a feeling of security," Mr. Hadley reported.

If an employe has less than 10 years' service he contributes to the plan; after 10 years, it's free.

TWO ADDITIONAL coverages are the business travel accident plan, which pays three times annual salary, and the voluntary accident insurance plan, which provides 24-hour coverage anywhere in the world. Under the voluntary plan an employe can buy anywhere from $10,000 worth of protection to $150,000 and his monthly cost is 6¢ per $1,000 of insurance.

American-Standard's 15,000 hourly employes are covered by nine different pension plans and 25 different group insurance programs. In addition, each domestic and foreign subsidiary has its own employe benefit program, differing in various respects from American-Standard's.

Mr. Hadley pointed out that "American-Standard is a worldwide corporation, and its benefit programs are developing on a worldwide basis also." ▪

Stockbroker covered on theft

NEW YORK—A New York stockbroker was covered under the terms of its broker's blanket bond for $750,000 in U.S. Treasury notes that were stolen in May.

A source at Merrill, Lynch, Pierce, Fenner & Smith explained that the blanket bond, which is required coverage for all member firms, specifically covers loss or destruction of government securities.

The case has aroused international interest, because two ex-convicts were arrested in Switzerland on June 20, while allegedly attempting to deposit a $100,000 U.S. Treasury note, part of the overall haul.

The blanket bond provides coverage, while on the premises or in transit, the source explained. However, the terms are broad enough to give protection "even if the securities had been destroyed."

In this particular case, since the securities have been recovered, "and the thieves never received any proceeds," the securities still belong to the owner—Merrill, Lynch.

However, the source continued, if the Treasury department had paid out any proceeds, the bond underwriters would have had "all the rights of salvage," and could have litigated the case with the government. ▪

'Fictitious' doctor wins suit

LONDON—A fictitious character in a TV Times article turned out to be a little more than fictitious and won a libel settlement for a London doctor specializing in the treatment of obesity.

TV Publications Ltd., the publisher, settled with Philip Lebon, a fellow of the Royal College of Surgeons. The article in question appeared last March and described a forthcoming television play called "Dr. de Waldo's Therapy."

Mr. Lebon said that the description of a "sexy and arrogant" doctor in the article had been understood to refer to him. The article also stated that Dr. de Waldo was suspected of having an adulterous relationship with one of his patients.

In addition the article described in some detail the form of treatment, in particular, group therapy, used in the fictitious Dr. de Waldo's clinic. ▪

Carr named 'BI' ad rep

CHICAGO—William B. Carr has been named southern representative of *Business Insurance.*

Mr. Carr, formerly midwestern advertising manager of Newsweek here, will call on insurers, safety equipment firms and consultants in Texas, Oklahoma, Louisiana, Georgia, Florida, Alabama and Memphis.

He will be located at 2500 N.E. 48 Lane, Ft. Lauderdale, Fla. 33308. ▪

Miracle . . .

Continued from page 3

tending physician, prescribes and supervises the treatment program, follows individual patient progress and decides when the maximum benefits have been reached.

THE PATIENT IS provided with physical, occupational and recreational therapy in order to restore him to a full life. During recreational therapy, Mr. Sawyer pointed out, a patient becomes preoccupied with his games and forgets his injuries, which makes him use the injured part of his body more freely. A leg amputee may take his first step during a pool game or an arm amputee may use his limbs more freely during a checker game.

In a few cases, the center has permitted the patient's wife to stay with him during his period of rehabilitation. This procedure is followed when her presence will help him progress more rapidly.

"Each case has to be judged independently; no two cases are ever alike," Mr. Sawyer said.

In cases where the patients live too far from the rehab center, Liberty Mutual arranges to buy care for the patient in the community where he lives.

Besides the center and the rehab nurses, Liberty Mutual retains medical advisers in 80 cities, who counsel the attending physicians and help claims personnel carry out the obligations under the insurance protection for the disabled persons.

All of the medical advisers are practicing physicians, specializing in traumatic and orthopedic surgery. ▪

Carriers...

Continued from page 1

the private market.

The Factory Mutuals have revised the civil authority clause of their business interruption policy stating that interruption claims from riot damage which triggers a curfew would not be paid if such damages were more than 500 feet away from the insured property. The filing, according to the Factory Mutual rating bureau, has been approved in 43 states.

Seymour Smith, senior vp of Travelers, said his firm has terminated relationships with "well over" 100 agencies whose accounts have shown poor results, but he said the overall impact has been "small." Travelers, according to Mr. Smith, is letting the agencies' business "run off" and is not canceling outright. The business involves all lines, he said, including auto.

MR. SMITH said that Travelers' primary reinsurance market, Lloyd's of London, is "very concerned, but at the moment is going along" with the insurer pending passage of the federal reinsurance bill. If the bill doesn't pass, Mr. Smith said, "Heaven only knows what will happen."

Royal-Globe was upset because the firm felt it was being branded as the sole culprit of the mass cancellations in news reports.

