

A risk manager is asked: But what do you DO?

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business insurance

for buyers of employe, property and liability protection

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A blaze that began while a new mixture was tested at the Wellco Chemical Co., Chicago, did \$100,000 damage to the plant and to the neighboring Apco Plating Co., when the roofs of both buildings collapsed. An estimated 50 employees escaped without injury. More information on U.S. fire losses since 1947 is presented on page 12. Chicago Sun Times, Joe Kordick.

Steelworkers push for big hike in pensions

PITTSBURGH—United Steelworkers of America, in the midst of negotiations with 11 major steel firms, is pushing for healthy increases in the pension package, including the elimination of the age requirement for vesting.

Along with pension demands, the union is asking for expanded medical care coverage including mental care, nursing home service, dental care, ambulance service and prescription drugs.

The present vesting requirements for steelworkers are a minimum age of 40 and at least 15 years of continuous service.

The steelworkers want the age requirement eliminated and the service requirement lowered. They also want eliminated the offset of workmen's compensation payments against pension benefits.

FURTHER pension demands include liberalization of the pension formula which now pays \$5 a month for each year of service up to 35 years or 1% of average earnings for the past ten years multiplied by service, whichever is greater.

The union is asking for the elimination of the 35-year limit

in the first pension formula and the removal of a \$60-a-month deduction that applies to the 1% formula as an offset to Social Security.

Demands also include an increase in the basic monthly pension from \$5 for each year of service. Aluminum workers recently received an increase to \$6.50 for each year of service up to 40 years.

THE CURRENT hospitalization program for steelworkers, through Blue Cross-Blue Shield, provides two years of hospitalization, with the surgical schedule on a "prevailing fee" basis. The union, in addition to pushing for expanded health coverage, is looking toward the development of prepaid group practice plans.

The steelworkers are also pressing for increased supplemental unemployment benefits, increased sickness and accident benefits, additional pay for vacations and improved provisions requiring companies to provide at their own expense safe conditions, health facilities in the plant, and safety equipment necessary to protect the employees. Supplemental benefit demands are 80% to 90% of pay. ■

Insurer up in air over pizza twirler's case

MINEOLA, N.Y.—Royal Globe Insurance Co. is expected to appeal a decision by the state supreme court here which awarded \$335,000 to a \$100-a-week pizza twirler for a neck injury sustained in an auto mishap.

The baker who received the award was said by his employer and his lawyer to be unable to twirl pizza dough 10 ft. into the air—a feat, which presumably makes the pizza taste better.

A spokesman for Royal Globe which covered the garage owner whose truck-driver was held responsible for the accident, said "there will be a lot of water spilled over the dam before this judgment is paid."

Comillo Calogero, a 33-year-old immigrant from Palermo, Sicily, had been twirling dough for three years.

The Home Insurance Co., which insured a private motorist involved in the mishap, stands to share part of the loss with Royal Globe. ■

Product liability pool for aircraft builders threatened by pullout

NEW YORK—A major market for aircraft manufacturers product liability insurance is on the verge of closing its doors amid controversy among buyers and insurers over high rates and inadequate capacity.

In a development that is expected to take place later this month, *Business Insurance* has learned that Aircraft Builders Council Inc., a group comprised of manufacturers and insurers, is meeting in Chicago to decide its future in the aviation market.

A source said Lockheed Aircraft Corp., one of the largest buyers in ABC, will decide the future of the group. The firm, it was explained, has been offered lower rates by Associated Aviation Underwriters and U.S. Aviation Insurance Group.

"IF LOCKHEED decides to back out of ABC, then the other manufacturers will follow suit," the source explained.

Trouble for ABC began when Boeing Co., which accounted for the largest percentage of premium bought by companies in the group, switched over to USAIG, thus greatly diminishing the spread of risk and lowering the amount of premium for the insurance companies.

The issue is further complicated by a capacity problem limiting ABC to \$5,000,000 per occurrence on any one risk. The source explained that ABC would have to write up to \$20,000,000 per occurrence on any one risk to meet the demands of buyers for more capacity.

If ABC withdraws from the products liability market, it will leave buyers with two primary domestic markets—the USAIG and AAU. Excess and primary coverage would still be available in Lloyd's and other markets.

An insurance buyer for a manufacturing firm said "it is always dangerous to have a diminution of markets, especially in the tight aviation products liability field."

ABC BECAME a factor in the aircraft insurance market in 1955 when the group, under the auspices of Aircraft Industries Assn., devised a plan to provide products and groundings liability cover for manufacturers of aircraft, aircraft engines, propellers, missiles and component parts.

The plan was begun, according to a member of ABC, because the underwriting capacity of AAU

and USAIG could not meet the requirements of the aircraft manufacturers.

Since that time, it was pointed out, USAIG has offered products and groundings liability cover at limits and costs sufficiently competitive to appeal to a meaningful share of the market.

The ABC plan is underwritten by Liberty Mutual (20%) and Employers Insurance of Wausau (15%) with the remaining 65% being provided by Lloyd's and other London markets.

WHILE LIBERTY and Employers underwrite 35% of the risks, a large portion of the business is reinsured with other mutual companies.

ABC, whose membership includes some 300 manufacturing firms such as Bell Aerospace, Bendix, Curtiss-Wright and Republic Aviation, is said to have spurred the mutual insurance companies to become active in the aviation insurance market. ■

Ohio riot loss is self-insured

COLUMBUS, O.—The state of Ohio will bear the brunt of property losses at the Ohio State Penitentiary stemming from fires set by rioting inmates last week.

Immediate loss estimates were put at \$1,000,000 caused by some eight fires that destroyed seven prison buildings and badly damaged the hospital and dining hall.

A spokesman for the Ohio insurance department indicated the state was self-insured for the property loss and added that an immunity law will thwart attempts by private interests to recover losses through third-party liability claims.

While the state legislature has discussed changing the immunity provision, the spokesman said there is little indication at this time that Ohio is about to accept liability for property or general losses.

The insurance department said the state has set up a claims board to hear third-party cases and has made substantial awards to some claimants. ■

Riot cancellations called widespread

NEW YORK—The insurance industry is beset by charges of mass cancellation of fire and property coverage in riot-prone ghetto areas.

In Pennsylvania the state insurance department has issued a report stating that \$110,000,000 in fire insurance was either rejected or cancelled in Philadelphia and Pittsburgh in a two-month period last fall.

New Jersey deputy insurance commissioner Horace Bryant said that almost 50,000 residents and businesses have had their insurance cancelled. Mr. Bryant added that the department has received 2,500 complaints.

The Ohio state insurance department is investigating the complaint of a Cleveland tire dealer who said he was denied burglary and theft coverage because of the location of his business.

IN CLEVELAND and Cincinnati, areas have been denied insurance because of their locations, according to the executive secretary of Cleveland's voluntary review method. The charge, however, was denied by the state insurance department, which said that firms can get coverage through the so-called Cleveland plan, a property inspection program.

State Rep. William F. Bowen added that a number of firms including a large furniture store in Walnut Hills, have been denied insurance protection.

T. Lawrence Jones, president of the American Insurance Assn., pointing to widespread rioting at a cost to insurers of millions of dollars, said "no private industry—and insurance is no exception

—can continue to expose itself to unlimited losses."

Pending Congressional approval of a federal program of riot reinsurance, Mr. Jones said insurers "on an individual basis may be seeking to strike a balance of business. They may be checking their books, and finding that they have too much at risk in certain cities. This is also a normal economic process."

Meanwhile, states are taking steps to assure—at least on an interim basis—that property insurance will be available in areas hit by civil disorders.

New Jersey and Pennsylvania, for example, are among the latest to become involved on this front. In New Jersey a bill to provide fire coverage for ghetto property owners was approved overwhelmingly by the state assembly. The legislation requires all insurers writing business in that state to join a fire and extended coverage underwriting pool.

PENNSYLVANIA governor Raymond P. Shafer has proposed similar legislation. The bill has been introduced with bi-partisan sponsorship in the House.

In Delaware, insurance commissioner Robert A. Short said an interim plan is being instituted to assure ghetto area property coverage. Mr. Short explained that the plan would overcome the problem of insurance cancellations or nonrenewals by establishing a voluntary fire assigned risk plan.

Michigan governor George Romney has on his desk a bill which sets up a mandatory insurance pool for fire and extended coverage.

Ohio union may start own insurer

COLUMBUS, O.—The Ohio AFL-CIO is thinking of starting its own auto insurance company.

The union, which went to court to try to get auto insurance rate hikes in Ohio rescinded, said the new operation would be on a co-op basis.

"The basic advantage would be the elimination of the profit factor, so our rates would be lower," according to Warren J. Smith, AFL-CIO secretary-treasurer.

Mr. Smith said the plan is only in the talking stage. A subcommittee would have to study the legal and actuarial problems before any decision could be made, he said.

"If it was actuarially sound and legal, some of our unions might want to invest their money. I think there is enough money around to put up the capital to start a union-operated auto insurer," Mr. Smith said.

Paige, O'Brien brokers merge

BOSTON—Two leading brokers, John C. Paige & Co. and O'Brien Russell & Co., joined forces July 1 to form Paige O'Brien Russell.

Such accounts as Gulf + Western, Rexall, Port of New York Authority, Sperry-Hutchinson and Northeast Airlines will be handled by the new firm.

The all-lines broker will employ in excess of 600 people and will maintain offices in New York; Portland, Houlton and Eastport, Maine; Atlanta; Los Angeles; Hartford; Manchester, N.H.; and Houston.

Joe College unexcited by employers' fringes

CHICAGO—Fringe benefits are not a prime consideration of college graduates seeking jobs.

"I would be surprised if a student asked me about a company's benefits or what to look for," said Mrs. Anita Sandke, University of Chicago placement director. "They just don't think too much about them, particularly if they're not married. They consider the nature of the job and the chance for creativity much more important."

Frank Endicott, placement director for Northwestern University, has conducted some studies that bear up this attitude. Elements that he has found students to rank higher than fringe benefits are:

- Opportunity to use experience and education
- Challenge of a meaningful job
- Location of job
- Reputation of company
- Salary

An annual report published by the University of Illinois engineering department shows fringe benefits listed 15th out of 22 reasons for accepting a position.

DR. ROLAND Swaim, placement director at the University of Illinois, said that a factor in students' not caring about fringe benefits is that competition between companies today has resulted in fairly uniform, good benefit programs. Dr. Swaim added that young people are idealistic and not aware of the amount of money that will come out of their paychecks in taxes, and that perhaps it takes some contact with the working world before fringe benefits take on

meaning for the graduate.

Mr. Endicott noted that cloudy explanation of benefits doesn't help promote interest or understanding among students.

Older applicants—those with advanced degrees and those who are married—tend to be more interested in a company's benefit program. In this case, Mr. Endicott pointed out, hospitalization and health insurance take on significance, along with such things as subsidized lunches, use of a company car and a tuition refund program.

"We can't let our prejudices about companies get in the way," Mr. Endicott added. At Northwestern the attitude is that it is up to the individual to decide what type of job with what type of company is best for him and advisers do not point out features about one company which they personally might think better than those of another.

Dan Borbas, college relations coordinator for Montgomery Ward and Co., told *Business Insurance*, "Not too many graduates are impressed by the fringe benefits you have to offer—they tend to go where the 'scratch' is." He agreed that married applicants display more interest in medical benefits but said that "no one is very attuned to long-range benefits."

At Ford Motor Co., Warren Harrison, marketing manager, sees all applicants after the initial interviews by the Detroit office. "Deferred benefits don't interest applicants too much," he said, "because they are good but always changing." In his opinion the attitude seems to be, "If benefits are good now, they can only get better."

More U.S. business concerns study captive insurer approach

By LOUIS HAUGH

CHICAGO—An increasing number of business concerns across the U.S., mostly large corporations but also some small ones, are taking another look at captive insurance company operations as a solution to their individual insurance needs.

For some of these companies it is a second or third look, after the captive company idea had previously been rejected. Edward P. Lalley, insurance manager for National Dairy Products Corp. and president-general manager of that company's house insurance company, defines a captive as an insurance company, controlled by a noninsurance business, whose main purpose is to write the business corporation's insurable risks.

One consultant estimates that as many as 200 companies are currently in various stages of studying captive operations. A partial list of such companies that have the technique under study or are in preliminary stages of setting one up includes Allis-Chalmers Mfg. Co., Carnation Co., Consolidated Foods Corp., Fluor Corp., Hunt Foods & Industries soon to be part of Norton Simon Inc., Holiday Inns of America Inc., International

Harvester Co., Kaiser Industries, Nestle Co., Ralston Purina Co. and Scott Paper Co.

IN ADDITION more than 100 domestic and foreign airlines, members of the Air Transport Assn. and the International Air Transport Assn., are considering formation of a company to write hull, passenger liability, baggage, cargo and third-party liability coverages.

Some smaller companies, including Malone & Hyde, a wholesale grocer in Memphis, are said to be considering the utility of a captive insurance company.

With the collapse of the Simmonds oil insurance pool, several oil companies began preliminary study of captive or reciprocal operations for their coverage.

Estimates on the number of house insurance companies run as high as 350, but the number of true captives, those that write only the parent companies' risks, is probably closer to 100 worldwide. Some of these captives are very successful and have branched out into seeking outside business.

THE REASONS for increased interest in captives seem to be as varied as the companies studying them. Airlines, for example, feel

their own insurer is necessary to meet the massive risks posed by the arrival of "jumbo" and supersonic aircraft.

ONE SOURCE told *Business Insurance* that a captive seems a logical step for a company after it has adapted high deductibles as a form of self-insurance. "Instead of setting reserves aside for these high retentions," he said, "a captive allows money to be set aside with some tax benefit for the company."

Another reason, offered by a broker, is that the current tightness in reinsurance markets has been forcing insureds to increase retentions, and companies are looking for long-range stability and catastrophe protection which in some cases is offered by a captive.

In using a foreign, or offshore, captive, there are some benefits of coverages unavailable through ordinary foreign markets, the broker said. In addition, there is a cash flow advantage with a house insurance company.

FOR EXAMPLE, a captive allows monthly payments whereas a regular carrier usually requires prepaid premiums. He said that the increase in the number of captives has forced some carriers to modify this requirement.

"Captives have also forced carriers to make more attractive

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Police chief group finds warm reception on captive scheme

WASHINGTON—The International Assn. of Chiefs of Police is planning to start a captive insurance company exclusively for policemen, *Business Insurance* has learned.

An insurance source indicated that the multiple line company could have \$1 billion worth of business on the books in one year.

The underwriting firm would be both a stock and a mutual and would be comparable to a captive insurance company. It would underwrite all lines of insurance for policemen, including private needs such as homeowners coverage.

HOWEVER, IT WOULD not handle police professional liability coverage, a relatively new form of protection underwritten by the American Home Assurance Co., it was explained.

By October, the association hopes to unveil details for its captive company, which in the beginning would handle only U.S. and Canadian risks but eventually would be extended to the rest of the Free World.

The insurance source said that the "big giants" in the insurance field have listened with interest to the association's plan.

For one thing, a company exclusively for police would eliminate some of the "rigamarole" involved in getting insurance. There would be no need for police to undergo a separate physi-

cal examination, since they are given thorough physicals every year.

The police professional liability coverage is marketed to municipalities for their police departments. Municipalities have a choice of limits up to a maximum of \$500,000 per person, \$1,000,000 per incident and \$1,000,000 with-in any one year.

Liability coverage includes personal injury including false arrest, erroneous service of civil papers, false imprisonment, malicious prosecution, libel, slander, defamation of character, violation of property rights and assault and battery occasioned in the course of making or attempting to make an arrest while preventing an attempt to escape.

Prior to this policy a limited form of coverage was offered by Lloyd's of London.

Liberty adds foreign agency

BOSTON—Liberty Mutual Insurance Co. has set up Liberty International Insurance Agency to place overseas coverage for its U.S. customers.

Frank L. Farwell, president of the parent company, said that while Liberty Mutual will not actively solicit foreign insurance, "We should be able to accommodate our policyholders and good prospects when the occasion arises."

Conn. labor studies prepaid health plan

HARTFORD—An unprecedented labor movement is under way in Connecticut to slow down escalating medical costs.

The Greater New Haven Labor Council, for one, is launching a pilot program, with an assist from the Yale University Medical Center, educating union leaders about the merits of a Community Health Center Plan. A single insurance premium is geared to cover most or all health services. They range from outpatient care to major surgery and hospitalization and serve to encompass baby health services, physical examinations and other routine preventive medical matters.

UNDER THE PLAN, physicians from major healing arts will work in a group practice clinic geared to meet bulk of outpatient needs.

A 1964 New Haven study showed that medical insurance in collective bargaining contracts applied to only 33% of the average family's actual medical costs.

The Greater New Haven Labor Council points up the need for premiums considerably higher than prevailing employer-employee medical pattern: Outpatient and group practice features will reduce out-of-pocket medical expenses to practically nothing.

ONE EXPLICIT testing of the Community Health Center plan is already under way. The Greater New Haven Labor Council is actively soliciting funds to develop the plan over the next two years. To date, the GNHLC has been recipient of

gifts from the United Steel Workers, State Central Labor Council, a New Haven charitable foundation and other unspecified sources.

It now wants \$2 per union member in metropolitan New Haven over the next two years. Maximum collection could hit the \$800,000 mark.

Moreover, the GNHLC is asking unions to introduce the health care plan into collective bargaining sessions. To date, 20 employers have been committed to recognize the plan when operational.

Contracts with health benefits covering 25,000 individuals at present contain clauses providing subscriber option to switch to the health care plan.

Significantly, because cost of premiums are unknown right now, employers have adamantly refused commitments to cover full cost. They are in agreement, however, to pay at least the amount committed to other plans.

N.J. slates Medicaid program for 1970

TRENTON, N.J.—The state Senate has voted, 35 to 0, to begin a Medicaid program for New Jersey in 1970.

The program, which would cost the state an estimated \$25,000,000 in additional appropriations during the first full year, would provide comprehensive public medical assistance to 240,000 persons 65 and over who now qualify for welfare assistance or will qualify by 1970.

Twinney joins Ford pension department

DETROIT—Marc M. Twinney Jr. has joined Ford Motor Co. as manager of the pension department. He was a senior consultant with Arthur Stedry Hansen Consulting Actuaries Inc., Chicago.

Mr. Twinney will replace Ben Muns, who joined Marsh & McLennan International as director



Twinney



Muns

of employee benefits for Europe.

Mr. Twinney has an MBA degree from Harvard business school and a BA in mathematics from Yale University. He was an actuary with Haight, Davis and Haight, Omaha, Neb. and a consultant with Hewitt Associates.

Mr. Muns, a native of the Netherlands, joined Ford in 1961 as pension manager for domestic and foreign programs. He was with the First National Bank of Chicago in the pension trust department and actuarial consultant prior to joining Ford. He will be located in Rotterdam.

Darby joins M&A

James F. Darby has been named an account exec and head of the surety department of Miller & Ames-Forsgren, a broker in Portland, Ore.

Backs damage award

HARTFORD—The Connecticut supreme court has upheld a common pleas court judgment that ordered the Milwaukee Insurance Co. of Wisconsin to pay \$6,887 for damage to the Frontis Building, New Haven, weakened by a fire next door in 1963.

The four-story Maguire Building was badly damaged by fire and the top three stories had to be torn down.

Because it shared a common wall with the Maguire structure, the Frontis Building was weakened and New Haven's city building inspector ordered removal of the two top stories.

Frontis Building owners,

Krenie C. Frontis and Mary Cummings, were unable to collect on their fire insurance, so they proceeded to file suit to recover their loss.

The supreme court, in an opinion written by Associate Justice Elmer W. Ryan, agreed with the trial court that loss of the top two stories of the Frontis Building "was a direct loss by fire" under terms of the standing insurance policies.

