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The legend of the \$1 million legs lives on

HOLLYWOOD—With the July 2 death of actress Betty Grable comes the tragic end of an insurance legend: The girl with the million-dollar legs.

The 20th Century-Fox film studio claimed in the 1940s it insured Miss Grable's famous "gams" for \$1 million with Lloyd's of London. Whether the policy was actually written or whether it was only written in the minds of the studio's publicists remains a mystery.

"I'm 99% sure that no policy ever existed," a 20th Century-Fox spokesman told *Business Insurance*. "In those days, you didn't have to produce the policy when you claimed something was insured. Hell, we would insure anything in print back then. Besides, Lloyd's wouldn't write insurance on legs, and the premiums would be phenomenal."

A CHECK with Lloyd's London office failed to show any record of the policy, but officials there said they recalled the "leg risk" being offered and said they believe it was accepted. No official records are now kept of the policy or its value, they said.

Vincent Haidinger, chairman of Stewart Smith & Haidinger, the Lloyd's representative in Los Angeles, told *Business Insurance* he is "definitely sure" such a policy existed. It was for \$1 million, he said, and carried an annual premium of \$100,000—"a hell of a lot of money in those days."



Wide World photo

Whether the insurance existed or not mattered little to the thousands of GIs who daydreamed their way through WWII with the help of Miss Grable's pin-up pose. More than three million copies of the picture were distributed during the war and, as late as the 1950s, it was printed on targets to help Army recruits learn to hit their mark.

UAW talks hit fringes hard

By TOM WALSH

DETROIT—The main event in this year's collective bargaining schedule begins today with the opening of contract talks between the United Auto Workers union and the nation's automakers.

Fringe benefits ranging from pension improvements to expanded dental care will be the hottest issues in the talks, union sources say, largely because of the inhibiting factors placed on the wage aspect of negotiations by the federal government.

Contracts affecting some 800,000 workers expire at midnight, Sept. 14, and the union's technical specialists have been busy since late March formalizing demands set forth in a special collective bargaining convention here. The collective bargaining program approved then by some 3,000 delegates contains a wide assortment of demands, but the areas of pensions, insurance and health and safety matters will apparently be the most strongly pushed by the union.

In the pension area, the union faces two goals: Eliminating the 56-year age limit for retirement after 30 years service, and readjusting or eliminating language in the present agreement which penalizes early retirees.

EARLY retirees now face a 4% reduction in pension benefits for each year they retire prior to reaching age 62. Although the union has been able to negotiate a supplemental benefit which guarantees early retirees a \$500 benefit, that supplement ends at

age 65 when Social Security takes over. Consequently, the early retiree is then left with a reduced pension supplemented only by Social Security.

THE UNION will seek a reduction or elimination of this penalty clause, and the companies, no doubt, will oppose it as both costly and an incentive for skilled workers to quit their jobs. The auto companies had predicted a massive number of early retirees under the 1970 provisions—penalty or no—a fear which failed to materialize. The automakers might argue that, without a penalty, there is more incentive for more skilled workers to put in fewer years.

And, while the bulk of the autoworkers are asking for elimination of the age 56 early retirement limit, there is also a sizable contingent asking that forge and foundry workers be let off after 25 years on the job with 30 years pension credit. That demand, UAW president Leonard Woodcock has pledged, (*Business Insurance*, April 9) will be pushed in the current talks.

IN-PLANT health and safety matters will also be a hot item, union sources say, hinting the UAW may follow the semi-successful lead of the Oil, Chemical and Atomic Workers (OCAW) union and demand a voice in working conditions. The OCAW was able to negotiate contracts with all the major oil refiners—with the very notable exception of European-controlled Shell Oil Co.—which provided for joint labor-management health and

safety committees and binding arbitration to settle disputes over health and safety matters.

"We have got to have a stronger, much stronger in-plant presence on health and safety matters," Leonard Woodcock told the bargaining convention. "It can no longer be a matter of unilateral management determination. The union must be able to function in

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Spray recall cover told

By MARIE KRAKOWIECKI

HARTFORD, CT.—Although there was no special product recall policy for the market recall of Pertussin Night-Time Medicated Vaporizer, its manufacturer, Chesebrough-Ponds Inc., is covered by a liability policy written by Aetna Life & Casualty here, *Business Insurance* has learned.

An Aetna spokesman, noting the underwriter "has written the liability for Chesebrough-Ponds for years," indicated the policy would incorporate losses sustained by the recall.

The recall is estimated to involve "a few hundred thousand dollars worth" of the vaporizer which has been marketed since 1959 with sales of more than 30 million units. A spokesman for Chesebrough-Ponds said the product is budgeted for annual sales of about \$1.5 million, less than one-half of one percent of total corporate sales.

THE FAMILIAR cold remedy spray, with its picture of a slumbering child on every container, was ordered off the market earlier this month by the Food and Drug Administration when it was linked to the death of a five-year-old girl whose parents sprayed it in her room while she slept.

Seventeen other deaths have also been linked to the Pertussin spray. These, however, have been attributed by the FDA to "either gross misuse or abuse of the vaporizer product." A Chesebrough-Ponds spokesman said in most cases the fatalities were connected with attempts by young people to attain intoxicating highs by spraying Pertussin into plastic bags and sniffing it.

Firestone has no cover for \$3 million ransom

By ROBERT SNYDER

AKRON—The \$3 million ransom payoff to Argentine terrorists in return for Firestone executive John R. Thompson will "come out of the cash drawer," according to a company source. Insurance sources have indicated Firestone was seeking kidnap cover at the time of Mr. Thompson's disappearance, possibly as late as the morning of the snatch.

The Firestone employe, who understandably asked to remain anonymous, surmised the ransom would be paid in local currency, as opposed to equipment, such as Ford paid recently to various Argentine charities.

The source said the company experienced a unique problem during the course of negotiations, that of various terrorist groups "trying to get into the act" by claiming to have kidnapped Mr. Thompson. "You've got to be

careful who you're dealing with," the source said, "or you might pay the freight and the victim stays in captivity—or worse."

"What we're worried about now," the source continued, "is trying to do something about the other nine countries in Latin America where we have operations, or all over the world for that matter."

MR. THOMPSON was managing director of Firestone Tire and Rubber's Buenos Aires subsidiary. He was kidnapped June 18 and his release was announced July 6. He was reportedly in good health.

The Argentine vortex of terrorist kidnappings has drawn towards it a new form of kidnap insurance, a confidential policy covering ransom demands.

A typical policy is said to cover a \$1 million ransom on one executive at the cost of \$40,000 a

year. At least one U.S. multinational corporation is reviewing worldwide kidnap insurance for all its overseas executives, a policy which would spread the risks and lower the premium.

Although many underwriters have examined the possibilities of kidnap insurance, few seem willing to take on such policies. British brokers, however, seem somewhat less reluctant, though even those who do underwrite such policies are slow to admit to it. The market apparently wants to keep this particular insurance in strict confidence.

HAROLD APPLEBY, assistant vp, American International Underwriters, declined to talk about any kidnap insurance arrangement AIU might have for international executives, but commented, "It is a rather confidential sort of insurance. Anyone who insures himself or his em-

ployes would not want to have it known. An employer, I expect, would not want his employe to know that such coverage was taken out. If it is known, then it makes their executives targets."

THE AIU official said each company writing kidnap insurance would probably have a different approach with different exclusions.

"As for the amount of insurance to be taken out, I think that you can read the paper and see the demands that are being made," said Mr. Appleby.

Seaboard Surety Co. does not offer kidnap insurance but has considered it. Art Charett, manager of the miscellaneous surety department, said, "We have considered such insurance for some of our larger national accounts. However, the company position to this date is that such insurance

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Relocated worker pensions given IRS ruling

WASHINGTON—"Do as you like but it may not be deductible" is the position of Internal Revenue Service on pension plans which lose members because of employer relocation, employers who don't extend profit-sharing plans to their seasonal workers, and employers who lend profit-sharing trust money to related companies.

In its latest batch of tax rulings—which do not identify companies by name "to prevent unwarranted invasions of privacy"—IRS says the following about an employer who moved his business 100 miles from its original location and discharged 12 of 15 employees in his pension plan when they chose not to move:

"The term 'termination' (for purposes of the IRS code and deductibility of pension contributions) includes both a partial termination and a complete termination of a plan. In this case, the employees were given the opportunity to move to the employer's new business location. Nevertheless, as a result of this change in business location, a significant percentage of the employees were effectively excluded from participating in the plan. Accordingly, there has been a partial termination of the plan."

An IRS official said this means that for the plan to continue as deductible for the employer he must provide the former employees with pension benefits ac-

rued by them before their termination.

IRS also ruled that profit-sharing contributions don't qualify if plans discriminate in favor of a few high-salaried employees. This decision came out of a request for advice from an employer who limits coverage to five non-union employees and excludes 10 full-time union-member supervisors and 175 seasonal employees.

"A plan intended to qualify

must benefit a classification of employees that is found not to discriminate in favor of employees who are officers, shareholders, supervisors or highly compensated," the IRS ruling said.

On profit-sharing trust funds loaned by the employer to related corporations, IRS said the loaning plan would not qualify as a tax shelter if it "makes unsecured loans of substantially all the trust assets to a corporation substantially all of whose stock is owned by the principal shareholder of

the employer corporation."

In the case on which the ruling was made, the trust loaned most of its assets to a corporation with the same major shareholder. "The loans were unsecured and were continued over a period of several years without any repayments," said IRS. "Under these circumstances, the loans did not provide the safeguards and diversity that a prudent investor would adhere to and were not for the exclusive benefit of the employees."

Layoffs help unions improve benefits

ST. LOUIS—Two locals of the AFL-CIO's Brewery Workers Union have ended a 10-day strike against Anheuser-Busch Inc. here with a contract settlement providing married early retirees with a \$300 monthly pension bonus and full insurance benefits.

Beer Bottlers Local 187 and Lab Technicians Local 262 have agreed to a new three-year contract with the nation's largest brewery after demanding compensation for management's plan to eliminate some 70 jobs through automation. The union assented to the modernizations after the brewery said it would pour a portion of the savings which would result in pension and insurance benefits for some 1,225 union members.

Under terms of the new contract, workers opting for early retirement at age 62 need only 15 years of credited service in the pension plan to retire with a \$300 monthly bonus if they are married and a

\$225 bonus if they are single. These payments will be made in addition to benefits they are eligible for under the basic retirement plan—a pension program which requires only five years credit at age 55 and pays \$12 monthly for each year of credited service up to 35 years. Early retirees, however, will have their basic benefits reduced by 4.2% for each year they are short of age 65, but that reduction is eliminated at age 65 when the early retirement bonus ends.

UNDER THE previous contract, early retirees were eligible for a \$200 bonus if married and \$135 if single.

"With the new contract, the early retirees between age 62 and age 65 will also be covered by full benefits," James Kennedy, a Local 187 officer told *Business Insurance*. "This extension is largely possible because we were able to

win money based on the number of jobs to be lost through automation."

GROUP life insurance coverage will be hiked from its present limit of \$8,500 to \$10,000, \$11,000 and \$12,000 at annual intervals in the three-year pact. Weekly sickness benefits were raised from \$85 to \$100, \$115 and \$125, and major medical limits were increased from the present \$10,000 level to \$25,000 the first and second years of the contract and \$35,000 the final year.

Also under the new contract, paid-up life insurance for 65-year-old retirees was increased from \$2,000 to \$3,000.

The union members—who now make \$5.67 hourly—also won pay increases of \$1.04 spread over the length of the contract.

Lunchtime injury rates work comp

TRENTON—New Jersey's supreme court has ruled injuries sustained by employees while traveling for a meal during a lunch break are compensable under workmen's compensation laws.

The court ruled in favor of a shipper injured in an auto accident while returning from a 30-minute lunch break despite what is known as the "going-and-coming rule," which is sometimes invoked to exclude injuries sustained while traveling to and from work.

"WHILE the plaintiff's active work was interrupted and he left the premises for lunch . . . his time was not really his own and his activities were necessarily curbed by his continuing employment for the day," the court ruling said.

The state of New Jersey had previously denied benefits under the going-and-coming rule. The court, however, had said the rule only applies at the end of a work day.

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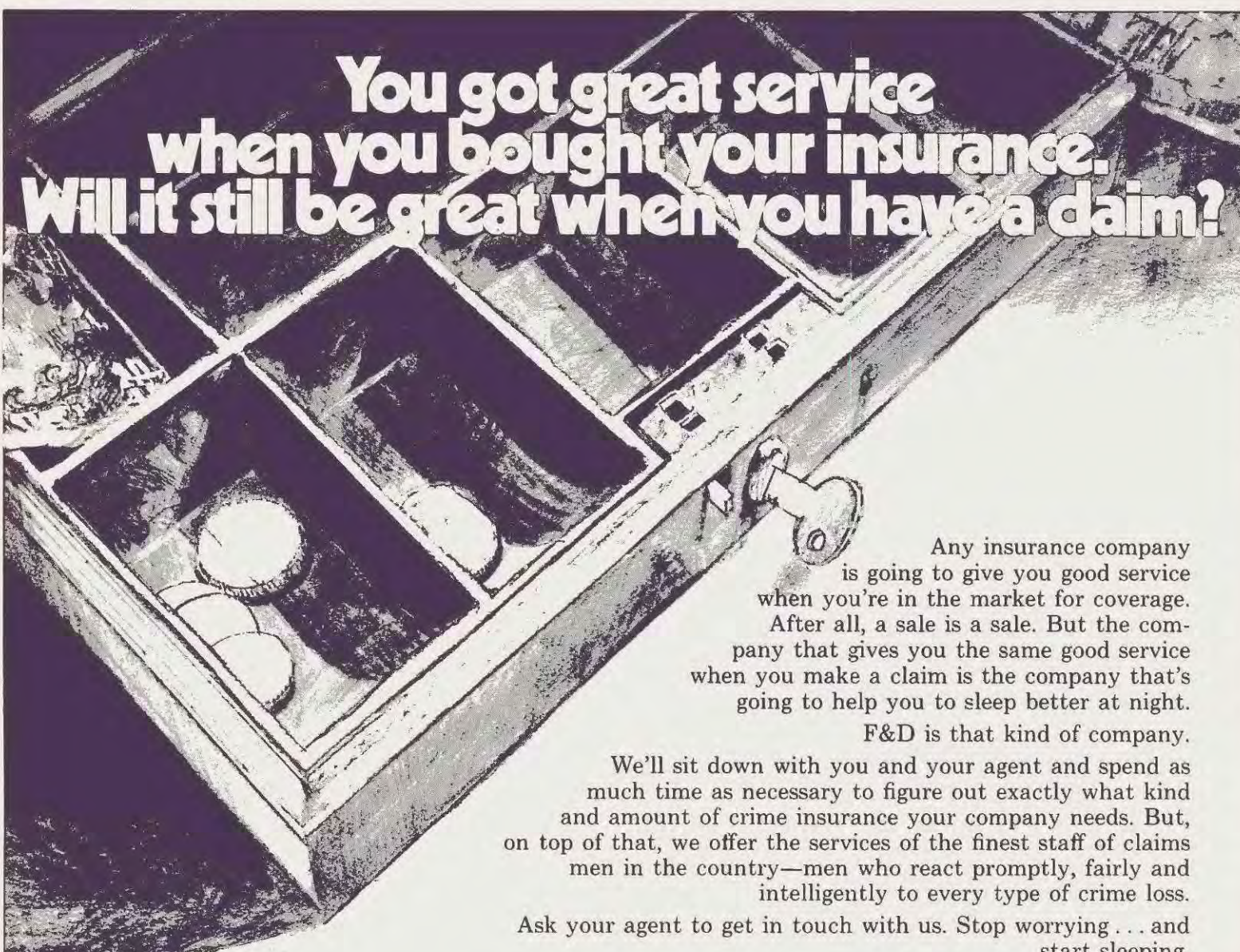
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Benefit, pension suns are rising among Japanese

By PATRICK THOMAS

NEW YORK—The Japanese businessman looked at the sheet of paper with unbelieving eyes, realizing that some extra zeroes had been added when converting standard Japanese life insurance benefits from yen to dollars. Instead of reading \$10,000, it appeared the average Japanese family received \$1 million on the death of a wage earner.

veloping. The controversy revolves around compensation for accidents while commuting.