"We were not the only company involved in policy cancellations," according to H. Clay Johnson, president of the insurer, and the news reports "failed to point this out."

The entire insurance industry, he continued, is at fault for withdrawing from riot coverage. "The obligation of accommodating the needs of the public falls on the shoulders of everyone in the business."

One reason for Royal-Globe's cancellations, according to Mr. Johnson, is that the riot peril has created a new conflagration area in center cities which required a reexamination of our underwriting procedures. "Riot fires," he said, "gut whole block areas, and it is the responsibility of underwriters to have the hazard reduced or else cancel the policy."

MR. JOHNSON said that although Royal-Globe writes approximately 3% of the property insurance premiums around the country, its riot losses of $7,300,000 last year represented about 5% of the total.

"We estimate we have almost twice our share of city exposures in relation to our share of the countrywide market. Even after our curtailment program is complete we will retain much more than our proportionate share of urban liabilities," he said.

Mr. Johnson, in calling attention to the need for industry cooperation, said Royal-Globe will cancel a $52,400,000 fire insurance policy on several St. Louis Public Housing Authority projects unless other insurers will take on 80% of the risk.

A spokesman for the authority, however, said Royal-Globe should have been aware of conditions in St. Louis a year ago when the carrier bid.

MEANWHILE New Jersey Gov. Richard Hughes has pledged "to move firmly and promptly," to stop the threatened loss of insurance in ghetto areas. Gov. Hughes last week signed a bill extending cancellation notice from five to 30 days.

Two other bills signed by the governor put a four-month moratorium on the cancellation of municipal liability insurance and set up the machinery for enlisting insurance companies in a mandatory risk sharing plan for providing insurance on sound ghetto property. ■

Few large...

Continued from page 1

money, and we have to make money," he said. He said A&P would be faced with the same situation "if we had to close a store because it was losing money."

THE INSURANCE industry is faced with two alternatives, the A&P source said. Either they can find an "angel" in the form of the federal government's reinsurance measure or they can "go to the ones who have all the losses and cancel those losses." But, he said, if the government moves into the reinsurance area, "we'll feel it in our tax rates."

One buyer pointed out that these cancellations are not as "arbitrary" as they seem to appear. "The heat is being put on all of us to improve our substandard buildings," he commented, "and we have to install sprinkler systems—or else.

"However," he continued, "there are areas in the cities where whole blocks of buildings are unsprinklered or removed from decent water pressure, and it's these risks that insurance companies want to cancel." He pointed out that such buildings are "locked into a rate structure," and no profits can be made on these risks.

But big companies with locations in many areas (giving the firm a good spread of risk) are mostly immune from cancellations, the broker said. "You can't cancel out a piece of a big risk," he said.

Another buyer confirmed that the situation is "really serious" for individual dwellings and smaller businesses, but that for commercial risks in good areas, "the situation is still o.k."

All these cancellations are creating an "enormous headache" for insurance managers, he continued. Individual people in a firm approach him to help them out with their difficulties—which of course, he's really not able to do. "We can't sit back and say we only handle commercial business," the buyer continued, "because as far as individuals are concerned, we're insurance experts and they need help."

A NEW YORK insurance broker, with many small business firms among his clients, commented that "all the fire companies are sending out cancellation notices."

He attributed this high rate of cancellation to the fact that an assigned risk pool will get under way in New York in September and also that many other states have started or are considering the same idea.

"I suppose the companies feel they'll get stuck anyway," the broker commented, "and assigning a risk will result in a more equitable distribution."

However, he pointed out, for an insurance broker this action means "putting business into abeyance. It's a constant fight just to keep existing coverages," he explained, "and if some of my small business clients need more protection, I tell them to wait until September when hopefully I can get them some more coverage."

In a recent survey among American Society of Insurance Management members in the Wisconsin chapter, no one reported that his fire and extended coverage policies were in danger of being cancelled because of location in an urban area. ■

Gillette Co. centralizes its corporate insurance

BOSTON—Although the Gillette Co. here coordinates insurance management at one level, its numerous domestic and foreign branches aren't exempted from insurance responsibilities.

The man directly overseeing the entire department is William J. McMorrow, assistant to the treasurer, but his decisions are based on facts and figures coming from the controllers of the various U.S. branches.

Within the framework of guidelines set down by the parent company, coverage for the international operations is handled by local management because of the "varying legal requirements in the different countries," Mr. McMorrow explained.

William J. McMorrow

OVER THE RECENT years, Gillette has merged with Toni, Paper Mate and Sterilon companies and now employs nearly 20,000 workers. Its insurance program is as vast as the range of products produced and "we try as much as possible to coordinate all programs," he said.

When Gillette purchases a company, that company's insurance program is usually fused with Gillette's program, alleviating a lot of duplication, high cost, confusion and vast paper work, Mr. McMorrow added.