The high court stated that the fire may be the dominant cause of damage, "though it starts outside the premises insured and never extends to them in the form of combustion."

Sirhan got comp pay

LOS ANGELES—Speculation here over the defense which may be planned for Sirhan Sirhan, the accused slayer of Sen. Robert F. Kennedy has been heightened by disclosure of a \$2,000 payment to the alleged assassin by Argonaut Insurance Co.

The recent payment reportedly was in settlement for head injuries Sirhan suffered in falling from a horse. The claim was heard by the California state workmen's compensation appeals board.

Sirhan's fall took place Sept. 25, 1966, while he was employed as an exercise boy at the Granja Vista del Rio Ranch, Corona, operated by Bert Altfillisch.

Files of the industrial accidents commission indicate Sirhan was treated at Corona Community Hospital for cuts on the face, abrasions and bruises.

The Jordanian youth was kept overnight at the hospital. After his release, the files reveal, he continued to be treated for what Sirhan claimed as an injury to his eye.

John F. McLaughlin, the attorney who represented Argonaut Insurance during the appeals board hearing, said insurance company records did not substantiate any damage to Sirhan's vision.

At the time of Sirhan's arrest following the shooting of Sen. Kennedy and four others, the accused slayer had four \$100 bills in his pocket, according to police reports.

Urge risk buyers join products liability teams

By RICHARD BJORKLUND

WAUSAU, Wis.—Risk managers should be members of corporate teams organized to prevent costly products liability claims through communication and to effectively defend against products suits when they arise.

This was one major conclusion of a national product loss symposium sponsored by Employers Insurance of Wausau that drew more than 70 executives to this Wisconsin city to discuss way to stem the mounting flood of products liability lawsuits. In addition to corporate risk managers, participants included lawyers, designers, production and service managers, advertising and marketing executives and quality control specialists.

Proof of the growing importance of product loss control was offered by Clyde F. Schlueter, Employers Insurance executive vp, who keynoted the symposium by warning that the days of *caveat emptor* (let the buyer beware) have given way to the era of *caveat vendor* (let the seller beware). "Merely 20 years ago," Mr. Schlueter said, "product liability cases were few and far between. By 1963, the annual total had reached 50,000. Today, the yearly figure is more than 100,000."

HE SAID THE average verdict in product cases is double that of other bodily injury cases. Mr. Schlueter cited such recent judgments as \$930,000 to a woman

blinded by the contents of a can of drain cleaner and \$1,200,000 awarded to the New York woman for injuries by a drug, the largest U.S. jury award in a non-fatal personal injury suit.

Employers Insurance's symposium decided that warding off such judgments requires that all members of the products team—from designers to distributors—communicate with each other to prevent flaws and misrepresentations that may result in claims. Also important, in the view of the executives at the symposium, is the encouragement of fresh pride of workmanship at all phases of production. One way to accomplish this is to impress upon employees and supervisors the cost of turning out defective products.

Some participants advocated creation of products control committees composed of representatives of the seven disciplines whose work bears upon product reliability. Others felt that the responsibility should rest with the production manager alone, though he should be advised by members of the products liability team.

At the symposium, products liability problems were first discussed by each aspect independently and later by groups that included spokesmen for each discipline. One insurance manager



William R. Fitz, insurance manager of North American Rockwell Corp., Pittsburgh, sums up the discussion of the insurance section of the products loss control symposium sponsored by Employers Insurance of Wausau. Mr. Fitz led the insurance discussion as a representative of the American Society of Insurance Management.

participating in the symposium commented that if such discussions were held regularly within his company, there would be no products liability problem.

RISK MANAGERS' responsibilities were clearly outlined in the insurance group chaired by William R. Fitz, insurance manager of North American Rockwell Corp., Pittsburgh, repre-

sented the American Society of Insurance Management Inc.

Three aims guided the group: minimizing the possibility of a product being harmful; maximizing the possibility for a good defense once a claim is filed, and improving the pride of workmanship that ultimately prevents products liability claims.

Risk managers recognized that their first responsibility is to appropriately insure their companies against products liability claims. Mr. Fitz's group concluded: "Everybody in the company has got to know what the impact on the financial statement is of the cost of these accidents—whether its prospectively or retrospectively rated or what the company is paying directly out of its own pocket."

"WE CAN ALSO develop," Mr. Fitz reported for his group. "a system of charging losses directly to the plant from which they came."

On mergers and acquisitions, risk managers were cautioned to be alert to "find out about the product liability experience of acquired companies."

Risk managers, the group suggested, should serve as coordinators making certain that outside defense counsel get together with technical personnel to assure the best possible defense is prepared in the event of claims.

Records keeping, if necessary by the risk manager, is an important part of products liability defense, the insurance group concluded. "We can't only show that a product was made or de-

signed in connection with a specification, we've got to prove that it was made that way, and we've got to keep quality control and test records," the group said.

ONE RISK MANAGER, whose company participated in a product loss seminar, pointed up the importance of keeping records by recalling a case in which a 45-year-old digging machine was involved in the products liability claim because it was alleged that the machine did not have a sounding device. Blueprints, resurrected from company files, proved that the device originally had a bell similar to those used on old streetcars.

"Red flags come across our desks," the insurance group reported, "that are often allied with products liability problems. A series of workmen's compensation claims may be flags of possible products liability problems that should be brought to the attention of manufacturing and plant management personnel."

From Mr. Fitz's insurance group came the recommendation that insurance companies, with all their talents, should design facilities to which manufacturers could send new products and let them run through tests conducted by experts who would feed back to the manufacturing company any information on problems the insurance carrier may foresee.

Mr. Fitz concluded: "We also run into the problem of fact gathering in the handling of claims. I judge that some compa-

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Doctors eye 'credit card' health care and negative tax credits

SAN FRANCISCO—The house of delegates of the American Medical Assn. has reviewed a report recommending a national "credit card" system for paying medical bills and adopted a resolution calling for a negative income tax credit to help those in financial need pay for medical bills.

The house of delegates, in reviewing a preliminary report by a special committee that had been studying increasing medical costs and government pressure for greater medical care includes these features:

- A credit card permitting anyone immediate medical service.

- Those who could afford it

would pay premiums to a community insurance agency, the poor would have premiums paid by a local welfare agency.

- A negative income tax credit system in which poor would receive medical care payments from the government as income tax credits.

The report and the resolution are silent on the relationship of employer paid health programs. An AMA spokesman said that the special committee will probably study this aspect now that it has a go-ahead to continue.

The resolution which would require Congressional approval would require minimum federal involvement, the AMA said.

Here is how the tax credit plan would work:

A taxpayer with health insurance would be entitled to a credit or reduction in income taxes. Families with incomes less than \$3,000 a year would receive vouchers with which to purchase health insurance. Families earning between \$3,000 and \$7,000 a year would be entitled to subtract the full cost of their health insurance from their federal taxes.

Families with incomes between \$7,000 and \$10,000 could take a credit equal to one-half the cost of health insurance. Families with more than \$10,000 income would receive no federal assistance.

According to the preliminary report, approximately 48% of the population would qualify for insurance vouchers or full tax credits, and an additional 25% would get partial credits.

DR. RUSSELL B. Roth, vice speaker of the house of delegates and member of the special committee, said, "I hope we can have this proposal fairly well matured so that federal legislation allowing the tax credit could be considered within a year."

"The AMA realizes that many people cannot afford comprehensive health insurance and that the association should work out a program to provide this coverage to the entire population."

The committee report said that voluntary insurance programs now pay for only one third of private health costs. Although Dr. Roth would not estimate the cost of the AMA proposed plan in terms of loss in federal tax

revenue, he agreed that it would be enormous.

The system would supplement premiums now paid for Blue Cross and Blue Shield plans, but health care funds would be channeled into private insurance carriers rather than publicly administered programs. Physicians' fees would not be subject to review by government officials.

The plan would eliminate the need for federal-state Medicaid programs and other government supported health programs. It was pointed out that the plan might apply only to persons under 65, allowing Medicare to continue to provide coverage for the elderly.

Halt alleged rebates, says Oregon aide

SALEM, Ore.—James R. Faulstich, state insurance commissioner, has announced a cease and desist order was issued to two Portland insurance brokers on charges they paid almost \$70,000 in rebates between 1949 and 1963 to obtain business from three corporations and four individuals.

The state insurance official last August had taken the charges under advisement after presiding at an insurance department license hearing at which Horton C. Pownall and Harold S. Hays stipulated that payments were made but denied they were rebates.

The two were partners until January of 1963 in Pownall, Taylor & Hays here.

At issue were alleged kickbacks of \$60,987 to Fred Meyer Inc.; \$2,065 to Portland Provision Co.; \$5,235 to Pay-Less Drugs; \$396 to William B. and Erma Lee Armitage; and \$782 to Peyton and Ruth Hawes.

The brokers insisted that all payments were made as normal business procedures to cover agency purchases, appraisal services, and "moral obligations."

Mr. Hays said the major portion of the alleged rebates, to Fred Meyer Inc., and Portland Provision Co., were made to pay for the purchase of insurance brokerages conducted by the Meyer firm and by the late Jacob Gallus, former owner of Portland Provision Co. The payments amounted to 5% of annual premium renewals.

File suits in Braniff crash

DALLAS—First damage suits have been filed here and in Houston in connection with the May 3 crash of a Braniff Airline plane which killed 85 persons.

In Houston the suit was filed under the wrongful death act in behalf of the husband and two sons of Mrs. Forest Hawkins, 37, of Corpus Christi, Tex., seeking \$207,500 in damages.

In Dallas, a \$650,000 civil damages suit was filed in U.S. district court by Mrs. Edward L. Davis of Dallas, whose husband was a crash victim. She is asking the sum on behalf of herself and two minor children. Negligence on the part of the airline is alleged in the suit.

The federal court has jurisdiction because Mrs. Dawson is a Texas citizen and Braniff is incorporated in Nevada but with main offices in Dallas. The airline has 20 days in which to file an answer to the suit.

group ordinary

The Group Ordinary Plan from General American Life is a New Group Benefit Program with important advantages for both you and your employees. The GO Plan combines Group Term Life Insurance, the type you probably pay for now, with optional permanent life insurance elected and paid for by your individual employees.

You both benefit. With the GO Plan your costs are stabilized for the term protection, and may be reduced. It helps solve the retired employee insurance problem. And the fact that it is a permanent benefit goes a long way in boosting employee morale.

Your GO Plan participation gives employees the chance to buy permanent insurance at favorable Group underwriting rates. Lets them accumulate extra retirement dollars. And the permanent protection may be continued should they leave the group.

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Supreme Court frees CATV from copyright law

NEW YORK—A surprise decision by the Supreme Court protecting community antenna television systems (CATV) from copyright infringements may lessen CATV needs for copyright coverage in one sense but broaden it in another.

The decision, which relieves CATV stations from paying license fees for copyrighted shows, could be the springboard for CATV systems to produce more of their own original material—in which case they would be in the market for copyright protection, according to a major underwriter.

In the case of *Fortnightly Corp. vs. United Artists Television Inc.*, the Supreme Court held, in a five to one decision, that community antenna television systems do not have to pay license fees for copyrighted shows they relay to subscribers' television sets, because the systems do not "perform" the programs within the meaning of the copyright act.

PRIOR TO THE decision CATV operators had been negotiating a compromise arrangement with the regular broadcasting industry. The CATV's were saying they would agree not to

Westinghouse itemizes cost of pension pay

PITTSBURGH—Employees at Westinghouse Electric Corp. are receiving personalized statements spelling out the extent of their individual pension and insurance benefits. At the same time they are being given a folder to preserve the statement and urged to make it a part of their valuable papers.

Although these items don't show up in the weekly or monthly paycheck, they add a considerable amount to total costs of employee compensation. Last year the cost of pay and benefits at Westinghouse amounted to more than \$1.2 billion or 42¢ of every dollar in sales.

Last year 96,000 insurance claims were paid to employees throughout Westinghouse, amounting to more than \$38,000,000. At the Newark plant alone, for instance, benefits were paid for 1,196 claims.

Westinghouse records show the average employee retiring from the company at age 65 lives to be 80 years old, thus collecting 180 monthly pension checks. The statements issued to employees show their monthly pension multiplied by 180, to indicate the likely total of pension dollars they would receive.

"According to our estimates," M. B. Wilcox, manager-industrial relations, said, "pensions for employees now on the Westinghouse payroll will amount to more than \$4 billion." He added: "Chances are the figures will be much higher, because pension benefits at Westinghouse keep increasing as each employee's pay increases over the years."

White to Silversmith

J. Darrell White, former branch manager of the National Union Insurance Co. in Denver, Colo., has joined J. H. Silversmith, Inc., insurance broker and consultant, as vp.

produce original material if the broadcasters would agree to exempt CATV from payment of fees for use of copyrighted materials.

"But in view of the decision, CATV systems may be feeling their oats and go a lot stronger in producing original material," according to a source at Fireman's Fund American Insurance Cos.

Irving B. Kahn, chairman and president of Teleprompter Corp. indicated that CATV systems would continue airing more original productions as they have been doing in the past.

A broadcasters form of coverage has been available to CATV systems, but often with a copyright exclusion. The regular broadcasters coverage protects against libel, slander, infringe-

ment of copyright, invasion of privacy, plagiarism and piracy.

Employers Reinsurance Corp. has made the coverage available with the infringement of copyright exclusion.

Fireman's Fund has underwritten the broadcasters form but does not give copyright coverage for material picked up from other broadcasters.

The key question in the case was whether CATV systems were performing the copyrighted material. In writing the majority opinion, Justice Stewart said "the copyright act does not give a copyright holder control over all uses of his copyrighted work." He stated that the law enumerates several rights that are made "exclusive to the copyright holder."

"If a person, without authorization from the copyright holder, puts a copyrighted work to a use within the scope of one of these 'exclusive rights,' he infringes the copyright," Justice Stewart said. "If he puts the work to a use not enumerated, he does not infringe."

He conceded that CATV equipment is powerful and sophisticated, but he said the basic function the equipment serves is little different from that served by the equipment generally furnished by a television viewer.

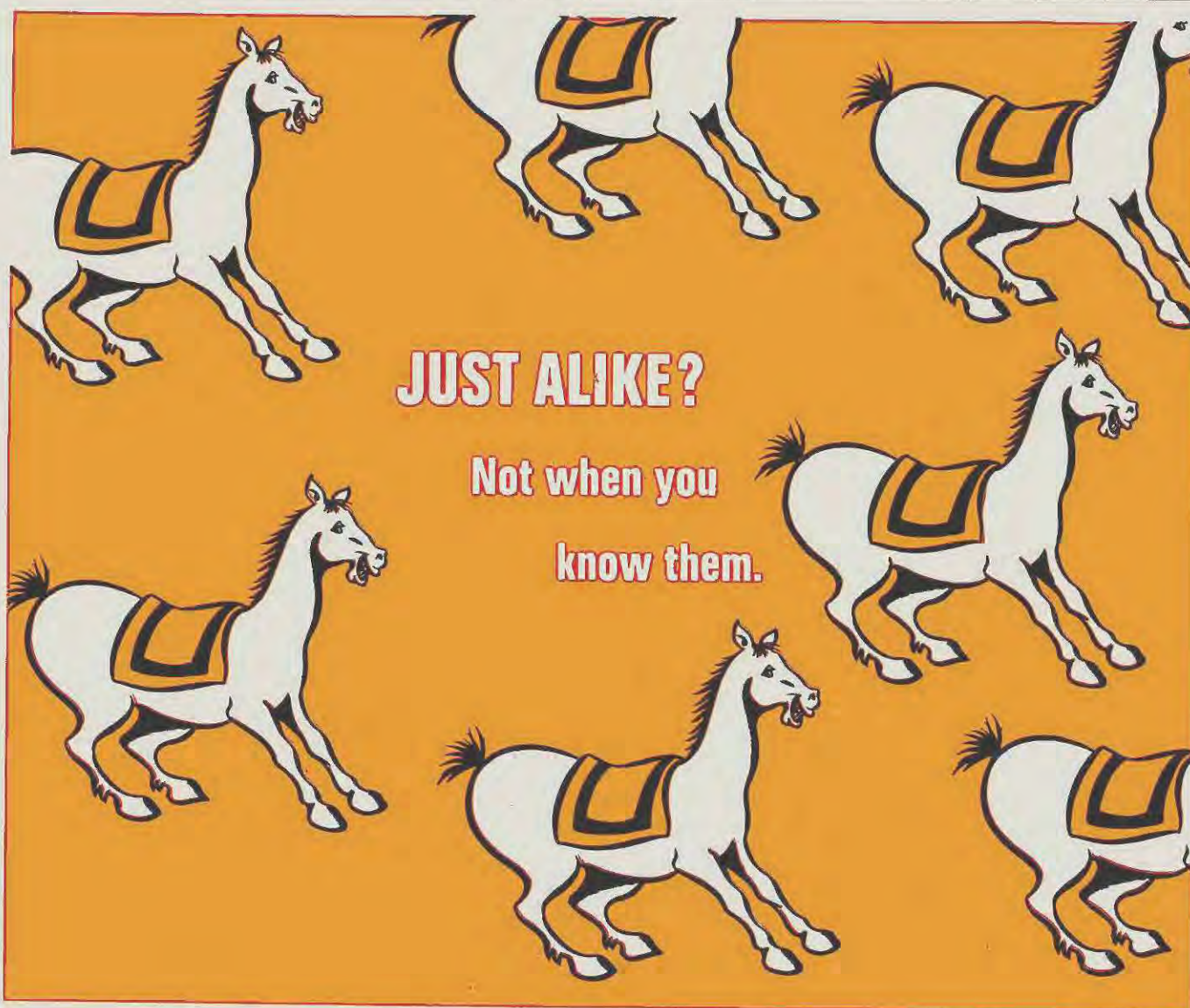
IN DISSENTING OPINION, Justice Fortas said the copyright liability of CATV industry could be "very great," and that prior high court interpretations of the

copyright act lead to the conclusion that those systems that import station signals from distant cities should be liable for copyright fees.

Justice Fortas asserted that applying the normal jurisprudential tools—the words of the act, legislative history and precedent—to the facts of the case is like "trying to repair a television set with a mallet."

Mr. Kahn said that the industry as a whole has been negotiating with copyright holders to come up with joint recommendations which will be submitted to Congress.

Congress has killed, for this session, a bill that would modernize the 50-year-old copyright law. The present law will continue until at least Dec. 31, 1969. ■



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Text of Bunge Corp. versus Am. Express agent reprinted

NEW YORK—Following is the complete decision of the U.S. court of appeals for the second district in the case of Bunge Corp. versus the London and Overseas Insurance Co. and Brooks Banker, as treasurer of American Express Co. The decision, of major importance to insurance carriers and corporate risk managers, was reported in the May 20 issue of *Business Insurance*.

Appeals by plaintiff and third-party plaintiffs from a judgment of the United States District Court for the Southern District of New York, Sylvester J. Ryan, Judge, dismissing their complaints in an action on an insurance policy.

Reversed as to dismissal of the

complaint; affirmed as to dismissal of the third-party complaint.

Hays, Circuit Judge:

Bunge Corp. was one of the holders of warehouse receipts on vegetable oil stored in the tanks of a warehousing subsidiary of the American Express Co. In late 1963 it was discovered that a massive fraud (popularly known as the "salad oil swindle"). Had been perpetrated by one Tino De Angelis, president of a vegetable oil concern, and that there was little or no oil in the tanks. Bunge brought suit on a contract of insurance against the issuing underwriters (hereinafter referred to collectively as "Lloyd's") to recover its losses. Jurisdiction is based on diversity

of citizenship. Lloyd's denied liability under the contract but served a third-party complaint on the American Express Co. Thereafter, Bunge entered into a settlement with American Express and gave it a general release.