"The unions are demanding some form of compensation for commuting accidents," he said. "The government is now working out a system in which it will pay benefits, which will be the same as labor accident benefits, that should be law by next October.

"The problem in working out a system like this," he continued,

health insurance association, Mr. Tsuji said, which is governed by a committee comprised of five union representatives and five management representatives, all of whom have equal votes.

He said the benefits provided by most associations were quite comprehensive, covering fees for medicine to hospitalization to long-term disability. The families of employees are included in the benefits, to a lesser degree.

Japanese law states, according to Mr. Tsuji, a minimum of 60% of all medical expenses must be picked up by the health coverage. Sumitomo Rubber pays 100% of the medical expenses incurred by its employees and 70% of family expenses.

TURNING HIS attention to retirement benefits in Japan, Mr. Tsuji noted, "Traditionally, the Japanese worker has been educated that he must make his own way after retirement. Before the war, it was also traditional that younger people supported their parents in their old age.

"But that is decreasing now," he continued. "I think the younger generation would still like to support their parents but there are many problems now."

Like life insurance, retirement benefits are not compulsory in Japan but Mr. Tsuji reported "almost all" companies provided lump-sum retirement benefits, though firms established by American or European capital aren't in favor of them.

The reason for the lump sums (usually twice annual salary for blue collar workers, a bit more for white collar employees) is simple—an 8% inflation rate.

"THERE ARE very few pension plans as you know them in my country," Mr. Tsuji said. "Many companies have tried to implement them but inflation forces the union workers to demand lump-sum payments."

He said Sumitomo was in the negotiating stage with its union on the pension problem at the

moment. The company would like to start a pension plan but he was pessimistic as to whether the union would go along. "However," he added, "pension plans are definitely in the future. I think they will be the rule in Japan within five or six years."

Of all benefits provided to employees in Japan, Mr. Tsuji said bonuses were the greatest burdens on employers. "There are two bonuses given a year," he said, "one in the summer and one at Christmas. The summer bonus equals two months' salary while the Christmas bonus adds up to three months' salary. Which means, I have to pay each worker 17 months worth of salary for 12 months' work. It is a very heavy burden."

"The unions now demand it," he said, "whether the company is profitable or not. All employees are eligible for the bonuses."

At the moment, Mr. Tsuji said, the unions are against profit-sharing plans as practiced in the Western world. "As long as there is inflation, we will not be able to discontinue lump-sum

labor concept instead centers around *kigyo kumiai*, or the company union, Mr. Tsuji said.

Japanese workers receive other benefits, some of them peculiar to the needs of the country. For example, housing is a major problem in Japan because "it is a small country with many, many people." Most large companies provide low interest, long-term loans to their employees for the expressed purpose of paying for needed housing.

IT IS also fairly common, Mr. Tsuji said, for the company to provide dormitory-type housing "for very cheap rents" to employees. An advantage of this form of benefit is that the employee is not taxed for housing.

Sumitomo Rubber's 4,000 employees eat in a company-subsidized canteen, as do most workers at Japanese manufacturing facilities. Instead of going to a bank to deposit savings, they have an account with Sumitomo, which pays interest to the tune of 9%. Some other companies pay as much as 10% interest, Mr.

"Unions are demanding some form of compensation for commuting accidents. . . the same as labor accident benefits."

"I want to die," laughed Akio Tsuji, personnel manager of Sumitomo Rubber Industry Co. Ltd., Tokyo.

He later explained to *Business Insurance* the families of workers killed on the job receive the \$10,000 from the government. Most Japanese companies, including his own, provide a lump sum benefit of \$30,000 to the families, in addition to the government's labor accident insurance payment.

"Providing personal life insurance for employees is not mandatory in Japan," the affable Mr. Tsuji pointed out, with the help of Shuichi Sasaki of the Japan Management Assn. "Therefore, few companies offer it to their employees but they do cover on-the-job accidents. The government insurance is really not enough and the unions demand three times the government amount."

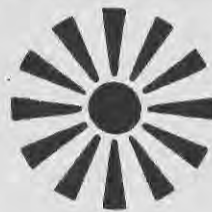
SUMITOMO Rubber, he noted, had lost only one worker to an on-the-job accident in his memory but said a "controversy in labor negotiations" has been de-

"is that you must figure out a way to prove that an accident took place during a commute. It looks like the government is going to set very strict conditions on this. Commutation will be door-to-door with no stops."

Government services retired persons, unemployed persons, freelancers and those who work for small businesses through a national health insurance system, which Mr. Tsuji described as "always showing red."

PERSONS employed by large companies, on the other hand, are covered by health insurance provided by the employer, the majority of which is purchased from insurers. Most Japanese health insurance plans are co-contributory, he explained, with employers and employees each contributing 50% of the payment. However, Sumitomo Rubber pays two-thirds of the premium for its employees' health cover.

The benefits the employees receive would vary according to the health insurance association they belonged to. Each large Japanese company has its own



"Pension plans are definitely in the future. I think they will be the rule in Japan in five or six years."

payments of any kind. Once inflation is controlled, normal profit-sharing plans will come about."

Unionization in the Japanese labor force, it was pointed out, is 100% among the larger companies. Sumitomo Rubber is considered in this category. The amount of unionization among all Japanese workers is 40%.

There are no mass federations of Japanese labor unions, making the omnipresent threat of sympathy strikes as felt in the United States almost nonexistent. The

Tsuji noted.

Sumitomo Rubber, which makes rubber products ranging from tires and tubes to bowling balls, is representative of most Japanese companies, Mr. Tsuji said, in that there was little "discrimination between white collar and blue collar. Each company is a collective."

So when a stock option plan, which are gaining popularity in Japan, is offered to executives it is also offered to blue collar workers.

They're only wax—but the risks are real

By ROBIN SUHRBIER

SAN FRANCISCO—Two thousand pounds of wax doesn't sound like a hard risk to insure.

But until just recently, the San Francisco Wax Museum had 50 separate policies for fire and extended coverage written through 30 different insurers. Then the museum owner, Thomas Fong Sr., hired a new broker who embarked on a program to streamline insurance coverage. The number of insurers has been reduced to 16 and "I hope to reduce that number more," said William C. Maxwell, president, Primary International Corp., San Francisco, whose firm has engineered most of the cover improvements.

Through a portfolio policy underwritten by Fireman's Fund American Insurance Cos., Mr. Maxwell was able to secure for the museum better coverage with a better rate. The portfolio package includes fire and extended coverage, vandalism, theft, general liability, business interruption, sprinkler leakage, crime and employee fidelity.

BESIDES covering the museum, which is located on Fisherman's Wharf, the policy protects the Enchanted World of Old San Francisco, owned by Mr. Fong and located two doors from the museum. Fireman's Fund coverage for fire and extended coverage, vandalism and malicious mischief portion on the physical properties of the museum and Old San Francisco amounts to \$600,000. The remaining \$600,000 is spread among the 15 other insurers.

When Mr. Maxwell took over the pro-

gram in 1964, Mr. Fong was about to turn to Lloyd's of London to get sufficient coverage for his museum. Old San Francisco had not been built yet; it came into the picture two years ago. The realization of Lloyd's premium cost for coverage prompted Mr. Fong to find another alternative: He switched brokers.

THE FIRST thing Mr. Maxwell had to do was to eliminate the museum's rating as an amusement place and to get a better fire rating on the building. Before any changes were made in rates and coverage, he did a complete loss prevention survey of the museum and came up with a list of suggestions for improvements. Mr. Fong had the money and the incentive—better coverage at a better rate—to follow Mr. Maxwell's suggestions.

Changes were made in the roof, walls, wiring, plumbing and foundation. A wooden shack used for storage and located in the rear of the museum was torn down and a concrete bunker, now housing the Chamber of Horrors, was built. To reduce the frequency of theft, the owner installed a complete burglar alarm system wired into a central ADT station. The alarm company uses dogs to search the premises in response to an alarm.

"Everything's bugged—safes, cashiers' cages, and so forth," Mr. Maxwell told *Business Insurance*.

At the same time, Mr. Fong improved protection of the exhibits from vandalism (in one instance, someone smashed Hitler's head). He put in \$14,000 worth of one-quarter inch plate glass around those exhibits

where it was possible. The museum houses more than 200 figurines depicting religious settings, fairyland characters and famous people, in addition to the well-known Chamber of Horrors.

Improvements were made in the sprinkler system to the tune of \$60,000. The sprinklers are tied into the ADT central alarm station and an instant alarm is sent at the moment a sprinkler head goes off or is tampered with.

The entire facility is sprinklered, including the cashier's cage and an old-fashioned walk in front of Mr. Fong's property.

When Mr. Fong built Old San Francisco it too was entirely sprinklered. No smoking is allowed in either attraction. Well-marked fire exits are adequately spaced and managers and custodians are trained in the use of the fire extinguishers under a special company training program.

CLOTHING used in the displays is made either of a fire resistant material or sprayed with fire retardants. Carpeting in the museum has been treated with fireproofing and is constantly cleaned by a maintenance staff. The carpeting is stretched periodically to prevent the public from tripping and falling.

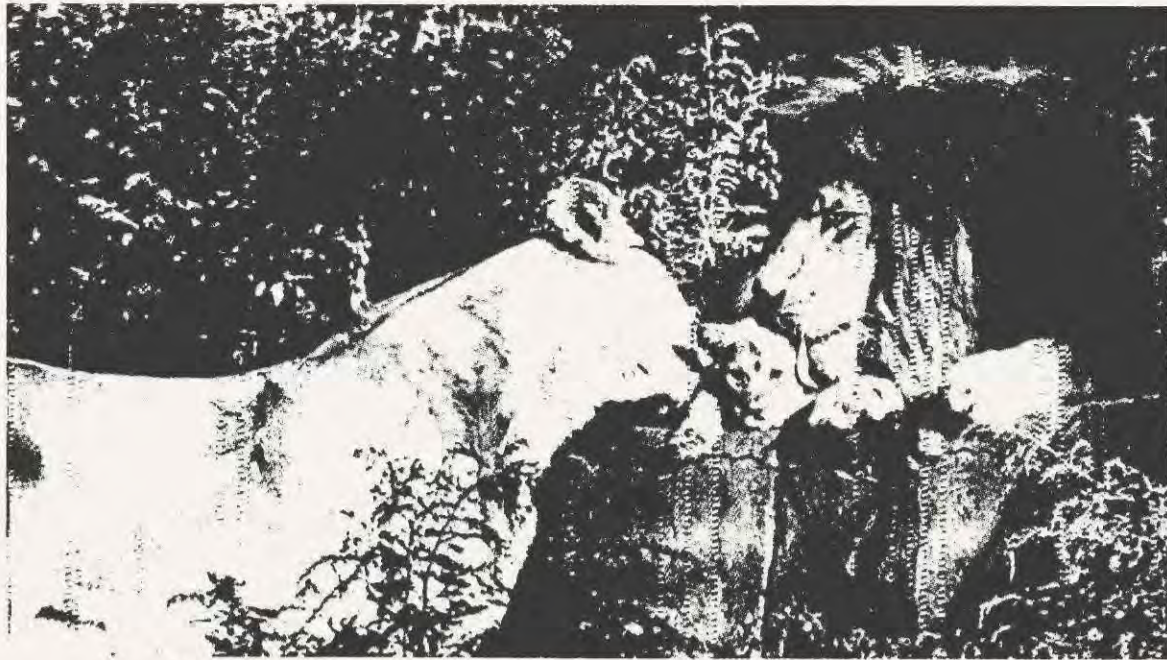
The maintenance staff dusts each exhibit daily for good housekeeping, which, Mr. Maxwell contends, is an integral part of an effective loss prevention program.

Both Mr. Fong's attractions meet the San Francisco fire code 100% and "this is about the toughest code in the country," Mr. Maxwell added.

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Insuring royalty is always difficult, but the hassles are compounded when Her Majesty is a wax look-alike.



The zoo's resident lion family appears unconcerned its well-being is insured.

Zoo sticks neck out with cover on giraffe

By TOM WALSH

BROOKFIELD, IL.—The 650 assorted creatures that inhabit the 200-acre Chicago Zoological Society Park here annually attract more than two million visitors, but the zoo officials only insure the park's flying giraffe.

It's not a giraffe, exactly, but an okapi—a relative of the giraffe that's striped like a zebra. And its flying isn't done with wings; it travels by jet.

"The okapi is on loan from the Cheyenne Mountain Zoo in Colorado Springs, and, when we shipped it, we worked out a special insurance deal where they paid part of the premium and we paid another part," explained

Charles C. Christensen, associate director of administration.

"Occasionally, when we are transporting a rare species, we will secure an animal mortality type of policy," Raymond C. Soderstrom, the zoo's comptroller added. "It's the kind of policy that insures the animal for a 30-day period or less."

"We're really no different than any other business," Mr. Christensen told *Business Insurance*. "We might be if we insured the animals we have here, but we don't. It's too expensive."