In the case of Gillette, the insurance is primarily handled through its brokers, although occasionally Mr. McMorrow and others meet with the insurance companies. When he finds facts becoming too technical he tells the carriers: "Put it in layman's language," Mr. McMorrow said.

The Gillette executive has only a "slight" insurance background but finds it better for a corporate man not to be thoroughly versed in insurance because, he said, he tends to be "unduly sympathetic with the insurance industry."

GILLETTE HAS A total annual premium of around $1,000,000, including workmen's compensation, and accepts a total $1,000,000 self-assumption for all losses, which is made up in deductibles. Half of the self-assumption goes into a $500,000 deductible on earthquake coverage. In terms of exposure to loss, Gillette could suffer a major setback should an earthquake destroy its Boston plant where it produces all razors, blades and toiletries destined for U.S. distribution.

According to Mr. McMorrow, Gillette's loss experience has been relatively low, which is evident in the premium expenditure, although constant efforts are being made to protect finished goods against pilferage, particularly at outside locations where a manufacturer's output policy is in effect.

HE HAS NOTED, though, that in recent years auto liability claims have been on the increase, and "this happens to be one of the hard areas to control." Gillette has an automotive force of 500 in the U.S. and is continually seeking methods to instill in its men the need for safety. At Sterilon, based in Braintree, Mass., a salesman, in certain instances, must assume the deductible if involved in an accident in which he is clearly at fault.

"However, during the same period, losses under our other casualty coverages, that is, workmen's compensation and general liability (including products liability), have been very satisfactory, thereby achieving the stability anticipated when we inaugurated our blanket retrospective rating plan four years ago," Mr. McMorrow said. This arrangement has resulted in substantial savings in fixed costs paid to the insurance companies.

"In the area of products liability, the Toni Co. has experienced more activity than the other divisions, probably due to the need to follow directions properly when applying Toni products as opposed to the simplicity in shaving and writing," the financial executive said.

PARTLY BECAUSE women are the users of Toni products, the company has employed two full time female lawyers to handle claims. Arrangements have been made with the insurance company to allow the women to handle all claims until suit stage.

"And we've had good results from this arrangement," Mr. McMorrow said.

At the divisional levels, the controllers are directly responsible for protecting their assets. They are given a basic insurance program and are responsible for its implementation. In addition they must develop a safety program and see to its administration.

Mr. McMorrow tries to visit each plant once a year, but he relies on the controllers to keep him informed of insurance needs at each division. Actually, he added, the program is divided into three areas, covering loss of earnings, loss of assets and loss from third party liability.

Gillette is somewhat skeptical of the packaged policies, according to Mr. McMorrow, because of the inability of any one insurer to provide overall protection and service equal to that afforded by a combination of companies.

He contended that protecting a company's assets against catastrophy is, in many instances, the big factor in selecting insurance coverage—not just cost. He added that the quality of coverage and the general ability of the insurance company to meet the terms of contract should come first in placing coverage.

When selecting a new carrier, Mr. McMorrow often questions whether a company would try to "weasel out" of coverage, especially in borderline cases.

The philosophy at Gillette is not to make money on a loss but to get back what has been lost, so "we make available to our adjusters all information relating to the loss and cooperate with them every step of the way," he added. ■

Puerto Rico is first U.S. domain to adopt 'no fault' auto scheme

SAN JUAN—Puerto Rico has become the first U.S. jurisdiction to adopt a "no fault" liability system for auto accident victims.

Legislation, setting up a "social protection plan" for auto victims, passed the House unanimously and passed the Puerto Rican Senate with one dissenting vote. The plan is scheduled to get under way July 1, 1969.

The plan is to be financed by a $35 vehicle registration fee. Benefits include payments for medical expenses, income replacement, dismemberment and for death and funeral.

The liability remedy is retained for tort actions in which pain and suffering exceeds $1,000 or economic losses of more than $2,000.

ALTHOUGH THESE figures are substantially below the $10,000 guaranteed benefits to auto victims under a "basic protection plan" widely discussed on the U.S. mainland, it was explained that recoveries on auto claims have been much lower here than in the rest of the U.S. Most cases tried in Puerto Rico are before a judge without a jury.

Deducted from any tort recovery are the benefits received under the plan, plus benefits other than private life insurance or workmen's compensation recovery. Property damage is not covered under the new program.

Initial cost of the plan has been estimated at $12,000,000. Approximately 460,000 vehicles will be covered, and about 500 deaths and 26,000 injuries are expected the first year. The population of Puerto Rico is about 2,800,000.

Benefits under the plan will be paid from the tax revenue by a government insurance fund, which will enter into contracts with physicians and hospitals to provide the needed medical care.

The "social protection plan" differs from the Keeton-O'Connell "basic protection plan" in several respects, according to Profs. Juan B. Aponte and Herbert S. Denenberg, both of the University of Pennsylvania, who drafted enabling legislation.

THE PUERTO RICAN plan is tax-financed and government-administered. Unlike Keeton-O'Connell, it utilizes a schedule of dismemberment and death benefits, and it permits lower liability awards here.