American Express then moved for summary judgment dismissing the third-party complaint. The court below granted the motion on the ground that the release given American Express by Bunge was binding on Lloyd's. However, in response to an oral motion by counsel for Lloyd's, the court also granted summary judgment dismissing the complaint in the main action, the action of Bunge against Lloyd's. The court ruled that Bunge's re-

lease of American Express has the effect of relieving Lloyd's of any obligation to Bunge under the insurance contract. We affirm as to dismissal of the third-party complaint, but reverse as to dismissal of Bunge's action against Lloyd's.

An insurer who has not paid its insured's claim has no right in claims which the insured has against third parties. See, e.g., *Meredith v. The Ionian Trader*, 279 F. 2d 471, 474 2d Cir. 1960; *Glens Falls Ins. Co. v. Wood*, 8 N. Y. 2d 409, 412, 208 N. Y. S. 2d 978, 979-90 (1960); *American Surety Co. v. Palmer*, 240 N. Y. 63, 67 (1925).

Since Bunge has executed a release, its rights against American Express are extinguished; thus, even if Lloyd's were now to pay Bunge in full, it would succeed to no rights against American Express.

It follows that the third-party complaint was properly dismissed.

Lloyd's contention that our decision in *St. Paul Fire & Marine Ins. Co. v. United States Lines Co.*, 258 F. 2d 374 (2d Cir. 1958), cert. denied, 359 U. S. 910 (1959), requires a contrary result is without merit. The court there found that the purposes of Rule 14(a) of the Federal Rules of Civil Procedure—avoidance of a multiplicity of suits and inconsistent adjudications—would be furthered by interpreting the rule to permit an insurance company which had not made payment to implead a third party. The court did not purport to change the law of subrogation as to the rights of nonpaying insurers against such third parties.

It is well settled that, at least after a denial of liability by an insurer, the insured may enter

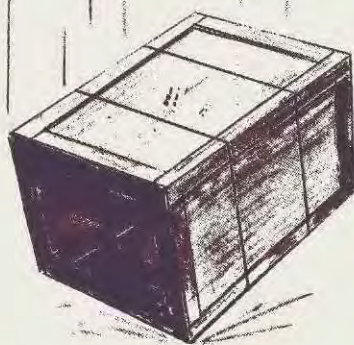
into a settlement with a third party without prejudicing its rights against the insurer. See, e.g., *Vanguard Ins. Co. v. Polchlopek*, 18 N. Y. 2d 376, 382, 275 N. Y. S. 2d 515, 520 (1966); *Cardinal v. State*, 304 N. Y. 400, 410-11 (1952), cert. denied as not timely applied for, 345 U. S. 918 (1953); *In re People ex rel. Emmet (Empire State Surety Co.)*, 214 N. Y. 553, 563-64 (1915).

TO REQUIRE that the insured first fully litigate its dispute with the insurer before pursuing the third party would be manifestly unfair. The possibility of prompt reimbursement would be lost. Moreover, because of the financial condition of the third party or the size of other claims pending against it, it might be essential that redress against the third party be promptly pursued lest nothing remain to satisfy insured's claim. On the other hand, the self-interest on the insured affords considerable protection to the insurer under the present rule. Recognizing the possibility that his suit against the insurance company may fail, the insured will attempt to recoup as much of his losses as possible from the third party. If the insurer is ultimately held liable, the amount so recovered will inure to its benefit.

Of course, it remains open to Lloyd's to challenge the settlement on the ground that it was entered into in bad faith; certainly an insured cannot claim as losses such amounts as it could have recouped in a good faith settlement.

The judgment is reversed as to dismissal of Bunge's complaint against Lloyd's and affirmed as to dismissal of the third-party complaint. ■

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A & P fires help cause profit dip in quarter

NEW YORK—Great Atlantic & Pacific Tea Co. blamed a dip in profits in the first fiscal quarter in part on fires the food chain suffered at two distribution centers and at outlets hit by civil disorder.

At its annual meeting last week, company officials said fires stemming from riots in Harlem, Chicago and elsewhere cost the company \$777,000. In addition, fires at two A&P distribution centers, one in Elmsford, N.Y., the other in Brooklyn, caused damage of an estimated \$7,500,000—most of which was covered by insurance.

A&P is insured for loss of contents by National Union Insurance Co. and for property damage by Employer's Liability Assurance Co. The firm carries a

\$100,000 deductible per store for its loss of contents coverage.

BECAUSE OF THIS deductible, A&P had to absorb all of the \$777,000 contents loss (the chain did not own the stores themselves) caused by the riots.

A fire on the last day of 1967 completely leveled the Elmsford distribution center, A&P's biggest warehouse in the metropolitan New York area. Since the building was leased, A&P's loss—put at \$4,000,000—was restricted to contents.

The Brooklyn fire, on April 6, was limited to the building's first and second floors. Although A&P owns the warehouse, both property and contents damage is not expected to go above \$1,000,000. ■

Western Union agrees to pay all of dependent's medical cover

WASHINGTON—In an eleven-hour agreement with Western Union, members of the Commercial Telegraphers and Communications Workers unions won improvements in their basic hospital-medical plans.

For members of the Commercial Telegraphers, Western Union has agreed to pick up the full tab for hospital-medical insurance premiums for dependents by June 1, 1970. Beginning July 1, 1968, Western Union will pay 50% and in June, 1969, will go to 75%.

The new Communication Workers contract for the 3,500 Western Union employees repre-

sented in New York provides for full payment of health care insurance for dependents beginning June 1, 1969.

All hospital-medical coverage and life insurance for both unions is underwritten by Metropolitan Life Insurance Co. The Communications Workers contract raises fully paid life insurance for employees from \$3,000 to \$6,000 by June 1, 1969.

The benefit plan for on-the-job injuries was increased for members of the Commercial Telegraphers.

A Medicare excess benefit is effective July 1. ■

Milwaukee buys fire, extended coverage worth \$100,000,000

MILWAUKEE—This city has acted to obtain fire and extended coverage policies for all its buildings with a face value of more than \$100,000,000.

The city common council has voted to obtain the coverage with the State Fire and Life Insurance Funds, a state-run insurance company in Madison. An insurance counseling firm, Corporate Policyholders Inc., Chicago, had been retained to advise the city on policy and premiums.

It is understood that the city will get a substantially lower rate by dealing with the State Funds than would be available from a commercial carrier. Up until this time, most of the city's buildings had been noninsured.

O. Norbert Strobel, deputy city controller, explained to *Business Insurance* that the city had felt that there was a "spread of risk" involved that made it unlikely that many buildings would be destroyed at one time.

Although the city was the scene of racial disturbances last summer, Mr. Strobel insists that the city had been contemplating buying coverage for city property for two or three years.

He said that in early 1966, the city controller's office was made administrator of the city's insurance program. At that time the counseling firm was hired.

When the controller's office got this added responsibility, Mr. Strobel said, it decided to "clean up" and adopt a more easily workable system. All policies were written for three years, including those with commercial carriers, which covered fidelity bonds, autos and boiler and machinery risks.

For several years the city's water works and harbor facilities had been insured by the State Funds.

THE FUND operates on an "all or nothing basis," meaning that if a municipality does business with the funds, it must insure all its buildings with the funds.

The city has been thwarted in its attempt to purchase catastrophe insurance to protect it against riot claims.

The city asked for bidders last year and was unsuccessful in finding anyone interested. In a second attempt earlier this year, the city asked maximum coverage of \$5,000,000 per claims,

down from a \$20,000,000 limit asked in the first bid.

Specifications for the second bid included an optional \$250,000 or \$500,000 deductible. Employers Insurance of Wausau sent a letter to the city last March indicating it might be interested in submitting a proposal of some kind but excluding liability for riot claims.

In the first bid, specifications were sent to 47 insurance companies one week before the riots in the city. The city asked bids on a variety of packages with limits ranging from \$5,000,000 with a \$250,000 deductible to \$20,000,000 with a \$25,000 deductible.

The city has a \$1,000,000 liability policy for the Pabst theater. ■

Harris, Munger firms merged

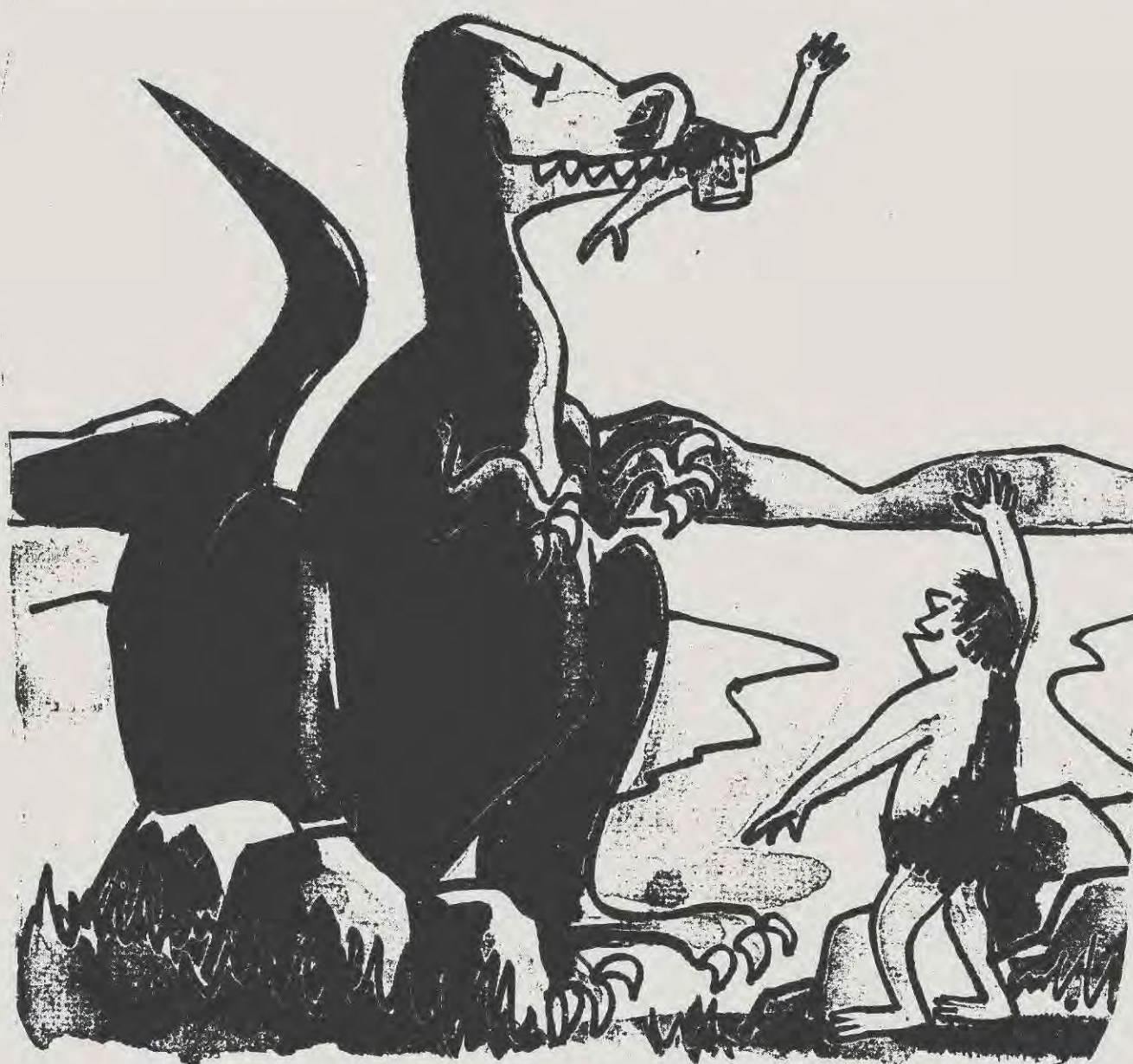
DALLAS—Felix Harris & Co. and Munger-Moore & Associates have merged to form a new insurance agency called Harris-Moore and Associates, doing more than \$20,000,000 in gross annual premiums.

The new company has more than 800 industrial and commercial accounts, including Ling-Temco-Vought, Greatamerica Corp., Southland Corp. and Curtis Mathes.

Heading the new firm as managing directors will be William L. Carter Jr. and William R. Moore. The agency will be affiliated with Insurance Service Associates and Alexander, Sexton & Carr, Inc. to provide representation worldwide. ■

J & H elects vps

Lloyd S. Kaye and James Gray Harlow have been elected vps of Johnson & Higgins, New York.



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Products...

Continued from page 3

nies are not getting the information from their manufacturing people. I think we need to work with both our legal departments and our insurance companies in the selection of good defense counsel."

RISK MANAGERS participating in the symposium also called for prompt notification of accidents and potential products liability claims. "In a good product control program," they concluded, "there should be immediate notice and immediate investigation and testing. This need should be communicated to both distributors and manufacturers of the end product."

Among general conclusions of the symposium were the need for written design specification, better record keeping at all phases of production, clear statements in all written warranties and guarantees, dissemination of product loss information to employees with financial statements of the cost of accidents, and increased efforts toward consumer education.

Participants lamented the emphasis in news media on product failure and insufficient mention of product success and the countless numbers of products that are distributed without complaint from consumers.

OBJECTS OF AN effective product loss control program, agreed upon by Mr. Fitz's interdisciplinary study group, were: design it safe, make it safe, test it, inspect it, market it honestly and accurately, keep records and keep quiet.

J. M. Sweitzer, Employers president, set the tone of the symposium in an opening statement: "You are aware of the current interest in 'consumerism' in our country today. Government spokesmen, court decisions, educators, legislatures and the press, among others, have focused the spotlight on products of all kinds in the name of consumer protection. There might be the temptation to answer the critics and to tell 'the other side of the story' which rarely gets into print. But the purpose of this meeting is not to draw up our defense against the critics but to seek out positive ideas toward an improved system of product loss control." ■

Captives...

Continued from page 2

offerings to insureds," the broker said.

A house insurance company also affords certain tax advantages, especially in offshore captives. A recent Securities Exchange Commission ruling, for example, allows companies to make greater investments in captive operations.

Companies studying captives can turn to various sources to investigate the pluses and minuses of their own insurance operation. One company is known to have paid \$50,000 for an outside legal opinion on captives.

Mr. Lalley of National Dairy has written an American Management Assn. bulletin on captive operations that contains a bibliography of their functions. William Hare, director of client services at EBS Management Consultants Inc., has written a paper on captives which is available from EBS, which has a special consultant department serving captive insurance companies.

SOME BROKERAGE houses, along with carriers, have adopted negative positions with regard to captives and, according to one insurance manager, go out of their way to discourage them.

However, Johnson & Higgins, E. H. Crump & Co., Memphis, and Alexander & Alexander have set up a special team, to advise clients on captive companies. American Risk Management Inc., headed by Fred Reiss, provides counsel on the formation of captives.

One consultant told *Business Insurance* that it advises as many clients not to set up their own insurer as it advises to do so.

Brokers and carriers usually point out that a single business concern, no matter how large, does not have "spread of risk," a key insurance tenet. They say

that some companies have had rather sour, if not disastrous experience with captive insurance company operations.

COMPANIES that have had bad luck are understandably reluctant to discuss it. Anderson, Clayton Co., Houston, which set up a captive that now does outside business, is known to have "taken a bath" in the reinsurance market when it tried to enter it in the 1950's. Swift & Co. is understood to have had to use its surplus funds when its insurance operations, which now also seek outside business, were forced to pay for some bad experience.

Acme Steel Co. liquidated its house insurer after five years, and Hertz Corp. with a five-year loss ratio of 104.9, liquidated its captive after 16 years. It is estimated that as many as 20 companies have liquidated their insurance operations.

However, one broker told *Business Insurance* that captives that run into trouble are usually ill-conceived and poorly managed at the start or have outlived the purpose for which they were begun.

He said that the two essential elements in a captive insurance operation are excellent loss prevention and strong reinsurance capability. "More often than not," he said, "the investigation of a captive forces a company to rethink its risk program, and it comes away with ideas on how to lower net costs with indications that bigger deductibles are in order."

INSURANCE MANAGERS who have looked at house insurance companies offered several reasons for their interest. One said that he was studying captives as a means to better approach deductibles among his company's subsidiaries. The disparity in their size makes a common deductible impossible, he said, and a captive might give the subsidiaries a third party to buy varying deductibles with the

captive buying the necessary reinsurance.

One company uses an offshore captive for its ocean marine risks. The insurance manager said that 5% of the premium it pays to a domestic carrier is funneled to the captive, as is 5% of the fee for a foreign broker's overseas placements.

Another manager said that a captive operation facilitates the handling of intercompany finances when a consolidated balance sheet is used.

DOT probers will investigate fleet coverage

WASHINGTON—John Day, newly appointed special counsel for the Department of Transportation's study of auto insurance, told *Business Insurance* that the inquiry will look into the pricing and availability of fleet auto insurance coverage.

"Fleet liability insurance is very much related to the aims of the DOT auto insurance study," Mr. Day said, "and it will be one of many aspects of auto coverage that we will investigate."

Mr. Day said that the inquiry would not be a "whitewash" of the auto insurance industry as some insurance critics have charged. "We are very much public-interest oriented," Mr. Day asserted, "and we are not going into this inquiry with predispositions."

Secretary of Transportation Alan S. Boyd appointed Mr. Day, 32, as special counsel for the insurance study, and Lee W. Huff, 36, to direct planning for the \$2,000,000 inquiry which is to continue for two years.

DOT officials say they consider their inquiry to be "concurrent" with an investigation of the insurance industry being conducted by the Senate antitrust subcommittee.

info for buyers

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

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

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

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

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

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

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

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

• The American Insurance Association, which publishes a compensation law pamphlet for each of the 50 states and the District of Columbia, has announced revision of 16 pamphlets to reflect changes in the law. Revised

pamphlets are for Alabama, Connecticut, Florida, Hawaii, Kansas, Maryland, Massachusetts, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, Oregon and Texas. Annotations of cases published since the last editions are included. Copies are \$2.50 plus applicable sales tax. Write: Editor, Law Publications, American Insurance Assn., 87 John St., New York 10038.

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

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

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

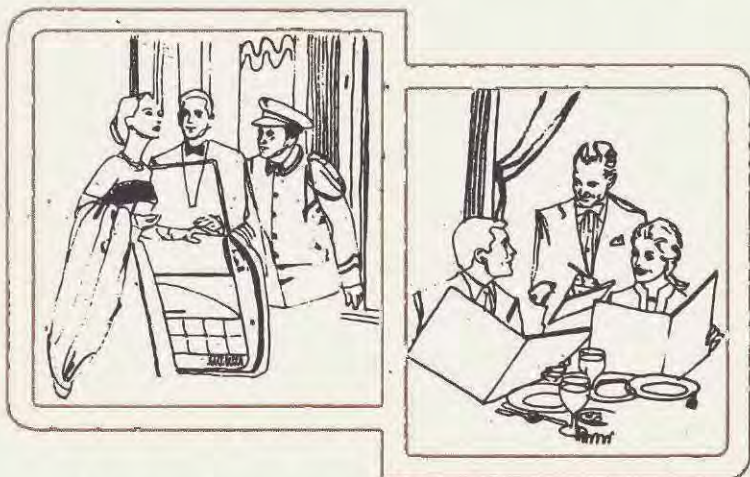
• The question-and-answer approach is taken to Social Security in "New Social Security Law (in a nutshell)," a 16-page booklet. Provisions of new legislation are explained and the importance of financial planning is stressed. Sample copies are free by writing Farnsworth Publishing Co., Inc., 381 Sunrise Highway, Lynbrook, N.Y. 11563.

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

• Two booklets, "Dermatitis Due to Contact with Epoxies: Rules for Prevention" and "Prevention of Poison Ivy Dermatitis," are offered free by Mr. Ron Orzel, Gen. Mgr., Milburn Co., 3246 E. Woodbridge, Detroit, Mich.