The two officials jointly serve in what is normally the very part-time capacity of risk manager for the suburban Chicago zoo. Lately, though, the zoo's insurance needs have taken up a larger portion of their time.

Previously protected by some 21 different policies, the zoo's risks are now being consolidated under one policy written by the CNA Insurance Cos.

corporate profile

"It's a rather extensive reorganization," Mr. Christensen said. "Our broker at Marsh & McLennan is now in the process of cancelling out old policies and plugging in the new one."

Both CNA, the zoo's former casualty carrier, and the Travelers Insurance Cos. submitted bids for the package in May for protection in five areas: Real and personal property, a property floater for the zoo's miniature steam train equipment, a camera equipment floater, one-family residence and boiler and machinery. The zoo had been paying premiums of \$20,624 annually for coverage in these areas, but, under the CNA proposal, the same protections will now be afforded for \$14,039. Travelers offered the same coverage for \$15,816.

The Brookfield zoo also has obtained an open-stock burglary policy from CNA which carries with it a coinsurance requirement of 80%, a coinsurance limit of \$25,000 and a \$1,000 deductible. The annual premium for the insurance is \$1,345. CNA also writes the zoo's general liability and auto coverages.

THE ZOO last year also purchased a \$5 million excess umbrella from Continental Casualty. The excess coverage carries with it a \$25,000 deductible and a \$2,460. Continental Casualty also writes the zoo's workmen's compensation coverage.

"Neither one of us is an insurance expert," Mr. Christensen said of his risk management duties. "If we get a new policy, or if there are major changes to be made, we'll talk to the director and he'll bring the matter to the attention of the executive committee. If it's simply a rate increase, what can we do but go along with it?"

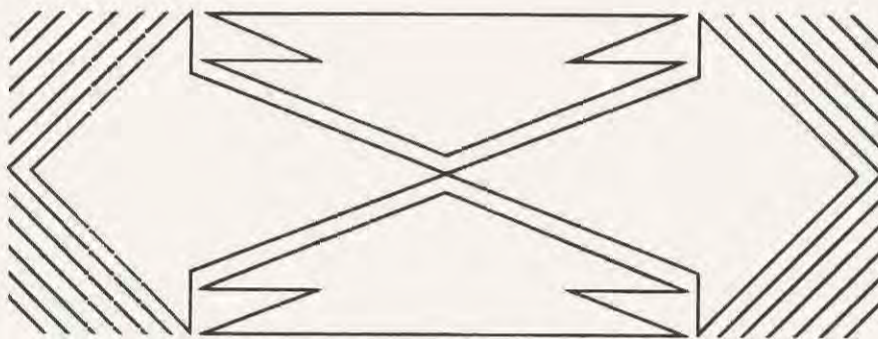
"As I see it, we're here to make sure that any changes are covered," he said. "And, when changes are being made, we make recommendations."

The part-time aspects of the job can lead to oversights that a full-time risk man might catch, the two men noted.

"When the tank at the Seven Seas Panorama needed relining, we sent our porpoises to Florida,"

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The irony of it is that casualty and liability insurance (the kinds you wouldn't be caught dead without) protect against things that *may* happen. Life insurance protects against what *must* happen. And

when it does, key-man insurance provides you with tax-free money to find and hire a qualified replacement. And to compensate you if you suffer a loss of business in the meantime.

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Wausau, Wisconsin



Zoo mishaps few except for manure pile fires

Continued from page 4
 Mr. Christensen said. "We took out a form of travel insurance to protect the animals during the flight, and we hired a plane, but we didn't know we also needed to insure the whole flight—the plane and the liability. When we arrived, we found out that, had the aircraft crashed into a house, it would have been our problem. We didn't know. On the way back, we chartered a plane so the insurance was included."



"The accidents we do have are minor, goofy things . . . Our workmen do a variety of jobs; they'll be in a tree one day and a hole the next. Especially since OSHA, we've become more safety-conscious."

The loss prevention and safety engineering aspects of the job are handled both by CNA representatives and Marsh & McLennan personnel, he said. The zoo also participates in a safety committee made up of management personnel and Teamster-member employees.

actively few," Mr. Christensen said. "The last time CNA inspected us, I think we didn't have an extension cord grounded and some little old man was lifting more than he should have been. The accidents we do have are minor, goofy things. Especially since OSHA, we've become more safety-conscious. Also, our workmen do a variety of jobs; they'll

be in a tree one day and in a hole the next. The CNA man who comes out is very good with suggestions—things like goggles, hard hats, shields and all that."

The zoo has no internal fire department, and Mr. Christensen feels such fire equipment could be a hindrance.

"OUR BIGGEST occurrence of fire is in the manure pile," he said. "There's a lot of straw in it, and often it will ignite through spontaneous combustion. We were thinking of getting a firetruck when we heard that somebody had one they wanted to get rid of. When we told the fire departments in the towns around the zoo of our plans, they said 'Fine,' but they told us to make sure we didn't get in their way if we had a fire."

"And," Mr. Soderstrom said, "unless you have an extensive training program for the people who will operate the fire equipment, your rates will be hiked."

None of the zoo's nearly 50 buildings has suffered any sizable fire damage, both risk men agreed.

"Somebody lit a fire under our railroad trestle right after it was constructed, but there wasn't enough damage to get the insurance company involved," Mr. Soderstrom said. "We also had a transformer burn up in the ape house, but the biggest problem there was simply removing the smoke and doing what we could to see the animals weren't panicked."

The miniature railroad system has not been an insurance problem, the two men said, except for a visitor occasionally being struck by a crossing gate or walking into a semaphore.

"One day the engine squirted oil all over two mothers and

their kids," Mr. Christensen said. "They just happened to be at the wrong place at the right time and came in here covered with little black spots. They sent us the bill for the cleaning."

The zoo's biggest liability problems, the risk men said, are persons claiming to have injured themselves while at the zoo.

"Often we'll get a call from a lawyer saying a client hurt himself and the zoo is being sued," Mr. Soderstrom said. "The problem is these people don't report it while they're here. We just get a call sometimes three months later."



"There are a small number of problems with public liability at any place handling as many people as we do," Mr. Christensen said. "But sometimes you wonder what percentage of the claims are actually from persons who were hurt here."

ALTHOUGH MANAGED by the Chicago Zoological Society, the zoo's land is owned by the Forest Preserve District of Cook County.

"In some legal situations like this, we also name the forest preserve district so that the suit can be spread over both parties," Mr. Christensen said.

Employe benefits for the zoo's 185 full-time employees are handled through the personnel depart-

ment, and all—with the exception of long-term disability insurance written by Mutual of Omaha—are provided by Travelers.

Employees are eligible for non-contributory life insurance (\$4,000), accidental death and dismemberment coverage (\$4,000) and a health insurance package which covers unlimited expenses incurred in 120 days of hospital care and includes a major medical program with a \$10,000 limit and a \$100 deductible. The zoo also pays for dental and vision insurance for all employees and their dependents.

SUPPLEMENTAL life and accidental death and dismemberment benefits can be purchased by the employees on a contributory basis at a cost of about \$1.20 per \$1,000 of insurance.

The Chicago Zoological Society also offers employees age 40 and older the opportunity to participate in a "Retirement Income Plan" administered by the Continental Assurance Co. During

"One day the engine squirted oil all over two mothers and their kids. They sent us the bill . . ."

each year of participation, employees contribute 2½% of the first \$6,600 earned, plus 3% of earnings above that level. The zoo, on the other hand, contributes "more than twice the amount of employee contributions."

Employees who participate in the pension program are also eligible for a \$2,000 death benefit paid by the zoo. Pension plan participants can also choose to take advantage of a tax deferred annuity plan which sets aside a percentage of salary for future delivery in the form of an annuity. ■

Jobless pay bill miffs management

MADISON, WI.—An unemployment compensation bill which breaks 40 years of tradition was presented to the Wisconsin assembly labor committee for consideration.

Ever since Wisconsin adopted the nation's first unemployment compensation law in 1932, and implemented it two years later, jobless pay bills have been the result of a negotiated package between labor and management.

THE LATEST bill, however, contains a provision which would eliminate the one-week waiting period before jobless compensation begins. The clause was written into the bill after representatives of labor and management, making up an advisory council, had reached tentative agreement.

State officials estimated the bill would increase the unemployment program's cost \$18.3 million in fiscal 1974.

The bill would increase maximum benefits from the present 60% of the statewide average wage to 66.6%, shorten the number of weeks a person must work to be eligible from the present 18 to 17, expand coverage to certain part-time employees and extend benefits to workers idled by other workers' strikes. ■

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Work comp cost hiked in Canada

MONTREAL—Inflationary impetus and a rise in provincial payout bases have spiraled the cost of workmen's compensation for Canadian employers this year.

In 1972, the 10 provincial compensation boards paid out \$362 million to injured workmen and their families, a 21% increase over the \$300 million spent in 1969. This year, Canadian employers are expected to contrib-

ute \$390 million to compensation boards across the country. This cost rise is slightly above the 6% rate at which the consumer price index has been climbing over the same period. However, this year's additional expense will be spread over an expanded work force, so the average cost per employe is not expected to rise.

This year's compensation costs are generated by three sources: a larger number of workers, more generous medical and pension benefits and a higher maximum wage some provinces have begun.

On July 1, Ontario implemented the most significant improvements in Canadian compensation. Workmen's compensation is 58-years-old in Ontario and the employer, for his contribution, is

exempt from any suits by his employe over on-site injuries. A permanently disabled employe on the other hand, is guaranteed a tax-free 75% of his salary if disabled on the job. Starting July 1, Ontario's maximum wage will rise from \$9,000 to \$10,000. Rather than \$175, a widow's monthly pension will become \$250 and the minimum pension for permanent total disability will rise to \$350 a month from \$175.

Other provinces have either planned or initiated similar improvements. Last year, British Columbia raised its earnings ceiling to \$8,600 from \$7,600. The minimum wage in Alberta increased from a \$6,600 ceiling to a \$8,400 ceiling.

info for buyers

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

- The Atlantic Companies have produced a companion booklet to a previous publication, Meeting Occupational Safety & Health Act Regulations. The new booklet, entitled **Meeting Occupational Safety & Health—Revised Record Keeping Requirements**, covers accident, illness and other records that OSHA requires an employer to keep. A summary and updated corrected copy of the OSHA record keeping law and actual examples of completed required records, are parts of this free booklet. For a copy contact J. Robert Adams, Secretary—Engineering, The Atlantic Companies, Atlantic Building, 45 Wall St., New York, N.Y. 10005.

- A brochure from Cardkey Systems analyzes five different levels of security in terms of the types of access controls best suited for each level. Access controls covered range from the simplest mechanical type to sophisticated electronic multiple access control systems. For a free copy of the brochure contact Cardkey Systems, 20339 Nordhoff St., Chatsworth, Ca. 91311.

- American International Life Assurance Co. of New York is offering **Third Country Nationals**, a brochure discussing the insurance situation for TCN employes. It is available free by writing Ron Ewing, American International Life, 102 Maiden Lane, New York, N.Y. 10005.

- The Travelers Insurance Co. has made available to *Business Insurance* readers an illustrated brochure, **Survivors' Income**. The brochure describes the company's new group insurance plan available to groups of twenty-five or more eligible employes. Copies may be obtained by writing Group Sales Promotion (7MS), The Travelers Insurance Co., One Tower Sq., Hartford, Ct. 06115.

- **Serving the Marine Industry Worldwide**, an illustrated brochure from Alexander & Alexander describes the company's service capabilities in the area of marine insurance. For a free copy write R. Scott Taylor, A&A, 1185 Ave. of the Americas, New York, N.Y. 10036.

- **How to Provide a Better Health Program for Employees at Low Cost** has been published for management officials concerned with employe health, on-the-job-performance, health insurance plans, and pension and welfare fund administration. The booklet is a non-technical explanation of the automated multiphasic health testing procedure. For a free copy write International Compumedics Corp., 14 Washington Rd., Princeton Junction, N.J. 08550.

- Security Services Inc. has issued a booklet called **Total Security—12 Tests**. It describes the security available from a private contractor and defines the terms used by Security Services. For a free copy write Allen Silvarman, Exec. V. Pres., Security Services Inc., P.O. Box 123, Southfield, Mi. 48075.

- Valuation Counselors Inc. has made available **Services to Meet Key Property Insurance Policy Obligations**, a checklist of policy obligations for risk managers including a description of the company's services. For a free copy write J. F. Brierly, Valuation Counselors Inc., 2030 W. Monroe St., Chicago, Il. 60606.

- Corroon & Black-Alexander & Co. has published an "exclusive letter" intended to summarize all the major facets of Automated Multiphasic Health Testing. The letter, called **Notes... for the Decision Maker**, may be obtained by writing Robert Wareham, Corroon & Black-Alexander & Co., 135 S. LaSalle St., Chicago, Il. 60603.

- **PADS Portfolio** is a package explaining the various segments of the Preferred Account Development System, a marketing program developed by Commercial Union Companies. The portfolio includes specific programs for groups such as plumbing and electrical contractors, sheet metal workers and residential builders. For a free copy write Mr. A. R. Eovine, Commercial Union Companies, 110 Milk St., Boston, Ma. 02107.

- Bankers Security Life Insurance Society has prepared **Major Decisions Management Must Face Sooner Or Later**. The booklet discusses whether a company should have a sick-pay plan, and if so, the type it might choose. For a free copy contact Von E. Wright, Bankers Security Life, 1701 Pennsylvania Ave. N.W., Washington, D.C. 20006.

- **Micro-History of Compensation and Benefits**, a brochure available from Hewitt Associates, briefly lists the history of benefits, compensation, and related events in the United States from 1794 to 1972. For free copies write Al Schlachtmeyer, Hewitt Assoc., 102 Wilmot Rd., Deerfield, Il. 60015.

- **It Doesn't Have to be Complicated** is a brochure which explains Prudential's approach to survivors' benefits. For a free copy, write Director of Group Insurance, Prudential Insurance Co., 3rd Floor, Prudential Plaza, Newark, N.J. 07101.

- A packet of risk management articles prepared by Risk Planning Group, includes information on risk management consulting, captive insurance companies, motivation for loss prevention and a risk management "score sheet." Copies are available without charge by writing Risk Planning Group, 24 Old King's Highway South, Darien, Ct. 06820.

- **What Swiss Life Can Do For You** is a short description of the service Swiss Life offers to multinational corporations. The description concentrates on pension plans which are provided by the company. For a free copy write the International Dept., Swiss Life Insurance and Pension Co., General Guisan Quai 40, 8022 Zurich, Switzerland.