Medical expense benefits under the plan are provided without limit. Wage loss is reimbursed up to 50% of salary, but subject to a maximum of $50 per week during the first year and $25 during the second year, at which time these payments cease. Dismemberment benefits are paid in addition to wage loss replacement and run as high as $5,000.

There is also a $500 funeral benefit. Death benefits depend on the age and relationship of the survivors. A surviving wife with two children under five years of age, for example, would receive $10,000. ■

Nuclear cover unavailable, Hamburg finds

LONDON—Last minute efforts to insure against a nuclear mishap during the visit of the British nuclear submarine "Valiant" to the port of Hamburg, Germany have failed. The submarine is to make a courtesy call on Hamburg this month.

The City of Hamburg first asked Britain to guarantee an indemnity, should trouble occur. This guarantee was refused by the British government. A British spokesman said, "If there was some kind of accident we would, of course, not refuse to do anything, but we cannot bind ourselves legally to pay out huge sums of money without Parliamentary approval."

The Hamburg city council then discussed the matter of insurance and found that the premium for such insurance would be too high. The German government was later approached, and after some discussion it was agreed by the Reich Chancellor that the city be given an indemnity guarantee of $288,000,000. ■

Fidelity names Toomey

Vincent F. Toomey, formerly assistant manager of the special risks department, has been named co-manager of the newly consolidated property and special risks department of Fidelity & Deposit Co. of Maryland, Baltimore.

Letters to the Editor

Readers' opinions on gun laws

Agrees with stand

To the Editor: I was particularly interested in your editorial, "Guns Must Go!" Copies of the enclosed letter were sent to each of my representatives:

Sir: This letter concerns the assassination of Sen. Robert F. Kennedy in particular and, in general, the numerous murders and assaults which occur daily in this nation.

Let it be clearly understood that there are no political overtones to this letter; I am not now, nor have I ever been, partial to the political views of Sen. Kennedy.

Murders and attempted murders are certainly not completely avoidable but there are two distinct causes for them being as prevalent as they are:

- The easy accessibility to firearms. It is obviously a simple matter for anyone to purchase these lethal weapons whether he be mentally deranged, a dope addict, an alcoholic or some psychological misfit. Lobbyists for firearm manufacturers, gun clubs and hunters' associations notwithstanding, there is an exigent need for stringent legislation regulating the purchase and subsequent possession of all weaponry and ammunition with severe penalties for convicted offenders.
- Recent Supreme Court rulings which tend to favor and even shelter all forms of criminals from murderers to petty thieves. These rulings lessen the deterrents toward unlawful tendencies and constitute a definite handicap for efficient law enforcement.

M. T. Bohling
Lafayette, Ind.

'Out of step'

To the Editor: The article on guns I feel is as completely out of step as the claim adjuster adjusting an automobile accident telling the claimant that if he had been on another street, the accident wouldn't have happened.

The fact that many of the citizens have guns does not necessitate that guns must go. The problem is that guns, alcohol, automobiles, explosives and many other items are available and get into the hands of the inexperienced and incompetent.

The fact that you want, by the context of this article, a registration of guns, does not solve the problem of who is competent to handle a gun and who isn't.

Everett W. Davies
Davies and Davies Agency, Inc., Minneapolis

'Meddling'

To the Editor: The black-bordered editorial "Guns Must Go" aimed at insurance buyers and others in the insurance fraternity was a shock to me. I had great praise for your new publication until this "meddling" editorial took over your front page. I am still trying to figure out what this emotional political "football" has to do with factual reporting to insurance people?

Your argument selling gun controls, registrations, not selling by mail order (pity the Alaskan hunter—or Lipswitch, Mont. rancher) is one built on emotion of the current tragedies of assassinations and civil insurrections—and not one of practical or logical analysis.

R. E. Wainscott
Dallas

'Misfortune'

To the Editor: I happen to have the misfortune of reading your article, "Guns Must Go!"

Guns don't kill! Have you ever seen a gun kill somebody without a person pulling the trigger? Certainly not!!!!! Do you think the criminal will obey the "gun must go" law? Certainly not. He doesn't obey the laws now, and when he gets caught the Communists in the Supreme Court turn him loose. Let's forget about the gun laws and start enforcing the laws we already have.

G. D. Oldroyd
Salt Lake City, Utah

'You are unafraid'

To the Editor: Congratulations on a superior editorial in your June 17 issue on gun control. In particular, it is reassuring to see that somewhat specialized business publication is unafraid to speak out on major issues of the day.

For one, I am looking forward to the results of the American Risk and Insurance Association Commission which has been set up to probe the social responsibility of the insurance industry. I am sure that *Business Insurance* can and will act as the sounding board in the fulfillment of this social responsibility.