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

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• "1967 Source Book of Health Insurance Data" reviews the continued growth of private health insurance in the United States. Four out of every five Americans are protected by one or more forms of private health insurance. Single copies of the 86-page booklet are available free by writing Mr. Fred DeLuca, Managing Director, Health Insurance Institute, 277 Park Ave., New York 10017.

• A new edition of the booklet "Summary of State Regulations and Taxes Affecting General Contractors" is available at 35¢ a copy to members of the American Insurance Association and at 60¢ to others. It is a useful tool for builders, contractors and lawyers. Write the Publication Division, American Insurance Assn., 85 John St., New York 10038.

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

• The "1967 Life Insurance Fact Book" is designed for use as a reference book and is based on figures that are, in most cases, complete through the end of 1966. Life insurance ownership, annuities, insured pension plans and life insurance benefit payments are only a few of the topics discussed. Individual copies are free by writing Mr. Fred DeLuca, Mng. Dir., Institute of Life Insurance, 277 Park Avenue, New York 10017.

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

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

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

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

OSU considers insuring all buildings

COLUMBUS, O.—Ohio State University is considering the possibility of insuring all its buildings—not just ones built with nonstate money or bond-financed structures—for fire and property damage.

The problem, according to James R. Roesch, administrative assistant in OSU's business and finance department, is that when a noninsured building burns down or is damaged, it sometimes takes two years for the state legislature to appropriate money for repairs.

Right now, the university insures buildings worth about \$86,000,000 at 90% of value through Home Insurance Co. However, total worth of all OSU buildings is about \$300,000,000, Mr. Roesch said.

The university is also studying whether to take deductibles of \$10,000 to \$25,000 on insured buildings. Atkinson-Dauksch, Columbus, is OSU's broker.

OSU PAYS annual premiums of \$25,000 to protect its covered buildings. Other coverages are aircraft (OSU operates a fleet of planes ranging from DC3's to C45's to Aztecs), through Ohio Casualty, at a premium of \$18,000 a year; crime, through Hartford Accident & Indemnity, \$5,600 yearly premium; and boiler and machinery, through Lumbermen's Mutual Casualty Co., at \$8,000 a year premiums.

Mr. Roesch said that if the university decided to insure all its buildings, it would also move to combine its boiler and machinery

coverage with fire and property in "one major contract."

Although OSU isn't allowed to buy liability coverage, since Ohio claims immunity from such suits, the business and finance department is "investigating the possibility" of buying liability coverage when and if the state decides to waive immunity as other states are doing, according to Henry M. Anderson, assistant business manager.

The university last month called in the National Fire Protection Assn. to conduct a study of two dormitory fires which apparently caused considerably more damage than a \$10,000 blaze at a four-story campus structure last year. Mr. Roesch said the two dormitories—which were insured—suffered "severe

smoke damage." One coed died and 13 others were injured as a result of one of the fires, which was allegedly caused by arson. ■

Officers elected

Rollins Burdick Hunter Co., Chicago, international insurance brokers, announced the election of George S. Burrows to senior vice president and general manager of the firm's Chicago and western divisions; Paul L. Kohn to senior vice president and manager of the eastern division; and Karl R. Palmer to senior vice president in charge of production. Also announced were the elections to vice president of Eugene W. Lersch, Henry A. Thomas, Ronald Ursich and Donald A. Wilson.

Ohio begins group payroll auto hearings

COLUMBUS, O.—The state insurance department began hearings June 26 on the legality of a payroll deduction auto plan proposed by the Transportation Insurance Co., Chicago, the first group-type auto plan in Ohio to get consideration.

It's understood that several other insurers—including Nationwide Mutual, which has just started marketing group auto—are holding back filings here until the Transportation case has been decided.

The carrier, a subsidiary of Continental National American Group, first filed the proposal in Ohio in 1965, but action on the proposal has been postponed until now. CNA markets a group-type auto plan in 18 states.

State Insurance Director Eugene P. Brown said hearings would cover, among other things, whether the plan discriminates against other policyholders of Transportation. The payroll deduction feature of the auto plan is optional, Mr. Brown stated.

The state insurance department will also hold hearings on auto rate hikes filed by Allstate Insurance Co. of 7% on liability and 4% on collision coverage.

Mr. Brown's predecessor, William Morris, called for hearings on the Allstate filing, but Mr. Brown delayed the hearings until he was more familiar with details involved. ■

Recommend cut in Cal. work comp premium

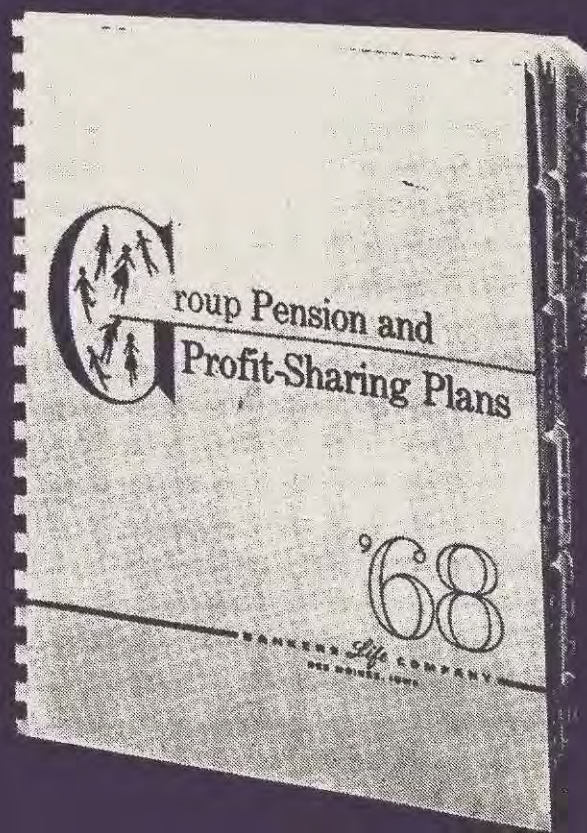
SACRAMENTO, Cal.—A reduction in state workmen's compensation rates for that part of the premium based on experience will be effective Oct. 1.

The reduction recommended is 5.8% in collectible premiums and to 6.7% in manual rates.

The reduction, according to the California Inspection Rating Bureau, would be subject to modification resulting from any benefit changes which the current California legislature might adopt.

Also, a committee of the California Workmen's Compensation Institute has begun a study of the medical fees schedule. ■

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Insurer mergers pose question of more or less capacity for buyers

By GEORGE YOUNG

NEW YORK—Will a growing trend of mergers and acquisitions among property and liability insurance companies and noninsurance interests result in more or less capacity for corporate insurance buyers?

A main concern of buyers, regulators and brokers is the acquisitive nature of noninsurance operations which have made the property-liability companies a prime target.

A spokesman for City Investing Co., which is seeking to acquire Home Insurance Co., refused to comment on the firm's reasons for wanting to enter the property-liability business.

But according to financial sources, the attractions are the insurers' investment portfolios and a cash flow that is unprecedented in any other business. Home Insurance Co., for example, wrote some \$500,000,000 in premiums last year and had a net investment income of about \$30,000,000.

An insurance consultant did not expect any initial shrinkage of underwriting capacity as a result of conglomerates acquiring property liability firms.

He posed the following long range possibilities:

- A shake-up whereby an outside company will insist on an underwriting profit—thus forcing an insurer to cut percentages

of unprofitable business to concentrate on more lucrative lines.

- Divesting an insurance firm from its investment portfolios, thus forcing it to concentrate on using premiums to pay off claims.

WILBUR ROSS, a legal expert on conglomerate mergers, said conglomerates will probably be taking very close look at underwriting practices of property-liability companies.

"While the property-liability industry has had difficulty attracting outside capital, conglomerates like City Investing have access to greater resources," he said. "The professional approach of outside busi-

ness men may in the long run have the favorable effect of increasing capacity."

Kenneth R. Huston, president of the American Society of Insurance Management, said conglomerate acquisitions of property-liability insurers will most likely bring about many changes in the industry.

"Combining the experience of insurance industry professionals with fresh ideas from conglomerate companies poses the long range possibility of broad marketing inroads in insurance," said Mr. Huston, who is assistant insurance manager of Consolidation Coal Co., Pittsburgh.

FAR DIFFERENT THAN a conglomerate or industrial acquisition of a property-liability insurance company are mergers between insurance companies.

R. B. Wiltse, insurance manager for General Telephone & Electronics, said such mergers could

allow underwriters greater flexibility in retaining more cover in the U. S. rather than having to reinsure abroad.

Combining management talent and technologies with a reduction in overhead expenses are factors which he maintained could loosen a tight domestic market.

TAKING AN OPPOSITE tack an insurance manager at an insurance planning council here said "more mergers mean less capacity."

"It has been proven," he said, "that a merger between two property-liability firms greatly reduced the amount of capacity available on one risk."

The Greater New York Insurance Brokers Assn., which represents some 1,600 brokers and agents in the New York area, claimed its members are faced with a deteriorating market—though not necessarily dwindling capacity—caused in part by a concentration of placement channels through mergers.

THE GROUP IS calling for government agencies with anti-trust jurisdiction to examine the anti-competitive effects of mergers between property-liability insurance firms.

A spokesman for the association said mergers affect both larger and smaller brokerage accounts which will face a limited market in which to place insurance.

A member of the National Insurance Brokers Assn. said "there are too many people decrying mergers, but let's see if they do any great harm. It is very possible that small organizations see the sky falling in on them and are screaming to the government for help."

Some brokers say that it is more of a marketing problem rather than one of capacity that confronts producers.

Always lurking in the background of every merger is the shadow of anti-trust legislation. A White House task force appointed to study anti-trust laws is focusing mainly on conglomerate mergers.

THE FINDINGS HAVE not been announced and Prof. William Kenneth Jones of the Columbia University law school, one of the members of the task force, refused to predict when the study will be completed.

Some of the dangers of conglomerates buying out property-casualty insurers were pointed out in a regulation issued by David O. Maxwell, insurance commissioner of Pennsylvania. The measure requires firms proposing acquisitions of 10% or more of the stock of an insurance company to file a detailed report prior to making an offer.

The report will contain information about the source of funds and how they will be used, terms and conditions of the merger and how the conglomerate intends to use the stock it acquires.

IN ADDITION THE report will require the proposed buyer to submit information on its plans for management and future business operations of the insurance company.

Maintaining that an insurance company's operations could play second fiddle to the noninsurance firms' interests, Mr. Maxwell said "an insurance company has a unique fiduciary obligation to its policyholders and the public which puts it in a far different category from manufacturing enterprises."

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Negligence claims have priority in distributing bankrupts' assets

WASHINGTON—Negligence claims against a bankrupt company should be treated as administrative expenses and as such have priority on the firm's available assets, the Supreme Court has ruled. Administrative expenses have first priority under the provisions of the Bankruptcy Act.

The 6 to 2 decision allows 147 third-party claimants to press their suits, totaling over \$3,500,000, against the trustee of I. J. Knight Realty Corp., a bankrupt firm. The claims stemmed from a 1963 fire, which not only totally destroyed an eight-story building of Knight Realty—its only significant asset—but also spread to adjoining premises.

Reading Co., with a claim of \$560,000, took the lead and petitioned the bankruptcy court for redress. It was agreed that the decision—whether Reading's claim was provable as an administrative expense—would establish the status of the other 146 claims.

JUSTICE HARLAN, writing for the majority, noted that the lower court recognized that the cost of insurance against tort claims arising during an arrangement between creditors and the bankrupt firm is an administrative expense payable in full before dividends to general creditors.

"It is, of course, obvious that proper insurance premiums must be given priority, else insurance could not be obtained; and if a receiver or debtor in possession is to be encouraged to obtain insurance in adequate amounts, the claims against which insurance is obtained should be potentially payable in full."

In this case, Justice Harlan stated, it is argued that the fire was of "such magnitude that adequate insurance probably could not have been obtained and in any event would have been foolish; this may be true, as it is also true that allowance of a first priority to the fire claimants here will still mean recovery by them of only a fraction of their damages. In the usual case in which damages are within insurable limits, however, the rule of full recovery for torts is demonstrably sounder."

Security sets insurance plan through bank

HARTFORD—Security Insurance Group has entered into an agreement with the Hartford National Bank & Trust Co. for credit card financing of personal insurance through the bank's charge account plan.

The new financing—believed to be first of its kind in the eastern states—was explained by the two companies at a meeting of independent agents in Security's home office.

Holders of CAP (charge account plan) cards may buy automobile, homeowners and other personal insurance policies, except life insurance, from Security and pay premiums at their convenience under the CAP program.

Glenn B. Morris, Security Group president, commented that the service will allow an individual to integrate financing of his insurance with payment of other purchases.

Chief Justice Warren, in a dissent joined by Justice Douglas, declared that the majority's decision "will undoubtedly discourage creditors from permitting arrangements, because it subjects them to unpredictable and probably uninsurable tort liability."

THE MAJORITY stated that its decision will encourage bankruptcy receivers to obtain "adequate" insurance, Justice Warren noted. "The court fairly well concedes, however, that in this case 'adequate' insurance 'probably could not have been obtained and in any event would have been foolish.' In other words, so far as this court knows the insurance taken out by the

receiver in this case was in fact 'adequate,' in the sense that no reasonable receiver could or should obtain fire insurance in the amount of \$3,500,000, on the assumption that his workman might accidentally cause a fire of the proportions which occurred here."

But quite apart from the case at bar, Justice Warren contended, "there is absolutely no indication that today's decision is needed to encourage receivers to obtain insurance. I see no basis in the act or in sound policy that the creditors of an estate . . . become involuntary insurers against a liability which probably would not and should not be insurable by more traditional means."



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opinions

The international scene in Business Insurance

Faced with the present tight insurance and reinsurance markets, buyers, brokers and carriers are increasingly prowling the four corners of the earth for additional capacity. Markets which were heretofore untapped are suddenly getting recognition.

In addition, as more and more U.S. corporations expand abroad, not the least of their worries is to establish employee benefits programs tailored to the customs and regulations of each country. Further, firms are grappling with the problem of how to go about transferring an employee's pension and group insurance benefits from one country to another.

Business Insurance, in previous issues, has provided news and comment on many of these problems. We have set aside a special section in our issue of August 26 to examine in depth the challenges and demands of international insurance.

To prepare for this "special emphasis" issue, as we call it, we've sent Senior Editor William Guest to Europe for a firsthand look at the insurance scene there. As this is being written Mr. Guest is in Brussels, the hub of the Common Market, to talk with key insurance figures about integrated insurance regulations for the six-nation trade group, among other topics. He'll also stop off at Frankfurt and London for conversations with international buyers of insurance about their experiences with European brokers and carriers and how their job differs from their U.S. counterparts.

Mr. Guest has already dug up some interesting material, it appears. In a letter to *Business Insurance*, he writes that big industrial companies in Germany have set up their own captive insurance agencies—rather than carriers—and are thus able to keep the commissions for themselves. "It's a most controversial subject, as you can imagine," he notes.

Mr. Guest said he is "highly impressed with the German scene. They are tremendously prosperous, and bustle around, and work hard and are good to talk to. They don't feel that the dollar is about to collapse, and they think it's a pity our press works the subject to death."

Our correspondent in the Far East is also hard at work gathering material for the international issue, and *Business Insurance* readers can expect firsthand reports on what they need to know about insurance coverages and regulation in that area—with emphasis on Japan. Our correspondent will also put together a detailed account of the emerging Japanese insurance market as supplier of capacity around the world.

Meanwhile, back in the U.S., *Business Insurance* editors and columnists are working on news stories and features that tell how domestic corporations handle their overseas insurance activities, and Associate Editor George Young will devote his safety column to loss prevention techniques abroad.

We expect to unearth a considerable amount of information on the current status of the international insurance scene. We don't know of any business that's more international than insurance, and we expect to give the subject increasing emphasis in the months to come.

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U.S. FIRE LOSS RECORD

YEAR	Loss in millions
1947	\$775
1950	\$776
1955	\$1,100
1960	\$1,500
1965	\$1,700
1967	\$2,000

Source: National Fire Protection Assn.

U. S. fire losses have increased in 20 years from \$775,000,000 in 1947 to more than \$2 billion in 1967. Fire loss figures include nonbuilding losses, such as aircraft blazes, and building fires include those in commercial and residential structures. Officials of the National Fire Protection Assn. point out, however, that the increase in fire losses does not match the increase of national wealth and the impact of inflation. Fire protection is meeting the goal of holding fire losses down in the face of rising costs and advancing technology.

The correct diagnosis

We all know that threatening or intimidating a witness is a crime in all states, but if an insurance company cancels a dentist's malpractice policy because he testified against the interests of the insurer, is that also intimidation as falls within the ambit of the penal laws?

The answer comes in a recent Ohio decision in the court of appeals for the sixth circuit. A dentist testified under subpoena in a malpractice action against another dentist insured by the same company.

The company then canceled his malpractice policy. The policy gave the company an unconditional right to cancel.

The circuit court of appeals held that the cancellation was illegal and a breach of contract since it was designed to punish and intimidate the witness in contravention of Ohio law.

With this we heartily agree. A member of the medical profession could hardly be expected to appear in court and testify for a plaintiff if the penalty might be the cancellation of his own malpractice insurance.

If the insurance company can use the cancellation procedure to keep members of the medical profession from testifying as witnesses, what would happen to malpractice litigation? Let's keep doctors free to speak their minds.

How much will it take?

How much sorrow must our nation endure before we are finally willing to put to rest the divisive elements that tear the country apart?

Both Martin Luther King Jr. and Robert Kennedy strove to bring together blacks and whites into one America. They were both looked upon by a vast segment of our people as about the only ray of hope we had to bridge the gap that has divided us.

Now they both are gone, and the job of making our society work has fallen squarely upon on our own shoulders. As the president of Bristol-Myers, Richard L. Gelb, said in a memo to his employees: "Across the nation right-thinking people from all walks of life now realize that the price of continued indifference is domestic chaos."

"And they have agreed it is too much to pay for the dubious luxury of noninvolvement."

As we have done in past editorials, we implore insurance people to show our disadvantaged that we care what happens to them. We again urge ASIM chapters across the nation to set up programs to work with small shop keepers in ghetto areas.

The price of indifference is a smouldering America.

On the credibility of witnesses

If you are interested in the psychological factors governing the credibility of witnesses, we commend to your reading a book by Willis Roeker entitled "Human Relations in Handling Insurance Claims." Among other things, Mr. Roeker discusses the aberrations which distort actuality when a man's peculiar reasoning processes record and interpret a stimulus they have received. Dr. Roeker is in charge of the insurance department of the University of Nebraska at Omaha. He is a member of the bar of Utah and was formerly an insurance lawyer.

letters

Shared concern

To the Editor: I share your concern for the status of law and order in a country where the fairness of a man's trial is in jeopardy because too many people saw him shoot Mr. Kennedy on tv.

Although your "Guns Must Go" editorial in the June 17 *Business Insurance* is not a model of the good will and free and open debate it calls for, your third proposal is certainly on firm ground.

Along the lines of your thinking, and with the support of the National Rifle Assn., both houses of the Illinois Legislature in the last session passed a bill that would have made being armed during the commission of a crime a separate offense, with stiff mandatory penalties. This, sadly, was vetoed by former Gov. Kerner. I hope you will support future attempts to gain such a law.

We seem afraid to punish wrong-doers, and they know it. Mr. Kennedy was shot with a registered gun by someone who could not legally own one. Unfortunately, it is only "decent citizens" who find the present penalties worth worrying about. It is crime that should be illegal.

G. H. Maze

Pekin, Ill.

'I disagree'

To the Editor: Let me start off by saying that I sincerely and wholeheartedly disagree with your editorial in the June 17 edition of *Business Insurance*.

First of all, I do not believe it is proper for a publication such as yours to try and dwell upon political matters such as the pending gun legislation.