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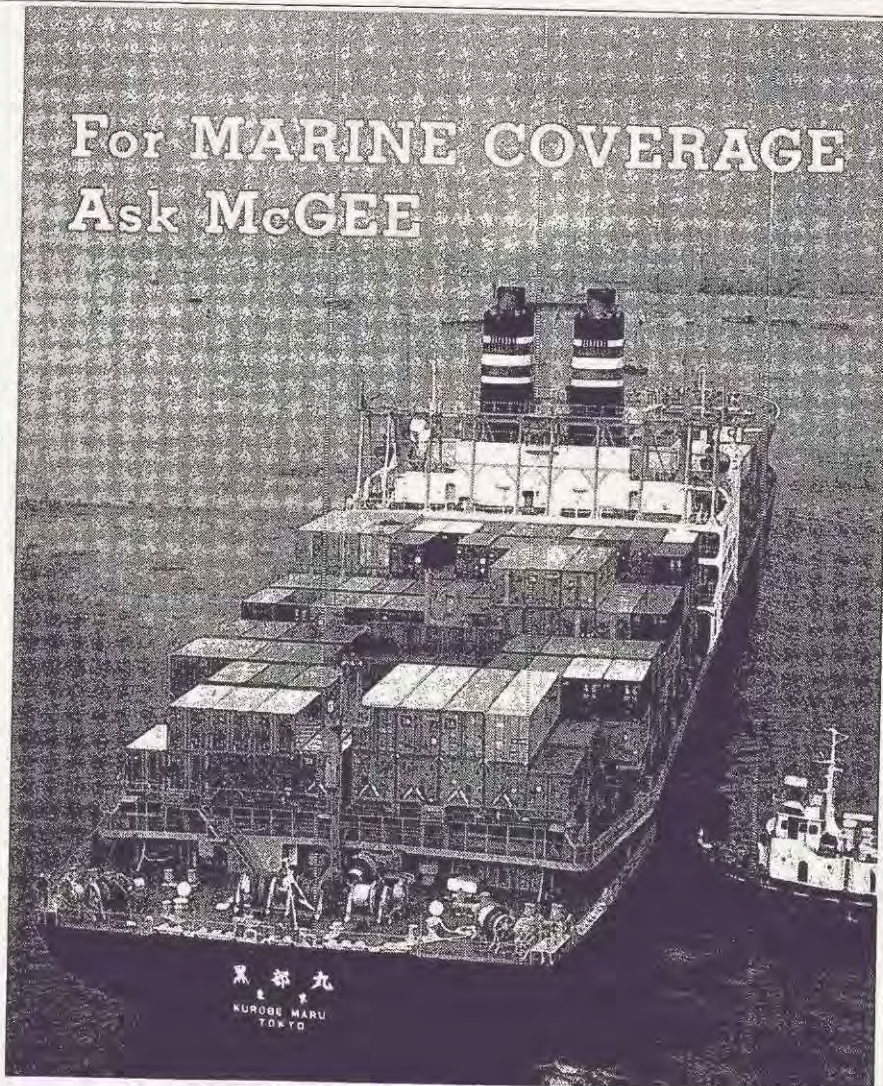
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• Marsh & McLennan has issued **Claims Guide for Goods and Merchandise**. The brochure is intended to serve as a guide in the handling of losses and damage to property while in transit. Copies are available without charge by writing to S. Hobart Lockett, Marine Claims Dept., Marsh & McLennan Inc., 1221 Avenue of the Americas, New York, N.Y. 10020.

• Got a noise problem? I said . . . Got a noise problem? The DuPont Co. is offering a booklet called **Du Pont Noise Management Services**, which describes the company's service designed to engineer away industrial noise. For a free copy, write J. Blake Partain, Du Pont Co., Wilmington, De. 19898.

• Executive & Employee Benefit Plans Inc. has published **LTD—Pure Insurance or Insurance Extravagance?** The brochure deals with the potential advantages to a major company by self insuring long term disability benefits through the use of a 501 (C) (9) Trust. The brochure is available without charge by writing to E&E Benefit Plans, P.O. Box 4626, Columbus, Oh. 43212.

• The Insurance Buyers' Council Inc. has prepared a booklet concerning a corporate medical reimbursement benefit that is for the exclusive use of executives and key employees. The booklet outlines the advantages of the benefit, the steps to be taken for its implementation, and a prototype plan document. Copies are available at \$3.00 each from Insurance Buyers' Council Inc., 22 West Rd., Baltimore, Md. 21204.

• **Chubb/Computer Services Actuarial Report** describes the state and countrywide reports generated which are available to companies using the C/CS automobile actuarial report system. To obtain your copy without charge write Product Manager, Chubb/Computer Services, 51 JFK Pkwy., Short Hills, N.J. 07078.

• **SEC Liability Insurance**, a booklet prepared by Stewart, Smith Mid America Inc., discusses the possibility of inadvertent violations of SEC regulations and insurance coverage for resultant legal actions. The brochure may be obtained without charge by writing Stewart Smith Mid America Inc., 141 W. Jackson Blvd., Chicago, Il. 60604.

• **Protection For the Social Service Agency**, available from American Home Assurance Co. discusses an insurance program specifically designed to cover social service agencies and their professional staffs. The booklet contains a brief outline of the policy coverages, terms and conditions. For a copy contact Richard Impert, American Professional Agency, 116 John St., New York, N.Y. 10038.

• **Was It Arson**, a booklet prepared by the General Adjustment Bureau, discusses the detection of arson. It outlines the establishment of motive, the techniques of examining a fire scene, and methods of documenting and preserving evidence. It is available free by writing Management Service, GAB, 123 William Street, N.Y., N.Y. 10038.

• **Super Major Medical**, a brochure available from Northwestern National, describes the company's new group major medical plan. For copies contact Joseph Marcille, NN Insurance Co., 731 W. Jackson St., Milwaukee, Wi. 53202.

• Information concerning a **Turn-key and/or Build & Design Error & Omission** policy has been made available by Illinois R. B. Jones Inc. The policy covers a contractor for hired architects or engineers error or omission, has been endorsed by Associated General Contractors and underwritten by Lloyd's. For your free copy write Mr. Richard Oldani, Illinois R. B. Jones Inc., 175 W. Jackson Blvd., Chicago, Il. 60604.

• Marine Office-Appleton & Cox Corp. has published a booklet titled, **"Let's Stop Exporting Our Marine Insurance Premiums."** It's an interview with John B. Ricker, chairman of MOAC, in which he urges American businessmen to help stop the flow of dollars to Europe by buying marine insurance through U.S. companies. For a free copy write A.E. Smith, Marine Office-Appleton & Cox Corp., 80 Maiden Lane, New York, N.Y. 10038.

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Money purchasing puts lead in printer pensions

NEW YORK—"Since the value of a share will vary daily according to the market value of the underlying securities, held in the mutual fund portfolio, participants should be prepared to see the dollar value of their account decrease as well as increase from time to time."

This warning, in a communique to employees covered by the Lowell, Ma., International Typographical Union local No. 310 is no caution against an employe dabbling in a shaky stock market, but part of a new approach to pension plans.

THE pension plan in question for the 4,000-member local has been converted from the traditional fixed benefit plan to a money-purchase plan which will provide benefits based on the

rate of return from investments made with the fund's revenues.

"A participant in this new plan will be doing a hell of a lot better than the typical pensioner who gets a set amount of say, \$200 a month," asserted August Mezzetta of the New York consultants Josephthal & Co., designers of the plan.

MR. MEZZETTA explained, for example, if a participant has 100 shares in his account and the net asset value is \$7.50 per share, then the participant's account is worth \$750.00 rather than the usual smaller benefit most pensioners are accustomed to.

Under the new money purchase pension plan, the employer makes a fixed contribution for each union employe, based on 3.5% of weekly wages. Voluntary

employe contributions are optional and may be made on a payroll-deductible basis in amounts up to 10% of basic weekly wages.

All contributions are payable monthly to the trustees of the account, who keep separate records for each participant and invest and reinvest the monies in shares of mutual funds. Contributions cease at age 65, death, or termination of employment by the company or termination of membership in the local.

The money manager for the pension fund is Keystone Investment Management Co., Boston. According to Mr. Mezzetta, the funds for the union members covered under the plan total about \$2.5 million. (Besides the 4,000 ITV members who work for the printing company, Courier

Corp., in Lowell, a number of smaller unions whose members also are employed by the Courier Corp. in Lowell and in New Haven, Ct., are covered by the plan).

NORMAL retirement comes at age 65 under the money purchase pension plan, but early retirement is available for any participant who has completed 10 years of employment and is 55 or older. An early retiree is entitled to elect the same settlement options as employees who choose normal retirement.

Retirement benefits under the plan will be paid in accordance with four optional plans from which the participant must select in writing prior to retirement. Under the first option, the shares in the participant's account will

be sold and the proceeds paid to an insurance company as premium to purchase a fixed annuity payment.

If the participant elects the second option, he will receive payment from his account in the trust fund in monthly installments over a fixed number of years, as specified by him, with the amount of such payments being adjusted each year to reflect the investment experience of the trust fund.

THERE is a level withdrawal payment plan for the third option under which the participant will receive equal payments of a dollar amount selected by him at retirement payable monthly or quarterly until his account is exhausted. The balance at any given time will continue to reflect the investment experience of the participant's shares in his account.

For the fourth option the member may, with the consent of the trustees, take a lump sum distribution in cash of the proceeds of the shares or have the shares themselves transferred to his name.

ACCORDING to Mr. Mezzetta, the vesting provisions of the new plan are liberal, in accordance with recent proposals made by Ralph Nader and Senator Jacob Javits (R-N.Y.). The plan provides for full vesting after the participant has completed two or more years of service with the company. The amount to which a terminated participant is entitled may, with the consent of the trustees, remain in the fund to grow until the normal or early retirement date is reached, or the trustees may, at their discretion, pay him in one lump sum at the time of his termination of employment or anytime afterward.

Death benefits under the pension plan are to be made in cash lump sums or in shares equal to the total value of the deceased's account, while payments for total disability made be made under any of the options for retirees.

"Essentially, if this plan catches on with the other unions, the competitive edge will increase for money managers," said Mr. Mezzetta, noting his company would begin marketing it soon to various unions, including longshoremen's groups.



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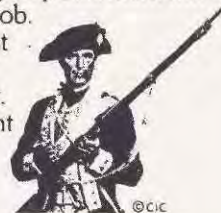
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Bridge cited as monument to job safety

PHILADELPHIA—The newly-completed Chesapeake Bay Bridge has been praised by the Occupational Safety and Health Administration as a "monument to occupational safety."

Speaking at the dedication ceremonies for the \$21 million twin span structure, David Rhone, OSHA's assistant regional director in Philadelphia, praised the State of Maryland, the bridge's contractors and the workers who built the bridge for completing the project "without the loss of even a single life and with no rash of serious injuries."

"What they accomplished is clear and compelling evidence that fatalities need not occur and employes can be protected from on-the-job hazards through the combined efforts of concerned people," Mr. Rhone said.

OK for pre-paid legal holding smooth course

WASHINGTON—Pre-paid legal service, facing only one possible stumbling block, is heading rapidly toward approval as a fringe benefit while stickier pension reform and federal no-fault auto insurance proposals continue to creep toward critical floor and committee votes.

Senate sources said House-Senate conferees are expected to iron out differences between their re-

spective group legal amendments before July 31. Bills allowing group legal services as a negotiable, jointly-administered fringe benefit were passed late last month and differ only in that the House measure prohibits "closed panel" programs in which a limited number of lawyers handle participants' legal problems at specified fee levels. Originators of the House bill do not favor the restriction and Senate members of the conference committee are expected to urge that it be dropped.

A SENATE finance committee official said the Williams-Javits pension reform bill is being given a final examination by the committee in executive sessions. He

said this may result in the finance committee reporting out a limited pension bill of its own, which could result in a floor fight when the Senate labor committee-backed Williams-Javits measure comes up for a Senate vote.

The Hart-Magnuson federal no-fault bill may be approved for Senate action by the Senate commerce committee before Congress takes its August recess, but sources said this depends on how hard Sen. Warren Magnuson (D.-Wash.), co-sponsor and committee chairman, decides to push the once-defeated measure when he returns from a trip to China July 16.

Although backers of the bill had thought the departure of presidential aides H. R. Haldeman and John Erlichman might open the way for White House support for a federal no-fault law, no change in the administration's state-by-state position has yet been indicated. ■

Reinsurance firm latest Prudential subsidiary

NEWARK, N.J.—The Prudential Insurance Co., serving notice to the insurance world it wishes to become a major power in the reinsurance field, has formed a new subsidiary, the Prudential Reinsurance Co.

The subsidiary, according to one of its officers, will be of aid to corporate insurance buyers in a number of ways.

"With \$75 million in capital and surplus, we'll be able to write a substantial line," LeRoy J. Simon, senior vp of the new unit, told *Business Insurance*. "We will be a good-sized, stable market."

"We are a new company so we won't be tied to tradition," he continued. "We already have

many experienced people on board who will be able to analyze things in the traditional way but who can also supply fresh ideas and new approaches."

CAPTIVE insurance companies, Mr. Simon indicated, would find a happy partner in Prudential Reinsurance. "We have no negative feelings about captives," he noted. "Quite the contrary."

The new company, which assumed the reinsurance business of Prudential Property & Casualty, began in the top 10 reinsurers with its \$75 million in initial capital and surplus. "But we have a long way to go in terms of premium volume, of course," Mr. Simon said. ■

ASIM-AMA seminar hits energy crisis

NEW YORK—An agreement between the American Society of Insurance Management and the American Management Assn. to lend one another support in the area of risk management education (*Business Insurance*, Nov. 20, 1972) will take a giant step this fall when the two societies sponsor their first joint meeting.

Entitled the "Energy Dilemma," the AMA-ASIM meet is scheduled for Sept. 17-18 at the Americana hotel here. It is designed to fill in corporations and their risk managers on how to approach the specialized problems posed by today's fuel and energy shortages.

"The energy crisis is an example of the type of thing risk managers may be faced with in future," he said. "There really is no precedent for how they should respond, but it is the type of thing they really should become familiar with, to be in a position to cope with as well as they can."

HE NOTED the meeting will be slanted toward small corporations as well as large ones, and should provide enough background to indicate which industries will be hardest hit by energy shortages.

John T. Abbadessa of the Atomic Energy Commission will give the keynote address. George Hanley, senior vp and director of Marsh & McLennan, Inc., will speak on the insurance aspects of the energy shortages.