H. Felix Kloman
Assistant vp, Alexander & Alexander, New York

'Reflect, please'

To the Editor: Your unsigned editorial entitled, "Guns Must Go!" aids and abets the criminal by promoting sentiment for restrictions upon the law abiding gun owner. I think you must know this to be true if you would only stop for a moment and reflect upon the subject with logic as well as emotion.

James R. Coates
Norfolk Shipbuilding & Drydock Co., Norfolk, Va.

'Guns must go. No'

To the Editor: Guns must go. No.

Please use common sense and less hysteria.

The editorial "Guns Must Go" in your June 17 issue is typical of the unprecedented hysterical opinionated articles appearing in our communication media these trying days. In such hastily conceived sensational presentations, some truth is found, but usually much opinion, little fact, and much twisting of the record is employed.

Bruce A. Pope
Exec vp, William A. Pope Co., Chicago

'Shock and disgust'

To the Editor: Upon the advice of another of your subscribers, this office subscribed to *Business Insurance*. Our first issue contained the forementioned editorial much to our shock and disgust.

You, Sen. Dodd, Sen. Tydings, Sen. Bayh, Rep. Celler, Gov. Rockefeller, the tv networks, and the nation's newspapers for the most part, are certainly not doing us nor your country a favor, with your stand. As a matter of fact you have hurt us, as well as the posture of our country, with our dedicated enemies. I am sure they'll approve of your stand.

Harley B. Guynn
Robert N. Bowen & Associates, Inc., Indianapolis, Ind.

'I'll conceal gun'

To the Editor: Until last week I did not belong to the National Rifle Assn. I sent in my check and application for membership after reading "Guns Must Go!" in the June 17 issue of *Business Insurance*. I do not now own a gun; but, if the legislation you propose seems likely of passage by the Congress, I may be strongly tempted to acquire one and conceal it.

Edward T. Hill
Stowers Furniture, San Antonio, Tex.

Manhattan liquor dealers earn lower rates with package cover

NEW YORK—A package plan of insurance protection for the United Restaurant Liquor Dealers of Manhattan affords the group lower rates at a time when property owners are faced with increasing premium costs.

The plan, which provides fire and extended coverage, liability, holdup protection, open stock burglary protection and glass coverage, was originally developed for members only. However, the insurance agency involved has sold it to every "Tom, Dick and Harry in our business," said Jack Gottehrer, president of the association.

He maintained that everyone is benefiting "from what we initiated. Now we have a new agency and are negotiating with a new insurer."

THE CURRENT underwriter is Security Mutual but possibly the program will be switched to American Home, he said.

In setting up the program, the association, which has about 800 members, had to promise that it could come up with at least 100 members to take out the package policy. The agency, according to Mr. Gottehrer, promised not to give such coverage to other owners unless they became members of the association.

He said his group is working with the state insurance department to get a ruling that no insurance company will offer the plan to its policyholders "unless they go through us."

According to the terms of the plan, a participant must buy fire and extended coverage, but all other sections are optional. It's estimated that a bar or grill owner can save 22% to 35% on his annual premium through the association's set up.

MR. GOTTEHRER illustrated his own case. He has a small bar, and under his old broker he was paying $360 in annual premiums for fire and extended coverage. Now he pays $249 under the group plan.

The fire and extended coverage is written with an 80% coinsurance clause. Limits under the liability coverage are $100,000 and $300,000.

The liability section covers, in addition to bodily injury and property damage, liquor law and products.

Fire and extended coverage includes vandalism and covers buildings, contents and business interruption.

The plan requires that all buildings be comprised of 50% or more brick or concrete block or fire resistive material. If 20% or more of the gross receipts come from food sales a fire protection system must be installed in the cooking hood.

MR. GOTTEHRER mentioned that during riots, bars and grills are usually not hit; it's usually the package stores. For one thing, he said, "we're usually open until very late and can protect our property should anything happen."

The association also has developed a two-phase health insurance program underwritten by the Continental Casualty Co. The plan provides basic income protection and long term disability coverage.

The basic income protection section pays $400 per month for total disability from sickness and picks up from the first day for as long as two years.

For total disability from an injury, the plan again pays $400 from the first day for a lifetime. For each partial disability the plan pays 50% for three months. It also pays 25% of the monthly indemnity for physicians' expenses for treatment of nondisability accidents. However, the expenses must be incurred within 30 days of an accident.

IF A PERSON is hospitalized the plan pays $800 from the first day for three months.

A $10,000 accidental death policy is included; however, death must occur within 180 days of the accident. In the case of dismemberment within 180 days, a guaranteed specified amount is paid.

The long term disability protection part picks up from the 91st day and pays a certain monthly amount. ■

Econe joins Sexton

Donald J. Econe has been appointed production manager of the group department of Charles W. Sexton Co.'s Portland, Ore., office. Mr. Econe previously was manager of the mass marketing division of Oregon National Life Insurance.

Court rules New York City not liable for riot damages

NEW YORK—A civil court judge here has ruled that New York City is not liable for damages incurred by individuals and businessmen during riots.