If you must enter into politics, I suggest you do things to correct the crime situation and not the problem of honest law-abiding citizens buying firearms for collection, hunting, and private protection.

To quote from your own publication, "the number of guns being gathered for defense by what is usually called decent citizens in the suburbs is growing minute by minute." Did it ever occur to you to wonder WHY honest, decent citizens are buying guns for protection ??????

It would seem to me that if the "do-gooders" who are trying to take away my rights to own a firearm would spend half their effort in seeing that criminals, and to quote you, "punks and junkies" are severely punished when they are convicted of a crime, and that the police force throughout the nation is given more authority and control in apprehending, prosecuting, and incarcerating convicted persons, we would not have the rapid increase in crime that we have today.

I, for one, do not feel that any person is wrong to buy a gun to protect himself, when he knows that the police department can do little to protect him, and that if by some miracle the criminal can be arrested, tried and prosecuted, there stands a greater chance of the convicted person going free (under Supreme Court interpretations) than of ever serving a sentence.

According to your article, you seem to feel that gun controls and/or legislation will eliminate crime. I would like to know how you can justify this position in view of the fact that the State of

Continued on page 20

Truck hijacks in Connecticut rise 700% in year; rate hike forecast

By ALLEN M. WIDEM

HARTFORD—Markedly improved security measures will be necessary for the trucking industry of Connecticut to avoid loss of insurance in the immediate months ahead.

Walter S. Attridge, a regional trucking insurance specialist, commented that insurance companies are increasingly concerned with truck hijacking, a situation attributable to what is characterized as "letting their guard down" on the part of the trucking interests.

He said that if the hijacking continues, either at the present pace or accelerates even more, premiums will simply increase and if truckers fail to provide effective handling of a particularly irksome problem, coverage will be dropped.

FRANK J. WHELAN, managing director of the New England Motor Carriers Council, pointed out that thefts of trucks and cargo in this state have jumped a whopping 700% in the past year.

"We've been lulled into a sense of security in the past ten years," Mr. Whelan added. "There was a time when we didn't have any hijacking."

Like it or not, however, hijacking, funnelled through underworld sources, has taken firearms, cosmetics, razor blades, cigarettes and other "hot loads."

Mr. Whelan commented that Connecticut contains more truck traffic than any of the other five states in the New England region. One thousand truckers move across Connecticut every 24 hours.

WHY THE ESCALATION in hijacking? "We have an affluent society," said Mr. Whelan. "Never have we moved so many luxury items and never have we had so many trucks on the road."

At the same time, there is discernibly small risk in hijacking. "A kid takes a pack of cigarettes in a grocery store," Mr. Whelan continued, "and gets caught, while a gang of hijackers grabs a truckload and gets away."

The eventual loser in all of this hijacking of course, is the consumer, since inevitably higher insurance premiums are passed along to the buyer in the form of higher prices.

CONNECTICUT'S department of state police, as concerned as ever about hijacking, has urged, with apparently little response, that the Connecticut trucking industry utilize alert systems.

Yet a state police investigator lamented: "We can't protect them any better than they can protect themselves. It's high time that the truckers did something about it themselves. We'll cooperate, but we can't follow every single 'hot load' and check every terminal."

Connecticut trucking executives admitted to *Business Insurance* that the most perplexing aspect of this trying situation is time. There isn't time enough in which to alert police and other truck drivers before hijackers easily move out of the state and dispose of their "hot loads."

AS A DETERRENT, however, the New England Motor Carriers Council is putting into effect a project termed "Operation Alert."

This is expected to put other drivers to work in quest of stolen

trucks minutes after the deed is done.

Under the plan, a trucking company that has lost a vehicle will immediately contact local and state law enforcement agencies, the FBI, and then a "key carrier," another firm equipped with two-way radios. A "fan-out" system will seek out the missing truck within minutes.

POLICE CONTEND THAT trucking interests aren't moving fast enough, however, in the matter of alerting. Hijacking, in the main, is not the work of amateurs; "professionals" get a skillfully-executed plan into effect with a minimum amount of activity.

Insurance companies are emphatic in pointing to an immediate need for stricter measures, among them better screening of potential employees, improved terminal lighting, around-the-clock guards and truck-equipped radio systems.

Moreover, the insurance companies are urging tighter talk.

A driver happened to casually remark, over a bar, "With a bunch of oranges I could make a hell of a lot of screwdrivers with what I've got in the truck."

The bartender, it developed, worked for a hijacking combine. He passed the word.

The truck, loaded with vodka, was hijacked within hours. ■



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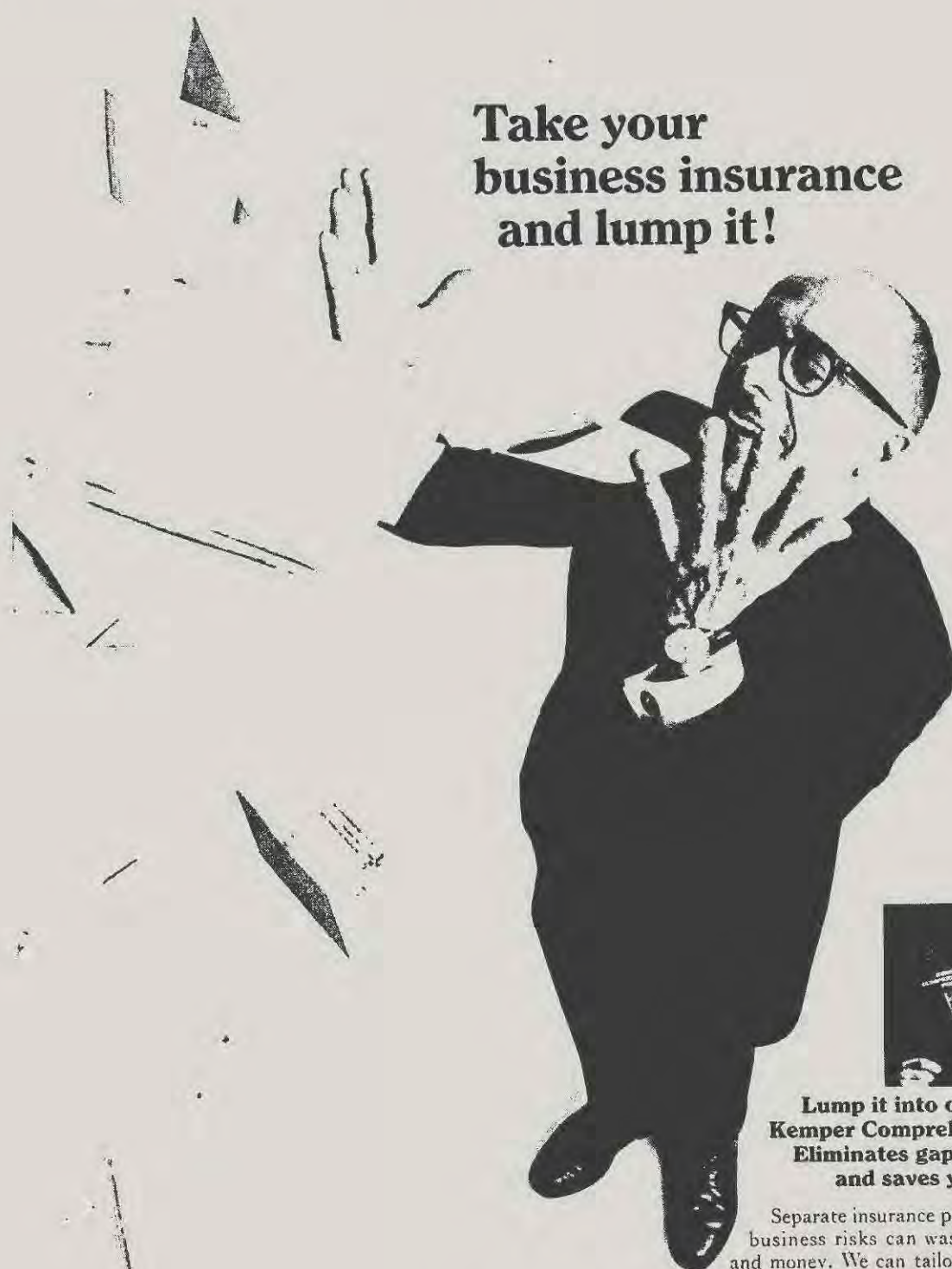
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Temporary help agency boon to risk manager

By TERESA NORTON

CHICAGO—Temporary employees can solve numerous problems, not only for a rushed department but also for the corporate insurance manager.

The growing use of temporary workers, which Bill Bergman, executive director of the Institute of Temporary Services, Washington, D.C., said will make the field a billion-dollar business this year, involves relatively few insurance problems for the hiring company. In fact it saves them the job of recruiting, personal insurance costs, workmen's compensation, Social Security and unemployment insurance. All these requirements must be met by the temporary work service, whose employee the worker is.

The institute, established two years ago, has been considering provision of a group medical plan for temporary workers and has talked with several insurance companies. The subject will be brought up at the board meeting in June. "Some temporary firms are also talking about offering this coverage on an individual basis," Mr. Bergman added.

An insurance manager's point of view was expressed by Edward D. Hansen, insurance manager at Union Tank Car Co., who told *Business Insurance*, "We make sure that we get from the temporary firm a hold harmless clause and proof of their workmen's compensation provision and general liability.

"I THINK you are always pretty safe when you use the large temporary firms. They are fully aware of the problems involved and when you make a request, they know what you want."

In addition to insurance, temporary work firms may use two types of surety bonds to cover their employees. The commercial blanket bond has a limit of liability which applies to each loss, regardless of the number of employees involved. The limit of liability of a blanket position bond,

however, applies to each employee. The discovery period of a commercial blanket bond is one year, whereas, the blanket position bond allows two years.

If the employee responsible for a loss cannot be identified, the limit of liability applies only once in the case of the blanket position bond. With the blanket commercial bond it applies to each loss.

Restoration under each bond is different. Payment of a loss under a commercial blanket bond does not reduce coverage for other losses. Under a blanket position bond the limit of liability on an employee is reduced with each transgression by that person.

Kelly Services provides a primary commercial blanket bond

on employees. "We are in a tough area," James Wood, general manager of the industrial labor division said, "because if something's missing at a company the first person that is suspected is the new worker. So we provide the bond."

IN ADDITION to their \$100,000-minimum bond, Kelly covers its employees with property damage and bodily injury liability insurance and pays their Social Security, unemployment benefits and workmen's compensation.

ManPower Inc., which operates in 48 states and 35 foreign countries, has an aggregate bond on its employees as well as covering them for property damage and bodily injury while on the job. Workmen's compensation,

Social Security and unemployment are standard coverage.

Gary Kupec, head of ManPower's insurance department, said an attempt is made in foreign operations to purchase a contract that will comply with local law.

White Collar Girls, an affiliate of Ready-Men Inc., carries a commercial blanket bond to the amount of \$25,000 as well as general liability coverage, Edward Cervony, secretary-treasurer, told *Business Insurance*. The temporary work firm makes the Social Security and unemployment contributions and is a self-insurer for workmen's compensation.

WHEN PRESENTED a hypothetical case in which a tempo-

rary worker reveals private information about a company he formerly served to the company he is presently serving, Mr. Cervony said, "I would have to study the specifics of such an incident to determine whether it would be covered by our bond or by our liability insurance. We've never had such an occurrence."

When given a similar example, Mr. Kupec said ManPower's bond would not cover the incident.

Stivers Lifesavers Inc., operating in five major U.S. cities and London, carries a blanket position bond on its temporary clerical workers.

Frederick Westman, operations manager, said, "Stivers has \$500,000 liability insurance for

Continued on page 20

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washington watch

Trade unions flood Congress with mail on occupational safety bill

WASHINGTON—Since the assassination of Sen. Robert Kennedy, the bulk of Congressional mail has been made up of pleas for stronger gun control legislation. High among the issues running for second place in the Congressional mail room is the occupational health and safety bill, currently the object of a "write your congressman" campaign by the country's trade unions.

The safety bill would give the Secretary of Labor the power to

set and enforce—with great power—safety standards for all industries affecting interstate commerce. The original Administration proposal, introduced early this year, was hastily and poorly written, designed primarily to show labor that the Administration's heart was in the right place this election year. It was given little chance for passage by Washington legislative handicappers.

Last month, however, the

House select subcommittee on labor completely rewrote the Administration proposal, providing, the subcommittee hopes, enough checks on the Labor secretary's powers to make the bill acceptable to those who would like to go on record in favor of a measure to improve industrial safety but would have the broad mandate given the secretary by the Administration version.

An old capitol hill adage holds that when a bill has

been watered down to the point where its strongest supporters no longer want it, it is on the way to passage. In the case of the safety bill, Rep. James O'Hara (D., Mich.), who introduced the Administration version on the House side, has refused to support the subcommittee's "clean" bill, terming it "state oriented."

The Senate labor committee has been holding hearings on the Administration bill, but well-placed sources have indicated that the committee may adopt the House version to speed the proposal's trip to the White House.

The considerable watering down of the Administration bill by the House subcommittee is deceptive because the harshness of the original proposal left a lot of room to trim and still provide the executive branch with a phenomenal amount of new power.

One major change made by

the subcommittee was in answer to criticism that the Administration bill did not afford a meaningful opportunity for interested parties to participate in the process of setting the standards to be promulgated. Under the Administration bill, the Labor secretary was not required to consult with anyone before setting safety standards for all industries.

The House subcommittee version provides that the secretary must use one of two methods to establish standards. The first is the consensus method. This allows the secretary to use any standard adopted by a nationally recognized standards-producing organization. There must, however, be an opportunity for persons outside the organization, who have a substantial interest in the application of the standards, to comment on them.

Depending on the circumstances, such persons could include employers, employee organizations, insurers, government agencies, among others. There should, however, be a general concurrence, although not necessarily unanimity, concerning an acceptance of the standards. A second method of setting standards calls for the secretary to appoint an advisory committee which shall include the viewpoint of both the employer and the employees. The committee will have 270 days to submit recommendations. These will appear in the Federal Register along with a notice of hearing. Prior to the hearing interested parties may submit written comments and those who do so may testify orally at the hearing. On the evidence from this procedure the secretary will formulate his rulings.

A SECOND major complaint against the Administration bill during subcommittee hearings was that the enforcement provision is "procedurally deficient and overly severe." The new bill provides for direct judicial review of penalties for ordinary violations and requires court action to implement shutdown orders in cases where the secretary thinks there is imminent danger of harm to workers. In both cases the aggrieved employer has immediate access to the courts. And, in cases of shutdown under the "imminent harm" section, the employer may bring suit in the court of claims to recover damages.

It was charged that under the Administration bill an employer would be entitled to only a limited judicial review in which he

Continued on page 20

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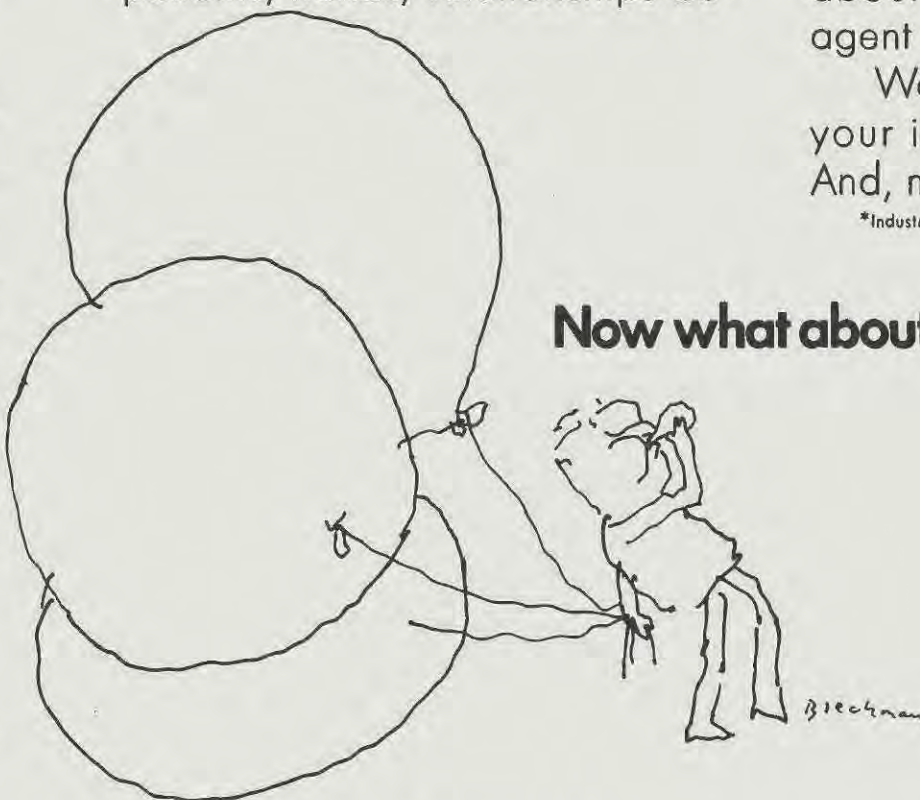
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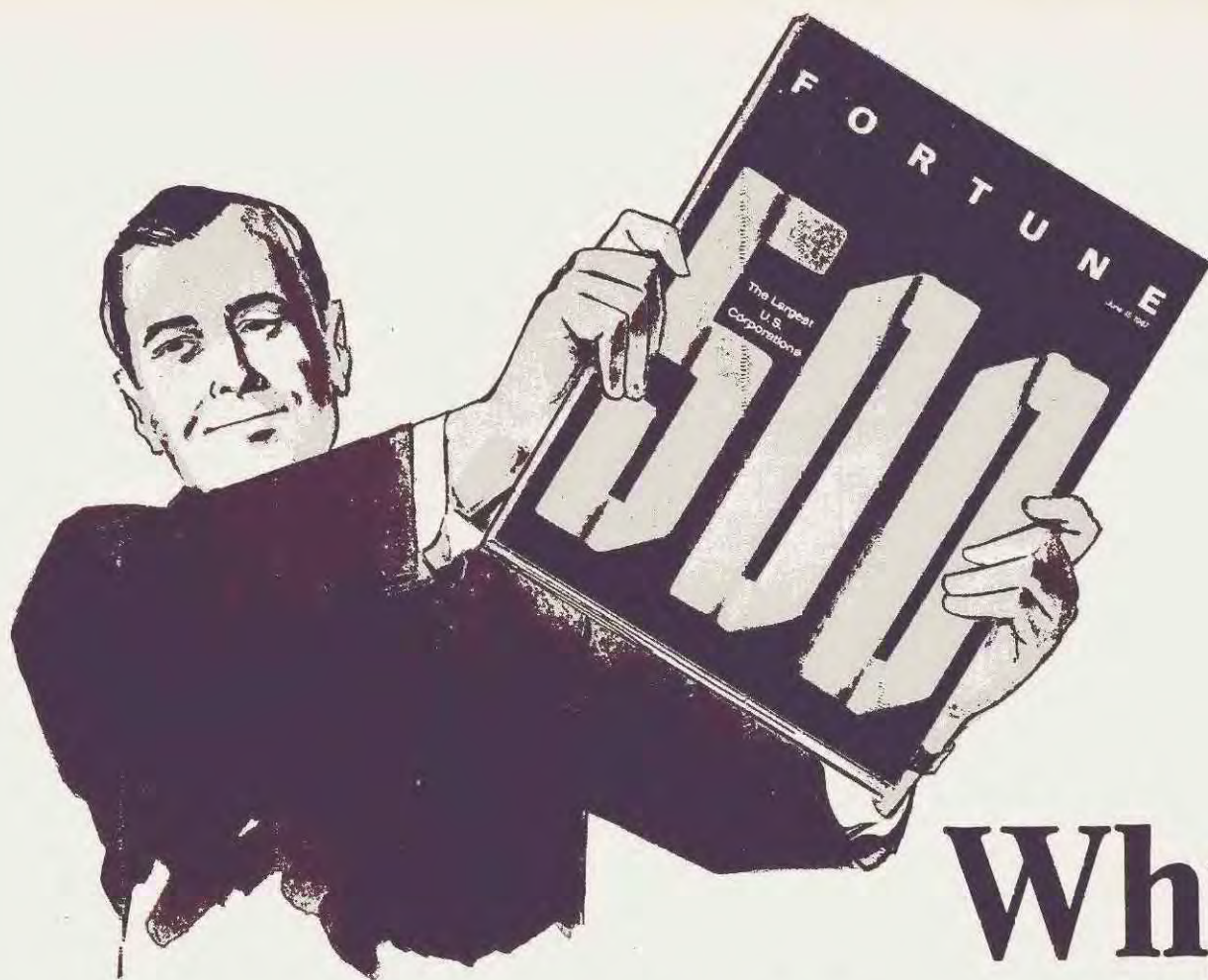
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business insurance/perspective

But what do you DO?