Other concerns represented with speakers at the joint meeting will include International Business Machines Corp., TRW Inc., International Telephone & Telegraph Corp., the U.S. Department of the Interior, Consolidated Edison Co. and DuPont.

"The meeting jointly sponsored by ASIM and the AMA will be sort of a landmark," said an AMA source who noted it would "have a lot to do with contingency planning for production operations, so a corporation could maintain its profitability if a crisis strikes."

Co-chairmen of the meeting will be Jack Armstrong, vp Insurance Co. of North America and William Gibbons, director of risk management for the state of Illinois. Anyone wishing additional information should contact the American Management Assn., 135 West 50th St., New York, N.Y. ■

Sprinkler veto revived

The Massachusetts house of representatives has voted (205-9) to override Gov. Francis W. Sargent's veto of a bill requiring sprinklers in high-rise buildings for fire protection. In vetoing the measure, Gov. Sargent said that he favored, instead, "comprehensive" regulations proposed by the state building code commission, which would make sprinkler systems one of several options.

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Consultants rehabilitate people, recover assets

NEW YORK—"Risk and financial men at corporations, realizing that the bottom line must be black, have been looking at before-the-loss techniques and the minimization of loss for quite awhile," Seymour Page Jr. was saying over dinner not long ago. "But lately the light's been going on at after-the-loss costs, which go directly to the bottom line."

Mr. Page, as president of an old (1927) Insurance Co. of North America subsidiary with a new name, Recovery Services International, has found himself in quite a bit of demand of late. His company, which has just been allied with another INA subsidiary, International Rehabilitation Associates, specializes in handling those after-the-loss problems.

Recovery Services International,

formerly known as General Traffic Services, is, according to its chief, the only firm of its kind in the country.

"We've put together a total recovery concept," he told *Business Insurance*. "Both RSI and IRA are in the recovery business. We can now recover both the human and physical assets of a corporation. There is no other vehicle like this."

HE ADDED the markets for both companies were very similar, consisting mainly of small to medium-sized insurance companies and large, multi-national commercial enterprises which self-insure.

"The fact that we are a subsidiary of INA might scare some people off, but it shouldn't," said

George Welch, president of International Rehabilitation Associates. "We are an independent, professional house. We are owned by an insurance company but we are a third party and there is value in involving a third party."

RSI offers salvage and subrogation services and expects to expand into other after-the-loss areas in the future. IRA offers the rehabilitation expertise but, according to Mr. Page, "A client does not have to purchase the package. He can pick and choose."

The cost for the company's subrogation service ranges between 15% and 20% of gross recovery, Mr. Page pointed out. "We have a commonality of interest with the client. We want to recover

and we want to manage the function because we specialize," he said.

SALVAGE costs range between 10% and 15% "when sales are involved" and there is a daily fee for other salvage aspects.

"Rehabilitation is always called expensive," Mr. Welch said of his specialty, "but it really isn't. We charge \$30 an hour plus expenses. That could look expensive on a single case basis but overall, it isn't."

He explained IRA would conduct a file review before accepting any business. "What we'll do," he said, "is go over the records and frankly say, 'We can help on those eight cases but not on those 16. There is no potential in them.' That prevents adverse

selection."

"We are really not doing anything new," Mr. Page commented. "There are people in the subrogation business. There are people in the salvage business. There are people in the rehabilitation business. But in many cases, money was lost because these things were step children. They were part of the claims function and the claims man can't be all things to all people."

"FOR TOO long the insurance industry has expected too much of the claims man," Mr. Welch emphasized. "In rehabilitation, you're dealing with someone's life and the claims man just doesn't have the expertise for everything."

"Too many insurance companies say, 'Yes, we have a recovery man or a rehabilitation man in, say, Des Moines. That's what our claims man does,'" Mr. Welch continued. "Well, the hell he does. The claims man has never rehabilitated anyone in his life and it's doubtful that he ever will. The claims man can't be an expert in rehabilitation and everything else."

Which is where Mr. Page and Mr. Welch fit in. They feel there is a need for what they are now offering—the total recovery service under one roof. They have offices nationwide and say they will go anywhere they are needed.

Looking at the subject historically, Mr. Page noted that while recovery has always been a necessity, things really started to happen in 1968.

"THE INSURANCE market started to change dramatically then," he said. "The money crunch was on and risk managers started becoming more and more sophisticated. They started thinking more about retention and cash flow and less about just buying insurance. All of a sudden people started calling us for services."

In 1972, the firm which was then called General Traffic Services purchased Sugarman Brothers Inc., a major San Francisco salvage firm. With the addition of IRA to the ranks, not only are both physical and human recovery services available from one source but "a natural partnership" was formed.

"We have highly trained rehabilitation specialists," Mr. Page said. "We have subrogation specialists and now we have salvors with lots of experience. And that's what a salvor needs. There is not book on salvage. It's 90% experience. It's knowing where to go and whom to work with."

The market is there. The company already has a structure, operating offices and visibility and Mr. Page indicated all systems were go. "We'll have a few problems," he said, "but nothing that can't be dealt with."

One problem could have been that old name.

"General Traffic Services didn't really say what we do," Mr. Page explained, talking about the name change. "We are in the recovery business and our name should say it. We do not run trains or operate a traffic service." ■

What is it worth?

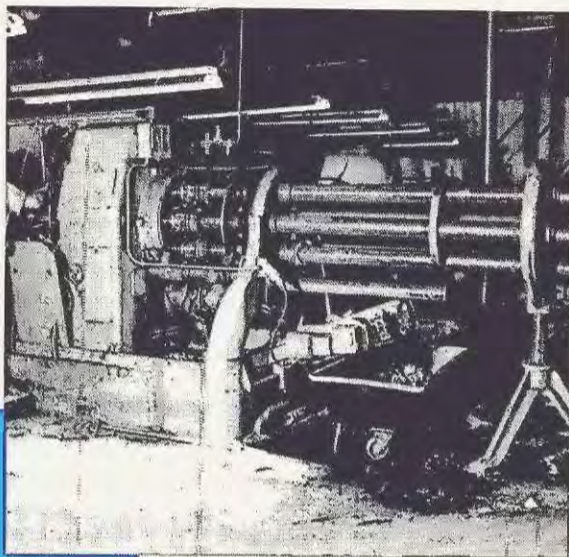
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Forms standardized

The Oregon legislature has approved and Gov. Tom McCall has signed into law SB 406 requiring the insurance commissioner to prescribe uniform health insurance claim forms to be used by all insurance companies.

Sound policy for private pension plans.

One-third of all participants in private pension plans are covered by plans underwritten by life insurance companies.

Because of this involvement, we believe we have an obligation to help see to it that private pension plans are made more effective in meeting the needs of covered workers.

And, we want private pensions made more easily available to a greater number of workers.

Accordingly, we advocate measures, including federal legislation, to achieve the following goals:

- Mandatory vesting provisions. With a reasonable period of transition for plans to comply.
- Reasonable funding standards to back up promised benefits.
- Uniform and more rigorous fiduciary standards for plan trustees, administrators and others responsible for handling and investing pension funds.
- Streamlined and improved pension and welfare reports both to participants and to government regulators.
- Liberalization of tax limits on pension plans for the self-employed.
- Allowance of tax deductions or credits to workers for their contributions to tax-qualified private pension and

profit-sharing plans.

- Permission for individuals to establish their own retirement accounts, with fair and reasonable limits, and the granting of tax deductions or credits for amounts contributed.
- Simplification of the ways by which employers, particularly small firms, can establish and administer private pension plans.

In addition, we recommend that if a pension benefit guarantee program — to guarantee payment of vested benefits if a plan terminates — is to be enacted, three important principles should be reflected in the program's basic structure:

- Employers whose plans terminate must be the first source of any funds needed to provide protected benefits.
- Program underpinning by a strong minimum funding standard.
- Program administration by a federally chartered nonprofit corporation operating in the private sector.

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editorial opinions

States too slow

SOME 600,000 POSTAL workers have been denied the benefits of pre-paid group legal insurance due to inexcusable sluggishness on the part of state insurance regulators.

The postal unions had been studying various forms of the new fringe for almost two years prior to presenting their own version as a demand in recent contract talks. Modeled after a successful experimental program in Shreveport, La., the postal workers' proposal would have provided a variety of legal services by a closed-panel of lawyers at a cost to the postal service of five cents per hour per employe.

The plan was abandoned, though, because of a multitude of problems left unsolved by the inability of state insurance regulators to recognize prepaid group legal as a bona fide fringe benefit and, consequently, to push for enactment of legislation spelling out how such plans will be governed on the state level.

Congress has had the foresight to see group legal for what it is—the next major thrust in the benefits area—and has recently amended the Taft-Hartley Act to make such plans allowable topics in contract talks and to permit joint labor-management administration. The postal workers, exempt from the Taft-Hartley dictates under the Postal Reorganization Act, found federal enabling legislation is not enough with state laws either non-existent or inconsistent.

The National Assn. of Insurance Commissioners should open its eyes to see an adequate model law on group legal insurance is needed and needed now. There is no reason why a large bloc of workers seeking the tangible good such a program offers—or, for that matter, an insurer with the administrative tools necessary to cope with such a program—should lose out due to the refusal of state insurance regulators to adapt themselves—and the jurisdictions they allegedly regulate—to the times.

A new direction

THE NAMING of two American Society of Insurance Management representatives to a 10-member consumer advisory panel is a step in the right direction for the National Assn. of Insurance Commissioners.

The mills of the gods—NAIC in this case—grind slowly, as we have pointed out from time to time. But ASIM's representation on the new NAIC insurance problem panel is going to better equip the regulators to grind exceedingly fine in the future.

When Florida insurance commissioner Tom O'Malley named Berry Griffin, ASIM's vp-public affairs, and James Bailey, the risk management group's Washington-based legislative counsel, to help solve insurance problems on a na-

tionwide basis along with other representatives of consumer groups, he picked the most potent group of consumers dealing with the insurance industry.

With somebody somewhere climbing down the industry's back on an almost daily basis, the risk management expertise, which comes from learning to cope with a variety of consumer-related problems on a day-by-day basis, should become valuable input for the commissioners to work with.

In fact, having the ASIM expertise may be just what is needed to prevent the more radical elements in the consumer sector from getting carried away with the sound of their own voices.

Commendations to the NAIC for finally tapping this valuable resource of information.

Fire bell's toll

THE RECOMMENDATIONS of the National Commission of Fire Prevention that a national fire academy be established to serve as a training and fire safety research facility falls, like many federal bureau recommendations, in the better-late-than-never category.

Fire safety and prevention has come into its own and has achieved the status of exact science in the past decade or so, mostly at the behest of insurance carriers, who have the most to lose—aside from the victims themselves, of course.

For some reason, the general public has nothing to identify with in terms of overall knowledge of scientific fire prevention measures, with the exception of Smokey the Bear.

And until the advent of the TV series, "Emergency!", and a couple of bestselling novels based on the lives of urban firemen, there was little media exposure given to what was going on in the field of keeping citizens safe from preventable fires and businesses secure from foreseeable interruptions.

Perhaps this is the fault of insurance carriers. By and large they have tended to go about their business in a quiet way, preferring to put their budgets on the engineering side of a project, rather than going heavily into image boosting.

From our point of view, maybe a massive effort on the part of the government is just what the imagemakers ordered to popularize fire safety on a broad front. It would make the fire safety scientists' jobs simpler, we are told.

The awful blow of a devastating factory fire is a continuing thing, affecting the lives of all people even remotely connected with its operation. And, we feel, the reason it affects their lives so much is because it affects their livelihoods.

Should a plant in a single-industry municipal economy be destroyed by fire, none can deny the regional impact.

And in the more complex urban plant situation an entire economic system can be put out of commission. It is here that a greater mass awareness of the tragedy in both lives and lost production dollars should be fostered.

With apologies to the poet, it's time government found out for whom the fire bell tolls, because it's not tolling for free.

business insurance

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letters

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

FIA flood cover

To the Editor: In your May 7 issue you had an article entitled "FIA has instant cover for flooded Louisiana." In this article you state that the maximum payments under the government coverage would be just over \$100,000 on commercial buildings and their contents. This is incorrect. I have checked with the servicing company for Louisiana and they indicated to me on a regular program the maximum insurable value was \$60,000 on the building and \$10,000 on the contents. And on an emergency program, the maximum insurable value was \$30,000 on the building and \$5,000 on the contents.

We have several clients that read *Business Insurance*, and they were interested in why we could not give them the \$100,000 limit on commercial property. I would appreciate your checking your source and letting your readers know the corrected facts.

Norman R. Agent

Barksdale Bonding and Insurance Co., Jackson, Ms.

Editor's note: Mr. Agent is right. Data obtained from the Federal Insurance Administration was apparently misinterpreted at a time when FIA was announcing its campaign for an increase from the \$70,000 maximum coverage now in effect to a \$400,000 maximum on commercial buildings and their contents. This is now before Congress.

For self-insurance

To the Editor: Commissioner Herbert Denenberg's article in the June 4 issue was, as usual, enlightening, refreshing and blunt. It is regrettable we don't have more like him in the United States.

One of the best ways that insurance managers can heed Mr. Denenberg's call to become a more formidable factor in the insurance world is through development of competition by implementation of self-insurance programs. Nothing makes insurance companies more responsive to change than the threatened loss of premium income. It is ironic that in the same issue, there were two articles on self-insurance, and both of them pointed out the restrictions imposed by the various states due to potential loss of tax revenue or loss of benefits to employes from financially weak companies.

I hope that Mr. Denenberg and his fellow commissioners can exercise some influence on the various state legislatures to write laws which would facilitate self-insured programs while, at the same time, protect their constituents. There is no question that legislators could help their constituents, especially in the cost of health premiums, through encouraging more practical methods of insurance than are presently written by commercial insurers.

Donald S. King

Pearl River, N.Y.

Precision, please!

To the Editor: I have believed for many years that engineers should be at least as articulate as

Continued on page 26

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Fireman's Fund forms consulting network for mass-marketed plans

SAN FRANCISCO—Newly formed Famex, a consulting subsidiary of Fireman's Fund, offers an additional dimension to commercial mass marketing of insurance to franchises and trade associations.

"Now we can make a commitment to a franchise or association that each member will be served individually," said H.M. Dickerson, vp, Fireman's Fund.

A network of 228 agents geographically located throughout the country, Famex acts as a consulting staff to assist Fireman's Fund's commercial group department in putting together insurance programs for franchises or trade associations. This network, according to Mr. Dick-

erson, gives the client the confidence that all members will receive personal attention for risk analysis, loss control and purchase of sufficient coverage.