The ruling came in connection with a suit filed by a druggist against the city for damages his store suffered in the 1964 Harlem riots.

Herbert B. Canter, the druggist, said he was put out of business for three weeks after looters smashed his store window and made off with his stock. Mr. Canter filed a claim against the city for $915.54.

In dismissing the suit, Civil Court Judge Fein said that the state legislature had suspended municipal liability for riot damages when it passed the State Defense Emergency Act in 1951.

The decision could affect 47 persons and corporations which filed claims with the city controller's office after the outbreaks following the assassination of Martin Luther King Jr.

Meanwhile, the city won another legal battle involving a woman who was maimed by lye. The woman, Linda Riss, filed a $1,000,000 damage suit against New York City after a man hired by a rejected suitor caused her to lose the sight of one eye and partial sight in the other.

In a 6 to 1 ruling the court of appeals in Albany dismissed her suit which charged the city with negligence in failing to provide proper police protection. The suit had previously been dismissed by two lower courts.

Miss Riss said that she had been terrorized by a former suitor for six months in 1959 when she became engaged to another man. After the jilted suitor, who was sentenced to 15 to 20 years for the lye-throwing incident, called and told Miss Riss that it was her "last chance" to marry him, she called police.

No action was taken and the next day lye was thrown in her face.

The majority opinion said the amount of protection accorded to individual citizens is limited by the resources of the community. "It is easy to see the consequences of fixing municipal liability upon a showing of probable need for and request for protection," the court said. ▪

Study group coverage for La. employes

BATON ROUGE—Louisiana Gov. John McKeithen has appointed a committee to study "all aspects" of a group insurance program for state employes.

The action came after administration leaders succeeded in killing a bill which would have created a commission to handle group insurance for state agencies.

The bill would have put insurance contracts on a bid basis and would have established the same coverage for all state agencies. Currently, insurance premiums are negotiated.

The bill's supporters claimed Louisiana could save $1,200,000 a year under a uniform program. They contended that insurance is currently awarded by favoritism and varies widely by department.

Gov. McKeithen said he was hopeful the newly appointed committee would reach a "satisfactory resolution of all areas in dispute." He said the state has made fire insurance uniform, but that hospitalization, health and accident insurance "presents a much more complex problem" because of the variety of coverage and employe preferences.

"The acceptance of the lowest bid is not always the sole criterion for acceptance of a policy," the governor said. "The reputation and record of a company for payment of claims may far outweigh a slightly lower premium factor, if it eliminates the necessity of filing suit for payment of claims." ▪

Schmitt joins N.Y. realtor

NEW YORK—Charles W. Schmitt has joined the firm of Douglas Gibbons-Hollyday & Ives, as vp in charge of insurance.

Mr. Schmitt was formerly manager of the insurance department of Brown, Harris, Stevens, and prior to that was associated with R. C. Rathbone & Son for eight years.

Douglas Gibbons-Hollyday & Ives is a firm of realtors operating mainly in New York. Prior to appointing Mr. Schmitt, the company had been giving its insurance program to several brokers to handle. ▪

John P. Friedle, manager of employe benefits, P. Lorillard Co., New York, puts his signature on a group life policy assigned to North Carolina Mutual Life Insurance Co., Durham. Looking on are N. H. Bennett Jr., vp, actuary with the insurer, and W. A. Clement, agency vp.

Lorillard gives some group business to Negro insurer

NEW YORK—P. Lorillard Co. has assigned its group life insurance coverage for employes of the leaf division to North Carolina Mutual Life Insurance Co. The policy is for $2,170,000.

The agreement is believed to be the first of its kind in the nation between a major corporation and a Negro-owned firm.

The coverage includes group term life insurance and accidental death and dismemberment. It covers 235 Lorillard employes in Lexington, Ky., Danville, Va., and Lancaster, Pa.

The remainder of Lorillard's employes are covered under another group life policy, underwritten by Equitable Life Assurance.

Schiff Terhune Inc., New York, handles the Lorillard account; Edward C. Healy, vp, arranged the group life coverage for the tobacco firm. ▪

N.Y. library...

Continued from page 6

Seasonal safety topics are also discussed at the monthly committee meetings and passed on to employes by Mr. Pompilio via newsletters, posters, bulletins and the library house organ, the Staff News.

The summer program includes literature from the National Safety Council ("Join the vacation record club"), Chas. Pfizer and Co. ("First aid for gardeners' hands") and New York City's safety coordination committee, which prepared and distributed safety posters for employe work areas.

Because of the large number of visitors, including housewives, students, researchers, children, the elderly and browsers who just want to enjoy the relaxing atomosphere, the library does not rely on public support to implement the safety philosophy. "It's strictly an internal effort and the public is protected by our precautions," said Mr. Pompilio.

MOST CLAIMS INVOLVE the unavoidable accident, which Mr. Pompilio said the best safety program can't prevent. "If someone leaves a dropped pencil on the floor, causing an elderly person to fall, it probably means a liability claim against the library," he said. "We can only do our best to see that employes are aware of hazards and take steps to remove them."