By Bion H. Francis,
corporate director of
employee benefits,
Crucible steel Co.



Bion H. Francis

(The major groupings of insurance companies are out of date, contends Mr. Francis, who here presents a breakdown of insurance by function from the standpoint of the risk manager.)

Some years ago, I knew an elderly gentleman who had worked hard all his life. His lifetime of labor had given him a tendency to think of work and accomplishment in physical terms—like a house you had built.

He asked me once—What do you do for a living? Now, as an insurance manager, I believed that I was engaged in an activity that called for a professional outlook, a broad knowledge of policies and markets, an analytical mind, and a high degree of creative and imaginative thinking.

I tried several times to explain all this to my friend. I can still see the puzzled look on his face. Each time, he would consider what I had said, and then ask: "But what do you do?"

THE LAST TIME, it seemed to me there was an element of suspicion in his eyes. Perhaps I was in the rackets, or something. I wanted to keep his good opinion so I stopped trying to explain.

But insurance management can involve a high level of accomplishment. Perhaps it is an activity difficult to describe, but it is worth the attempt. And I hope that you will be a more sympathetic audience.

"But what do you do?"

AS AN INSURANCE MANAGER your job is to protect something. What do you protect? The answer may not be as simple as it appears. Let me tell you the story of the Clubhouse That Wasn't There.

This happened in a small mill town. The employees wanted a clubhouse. This was during the Depression; there was no money to build a clubhouse. However, the president was a "make do" artist, the mill owned a piece of ground across the street, secondhand building materials could be picked up for a song, and the

maintenance crew was sometimes idle. As a result, there was a beautiful clubhouse which was greatly enjoyed by the town.

A year later, the clubhouse burned down.

YOU GUESSED IT. There was no insurance. The clubhouse was built on land that was outside the plant lines as set forth in the fire policy. Moreover, the clubhouse had been completely expensed as it was built. As far as the books of the company were concerned, the clubhouse had never existed.

The man who was the insurance manager lived several hundred miles away. Of course he was quite embarrassed. When it was over, he growled: Lesson Number One. "Your job is to protect what's there. Not what someone tells you is there; not what the books say is there; but what is actually there. And the only way you can be sure is to go and look."

So keep in mind that one of the first requirements of an insurance manager is *knowledge*. You must be familiar with the properties, the sales, the operations, the finances of the company. You must know about its employees, its customers, its suppliers, its neighbors. There are other men in the company who may know more than you in specific areas of operations, finances, or properties.

HOWEVER, A GOOD insurance manager who has been on the job in one company for many years, should have an overall knowledge of the company which in some ways cannot be matched by any other person in the company.

What do you do with this knowledge? There are several functions you must perform. What are they? Against the background of your knowledge of the company, you must work out answers to the following questions:

- What are the hazards? This requires an analysis of the perils which your company faces. These perils may result not only from the physical environment, but also from the legal, social and technological background. This is constantly changing and requires that you be continually alert.

- What hazards can we eliminate or reduce? This requires an application of loss prevention techniques of all kinds.

- What hazards can we absorb? This requires a study of the possibilities which can be obtained through self insurance in all its forms.

- What hazards can we transfer? Here we are dealing with the insurance function.

IN WORKING OUT THE answers to these questions, the insurance manager—or rather the risk manager, for that is what he has become if he deals with these functions properly—must deal with many people in both the staff and line departments. These include operating men, accountants, finance and treasury people, engineers, tax men—these and many others must all share in the task of protecting the company. In fact, I have sometimes thought that the real essence of the insurance management process is that it is a liaison activity of a high order.

Beyond this, what? The fourth function listed above is the insuring function. Here we come back to the insurance manager and his area of competence to which he must bring his professional expertise. This insurance function, in its turn, can be represented as a series of steps:

- How should we work out the proper grouping of property or operations or

Continued on following page

USSR: New features in collective farm insurance

by Sergei Andreyev,
Novosti Press Agency,
Moscow

A law adopted by the USSR Supreme Soviet has completely changed the procedure of collective farm insurance since the beginning of 1968, making the insurance of all collective farm property obligatory and simultaneously expanding the insurance responsibility of Gosstrakh (the state insurance organization). For the first time, insurance against drought, frost and excessive moisture has been introduced. The new law is one of a complex of measures taken since 1965 to consolidate the economic and financial status of collective farms.

Second of two parts

Up until now collective farms had to insure at low insurance rates only a part of their property by its incomplete cost and not against all natural calamities. Gosstrakh's responsibility was somewhat higher in cases of additional voluntary insurance at higher premiums.

Now the collective farm property has obligatory insurance protection, irrespective of any subjective factors, such as

suppositions of a farm's management board concerning favorable climatic conditions for the forthcoming year. The mandatory insurance is universal—it covers all types of collective farm property, operates permanently and the property is considered insured as soon as it is acquired by a farm, even if no payments on it have been made. An advance character of obligatory insurance is important because in case of financial predicaments collective farms are granted installment terms for payments.

IN COMPLIANCE WITH the new law Gosstrakh will operate as a nonprofit organization while insuring collective farms. If there is a profit it will go into the state budget. In this connection, collective farm premiums will be retained at a low level, while according to calculations by the USSR Ministry of Finance insurance compensation payments will more than double.

Henceforth 91% of the insurance fund will be spent on insurance compensation to collective farms, 4% will be allocated for measures to prevent fires and floods; 3% will establish a reserve fund to cover the probable deficit in unfavorable years and 2% will be spent to maintain the Gosstrakh insurance personnel and ad-

vertising. The excess of income over insurance expenditures in climatically favorable years will also be invested in the reserve fund.

The enlargement of Gosstrakh's responsibility is the second significant feature of the new law.

In addition to insuring harvests against flood, fire, hail, hurricane and other natural calamities, for the first time in the USSR insurance against drought, frost, excessive rain has been introduced, i.e., insurance against any natural conditions unusual for a given locality. It is of paramount importance for Soviet farming since precisely these insurance cases envisaged by the new law inflict the greatest damage on collective farms.

On the other hand, before the issuing of the new law there were cases when some collective farms received huge insurance compensations for harvest losses on small areas (for instance, due to hail) which did not exert any significant influence on the collective farm economy. Sometimes even after such local natural calamities the average harvest of a collective farm turned out to be higher than the average harvest for previous years.

NOW IN SUCH cases Gosstrakh will

not pay any compensation. Essentially, all payments will serve a single purpose—to bring the income of a collective farm to the level average for the last five years in case of natural calamities or unfavorable natural conditions. This is an additional incentive to increase crop capacity at the many collective farms lying in regions with an unstable climate.

Up until now Gosstrakh insured only harvests of orchards, berry plantations and vineyards. Now insurance of other property belonging to collective farms—structures, transport vehicles, technical facilities, agricultural implements—will be considerably expanded.

TO CONTROL THE implementation of the new law and to guide insurance of collective farms special bodies called collective farm property insurance councils are being set up at Gosstrakh and its regional branches. Besides the Gosstrakh personnel, these bodies will include representatives of the Ministry of Agriculture, the Ministry of Public Order Protection, the Main Board of the Hydrometeorological Service and some other interested agencies.

At present, these councils are completing their work on the specification of collective farm insurance payment rates, the preparation of lists of insurable objects and the compilation of the appropriate documentation in connection with above changes.

The new insurance law should help collective farms attain financial stability and make it possible to spend insurance funds in the most reasonable way.

Continued from preceding page
perils for purposes of placing insurance?

- For each grouping, how shall we determine—and test—the best market?
- How should we negotiate the coverages?

THESE QUESTIONS ALL require a professional approach by the insurance manager. I sometimes think that the first of these, although usually routine, can sometimes require the most creative approach. For this grouping of insurance is not as simple as it might appear at first. For example, it might appear that one of the most basic groupings in studying insurance is to divide a company's insurance program into insurance to protect the property and insurance to protect income.

But suppose that your biggest manufacturing plant has a total property damage value of \$200,000,000, and a use and occupancy value of \$100,000,000. You could say that, as an insurance manager, you have two responsibilities. You must protect the property values, and you must also protect earning power.

However, if a fire or windstorm destroyed the \$200,000,000 of plant values, it would also destroy the \$100,000,000 of use and occupancy value. For that plant, finding a market for the total insurance of \$300,000,000 and negotiating the coverage is a single problem—not two separate problems.

The same company which owns that plant may also own an ore carrier buf-

feted by the storms in the Atlantic. Like the plant, this ship is a property to be protected. However, the problems and the legal background are completely different from what is involved in protecting the plant. The plant, and the ship, may both be forms of property, but the problems of how to protect them differ much more sharply than the problem of how to protect property and earnings values at the plant.

This problem is further complicated by the fact that insurance companies for many years were divided into different kinds of carriers. The insurance which they issued was strictly separated. The major groupings of insurance companies included life, fire, casualty, and marine and surety companies.

This has changed sharply. There has been a movement toward multiple line underwriting in which a single insurance company may write any form of insurance. This has encouraged the issue of policies which combine coverages formerly issued by different kinds of companies. The only form of insurance still limited to a separate kind of company is legal reserve life insurance.

THE FACT THAT MOST insurance companies of size can now issue multiple line policies dealing with different kinds of hazards has increased the possibilities available to an insurance manager. The possibilities are increased further by the fact that different kinds of insurance with different approaches were devel-

oped in different companies to meet the same type of hazard. For example, fire insurance companies tend to write insurance in terms of "named perils," whereas marine companies tend to use "all risk" types of policies. These differences will probably decrease over the years ahead.

THIS, THEN, IS THE insurance function. It requires a professional approach, a knowledge of policies and markets, and—when carried on at the highest level—a degree of creative and imaginative thinking.

Of course, different insurance managers put their emphasis on different kinds of policies to meet different problems. The insurance manager of a manufacturing company may be most concerned with plant protection, workmen's compensation and product liability insurance; the insurance manager of an oil company, with the protection of a fleet of tankers; the insurance manager of an airline, with hull insurance and liability insurance; the insurance manager of a chain of stores, with liability insurance on premises; and the insurance manager of a bank, with fidelity coverage on employees.

HOWEVER, ALTHOUGH EACH of these insurance managers may put the emphasis differently, each is concerned with the same basic functions:

- What are the coverages? (Analysis of perils.)
- What hazards can we eliminate? (Loss prevention.)

• What hazards can we absorb? (Self insurance.)

• What hazards can we transfer? (Grouping of property or operations or perils for placement of insurance, testing of markets and negotiations of coverages.)

TO DO ALL THIS properly, an insurance manager must have extensive knowledge of his own company; he must be able to coordinate the efforts of many men in many fields to protect his company; he must bring an analytical mind, a professional approach and extensive knowledge of policies and insurance companies to carry out the insurance functions of working out the proper grouping of properties or operations or perils, of testing markets, of negotiating coverages; and he should be able to bring creative and imaginative thinking to these problems of protection.

But what do you do?

Bion Francis graduated from Massachusetts Institute of Technology with a degree in mathematics. He has served as insurance manager for Wellington Sears Co., West Point Pepperell, Olin Corp. and Crucible Steel. Currently, he is president of the Insurance Buyers' Assn. in Pittsburgh and was a director for seven years of the Insurance Division of the American Institute for Economic Research.

New technostucture puts loss prevention ahead of maximum return, economist says

by John Street

John Kenneth Galbraith has been a constant and effective critic of many aspects of our modern economy, dissecting events and reconstructing them in a Keynesian order. His arguments are eminently plausible, if disconcerting to the "conventional wisdom," and his ready wit acts as a relief valve when our credulity is strained or our minds fogged by the intricacies of modern economics.

Whether or not one agrees with all of Mr. Galbraith's arguments, it is apparent that he has made his mark on the current generation. Mr. Galbraith would certainly agree with Ralph Nader's statement that "conflict is an extremely creative form of progress," and, for this reason, he continues to stir minds and emotions. *The New Industrial State*, published late last year, follows in the tradition set by his previous books, such as *The Great Crash—1929* and *The Affluent Society*, in challenging the intellect.

THESE VOLUMES CAN BE a valuable addition to any risk manager's library and Mr. Galbraith's latest book should certainly be read. *The New Industrial State* has received a number of epithets as well as laurels, the most recent of which was one of the four McKinsey Foundation for Management Research awards for 1967. It is almost as if Mr. Galbraith has become the "conventional wisdom" of the '60's and '70's, ripe for attack by a new economist!

In *The New Industrial State* Mr. Galbraith reopens his attack on certain economic "myths" and offers his analysis of the structure of our modern economy, related to the facts as he sees them.

In his search for a reemphasis on the "quality" rather than the "quantity" of life, Mr. Galbraith urges that we avoid becoming "the servants in thought, as well as in action, of the machine we have created to serve us." He follows with a

cogent restatement of our industrial economy, based on the "imperatives," or rules, of technology. Fundamental to the new state is the shift of power from the owners of capital to the managers of "organized intelligence," or as he calls it, the "technostucture."

HE THEN RE-EVALUATES the goals of the industrial system, notes a startling reversal or "revised sequence" of market cause and effect (first suggested in *The Affluent Society*) and concludes with a forecast of the hegemony of the "educational and scientific estate," replacing the political power of unions and capital.

The "imperatives of technology," or ground rules for a modern industrial economy, include the longer time-span from start to finish of any project, the substantial increase in the required capital commitment, the necessary subdivision of tasks and specialization of personnel and, finally, the complex "organization" required to manage these various elements to a successful conclusion.

It is obvious that these "imperatives" result in a compounding of risk. Some of this risk has been absorbed by improved planning techniques, especially with regard to forecasting market behavior. But the principal "solvent" for this uncertainty has been the growth of corporations to substantial size and their spread into relatively unrelated areas, as in the conglomerates. To the risk manager, this is adoption of the basic insurance principle of spread of risk.

MR. GALBRAITH THEN argues that the "technostucture," the middle- and upper-echelon managers, technicians and specialists, so essential to a growing corporation, has replaced the entrepreneur and the owners of capital as the decisive source of corporate power. He reviews the motivation of this new group and concludes that, as the technostucture is stimulated more by identification with

and adaptation of corporate goals, there will be less emphasis on pecuniary motivation. This is, in fact, a frontal assault on the economic sacred cow of profit maximization. Profit may no longer be the "name of the game," he says.

Disaffection with the profit motive seems to be prevalent these days, and Mr. Galbraith alleges that "the only reality is the right social purpose." In *The Affluent Society* he argued the "diminishing marginal utility of goods" and in *The New Industrial State*, it is the "declining marginal utility of money." It almost prompts one to ask, "O debt, where is thy sting?"

Following these assumptions, Mr. Galbraith restates the goals of the industrial system. In the order of their importance, they are: corporate survival, autonomy of the technostucture, technical virtuosity, and achievement of the greatest rate of corporate growth consistent with a "sound" level of earnings.

THE GOAL OF "SURVIVAL" has the most interested significance for risk management as an increasingly important function within the technostucture. For, as the author points out, "by the most elementary calculation of self interest, the technostucture is compelled to put prevention of loss ahead of maximum return" since "loss can destroy the technostucture, (but) high revenues accrue to others."

Of course, Mr. Galbraith refers to loss in its broadest sense, but this seems to be the trend in risk management. Risk management may have to concern itself with all fortuitous loss, rather than restricting its horizon to "insurable loss." If this approach is undertaken successfully, risk management will become a more important function of management. Insurance and its ancillary functions will still be essential, but planning, loss control and self-assumption of risk will assume far larger proportions.

The question of corporate survival has resulted in the "revised sequence," where Mr. Galbraith argues that the "unidirectional flow of instruction from consumer to market to producer" has been replaced by its reverse. In it the producer controls his market, shaping the attitude of consumers, while government becomes an ally through wage price regulation and control of aggregate demand by government spending.

THE REALITY OF THIS government action is still clouded by past mythology. As the author points out: "Still discretely and with infirmity of intent, somewhat in the manner of a conservative cleric viewing an erotic statue, the state provides the wage and price regulation without which prices in the industrial system are unstable." Mr. Galbraith's critique of advertising and "salesmanship" as means to synthesize demand for goods was part of *The Affluent Society*.

Finally, Mr. Galbraith records the growing pre-eminence of the educational and scientific estate, as "talent" replaces unions and capital as the decisive factor of production in the mature corporation. This has been particularly apparent in the risk management area, when the insurance faculties of many universities have taken the leadership in creating and defining risk, as opposed to insurance management. The professors have also been instrumental in other areas of significant change, including the new Wisconsin insurance law, the proposal for a "basic protection plan" and in the recently published Hughes report on insurance in ghetto areas.

It is clear that if one accepts all or a part of the Galbraith thesis, begun in *The Affluent Society* and continued so convincingly in *The New Industrial State*, a serious reevaluation of many aspects of business is required. On the other hand, the prospects are exciting if in fact, as he forecasts, the result will be a reemphasis on the quality of life.



Shovel, Sir?

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letters

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California has at least four laws presently in effect, that were violated by the person who assassinated Sen. Kennedy. If these four laws did not do any good, I cannot see how a Gun Restriction Law will do any good. I certainly do not believe that any person contemplating robbing a bank, murder, etc., would even consider attempting to purchase a gun in a legal manner, registering the same, etc., before committing his crime.

"Something must go," but it is legislation such as you propose, not the right for honest law-abiding citizens to own guns.

W. Lee Senf

Kohn-Senf Insurance Agency,
St. Louis, Mo.

'I take issue'

To the Editor: I want to congratulate you on your fine reporting of insurance news. However, I must take issue with your front page editorial of June 17, entitled "GUNS MUST GO!"

You cite as proof of the need for additional regulation statistics indicating an increase in murders of 77%, an increase in aggravated assault of 169% and an increase in robberies of 70% from 1963 to 1967. I am alarmed, as many others are, over the tremendous increase in crime and lawlessness in this country. However, I feel we should look for the real causes and solutions rather than pass legislation which would tend to deteriorate rather than improve the present situation.

I submit to you that laws controlling the sale and distribution of guns have not been relaxed, and in fact have been strengthened in many areas of the country, during the four-year period that crimes committed with firearms have risen so rapidly. Could it be that this increase in crime has resulted from a disrespect for law and order because of our failure to insist upon strict enforcement and interpretation of our existing laws rather than the availability of guns as you infer? Crimes not involving firearms have risen also, as evidenced by your article, on page 8, which states, "Rampant vandalism threatens to hike school

building insurance rates across the nation."

I have no objection to your first recommendation prohibiting mail order sale of guns in interstate commerce. However, I fail to see how it will prevent one intent upon committing a crime from obtaining a gun or other lethal weapon.

Your second recommendation calls for the effective registration of all guns. I am sure that those "decent citizens" that you referred to would register their firearms and surrender any firearms which the law did not permit them to have. However, I doubt that any of the criminal element or those whom you indicated were storing large quantities of guns would comply with such a law. This would result in a restriction only on those guns which are not being used for the commission of crimes but by their very existence in homes and places of business deter many burglaries, robberies and other crimes.