THE scope of Fireman's Fund mass-marketing approach for a franchise or association, he added, is to provide total insurance service from risk analysis to developing safety procedures to meeting requirements under the Occupational Safety and Health Act.

"Mass marketing of an insurance program to a homogeneous group realizes economic savings that wouldn't exist if sold one by one," Mr. Dickerson said. "The buying power of a group is far

greater than that of one member. We can provide a lot more services for the same dollar if we are working with a group rather than just one."

The client, meaning the group as a whole, works out for the members the general concepts of a mass-marketing program and decides what products should be included in the program. Then each member decides what specific coverages he needs and sets his own limits in accordance with his specific operation.

FIREMAN'S Fund offers a franchise or an association all lines of coverage from fire, liability and workmen's compensation to employe benefits, according to Mr.

Dickerson. Groups can earn a safety group dividend depending on their loss experience. Mr. Dickerson explained that most property and liability coverages qualify for inclusion in the safety group dividend plan. This includes all forms of property liability, including automobile, and workmen's compensation.

BEFORE the insurer agrees to underwrite any group, it receives complete information on its membership. A group is asked to designate a representative number of its members who are willing to cooperate in an operational exposure analysis as an important step in developing an overall group program.

"We do a factual analysis of a group, including an engineering evaluation," Mr. Dickerson commented. This information is used to determine levels of exposure, to develop safety standards for the group and to make recom-

mendations for loss control.

"Another thing we weigh at the onset of a contract is the reasonable possibility for a group to earn a safety dividend," he added. This dividend, Mr. Dickerson contends, works like a catalytic agent to keep members working for a common goal—reducing losses. When a dividend is earned each member receives a portion of the dividend depending on how much premium he has paid. So the loss performance of each member directly affects the group.

A safety committee within the association or franchise works with Fireman's fund to establish standards and evaluate performance by the members.

Once the general mass-marketing package has been developed, each member decides whether it wants to participate. An initial engineering inspection is made of a member's operation before the writing of a policy.

With the formation of Famex, a client can now be guaranteed that each member will be visited, he said. The members not only will be provided with insurance information but can be advised on developing safety programs for employes, improving the physical protection of their premises and receiving education material for communicating safety to employes.

MR. DICKERSON explained that Fireman's Fund loss control personnel, in cooperation with the franchise or association, can provide effective safety and risk management services for the entire group which wouldn't be economically feasible for an individual member.

Furthermore, Mr. Dickerson noted, Fireman's Fund mass-marketing program can be handled by any of its independent producers, not just those who are a part of Famex. Famex is available to any producer who cannot adequately service all members of a group.

Mr. Dickerson sees mass marketing of all lines of coverage—property, liability and employe benefits—as the way of the future for franchises and trade associations.

"And it's our challenge to provide complete risk management services to all members of a group," he contends. "This can't be done on a patchwork basis. There needs to exist a well-defined mass-marketing program on which franchises or trade associations can depend for all their members." ■

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Okay to use both sexes' life tables

SALEM—Oregon attorney general Lee Johnson has ruled it is legal to base state employe retirement benefit payments on separate life expectancy tables for men and women.

He gave the opinion to James L. McGoffin, director of the public employes retirement system, who asked if using separate mortality tables for men and women to figure benefits was unconstitutional discrimination based on sex.

Mr. Johnson said men and women contribute equally to the system, and a woman with normal life expectancy would receive the same total benefits but more monthly payments than a man with normal life expectancy. ■



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And the largest and fastest growing segment of the entire money management field is the market covered by a new Crain publication called "Pensions & Investments."

The incredible boom in pension funds.

The "money trees" tell the story. Dollars invested in pension and other tax-exempt funds have been growing at a rate of 11 percent a year, compounded. (More than three times the growth rate of our gross national product.)

In 1972, the pension fund market had assets and reserves of about \$283 billion, of which private pension and retirement plans accounted for \$166 billion. State and local government plans accounted for \$72 billion and educational endowment and private foundations another \$45 billion.

The enormous pressure on fund managers.

Performance is the name of the game as fund managers try to keep up with earlier retirement, more generous plans, and the increased cost of pension payouts. (Fund performance directly affects corporate profits because any increase in contributions must inevitably come out of corporate profits.)

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PERSPECTIVE



BY HOWARD PECK
Partner, Hewitt Associates,
Deerfield, Ill.

Remember the spirit of the law when filling out D-1S forms

"What I am proposing is harder work than just going through the motions and filing something to comply with the law. I am proposing, instead, that you make a concerted and conscientious effort to meet the needs of the people covered by these plans."

"The information called for shall be written in a manner calculated to be understood by the average participant or beneficiary." The D-1S form itself uses the term "typical participant" rather than "average."

I suspect that, if you want to, you can get by, at least for a while, with an inferior job of completing the D-1S. You can go through the motions, get the thing filed, and hope nobody asks to see it. And I'm sure that's what a lot of people will do.

I AM also sure this is a good way to go about producing still more stringent regulations and tougher disclosure legislation. Ralph Nader and other consumer advocates had a lot to do with the development of the regulation and the form. It seems unlikely they will sit by and let their work be sabotaged by perfunctory compliance with the regulation or blatant disregard for its spirit.

What I am proposing is harder work than just going through the motions and filing something to comply with the law. I am proposing, instead, that you make a

concerted and conscientious effort to meet the needs of the people covered by these plans. Let me suggest also that once you have developed a good D-1S, you shouldn't stop there.

LET'S say you've prepared a clear, understandable statement. It's cost you something in terms of time and effort. Why not do more than just file it and wait for people to come and ask for copies? Why not take the occasion to review the communication material on your retirement plan or plans that goes to all your people—not just those who happen to ask for it? Should your booklets, your visual presentations, your other communications have more guts, more straight-from-the-shoulder content? Do they really give people the information they need? Should they contain some of the stuff you've created for the D-1S?

Now, how do you go about preparing a D-1S that is understandable? Let me give you four suggestions:

The first suggestion: Don't overestimate their knowledge. I mean, don't assume that people who are covered by your plan

know the legal language. You work with these terms all the time. It's easy to fall into the trap of believing that other people use and know the words. Take a look at the D-1S form itself. I suggest that even the form is full of terminology that the typical employe can't be expected to know.

What about defining vested benefits? Annuity? Funding? Accrued benefits? Reciprocal agreements? Anticipated benefits? Priorities? Insufficient assets? Allocated? Forfeitures? Options? I am sure I haven't touched on all of them, but you get the point. When you complete an entry in this form, if you really want the participant to understand you, you may have to explain some of the words on the form.

USE COMMON words. Use short sentences. Remember that most people, when they pick up something that describes or explains a pension plan, assume that it's not going to be understandable. All of their past experience tells them this is going to be over their heads. That's why we have to exercise care in choosing our words.

On the form, Item 13G says, "Indicate whether the following items are allocated to the individual plan participants." One of the items is "forfeitures." You could get by by just saying "yes"—if that's the case. But I submit that that's not an adequate answer. It doesn't do the participant any good to know the answer is "yes" if he doesn't understand what is meant by a forfeiture. He may not even know what is meant by "allocated."

Assuming the answer was "yes," for a certain type of plan this might be a better answer: "Yes. Under our plan if a member leaves before he is entitled to the full amount of money that has been credited to him, the part he leaves behind is called a forfeiture. These forfeitures are divided up among the accounts of those who remain in the plan."

Here's my second suggestion: Tell them "why" as well as "what."

Item 13D talks about reciprocal agreements with other plans and says if you have such agreements, you need to furnish the names of the plans with which you have reciprocal agreements. It seems to me that to do the job right you should not only tell them whether you have such agreements but also what a reciprocal agreement is and why the agreements exist. Don't assume your plan participants automatically understand this.

I believe a participant can't really be said to understand a plan feature unless he also understands its function and purpose. Many times it may be necessary to go beyond a strict, literal interpretation of the instructions if you want to meet the needs of participants. Another aspect of this idea is that many times the bare plan language can be misleading because of its very tone.

Here is an example: A plan document says, "notwithstanding any provision hereof, express or implied, to the contrary, the employer shall not be under any obligation to make any future contributions to the plan." Perfectly true and strictly legal. But if you use that kind of language with the employe, he is likely to see it as a threat that the company is going to drop

Continued on following page

PENSION ADMINISTRATORS across the country are faced with the task of filing the Labor department's new D-1S form by July 31 or asking for an extension. Many are trying to decide how to cope with it.

Some "experts" in the pension field are passing out suggestions such as "Don't worry too much about it—the Labor department isn't going to check every filing. Just be sure you cover yourself from a legal standpoint."

Let me present a somewhat different approach—from a communicator's viewpoint.

I suggest that, in completing the D-1S, you really try to communicate. Approach this task, not as just another chore to be done, another damn form to fill out, but an opportunity to improve understanding and thus to render a real service to the people who are depending on the plan or plans for which you are responsible.

You know what the regulation says:

Here's one survival program for projected high loss ratios



BY BION H. FRANCIS
Insurance consultant,
Milford, Ct.

"No matter how good your loss prevention activities may be, there is always a possibility that you may have 'a bad one.' In a sense, that occasional bad one is what insurance is all about."

\$1 million—and your losses will be about \$3 million. That's a 300% loss ratio!

Will your program stand up? Or will you face cancellation or refusal to renew at precisely the time when you might find it difficult or expensive to replace your present program?

"But they can't do that!" you protest. "That increase in losses was just bad luck!"

Was it bad luck? That 300% loss ratio is important in what it may indicate about the future. What is the credibility of a continuation of that 300% loss ratio?

YOU NEED arguments, so let us take a good look at your losses. Is that \$3 million made up of one big loss? Why was it so big? Was it something that was almost brought under control and then got away? Has the plant made the necessary changes

to insure that a similar loss will not happen again?

No matter how good your loss prevention activities may be, there is always a possibility that you may have "a bad one." In a sense, that occasional bad one is what insurance is all about.

In fact, if that bad loss is something that does happen only on rare occasions, there is something else that you might do. You can study the loss history of the insurance involved. If that big one was the first such accident in, say, six years, you can point out that premiums and losses should properly be compared for six years rather than for one year. If, for the six years, premiums were \$6 million and losses were \$3 million, the loss record is favorable to the insurance company, regardless of the temporary situation. You

Continued on following page

THE TIME OF testing for an insurance program comes with a period of heavy losses. Some insurance programs, then, are never tested.

But suppose your projections indicate that by the end of the current policy year, your premiums will total approximately

business insurance

PERSPECTIVE

D-1S...

Continued from preceding page

the plan the next day.

It would be better to say something like this: "The plan does not require the company to keep on making contributions, but the company fully intends to continue contributions and to keep the plan operating indefinitely."

MY THIRD suggestion is this: Consider how you say it, as well as what you say. The regulation says, "... written in a manner calculated to be understood." It doesn't say written in words calculated to be understood. Of course, the words have to be understandable, but they have to be presented as a meaningful, logical sequence and arrangement of ideas. The typical plan document is designed generally for precision of language, not for ease of understanding. To deal with some of

the items in the D-1S form, you may have to look in four or five places in a legal document to get a single answer, picking it up from among the various definitions and sections of the plan.

Even when you find the entire answer in one place, it may need to be rearranged and restated in ordinary, everyday language if it's to be understood. Here's an example: In section 13K, one of the points you need to deal with is how benefits are computed in case of early retirement. Here is some language that covers that point in one plan:

"The benefit payable to a retired member shall be equal to an amount based upon an election filed at the time of his early retirement of either (1) or (2) below:

"(1) A monthly benefit commencing on his 65th birthday computed in the same manner as a normal retirement benefit but based on his hours of Contribution Credit at the time of his early retirement.

"(2) A reduced monthly benefit com-

mencing at any time after his early retirement but before his 65th birthday, equal to the benefit computed under (1) above but reduced by five-tenths of 1% for each month by which his first benefit payment precedes his 65th birthday."

The facts are all there, but I submit it could be done much more clearly this way:

"The benefit you get is figured in the same way as at normal retirement, then reduced. The reduction is one-half of 1% for each month between the start of payments and your 65th birthday. This reduced benefit is paid for life. It does not change at 65.

"Of course, if you were to put off the start of payments until age 65, the full amount would be paid."

NOTICE the suggested revision contains some useful information lacking in the original. It could be further improved by adding an example.

My last suggestion is this: Check your work. Once you've completed your D-1S material, have someone check it over who has some skills and abilities as a communicator. Maybe you have an editor, a public relations man, an advertising man, somebody who has a good feel for words. When you are pretty sure it communicates, have your lawyer look it over to make certain you have met the requirements of the act. Then, when you are all

through having it checked, if it passes, try it out on a couple of plan participants.

I think it is reasonable to assume that the people who framed the changes and regulation were not just trying to see how many more papers they could pile up in Washington. I think they were really trying to get some information put together that would be helpful to people in finding out about their benefit plans—plans that can be so very important and about which most of them know so very little.

I suggest this is the challenge to all of us: How do we meet not only the legal requirements, but also the long-range human needs? ■

Howard L. Peck is a partner in the firm of Hewitt Associates, Deerfield, Ill., independent consulting actuaries, analysts, and advisers on pension, profit sharing and employee benefits. He heads the firm's activities in employee communications. Mr. Peck, who has been active in the advertising and communications field since his graduation from Grinnell College, spent several years handling investment securities advertising. He was a program director for Wisconsin radio stations and for 15 years was an account executive and later vice president of a Milwaukee advertising agency. Since joining Hewitt Associates in 1952, Mr. Peck has handled employee communications projects for many companies in various parts of the country.

High loss...

Continued from preceding page

can be sure the insurance company will study it carefully.

AS YOU can readily appreciate, this kind of situation is a good reason for not changing insurance carriers unless there is ample justification for making the change.

Moreover, suppose, instead of one big loss, you have a number of smaller losses. After study of these, you find they are increasing, and you estimate they will average about \$250,000 a month, probably attaining a total of about \$3 million by the end of the policy year.

This loss level results from frequency of loss rather than from severity of the individual losses, a completely different situation from that of the "one bad one."

The constantly recurring losses provide a kind of statistical proof that your losses will continue. In other words, these losses have a high credibility in forecasting what may be expected in the future.

AS STATED above, the big single loss is the problem which insurance is intended to meet. Insurance for protection against catastrophe is not intended to meet the situation represented by a volume of claims. If the frequency of loss rises, the severity of loss must inevitably follow.

What you have here is only in part an insurance problem. In larger part, it is a loss prevention problem. In this situation, your insurance costs will rise and will not go down until management acts effectively to reduce losses. There are many factors which may bear on this. Let us review some of them:

One possibility is that social, economic, or legal changes are taking place which have the effect of increasing the hazard. Examples of this are ecological problems and the increase in militant consumerism.