Consolidated Mutual's statistics show that "falls" accounted for 45% of all library accidents. As a result illumination has been improved, floor surfaces are less slippery and stairways and walkways where hazards were thought to exist have been widened.

How does the safety program affect the library's insurance premiums? Since it started formally in 1956 there has been a sharp drop in premiums, according to library statistics. For example, from a high of some $15,000 in 1955, the premiums dropped to $6,000 in 1962 and have risen only in proportion to increased exposures and inflationary trends.

Basically, the library is covered by a comprehensive general liability policy with limits up to $1,000,000 for bodily injury and $100,000 for property damage.

THE LIABILITY insurance also covers the library's fleet of motor vehicles with a comprehensive automobile policy carrying a limit of $1,000,000 per occurrence and $250,000 per person.

Employes, both public and privately paid, are covered by workmen's compensation insurance which is interwoven with the library's liability insurance.

According to Mr. Pompilio, the library carries more than adequate limits at an economical price, which he said was arranged by J. Raymond Fleming Associates, a brokerage and consulting firm, along with Consolidated Mutual. "The safety program, bolstered by cooperation from the broker and the private and state insurance carriers, has been profitable for all concerned," he said. ▪

23 states O.K. surcharge

Twenty three states, including New Jersey and Michigan, have approved special civil disorder surcharges for fire and extended coverage and multiple line policies, according to the Insurance Information Institute.

French businessmen absorb riot damages

PARIS—Most French businesses didn't have insurance for damages suffered during last month's student riots here, according to the head of Alexander & Alexander's Paris office, but the city is expected to pick up some of the damages.

Businessmen here also probably didn't have coverage for automobiles burned in the Latin Quarter during the commotion, Samuel W. Pray, vp of A&A, told *Business Insurance*.

"French companies were not usually enthusiastic about granting this coverage, complaining they did not have sufficient spread, and in addition, of course, these risks are excluded from the standard policy."

On the other hand, Mr. Pray said, "Most American business firms were covered, and a good many automobiles owned by Americans are likewise fully insured, chiefly through American underwriters or the few companies locally interested in American business."

Industrial risk rates for riot and civil commotion currently vary between 10¢ per $100 of value per year up to 20¢ per $100 per month, depending on the type of risk, according to Mr. Pray.

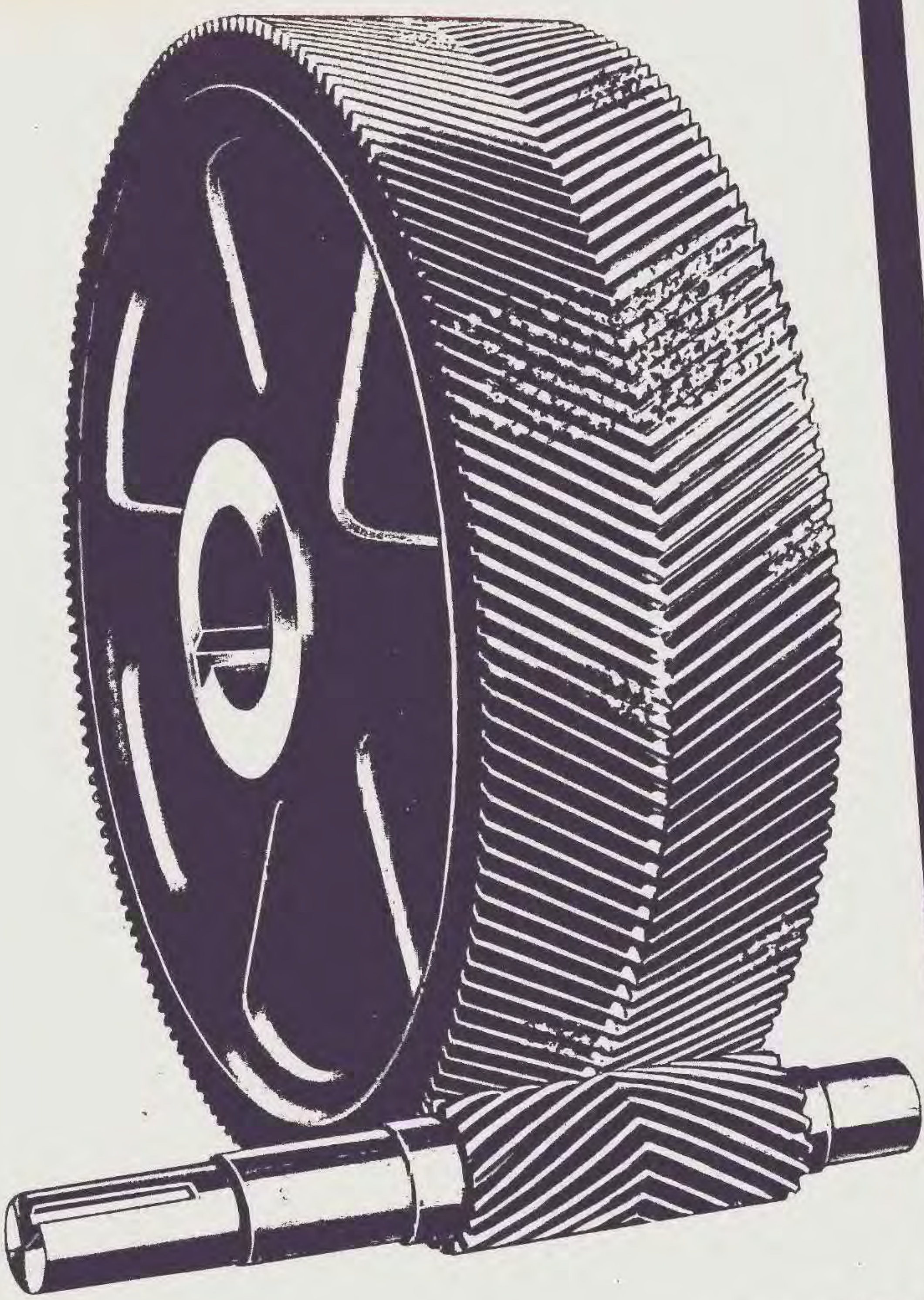
The A&A executive said that the City of Paris will most likely assume some of the damages to the vehicles burned or otherwise destroyed in the riots, but it isn't yet known on what basis or on what percentage or when reimbursements will be made.