Since all of the 50 states have adequate laws against the commission of crimes with a deadly weapon, I fail to see the need for your third recommendation which would make such crimes a federal offense.

I do not feel that such legislation as you propose is in the best interest of this country or the insurance industry, and as a patriotic citizen and one who is interested in the preservation of life and property, I am strongly opposed.

Robert W. Lee, CPCU

Birmingham, Ala.

Congratulations

To the Editor: May I congratulate you on the outstanding editorial which appears on the front page of the June 17 issue of *Business Insurance*. I agree wholeheartedly with the tone of urgency of your message.

May I suggest that the enclosed petition be printed in the pages of your excellent magazine. This petition has been drawn up by the National Council for a Responsible Firearms Policy, whose board members are distinguished citizens in government, the clergy and the professions. You will note that the president is a former director of the U.S. Bureau of Prisons.

I believe it will take a con-

certed effort and a flood of signatures from concerned people to overcome the powerful lobby of the National Rifle Assn.

Please continue to fight through the pages of your magazine. If you will forgive the pun, this cannot be a "One Shot" effort.

Charles Seibel, C.L.U.

President, Charles Seibel Agency, Inc., New York

Editor's note: The petition reads: GUN CONTROL NOW! TO: The President, Members of Congress, and state government officials

We, the undersigned, favor immediate action to control the sale, possession and use of handguns, rifles and shotguns.

Such federal and state legislation should include the following:

1. *Regarding rifles and shotguns, there should be a ban on mail-order sales to individuals, on sales to those under 18, and on out-of-state purchases.*

2. *All firearms possessed, sold or transferred should be registered at the state and/or national level.*

3. *States should require that gun purchases be made only through permits calling for adequate identification and a waiting period for a police check.*

This we urge in the name of President John F. Kennedy, Senator Robert F. Kennedy, Dr. Martin Luther King, the 6,500 others killed annually, and in the name of a more civilized and less violent United States society.

Service companies

To the Editor: What was left out of the recent Vogt articles on self-insurance, was the role of the service company. More often than not, a service company is employed by the self-insurer. The service company provides complete safety engineering, a monthly statistical service, and a thorough claims handling service. There are professional people, experienced in the fields mentioned above. With a basic fee charged for these services as outlined below, the ensuing losses are on a direct cost basis.

The program is designed so that the standard premium is used as a basis for all charges.

With an experience modified premium of \$100,000, 75% or \$75,000, is retained by the self-insurer as a loss fund to pay losses; 25%, or \$25,000, is used to pay costs of the reinsurance from the 75% loss fund to a minimum of \$500,000, the cost of the bond when applicable, and the cost of the service company. The maximum liability of the self-insurer, therefore, is equal to the modified premium that he would have to pay an insurance company. The self-insurer, however, retains the majority of the premium and any subsequent or prior reserves. Obviously, in a cost analysis, premium discounts as well as expense ratios must be considered.

In answer to one critic commenting on industrial relations, let me say that all of our clients have experienced this improved situation. The service company is the buffer on any adverse decisions. On the other hand, the employer pays the benefits out of its pocket as evidenced by its name on the checks prepared by the service company. The service company is also able to reduce much of the red tape of an insurance company concerning benefit payments. The employer can become as involved or uninvolved as it may see fit.

In conclusion, the use of a competent service company should present the opportunity to a large and responsible employer of realizing substantial savings in its workmen's compensation costs.

Alvin J. Sims

Manager, self-insurance department, Assurers' Service Inc., Boston

Saves time

To the Editor: I am most appreciative of the very informative news stories carried in *Business Insurance* and wish to thank you for including my name on its mailing list. I find I am enabled to cover a wide range of insurance news in a minimum of time and that my thinking is stimulated by the provocative articles of your good magazine.

Malcolm Mason

Manager, insurance & claims, Kentucky Utilities Co., Lexington, Ky.

This Unique Fire Prevention System ...



cuts \$63,000 from blast furnace downtime costs

Solving unusual fire hazard problems is our business. Take this blast furnace using pulverized coal fuel for example. To prevent premature combustion of the coal, the oxygen of the system's conveying air is "burned out" creating an inert 230°F. atmosphere. All's well during normal operation, but what happens when the system must be opened for periodic maintenance or repairs? How do you prevent "raw air" from supporting spontaneous combustion at this temperature? The answer—cool it (including twin 30 ton pulverizers) to a safe 150°F. Nature

can do the job in eight hours, but this results in a nonproductive \$9,000 per hour delay.

Upon our recommendations, a system for injecting liquid CO₂ into the pulverizers was installed. As a result, cooling time has been cut to one hour...a savings of seven hours...a total of \$63,000 every time a shut down is necessary. If you have a fire problem, call your Cardox Specialist...no obligation, of course...or write us: CARDOX, Division of Chemetron Corporation, 840 North Michigan Avenue, Chicago, Illinois 60611.

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Performance-engineered carbon dioxide fire protection systems

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TRADE MARK

Temporary ...

Continued from page 14

each occasion and \$250,000 per employee." He continued, "We carry no personal insurance, like hospitalization, for our employees, and you will probably find this true for the entire industry."

The Elaine Revell agency does not carry a bond on its employees. Each customer receives a contract negotiated to meet his specific needs and such things as a bond or a hold harmless are arranged individually, said Herb Hoke, agency owner.

"FOR INSTANCE, if a bank needs a replacement for a teller," explained Mr. Hoke, "and they do not feel that their bond offers enough coverage, they may ask Elaine Revell to bond the worker. We will do so if we feel it is profitable."

Mr. Hoke added that Elaine Revell's public liability insurance covers them to a certain extent for employee theft.

Any company receiving an Elaine Revell temporary worker also receives a certificate of insurance and a guarantee that there will be ten days' notice by the carrier if the coverage is cancelled.



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Is it possible we could help you achieve better insurance management? Let's talk it over. Corporate Policyholders Counsel, Inc., 20 N. Wacker Drive, Chicago 60606, Phone Area 312/FR 2-8225.

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CORPORATE POLICYHOLDERS COUNSEL, INC.

State and local governments facing evaporating liability cover for riots

NEW YORK—A hot debate is shaping up between insurance companies, city governments and state regulators over the availability of coverage for liability claims against local governments arising from riots.

In New Jersey cancellations of liability policies for counties and municipalities moved to the legislature where the Assembly and Senate have approved a bill prohibiting insurance companies from canceling riot liability policies issued to local governments.

The measure, which is retroactive to June 1 and runs until Oct. 1, is designed to provide a moratorium against cancellation of policies this summer in areas of potential riots.

The insurers have filed a civil disorder exclusion as an endorsement to general liability policies written for governmental bodies. It would let insurers off the hook for damage suits filed by individuals and merchants against municipalities if it could be shown that the city or state didn't take necessary precautions to maintain law and order. To date, 27 states have approved the exclusion.

Although municipalities may retain liability coverage during civil disorders for an added premium, one insurance company executive told *Business Insurance* that his company was "out of the municipality business" as far as covering civil disorder liability claims.

The insurer predicted that the civil disorder liability exclusion would eventually apply to secondary institutions such as colleges and universities. "How would you like to be the liability insurer at California or Columbia universities?" he asked.

IN SOME STATES where the exclusion has been approved, municipalities must accept an insurer's cancellation of riot coverage, with the provision they can buy it back at a higher premium. But some insurance companies are balking at insuring municipalities against damage claims during the riots at any price.

Other states refuse even to allow insurance companies to take the first step of canceling liability coverage for riots, thus eliminating any question of buy-back agreements.

Another issue brought to light in the controversy is whether state insurance departments can, in effect, force insurance companies to write liability coverage without the backing of state legislation.

In Plainfield, N.J., a city official said Travelers Insurance Co. issued a cancellation notice for liability coverage for riots as of July 11.

THE CITY had been thwarted in seeking help from the state because of the directive issued by insurance commissioner Charles R. Howell approving the riot exclusion.

Stating that there will be no buy-backs for municipalities, a spokesman for a New Jersey insurer which has canceled policies in other cities, told *Business Insurance* the state has no right to force insurers to write coverage it does not want.

"We are not content to write riot liability coverage for every municipality for unlimited amounts," he said. "Before we take on any limits" he con-

tinued, "the city or municipality will have to prove that there is adequate protection and that law and order will be imposed."

Another remedy might be to reduce the cities' liability for riots, a move taken in other states where cities are immune from riot liability claims by businesses or individuals. However, many states, such as Arkansas, have waived the immunity of municipalities to be sued for damage claims.

Taking another approach, David O. Maxwell, insurance commissioner of Pennsylvania, disapproved requests by the insurance rating organizations for exclusion endorsements of riot liability coverage for municipali-

ties and government bodies.

In making the announcement the commissioner said, "This decision is consistent with our concern that adequate insurance protection for both property damage and liability losses resulting from riot civil commotion and mob action must be maintained."

ONE PROMINENT Pennsylvania insurance manager took issue with Mr. Maxwell's decision, stating that insurers should have the selection of placing risks and of applying the spread of risk principle. "You can't ask a man to continue writing unprofitable business," said the insurance manager.

Bradford Smith, chairman of the Insurance Co. of North America, Philadelphia, said that to ask the insurance industry to pay the brunt of riot losses is a "fantastic" order.

He maintained the move by the Pennsylvania insurance department to prohibit insurers from excluding riot coverage without adequate protection from the government is not fair to the industry.

If the insurance industry is forced to pay staggering riot losses without redress from the government, then the industry can't expect outside sources to invest capital in a losing proposition. "Capital will flow quickly from the insurance business to more profitable ventures," warned Mr. Smith.

H. Clay Johnson, president of Royal Globe, which along with Continental Insurance Co. said to be cancelling municipality riot liability coverage in New

Jersey, maintained: "Insurance is a business, not a social institution. The only prerogative insurers have is underwriting and once that is taken away there is nothing left."

The Royal Globe executive said riot coverage needs separate premium adjustments and should be treated separately from basic fire and extended coverage risks.

According to Mr. Johnson, the state insurance departments are taking underwriting judgments into their own hands.

Agency head nominated

Edwin H. May Jr., president of the insurance agency of May, Potter & Murphy, has been nominated as the Republican candidate to oppose Sen. Abraham A. Ribicoff of Connecticut in November. Mr. May was nominated by the state convention in Hartford.



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Reject container insurance plan

LONDON—A plan for the inclusion of insurance in the "package" rates put forward by Overseas Containers and Associated Container Transportation for container services to Australia, beginning next year, was rejected by the British Shippers' Council.

At its annual meeting the council, which represents a majority of British shippers, made it clear that it was not in favor of a package deal. It was stated that a poll of exporters organized by the BSC showed that a majority of at least ten to one voted against the built-in insurance.

EXPORTERS take the view that by handing over their insurance to the shipping lines, who insist that the scheme must have 100% support to be workable, are

increasing the monopoly element already inherent in the container service.

LARGE EXPORTERS, who now have a good insurance record and get favorable rates from underwriters, fear that with inclusive insurance they would pay more in the form of a concealed cross-subsidy to other exporters now paying higher rates.

Another pressure group against the package deal consists mainly of insurance brokers, since each container consortium might use only one or two brokers to place the business with underwriters at Lloyd's of London and with the insurance companies.

A spokesman for the shippers' council said, "We have informed the consortium that a majority of

shippers do not want this scheme and that any attempt to force it through would be met with fierce resistance."

WHEN TOLD of the result of the British Shippers' Council poll, Alexander MacIntosh, the commercial manager of Associated Container Transportation said, "We think it unreasonable to prejudge the insurance issue until a price has been quoted."

It would now appear that both container consortiums will have to negotiate an alternative scheme. They have stated that even if one major customer opted out of the packaged insurance offer—Imperial Chemical Industries and Unilever are believed to have done so—the all-in proposals could not operate. ■

Northwestern National offers primary and umbrella liability

MILWAUKEE—A liability policy which departs from the standard comprehensive general liability form by combining primary and umbrella coverage is being marketed by Northwestern National Insurance Co.

In addition to basic business and auto liability, the new policy—which the insurer calls ultra-cover—picks up liability exposures such as those arising from property in the policyholder's care, custody or control.

The worldwide liability policy also covers liability arising from written or oral contracts, advertising liability and libel, slander or defamation of character lawsuits.

Other business exposures covered include invasion of privacy,

fire legal liability, chartered aircraft, discrimination, humiliation and overseas products liability—areas which are excluded from the standard CGL form but can be picked up in umbrella policies.

JOHN M. Haker, assistant secretary of commercial underwriting, said Northwestern National's regular facilitative reinsurers are willing to go along with the combined coverage at their normal retentions. In a \$1,000,000 policy, the reinsurer picks up \$900,000 of the risk, he said.

Mr. Haker added that limits range from \$250,000 to more than \$1,000,000 but that \$5,000,000 coverage "shouldn't be a problem." About 90% of the policyholders will take a \$10,000 deductible, Mr. Haker predicted, the same as for umbrella coverage.

"Our reinsurers realize," Mr. Haker told *Business Insurance*, that the "broad features" of the umbrella policy are "more the prerogative" of the primary insurer than of the reinsurer. "We know more about property in our policyholder's care, custody and control, for instance, than does the reinsurer," Mr. Haker said.

The coverage, which is being sold in about 30 states, is aimed at the small and medium-sized commercial firms. ■



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- ☐ Or would you throw out your chest and tell him that's exactly what you are... a fiercely independent insurance agent who handles Unigard. And Unigard is the new label for our 67-year old family of firms with young ideas...and coverage for everything, from people to people's stuff! You can bet a fat commission check you would!

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Clairol user wins \$7,000 damage suit

TRENTON, N.J.—A woman who developed swollen glands and scabs on her head after using Clairol hair coloring is entitled to a personal injury award of \$7,000, the appellate division of the state superior court has ruled, even though she didn't follow the instructions on the package.

The court said the award was "a modest one" and also upheld an additional \$3,000 in damages to the woman's husband.

"Instead of an anticipated improvement in her graying hair, she was twice shorn of her crowning glory to minimize the poison in her system," the court opinion said.

Mrs. Marion Cory testified that she applied Miss Clairol Creme Formula to her hair to make herself look younger, but 50 hours later noticed rashes across her face.

Bristol-Myers, marketer of Clairol products, contended that instructions with the package cautioned users to take a "patch test" to determine whether they were allergic to the hair coloring.

Mrs. Cory said she read the instructions but did not make the test on her skin. She argued that the patch test instructions said the coloring could be used after 24 hours if there were no abnormal reaction.

She stated that her reaction came after the 24-hour period so it wouldn't have made any difference if she had taken the patch test. ■

Hancock hits \$50 billion

The John Hancock Mutual Life Insurance Co., Boston, has passed the \$50 billion mark of life insurance in force. Robert E. Slater, president, said the figure represents insurance on the lives of 16,500,000 people.

Airline exec asks 'no fault' liability system for better air safety

NEW YORK—A top official of United Air Lines has suggested that the present aircraft liability system be replaced by a "no-fault" procedure which he said would provide a freer flow of air safety information.

The present system, according to Charles F. McErlean, United exec vp and general manager, is based largely on finding someone or something at fault from whom the injured party can recover, rather than determining the factors that caused the accident.

Mr. McErlean emphasized that the aircraft manufacturer, the airline and the government all have an obligation to bring to light all pertinent data in the event of an air crash.

BUT, HE said, such factors as the hope of avoiding tort liability and potential adverse publicity have the effect of inhibiting such information.

"If the traditional fault system is continued, our efforts to achieve a free exchange of information will, no doubt, be restricted," Mr. McErlean told a symposium on aviation litigation here.

The alternative, he said, is to replace the fault system with a method to permit injured persons to recover but which would also provide for access to safety information.

ONE POSSIBILITY put forth by Mr. McErlean would be to grant a privilege to those communicating information on air safety. He pointed out that the Federal Aviation Act of 1958 prohibits the use of reports of the National Transportation Safety Board in suits for damages. Also, near-miss reports to the Federal Aeronautics Administration have recently been granted immunity.

2 labor groups sue California on labor laws

SAN FRANCISCO—The California Council of Carpenters and the AFL-CIO Alameda County Labor Council have filed suit in superior court here against the state labor commission for "unlawful, arbitrary and capricious handling of key labor laws".

The suit alleges that William Hern, commission head, is "illegally discriminating against union members in his job of helping workers to collect back pay and insurance benefits owed to them by employers."

Mr. Hern reportedly has acknowledged that union members who ask the commission for assistance are told to "get help from the unions."

The suit asserts that California law requires the labor commissioner to assist all workers who file claims rather than just those who have no union representation.

"To give our members such help," the suit declares, "unions would have to go through costly and lengthy procedures that often are not even provided in contracts with employers."

Another alternative, Mr. McErlean suggested, would be to impose on air carriers, by legislation, liability without fault. This method would remove the question of whether the carrier were liable and limit proceedings to the amount of damages.

To accomplish this, Mr. McErlean said, the law could be changed to make the carrier the insurer of safe passage with a fixed maximum liability to be included in the cost of the ticket. If a passenger wanted additional insurance, he could get it at an added charge, Mr. McErlean said.

M.D. urges suing cigaret makers over lung cancer

BOSTON—A Harvard medical school chest surgeon has urged U.S. doctors to assist their lung cancer patients in suing cigaret makers.

Doctors should not be intimidated from encouraging anti-cigaret suits by the possibility of malpractice action being brought against them, stated Dr. Dwight E. Harken.

"If only 2% of the 55,000 potential suits were filed—about 1,000 suits—it would harass cigaret producers nearly as much as they are harassing our patients and our children with TV and radio commercials," said Dr. Harken.

Miami court grants award to traveler injured in airport

MIAMI—A circuit court jury here has awarded \$225,000 damages to a traveler injured when he walked through an airport gate to what he thought was an aircraft but instead tumbled one floor to the ground.

A spokesman for Mackey Airlines, one of the defendants, expressed his belief that the award would be appealed.

A jury made its award against Mackey, Fort Lauderdale, which since has been merged into Eastern Airlines, and Metropolitan Dade county which operates Miami International airport, scene of the accident.

MACKKEY said it is covered by an all-encompassing policy which extends to ground accidents as well as inflight difficul-

ties. The insurer was identified as Insurance Co. of North America.

Metropolitan Dade County, which operates four airports through the Dade County Port Authority, also carries liability coverage but protects itself further by inserting clauses into all contracts with tenant airlines and concessionaries holding the authority harmless on accidents.

A spokesman for the county insurance department said the harmless clauses mean nothing if a judge and jury decide to go outside the contract.

"Our liability policy is like that of any other airport with hold harmless clauses by our tenants," said Richard Judy, assistant director of the authority.

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Testify brick mason pension fund run by mob, nearly broke

NEW YORK—Officials of local brick mason unions have been accused of raking off payments to the union's pension and welfare funds to the extent that the fund is in danger of going bankrupt.

The charge, made in testimony before a New York state investigation commission, involved several of the ten mason tender locals that make up the greater New York district council of the International Laborers Union of North America.

It was asserted during the two-week hearings that construction employers were invited to join the health and pension program at cut-rate prices and to make out checks supposedly for the plans to union officials and members of their families.

In addition, evidence was presented which showed that at least \$177,000 had been paid out during 1964, 1965 and 1966 in phony disability claims. An accountant for the commission said his investigation showed that new members who were over 80 were enrolled as active participants in the plans and disability claims were paid to men who were also collecting unemployment insurance from the state and who were working.

LAST WEEK two physicians took the fifth amendment when questioned about their role in the medical claims. A number of witnesses earlier admitted they collected medical payments even though they had never been ill or visited a doctor.

The commission, on the final day of the hearings, said that these activities were indicative "of what is probably happening in other industries operating under similar conditions of racketeer control."