In some of these areas we are faced with a whole new ballgame in which hundreds of millions of dollars and years of effort may be required to meet new conditions and requirements. Or, it may be enough to beef up your present corporate inspection, testing, and guard services. Because of your existing responsibilities as insurance manager, you should be a leader in any such effort.

WHAT ELSE can you do in meeting the threat of an unfavorable loss experience? Plant managers, under pressure to produce profits, may be non-cooperative toward the recommendations of the insur-

ance companies who insure their plants. Obviously, if your company is developing an unfavorable loss experience, cooperation should be the order of the day in dealing with insurance company recommendations.

Such a situation should be presented promptly to your plant managers. Show them that if the unfavorable loss experience continues, the ultimate result must be an increase in their insurance expense—and possibly other expenses as well.

Another consideration centers on how you have handled policy renewals in the past. Do you ask for competitive bids at each renewal? There should normally be no place for competitive bidding in an in-

surance program which is operating at a loss.

ANYTHING ELSE? Obviously an adverse loss ratio should not come to you as a surprise. You should know about it as soon as the insurance company knows about it. You should locate the problem and be working on methods of containing it before the policy comes up for renewal. This is sometimes not possible, even when the insurance manager is on the ball. If you are caught in an unexpected situation and find yourself facing a refusal to renew or a demand for a substantial increase in premium, you can always ask the insurance company for a temporary

renewal in order to give yourself time to work something out.

In my experience, the leading insurance companies have usually been cooperative in these matters. Don't forget that you are a customer and that an insurance company, like any other business, needs customers—but not, of course, customers who bring about losses.

Yet the losses—hopefully—should represent a temporary situation. After this period of trouble there will come a time when you will be a good customer again. A good customer for whom? Your present insurance company? This may well depend on how that company sees you through your present difficulties. ■

RISK MANAGEMENT NOTES

Watch out on lease liabilities

BY WARREN, McVEIGH & ASSOCIATES
risk management consultants
San Francisco—Los Angeles

WHEN HIS air-conditioning system failed, a tenant in a rented building hired a contractor to make repairs. In the course of the work, the contractor caused a fire which seriously damaged the building. An appellate court held that although the loss resulted from the contractor's negligence, the tenant was responsible for the building damage on grounds that the contractor was an agent of the tenant.

This case points up one possibility of legal liability for damage to property of others. More commonly, the tenant may be sued directly by the owner or his insurer. Standard liability policies do not cover this exposure because of the exclusions of: (1) property in the care, custody, or control of the insured or as to which the insured is for any purpose exercising physical control, or (2) property owned or occupied by or rented to the insured.

Principal exposure, of course, is from fire and extended coverage perils but other types of loss are also possible. Building collapse, for example, could create undesirable assumptions of loss under some contract wording.

Because most problems arise from contracts for leases of premises, these will be considered first. Probably the most important, though often neglected, point is

to see that the written contract clearly depicts the intent of both parties with respect to assumption of liabilities and placement of insurance. It is generally most equitable for each party to assume the consequences of his own negligence, though when one party has a better bargaining position, he may try to avoid some losses he would otherwise incur. Printed forms are sometimes found, used by building owners, where the tenant must assume all liabilities attendant to the premises, including (though perhaps not explicitly stated) negligence of the owner or his agents. In some jurisdictions, such evasion of loss is illegal, and there is often doubt about the extent to which one party can contract away his own negligence. In practice, however, it is common for liabilities to be transferred by contract.

WHEN lessee and lessor each carries his own property insurance, both parties may feel secure; however, if a case of negligence can be made against the lessee, the lessor's fire insurance carrier may well subrogate against the lessee. A judgment of this type would not be covered either by the lessee's property or standard liability policies.

One possible resolution for this problem is for the lessor to have his insurance carrier list the lessee as an additional insured. However, this raises the question of whether or not the lessee actually has an insurable interest in the building, though in some cases courts have con-

firmed the existence of such an interest for legal liability. Further, such a move could complicate an ordinary loss adjustment made for the lessor since the claim would be paid to all parties. If the lessee actually does have an interest in some betterments, additional complications are introduced.

A more acceptable alternative is for the lessor to have his insurance carrier waive his right of subrogation, which normally can be done without cost prior to a loss. This is satisfactory as far as it goes, but the lessor still has recourse for any loss in excess of policy limits, for rental income or other time element losses not insured, or for direct damage from perils not insured. Also, the lessor's policy could be voided through conditions beyond the control of the lessee.

These limitations point up the need for adequate attention in the agreement to:

- Who is responsible for carrying building insurance?
- Does the wording specify precisely what insurance is to be carried, avoiding vague terms such as "fire and related perils?"
- Which party waives subrogation?
- In the event of building destruction from any cause, is the contract terminated?
- Is rent abated in proportion to amount of damage to the premises?
- Is the lessee responsible for negligence other than his own?

When assigning responsibilities for
Continued on page 26



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Risk management notes...

Continued from page 24

damage in the contract, the building owner should be careful to release the tenant from liabilities only to the extent that insurance applies. If a full release is granted, the owner may have no recourse where coverage does not apply or limits are inadequate. Wording of the "waiver of subrogation" clause in the policy should be checked since some require that all rights of recovery be waived if any rights are waived.

Systematic procedures for following new leases are necessary. Effective results can be obtained only if contracts are reviewed before execution by representatives of both legal and insurance interests. However, advance review may not always be feasible, but, at a minimum, a review should be made soon after execution of the contract.

IT IS sometimes possible, if the lessee is a large corporation and the building owner a smaller entity, that the lessee could blanket the location into a master policy at lower cost than the owner could write his insurance. This could result in an agreement for all insurance to be carried by the lessee with appropriate reductions in rent, but it is particularly important here to clarify the situation with regard to time-element losses and to the rights of any mortgagee. There may also be co-insurance clause requirements to be checked.

If proper contractual arrangements cannot be made as above, insurance protection may be desired. One means to achieve this is to have the exclusions of leased or controlled property modified, which may sometimes be done, particularly if the assured is willing to accept a deductible.

If this procedure is too costly,

fire legal liability insurance may be somewhat cheaper. Although this may duplicate property coverages, it is necessary if any major liability potentials remain after all contractual arrangements have been thoroughly explored. Adequate limits of liability may be difficult to obtain because of reinsurance limitations, and the loss potential should be carefully checked against the policy amount. Note that fire legal liability insurance normally excludes contractual liability which is normally covered in the comprehensive liability contract, and would automatically be covered if such contractual liability is contained in the lease.

BLANKET contractual liability coverage cannot be relied upon to answer the fire legal liability problem because the "care, custody, and control" exclusion may still raise a question of coverage and, of course, losses outside the contract could occur. Broad form property damage also fails to provide coverage, but the Lloyd's form 'B' property damage policy will pick it up.

Perhaps the simplest way to achieve insurance coverage for these exposures is through the umbrella excess liability policy which does not have the exclusions mentioned above. This, of course, should be done only after full consideration of the extent of less potential under the self-retention requirement in the umbrella.

Another aspect of liability for fire damage is the prospect of damage to nearby premises from fire originating on the insured premises. In this country, contrary to custom in many foreign countries, property owners are rarely held responsible for fire spread, apparently on the theory that fires are largely beyond the control of human beings. However, where negligence can be

proved, liability may be invoked and the amount is limited only by the value of property which could be destroyed. Fortunately, coverage for these exposures is provided by the property damage section of most comprehensive general liability policies because the "care, custody or control" and other exclusions do not apply. However, it is important that policy limits be evaluated carefully for adequacy, considering all possible loss potentials.

In sum, then, for adequate disposition of fire legal liability exposures, it is necessary for all contracts to be examined carefully both by legal and insurance personnel to be certain that the intent of all parties is clearly expressed and that insurance is provided wherever major loss exposure cannot be eliminated. ■

Letters...

Continued from page 16

members of the professions commonly considered to have a better command of the language. The engineer should be more precise in his application of the language by virtue of his type of training.

During 28 years of reserve and active military service, I have waged a continuing battle against the use of the redundancy so prevalent in military circles—"irregardless."

When I read Gerald L. Maatman's discussion of high rise fire problems in your June 18 issue, I was, to say the least, amazed to find THAT WORD—"irregardless!"

Please, Mr. Editor, spare my sensibilities. How about "regardless," or even "irrespective?"

Mr. Maatman's article, incidentally, was an excellent and timely presentation. I enjoyed it, regardless of, irrespective of and notwithstanding its redundancy.

Frank B. Hall

Riggs, Counselman, Michaels & Downes Inc., Baltimore Md.

Editor's note: Your point is well taken. However, we think Mr. Maatman's article was not incidentally excellent and timely. It was excellent and timely on purpose.

A correction

To the Editor: Regarding the article about our attitude on OSHA (*Business Insurance*, June 4), we were happy to see our point of view reflected so accurately.

There was one unfortunate typographical error in the text. In the third paragraph from the end there appears mention of a figure "4,500 workers." This should have been "14,500 workers." Because of the error, the succeeding percentages seem to be in error. Being involved in the publishing business myself, I can well appreciate how things like this happen.

Should anything new develop about the subject, I will see to it that you are provided with the information.

John F. McManus

Director, public relations, The John Birch Society Inc., Belmont, Ma.

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Courts cut awards

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UAW demands ...

Continued from page 1

the work place through its own personnel. And there must be a way provided to shut down unsafe operations pending their corrections."

APPARENTLY what's planned is language which would allow a worker to refuse to do a job he considers unsafe or adverse to his health if his judgement is supported by the findings of a union health and safety committee. The union will also ask the companies to help train the personnel who will make up these committees, to provide equipment necessary to monitor worker safety and to agree to honor third-party expertise to settle disputes.

As was the case with the Shell Oil Co., the automakers are ex-

pected to pat themselves on the back for safety and health expenditures and efforts to refuse to relinquish to labor what has long been considered a prerogative of management.

Pre-paid family dental insurance is also a UAW top priority, especially, Mr. Woodcock points out, seeing as such plans have already been instituted by the UAW in its contracts with the International Harvester Co. "It is time the automobile industry caught up," he told the convention.

The six-cent-hourly plan now in force at International Harvester covers some 200,000 persons and provides payment of up to \$750 annually for each family member and an additional \$500 for orthodontic work. Plan participants are free to choose any

dentist they wish, and bills are submitted directly to the insurer, Aetna Life & Casualty Insurance Co. The program pays the full cost of routine examinations every six months and 50% of denture and bridgework expenses.

WHAT THE union will seek in health insurance remains vague at this point. The UAW has advocated national health insurance for a long time and has provided the automakers figures showing how many insurance dollars they could have spent had federal health care been provided since 1970.

Some speculators say the automakers will be asking workers to take on a portion of health insurance premiums due to spiraling costs.

The chances of the union assenting to such demands are, most persons agree, slim at best. ■

Kidnapping ...

Continued from page 1

is not available from us. We are still exploring the possibility. It is a question of whether your supreme account comes to you and wants that type of insurance. You swing with the muscle, with your accounts that pack the most punch in premium dollars. So I would guess that most companies underwriting this type of insurance are being forced to. It's not a very attractive sort of policy to become involved with."

What sort of considerations do multinationals have to make in investigating and evaluating kidnap insurance? An insurance official of a corporation with international concerns told *Business Insurance* his company would not purchase such insurance.

"To me," he said, "it is more

of a physical security problem. You don't really save the life of an executive by collecting \$1 million if he is kidnapped. Any company relying on such insurance would be suspect. I certainly would not want to work for such a company."

Donald Frazier, corporate insurance manager of International Telephone & Telegraph Corp., noted, "At IT&T, our primary concern is to have money available for ransoming. We did investigate the policies presently being underwritten. However, the fact underwriters become middlemen between the employees, the police and the kidnapers bothers us. We did have a kidnapping. We did not have insurance. This type of insurance is handled in an undesirable way, with so many requisitions like specified ways to deliver the money. On something like this, we are not interested in gambling with the insurers on their knowledge of probabilities."

MORE than 250 kidnappings have already occurred in the past two and one-half years of the Argentine reign of terror. Victims include such corporations as IT&T, Ford, Kodak, the First National Bank of Boston and British-American Tobacco.

A sensitive subject with most corporations having Argentine holdings, responses to queries about kidnap insurance and Latin American kidnappings are guarded by reluctance and cloaked in anxiety.

"I'd be crucified if I made any sort of comment, even slightly related to this," said a Goodyear executive. Kodak employees also declined to comment.

A spokesman for Ford Motor Co., which met a \$1 million extortion payment, replied, his company doesn't carry kidnap insurance for its Argentine executives. Neither does the First National City Bank of New York, whose asst. manager of their Cordoba branch is the most recent abduction victim at this writing.

Despite the warning issued by the Argentine president to cease the violence and guerrilla activity, the kidnap rate is climbing to 10 a month. Executives remaining in kidnap-prone areas are resorting to various subterfuge in attempts to protect themselves. Stratagems include escort cars occupied by bodyguards as well as armed drivers. Cars, routes and schedules are being scrambled in the hope of obfuscating would-be kidnappers. ■

Labor seeks marine rules

WASHINGTON—The Labor department has proposed rules requiring maritime industry employers to report any job accident resulting in the death or hospitalization of one or more employees to the nearest OSHA office within 48 hours.

Present standards require notification only in cases where five or more employees are involved, but numerous petitions received from the shipbuilding, ship repairing, shipbreaking and long-shoring industries have prompted the new proposals.

The petitioners claim that, under the pre-OSHA maritime safety requirements, the reports were required when one or more workers were hospitalized. The present OSHA system weakens the previous standards which they have operated under for 14 years, they said. ■

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THE TRAVELERS

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Castle, Cooke extends legal to all employes

HONOLULU—Stockholders of Castle & Cooke Inc. approved expanded indemnification for officers, directors, employees, and agents of the company at the June 8 annual meeting.

According to a spokesman in the firm's legal department in San Francisco, the new cover, as yet unplaced, is designed to provide protection for company employees at all levels in the event of litigation stemming from off-job activities which are encouraged by the company, such as an employee serving on a hospital board in a foreign country.

Because of the multinational character of the Castle & Cooke corporate network, the spokesman continued, it was decided to

extend the cover to all employes, through amendment of the corporate bylaws necessitating the shareholder action, since many employes serve as officers of C & C subsidiaries overseas, although they may not be officers of the parent corporation, all of whom were indemnified under the previous bylaws.

Another reason for the action, the attorney said, was to provide an updating of the corporate bylaws in order to conform with certain model corporate bylaws recommendations put forth by the American Bar Association in connection with interstate and international legal operations.