The riots among the workers were partly touched off because of a cutback in social security benefits: Last year pharmaceutical payments were reduced from 80% to 75% of the cost of the drugs. "Although this does not represent a substantial amount, it looms large in opinions of the workers," Mr. Pray explained.

Accordingly, the government has agreed to reinstate the 80% reimbursement, although Mr. Pray said he didn't think this gesture "will affect the overall picture much." ▪

Charter flights liable

The U.S. Supreme Court held that terms of the Warsaw Convention on liability apply to charter airplane flights. The court refused to review a lower court ruling that the liability of Air France was held to $8,300 per passenger in a 1962 crash killing 122 passengers.



The Story of The Stripped Gear... and Why the Machinery Ran So Smoothly.

Cryolite is a rare mineral used as a flux in aluminum manufacture. In the process it is gradually absorbed by the carbon liners of the melting pots. Because of its scarcity it must be reclaimed from the liners, which, after 1,000 hours of service, are broken up in huge rod mills.

An aluminum manufacturer for whom we provide boiler and machinery insurance reported on October 18 that the bull gear in his west coast cryolite recovery plant had stripped 12 days earlier. We hadn't been notified, because replacement problems were not expected.

One of our west coast boiler & machinery engineers rushed to the plant . . . and smelled trouble. The bull gear, over 8 feet in diameter, had been made in Philadelphia. All patterns had been destroyed. It could be replaced only from steel stock, which the manufacturer was then collecting.

Our insured had enough cryolite to run his plants to December 4, after which a $150,000-a-day loss would result. His target date for returning the mill to action was December 17—a projected loss of almost $2,000,000—a lot of money, whether to a major insurance company or to a major manufacturer. Zurich-American went into action, from coast to coast, around the clock.

The new bull gear consisted of two 180° segments. Each had an outer ring to which 12″ internal segments were being hand welded by two welders working around the clock.

Our engineers had this procedure changed to a semi-automatic process using a machine equipped with coil-type welding rod for continuous deposit on a 24-hour basis. A second set of jigs was set up, so both segments could be made simultaneously. Zurich-American assumed expediting and overtime costs.

The gear was finished 12 days ahead of the original schedule. Now the rough-machined pieces had to be precision cut. There were three machines in the country capable of cutting a herringbone gear this size. We chose the one in Chicago. Now, once a gear is installed on such a cutting machine, it is impossible to remove it in favor of another job and then return the first gear for completion. The cutting operation is continuous until completed. And the next job scheduled for the machine would take six days.

So our engineers contracted for the profits on the machine until the bull gear would arrive in Chicago 1½ days later, on a special truck with two drivers to assure non-stop delivery. We had a rigging crew standing by to load the gear when cutting was complete. Plus another special truck to O'Hare Field . . . another loading crew waiting at a cargo plane. In a few hours the plane was in Seattle.

On December 1 the rod mill was back in operation, well ahead of deadline. After a few hours, precious cryolite was again being recovered.

Our insured didn't lose a pound of finished product.

What can Zurich-American do for *you?* Ask your Independent Agent or broker.

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AMERICAN GUARANTEE AND LIABILITY INSURANCE COMPANY
ZURICH LIFE INSURANCE COMPANY
ZURICH AMERICAN LIFE INSURANCE COMPANY
111 West Jackson Blvd., Chicago, Illinois 60604, Phone: 922-3124

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