Disability insurance for the district council was placed through Rixon Associates, according to Joseph Gagliano, ad-

ministrator of the council's welfare and pension funds. Head of the brokerage firm, Mr. Gagliano testified, was Anthony Miranda, who received about \$3,500 a year in commissions from the union's business.

Anthony is the son of Michele (Mike) Miranda, an elder statesman in the Mafia. Mr. Gagliano said he had not known of this relationship when he awarded the contract several years ago.

INSURANCE CARRIER for the disability coverage was Union Labor Life Insurance Co. A spokesman for Union Labor Life told *Business Insurance* that the firm had no reason to suspect fraudulent disability claims because the company had made a consistent profit on the business.

He said the insurer's executives were "surprised" at the testimony that \$177,000 of phony claims had been submitted. Union Labor Life, he said, is considering action to regain the money paid out in the claims, but he added that the allegation "doesn't make much sense."

3 Hartford agencies join

HARTFORD—Three Hartford insurance agencies have affiliated their several specialties to provide a comprehensive program of insurance protection service.

The three are Goodwin, Loomis & Britton, Charles Kingston & Associates, and the Paul L. Avery Agency.

The firms will remain independent but will co-operate in exchange of specific talents.

Combined services will cover fire, casualty, marine, life, bonding, pensions, group and employee benefits to institutions and commercial and industrial establishments.

G+W elects Smith a vp



William D. Smith

NEW YORK—William D. Smith, director of insurance, pensions and leasing at Gulf + Western Industries here, has been elected a vp.

Mr. Smith, who joined G + W in 1962 as manager of insurance, previously was insurance manager for the Bank of the Southwest, and earlier assistant insurance manager for Reed Roller Bit Co., both in Houston.

AMA selects new planning unit members

NEW YORK—The American Management Assn.'s insurance division has nominated ten new members of its planning council and set dates for upcoming meetings.

New members nominated are: John Armstrong Jr., Insurance Co. of North America; Russell A. Drake Jr., Allied Super Markets; Stuart D. Facinger, Allis-Chalmers; W. F. Hickey, British American Oil Co. Ltd.; James H. Hughes, Martin Marietta Corp.

Also Louis W. Niggeman, Fireman's Fund Insurance Co.; J. P. Olsen, Ingersoll-Rand Co.; H.G. Pearce, Blue Cross Assn.; Charles Smith, Eastman Kodak Co.; and Albert F. Winston, Inland Steel Co.

Mr. Olsen, a *Business Insurance* columnist, has also been elected vice-chairman of the Machinery & Allied Products Institute's insurance council.

AMA has also set its agenda of summer and fall insurance meetings. August 19-21, at the Americana Hotel here, the association has scheduled a briefing session on mergers and acquisitions in insurance agencies and brokerage firms. Nov. 6-8 are the dates of AMA's fall employee benefit and pension conference and Fall insurance conference at the Drake Hotel, Chicago.

Next year AMA will sponsor briefing sessions on international corporate insurance management and international employee benefit and pension management at the Americana Hotel here, Jan. 13-15.

Oregon hikes work comp benefits 17.5%

The Oregon Workmen's Compensation board has ordered a 17.5% increase in benefits for injured workers who are now receiving benefits for injuries suffered in prior years. The increase is intended to bring benefits into line with increases granted by the 1967 Oregon legislature for workmen who were injured after last Aug. 13.

Six midwest states adopt rate changes

CHICAGO—Rate changes for fire and extended coverage have been announced by the rating bureaus and state insurance departments in Illinois, Kentucky, Nebraska, Indiana, South Dakota and Ohio.

Fire and extended coverage rates on commercial and industrial structures in Illinois were increased effective June 1. Rates for wind, hail, explosion, riot and other extended coverages were increased about 25% or 4¢ per \$1,000 in Cook county. Elsewhere in the state, rates on wind resistive buildings will jump 9¢ per \$1,000 and 38¢ per \$1,000 on other kinds of buildings.

Fire rates in Cook county will be increased 10% on brick buildings and 25% on frame buildings, except public, apartment and office structures. A statewide \$50 deductible will be applied to all extended coverage perils.

Effective June 10, extended coverage rates for fire resistive buildings in Kentucky will be raised 2 mils per \$100. In addition, Kentucky has authorized a 25% increase in fire rates for all fire resistive risks, except public buildings, and a \$50 deductible on all extended coverage perils for commercial and industrial properties.

NEBRASKA adopted a \$50 all-perils deductible for residual dwellings and fire and lightning coverages on all commercial risks. The Nebraska changes were effective April 8.

Extensive property rate and form adjustments have been approved for Indiana effective March 1. Fire rates for dwelling and apartment buildings were increased 15%, and a \$50 deductible on extended coverages with building rates raised 1¢ to 15¢ per \$1,000 of coverage.

Also, 80% coinsurance rates were raised from .096 to .139 in Lake and Marion counties and to .137 elsewhere in the state. Wind resistive rates were increased from .016 to .028.

FIRE RATES for public buildings and contents in frame and fire resistive classes went down 15%. Rates for frame risks in the mercantile and special hazard groups declined 5%, brick rates were increased 10% on buildings and 5% on contents.

In South Dakota, public com-

mercial and industrial extended coverage rates were increased 10% to 25%, depending upon location, wind resistive risk, 25% to 40% and an automatic \$50 deductible applied to all perils, except fire and lightning.

Fire rates have been cut about 15% for public buildings and for frame commercial and industrial properties. The changes were effective May 1.

In Ohio, most mercantile and manufacturing property fire rates were increased 20% to 25% with an automatic \$50 deductible for all perils except fire and lightning.

Fire rates for brick and fire resistive public buildings were cut 15%, and the charge for the extended coverage endorsement was increased 15% on fire resistive risks. These changes were effective March 18.

IT WAS ALSO announced that the Western Actuarial Bureau has introduced a simplified method of rating mercantile buildings in 18 midwestern states. The states include Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, New Mexico, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, W. Virginia, Wisconsin and Wyoming.

Under the rating plan, a fire bureau inspects the risk and publishes rate information. When the occupancy changes, calculation of rate adjustment may be made without a reinspection.

The plan includes one-, two- and three-story brick buildings and one- and two-story frame buildings.

Wightman gets insurance post

NEW YORK—F. C. Wightman has been named insurance and claims manager of National Bulk Carriers Inc., succeeding Albert J. Merz, who retired after 18 years with the firm.

Mr. Merz, prior to joining National Bulk Carriers, had been with Ward Lines and the Cuban Mail Line for 35 years.

Mr. Wightman was assistant to Mr. Merz before being appointed to his new post.

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Creative engineer spreads cover to others

ST. PETERSBURG BEACH, Fla.—When T. F. Green, vp of Island Manufacturing Corp. here, thinks of insurance it's with a sense of relief.

His company has none but the required workmen's compensation and a variety of products liability policies.

That's not to say that Mr. Green and his associates have anything against insurance, but as a creative engineering company they've found what for their purposes is a way of spreading the bulk of insurance coverage to other business firms.

There was a time when the firm had several small plants going in the St. Petersburg area, and then full-scale coverage was carried in just about every possible area. Those plants were manufacturing the specialized products invented by the company and its designers. They included a variety of drink vending machines, wire-making machines and other machine tools.

"NOW WE'RE MORE like marriage brokers," Mr. Green explained. "We don't do any manufacturing except on prototypes of new systems. Once we have those developed, then we

subcontract the production work to other firms, and they carry the insurance. This way we don't have all the headaches of many employees, production facilities, the works."

He explained the "marriage broker" term by explaining a process just now ready for marketing. It is a new type of copper-coated aluminum wire. IMC long ago developed a wire-making machine. With this they have developed a process of plating at the rate of 2,000 feet a minute, whereas other machines run at top speed of 600 feet a minute.

"We are sort of the conduit between the chemical companies and the firms needing the wire," he said. "We made the process practical to help them both. The ultimate machines will be our

design, made to our specifications, but by other manufacturers."

WITHOUT PUTTING IT in so many words, Mr. Green nevertheless indicated through his own company's approach that he feels they have solved many problems by cutting back to creative mechanical design and getting out of the production field—and not the least of the problems is that of insurance for a production facility and all it implies.

Production under these circumstances is done under a usual blanket of insurance coverage, however.

"It's just that the subcontractor buys it," he added.

On products liability, new policies need to be written for each

new product, and Mr. Green indicated through the years these have been spread out among companies best prepared to write policies for the types of machinery involved.

"AND, OF COURSE, that's our biggest essential," he explained. "For example, if we build a wire-making machine with all proper guards on it, the machine might function well for years with no mishaps. Then some fool comes along and decides to cut off a guard and another fool sticks his hand into moving parts.

"There could be injury and eventually a suit might come back to hit us. Of course we could show what had been done, but if the insurance company has a policy on that product, it's go-

ing to handle the matter for us."

Mr. Green pointed out that this is true even if the product itself is only designed by his firm and manufactured by another under license or subcontract. As process designers, the liability remains with IMC for the process and hence some of the liability could be theirs.

He indicated there might be more extensive liability required on another new process just coming into use. This is a machine which will automatically coil, cut off and package builders wire. Because end product might have more widespread use, liability might be potentially more extensive. That matter it was expected would be explored more fully when the end product starts going on the market.

Hartford aide asks overhaul of insurance

HARTFORD—City corporation counsel John M. Fitzgerald has called for a complete overhaul of Hartford's handling of insurance and the distribution of insurance commissions.

Connecticut's capital city for years has distributed commissions on insurance it buys to Hartford insurance agents.

The distribution plan was drawn up by the late Alfred N. Premo, state insurance commissioner, who also functioned as the city's insurance advisor.

Mr. Fitzgerald remarked that the so-called Premo plan for distributing insurance commissions had no legal basis in the city charter or in the city ordinances.

He has recommended that the city eliminate the plan.

He said, moreover, that the charter leaves it up to the city council to draft rules and regulations for buying insurance and distributing the commissions.

He noted that the state of Connecticut has an insurance agent of record who handles the state's insurance at a considerable savings in commission costs.

Mr. Fitzgerald wants the city administration to consider adoption of the same procedure.

Charge Roddis arbitrarily shut Consumer Life

SAN FRANCISCO—Consumer National Life Insurance Co. has charged state insurance commissioner Richard S. L. Roddis with having acted "arbitrarily and injudiciously" in accusing the company of having violated the state's insurance laws.

Mr. Roddis, who has resigned his post effective Aug. 31, had charged the company with offering illegal rebates and misrepresenting some of its policies.



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'Home-like' atmosphere needed to hold new Japanese employees

TOKYO—Creation of a home-like atmosphere for young workers has become an important labor measure for Japanese industry.

In the face of a shortage of junior and senior high school graduates seeking employment, reduction of the high turnover rates of young employees has become highly important to businessmen.

This importance is clearly brought out by surveys which indicate not only that a high percentage of young employees leave their jobs after a short time, but also that they are urged to do so by on-the-job, personal conditions which they do not find satisfactory.

Factors which employers must deal with are not only the immaturity of the workers and the fact that they are starting their first full-time jobs, but also that most of the workers migrate to the major cities of Tokyo and Yokohama in the east and Osaka and Kobe in the west, and are thus away from their homes and parents for the first time.

Ishikawajima-Harima Heavy Industries (IHI), one of Japan's industrial giants, has adopted the practice of regularly inviting new workers to dinner-discussion meetings at the homes of department chiefs, at a Yokohama factory. IHI also started a "brother system" last spring. Older employees, aged 30 to 45,

are assigned five new employees, and take them under their wing for guidance and counseling. But the youths are encouraged to call their elder "brother" not by that name but "oyaji," meaning father.

One of Tokyo's large department stores, with hundreds of employees, has taken the stand that the time to start encouraging new employees to settle down on the job is as soon as they are hired. The start of actual work is several months after hiring is done, and during that period, the department store, Keio, sends all in-coming employees copies of the store's employees' magazines.

In keeping with the characteristic Japanese practice of em-

ployers' providing liberal fringe benefits (often including a new suit and overcoat for men, and generally including dormitory housing), the Mitsumi Electric Co., in Komae, a Tokyo suburb, has a three-stage dormitory system for its women employees. More than 3,500 women work on assembly lines at the factory, and 60% of them live in company dormitories.

AS THEY ACQUIRE seniority and grow older, they advance from one stage to the next. The first stage calls for junior high graduates to live for two or three years in a mammoth dormitory which houses 550 girls. Here, they acquire or improve abilities for group, cooperative living, make friends, and can avail themselves of the services and benefits of dormitory life.

After that, they advance to detached apartment-style dormitories, which are also the first step for high school graduates entering the company. At this stage, they are self-autonomous in maintaining the dorms. The third stage is characterized by greater independence; dormitory residents cook for themselves and pay a share of the heating and lighting expenses. All this is in addition to recreation facilities and other activities provided by the employer.

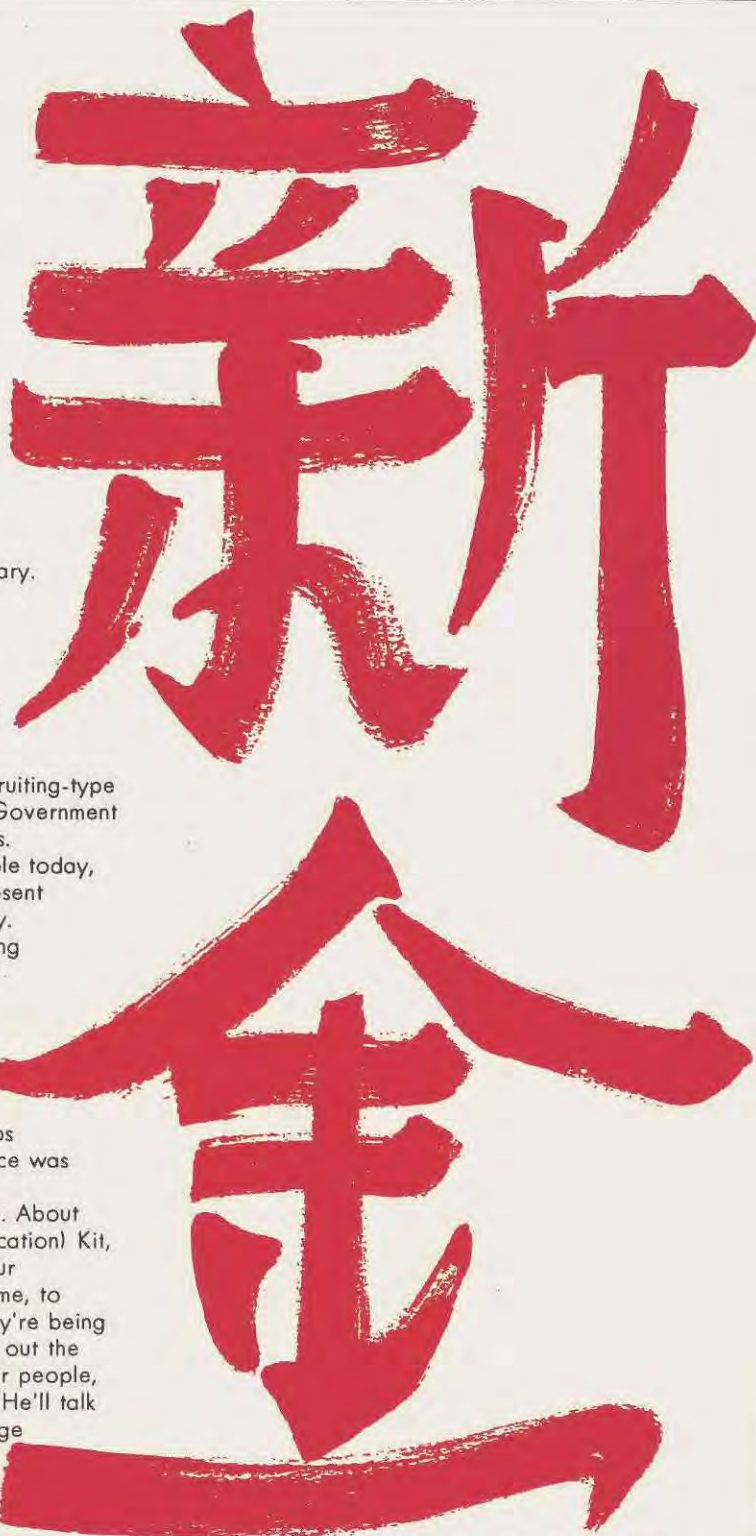
However, small- and medium-sized companies cannot afford much of an expenditure for such programs as these, so a special program has been started in Tokyo for these employers. Since it is not extensive, there seems to

be little chance that it will help these employers to compete in this respect with large industry.

THE PROGRAM CALLS for volunteer couples in Tokyo to open their doors to young employees from rural areas who have come to work in the capital, entertaining one or two youths two times a month by providing "mother's cooking" and friendly consultation and relaxation.

According to the ministry of labor, the smaller the enterprise, the higher the rate of new employees' leaving the job. A 1966 ministry survey showed that the difference in rates, comparing companies having less than 29 employees to those having more than 500, was 2.4 times in the case of junior high graduates and 2.2 times in the case of senior high graduates. Thus, small- and medium-scale companies, already feeling and reacting to pressures imposed by their relative size, face a handicap with regard to keeping employees. ■

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Calls Canada's work comp not equitable

MONTREAL, Que.—Canadian workmen injured in occupational accidents should have the right to sue their employers instead of relying on compensation awards, according to J. Edward Burns, president of All Canada Insurance Federation.

Mr. Burns, who is also president of General Accident Assurance Co. of Canada, Toronto, said workmen's compensation is an imperfect redress for most job injuries and in some cases it is "shamefully inadequate." He was speaking at the eighth national conference of the Canadian Federation of Insurance Adjusters.

For more than two generations, workmen in Canada have been denied their common-law right to seek redress from employers who may have created dangerous work conditions. Evidence appears every day of this abuse, particularly in the construction industry.

"A large staff of inspectors checking out safety conditions in construction work will vouch for the tendency of some contractors to weigh profit and completion targets against life and limb. Even injunctions and stop-work orders are defied in an attempt to achieve profit goals.

"It is living proof of the theoretical argument that to relieve the concept of responsibility for negligence is to invite laxity in performance."

Punitive fines have failed to control the situation, Mr. Burns contended. Steps should consequently be taken to reinstate the workman's right under tort law as an alternative to compensation awards, he stated. ■

Safety bill . . .

Continued from page 15

would be required to prove that the secretary's determination was wrong. Also under the Administration bill, the secretary would not need court backing to issue a shutdown order.

A third basic complaint against the Administration bill deals with the question of federal-state relations. Under the White House proposal the secretary's power begins on the day the bill is signed and runs concurrent with that of the states for 18 months, at which time the states would have jurisdiction only in the areas where the Labor secretary chooses to decline to assert his authority. The states would have virtually no say in setting the standards under this bill.

THE SUBCOMMITTEE'S bill provides that the secretary's power of enforcement would not go into effect until July 1, 1970. In the meantime, while the secretary is working on standards, carrying out research and making planning grants to the states, the states would have a chance to set up their own safety plans. If these plans meet certain rather stringent requirements then the jurisdiction would remain in the hands of the states under a continuing review by the secretary. The state would be able at any time before or after July 1, 1970, to present a plan to the secretary covering any or all safety issues.

Other changes from the Administration bill made by the subcommittee include a provision whereby federal employees are brought under standards consistent with those by the secretary, and a provision which specifically states that nothing in the act interferes in any way with the existing rights and duties of employers and employees under workmen's compensation laws, state or federal. ■

Columbia's riot claim 'less than \$100,000'

NEW YORK — Columbia University has filed a claim of "less than \$100,000" for fire, riot and civil commotion caused by student protests last month.

Although Aetna Insurance Co., Columbia's carrier for such losses, was not overjoyed by the claim, a university source said the insurer was "behaving like a gentleman" about it. ■



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