These model laws, he stated, will provide, for example, a more streamlined legal system for corporations heavily involved in interstate property acquisition programs.

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Wax . . .

Continued from page 3

Once the improvements were completed, Mr. Maxwell, who acts as the risk manager for Mr. Fong, set out to prove to the insurance industry that his client was a safe risk. He worked closely with the fire rating bureau to make sure the bureau missed nothing when it was inspecting the museum.

The classification for the attraction was changed from an amusement place to a museum.

"Being rated as an amusement place has quite an effect on the cost of insurance premiums," he said. The only item now rated as an amusement is the cable cars used in Old San Francisco. Visitors to Old San Francisco take a miniature cable car ride through the streets of early San Francisco where scenes depict the city's history ending with reconstruction after the 1906 earthquake.

THE CABLE cars seat four people and travel at a walking pace. A metal bar locks in place over the occupants laps so no one can get off the car while it is in motion.

Mr. Maxwell approached Fireman's Fund to provide coverage on the risk. The insurer agreed to come out and take a look. Fireman's Fund engineers made several additional suggestions such as redesigning a steep ramp. After the corrections were made, the insurer accepted the risk and the museum ended up with better coverage at a better premium.

Mr. Fong agreed to a comprehensive portfolio. He eliminated the all risk coverage he had previously and went to named perils coverage, written on a first dollar basis.

"Rather than having deductibles, we spent our money eliminating potential disasters," Mr. Maxwell said.

By spending his money wisely, Mr. Fong has both reduced his premium cost and the likelihood of a loss resulting in a shutdown of his operations.

"At the rate visitors are going through his attractions," Mr. Maxwell commented "that's quite a savings—even for a one-day shut down."

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Another agent competed successfully (against several other companies) for a package and umbrella policy on a community racquet club—premium \$7,000. The risk was quoted directly on the spot by the Z-A field manager.



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labor beat

Traditional benefits put group legal in postal workers' dead letter box

By TOM WALSH

WASHINGTON—A push by the nation's 600,000 postal workers for pre-paid group legal insurance has fizzled with the proposal being abandoned at the bargaining table in return for additional group life and health insurance benefits.

"We abandoned it and gave the nickle to the doctors," Jules Bernstein, assistant director of the Laborers' International Union and the man who drafted the

postal unions' pre-paid legal proposal, told *Business Insurance*. "At the present time, there are just too many problems, too many unknowns," he said. "We felt we would have been able to find an insurer to handle it, but there are problems with state laws. Can we self-administer it? Can we set up our own trust fund? These questions need answers, and it's up to the state legislatures to do something.

"The market is certainly there," he said. "INA and Fire-

men's Fund and many other insurers are getting into it, but it'll take time to get these other problems worked out. It's still under study, and will continue to be under study."

MR. BERNSTEIN modeled his prepaid legal insurance plan after a program now being experimented with in Shreveport, La. That program, he said, will soon be praised in a yet-unpublished report by the American Bar Assn.

"My proposal, you could

say, is modeled directly along the lines of the Shreveport plan," he said. "It called for an employer contribution of five cents per hour per employe."

The Shreveport system provides \$100 in legal fees for consultative services, not to exceed \$25 per visit; \$250 for office work such as investigation, research or negotiation; representation in judicial or administrative proceedings to the tune of \$350 for court costs and \$150 for out-of-pocket expenses, plus, if the insured is a defendant, reimbursement of 80% of the next \$1,000 incurred in litigation.

Although Congress recently approved an amendment to the Taft-Hartley Act which allows group legal plans as a contract talk topic, the postal workers—under the terms of the Postal Reorganization Act—are exempt from the Taft-Hartley stipulations and appeared in an optimum position to win pre-paid

legal insurance this year. Unfortunately, state insurance regulations have either not been formulated or vary so widely insurers are in no hurry to jump into the new fringe area.

"This indicates," Mr. Bernstein told *Business Insurance*, "just how far behind we are in the legal insurance area."

The National Assn. of Insurance Commissioners (NAIC) is apparently in no real hurry to get enabling state legislation drafted and enacted upon. At the group's annual meeting in Washington early last month, the pre-paid legal expense (D5) task force meeting proved little more than comical: the task force members hadn't even been named, and the "meeting" lasted only four minutes.

THE PRESENT postal contract does not expire until later this week, but a settlement has already been reached and needs only the ratification of union locals. The new contract, union sources say, was agreed to without the friction which emerged during the last round of negotiations and led to a wildcat strike.

The new contract hikes postal service contributions to group health insurance from 40% to 55% in the first year of the pact and to 65% in the second year. Postal service payments into the group life insurance program will increase from the present rate of one-third to 100% in the second year.

The union was also able to squeeze a first-year pay hike of 43 cents-per-hour and a second-year raise of 20 cents. Compulsory overtime was restricted in the new pact, and the no-layoff clause—despite postal service efforts to remove it—will stay.

Union sources say the substantial increases in postal service contributions to health and life insurance plans will probably force Congress to pass such benefit increases along to all federal employes.

Meanwhile, the postal service is threatening hikes in postal rates not only, it says, to cover the expense of the new contract, but also to pay for current deficits.

* * *

WASHINGTON—Rumors of a hard-nosed stance by the International Brotherhood of Teamsters on tailoring contract demands to the economic specifications of the Nixon Administration have been dispelled with a settlement providing a 7.2% increase in wages and benefits.

The agreement—still subject to ratification by Teamster locals—provides \$8 in weekly employer contributions to both the pension program and health-welfare insurance over the life of the 33-month contract. The 400,000 trucking industry workers will also receive wage hikes of 35 cents during the contract's first year, an additional 30 cents the next year and another 30-cent raise during the last nine months of the pact.

When the new contract expires on March 31, 1976, the average Teamster member will have his wages increased from a present level of \$6 per hour to \$6.95, plus what additional pay he will receive due to cost-of-living adjustments of 8 to 11 cents per hour due July 1, 1974, and July 1, 1975.

A Teamster spokesman told *Business Insurance* pension and insurance experts actuaries have not yet determined just what kind of benefits can be obtained with the increased weekly contributions. The increased contributions by employers to the pen-

Continued on page 38



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Javits work comp reform bill response varies

WASHINGTON—The introduction of legislation requiring the states to meet minimum federal workmen's compensation standards has prompted responses ranging from you-gotta-be-kidding disgust to it's-about-time praise.

Senators Jacob Javits (R-N.Y.) and Harrison Williams (D-N.J.) are co-sponsoring the reform bill in the Senate, and Representatives Carl Perkins (D-Ky.) and Dominick Daniels (R-N.J.) are behind the companion House measure, providing what most observers believe to be strong, bi-partisan support.

Setting forth standards similar to those recommended last year

by the National Commission on Workmen's Compensation Laws, the bills would force states unable to update their laws to meet the standards by Jan. 1, 1975, to instead enforce the Federal Longshoremen's and Harbor Workers' Act. If a state refuses to do so, the administration of workmen's compensation in the state would be turned over to the federal government.

"There are some similarities between the Javits proposal and the national commission's recommendations, but there are some very major differences," John F. Burton Jr., chairman of the now defunct commission, told *Business Insurance*. "The enforce-

ment mechanism is very different. Under no circumstances would the commission's proposals have taken the administrative machinery away from the states, as would this legislation if a state refuses to administer the Longshoremen's Act."

AN ASSOCIATE professor of industrial relations public policy in the University of Chicago's graduate school of business, Mr. Burton said he plans to study the legislation more closely to prepare testimony for presentation at the Senate hearings on the measure.

Another former member of the commission, asking not to be

identified, said the Javits-Williams bill "contains a number of serious defects besides the principle of federal control and would present serious problems if it were to be passed in its present form."

While also attacking the idea of establishing a new federal bureaucracy to administer workmen's compensation in some states, the former commission member criticized a provision in the bill which would allow for reopening of cases where benefits had been exhausted due to limited laws.

"If they get into this," he said, "they're going to run up against the same trouble we have now

with black lung legislation. They went back to year one with that law to pay persons who may or may not have contracted the disease, and, this year alone, it'll cost \$1.5 billion to pay for one disease. Nobody could possibly have any idea what the costs of retroactive work comp would be, but, no doubt, it would be phenomenal. This, I think, is a very troublesome problem."

Although he hopes the legislation won't survive in its present form, he feels, with its strong support and its emergence from a Senate labor committee with what he termed "a fair batting average," it will pass sooner than later.

THE STRONGEST criticism prompted by *Business Insurance* inquiries came from Michael Romig of the United States Chamber of Commerce. The group has long been against any liberalization of benefits it feels have long outgrown the term "fringe."

"This bill will never emerge from committee," Mr. Romig predicted. "It'll never make it because, one, of the political realities involved, and, two, because, before Javits can sell this bill, he'll need something dramatic to make his case. It's just not there. The evidence is to the contrary; the states have been moving forward in this respect."

"Every year we chart thousands of details of workmen's compensation laws," he said. "This evidence shows that benefits have gone up tremendously in the last two years. Benefit increases have far outpaced wage increases, and we see no need for a federal mechanism to improve benefits any further. The national commission report has given further acceleration to this trend, and work comp benefits have really jumped."

Mr. Romig told *Business Insurance* he feels the bill will fail to gain support because "it fails to tackle the problem of abuses and it would be very expensive."

"Every employer from Texas, Baltimore, New York City and wherever there is a harbor has found himself since last October faced with the tremendous costs of the Longshoremen's Act. When Congress finds out what kind of a squawk was put up by these people to their state legislatures, they'll be none too eager to vote for the bill."

THE STRONGEST support for the new Congressional proposal comes from the labor sector, which has long been pushing for massive liberalization of workmen's compensation standards.

"We think it's a great bill, and it goes without saying that we'll be pressing for it very hard," James O'Brien, the AFL-CIO social security division's assistant director, said. "This bill reflects and contains many of the recommendations we've made concerning the need for improving workmen's compensation. In fact, in his New Year's address, president (George) Meany called for enactment of minimum federal standards and said seeking that enactment would be a priority in 1973. I think this bill is a step towards this goal."

Also a former member of the national commission, Mr. O'Brien was critical of opponents of the bill who charge it does not adequately deal with abuses.

"For years we've heard this idea, and I'm not sure it is a valid reason for failing to modernize work comp," he said. "This bill calls for the establishment of

Continued on page 38



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Study views women's impact on retirement

NEW YORK—While statistics continue to mount on the growing numbers of women in the labor force, little attention to date has been given to their impact on retirement and employee benefits. Martin E. Segal Co., consultants and actuaries, have now analyzed a new study by the Social Security Administration which examines how long women work, why and when they leave their jobs and how they fare in retirement.

According to the Segal analysis, the study raises some significant questions regarding the relationship of health to pension eligibility, about Social Security

payment systems, pensions and the contributions of retired women to retirement income.

A wide discrepancy was found, for instance, between women eligible for pensions and women not eligible for pensions when it came to citing poor health as a reason for quitting a job. Overall, among those who claimed Social Security benefits within three years of quitting, 22% of pension-eligible women cited poor health as opposed to 38% of non-pension eligible women.

THE SEGAL analysis suggests a clue can be found in the role played by health insurance: workers covered by pension plans are more likely to be covered by health insurance, or more comprehensive health plans, than workers not covered by retirement plans.

The study also questions whether it is fair to give women who qualify for Social Security benefits both as workers and as wives or widows only the larger of the two benefits. A wife who never worked, it points out, and whose husband receives a benefit

of \$200 a month, will receive \$100 in wife's benefits at age 65. Another woman in exactly the same marital situation, also eligible for a wife's benefit of \$100 a month, but who earned a benefit of \$100 a month on her own, would still only receive \$100 a month.

Yet, the increasing prevalence of the two-earner family as outlined in the study may be creating a possible imbalance on the other side. The study points out Social Security benefits are slanted in favor of low wage earners by assuming a one-earner family as the average. This could pump benefits in favor of the two-earner family.

As an increasing number of wives earn minimum or near-minimum benefits, two-earner family units bringing in the same salary as a one-earner units promise to do better. A man and wife each earning \$12,000 a year will receive Social Security benefits equal to 133% of the benefits earned by a man whose yearly salary is \$24,000 and whose wife does not work.

ALTHOUGH most of the questions raised by the study apply to Social Security benefits for women, they have some parallel in the provision of private pensions, the Segal analysis stated. It said while on one hand women in

the labor force are demanding equity and treatment as individuals rather than as the lesser part of family units, there is also a cost escalation in Social Security and private pension costs which demands a middle road solution be struck.

Other significant findings turned up in the study, which was conducted among 224,000 women who claimed and qualified for Social Security benefits in the period of July-December 1969 include:

- Of the women claiming So-

cial Security benefits, 22% had stopped working more than three years before qualifying for benefits, 35% had stopped working within three years of that time, 27% were still working and earned too much to receive cash benefits;

- Compared to one-third of all men who reach age 65 and claim Social Security benefits, although they continue to work and have their cash benefits postponed, 8% of married women and 25% of nonmarried women were in the same situation. ■

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Work comp reaction . . .

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a commission and provides that commission with the serious responsibility of looking into these problem areas. The bill states the commission will study the question of permanent partial disability, which is one of these areas. It's not accurate, I think, to say this bill does not address itself to abuses."

Mr. O'Brien said he is confident the bill will survive the Congress.

"Usually, with any labor bill, you have to fight to get it passed," he said. "But we've had Congress enact black lung benefits and an amendment to improve those benefits. We've had Congress pass the Longshoremen's Act, which now serves as a real work comp model and is so good that no state's program has come close to matching it. We've had Congress establish the National Commission on Workmen's Compensation Laws and pass legislation covering pulmonary and respiratory diseases. Now, with the introduction of this bill, I think it's plain all these efforts reflect an interest on the part of Congress to update workmen's compensation.

"The failures on the state level," he said, "have certainly prompted concern in Washington."

Labor beat . . .

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sion program and the health-welfare fund will cost the trucking industry \$338 million over the life of the contract.

The Teamsters also won an extra paid holiday beginning July 1, 1975, raising the total to 10 a year. Workers with 20 years' service will also have their vacations lengthened from four weeks to five. Other improvements included paid leave for funerals of immediate family members and better lodging and meal allowances.

Although the tentative contract settlement exceeds the current 5.5% limit on wage hikes and the .7% ceiling on fringe costs, it is unlikely, sources say, White House economists will pull their stick out of the closet and attack the settlement.

Even the Chicago Truck Drivers Union—an independent which threw the 1970 trucking industry contract talks up for grabs by winning better advancements than those won by the Teamsters—said it was pleased with the terms of the new contract. ■

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