U.S. risk man tells Britons how it's done

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A $2.2 million sky crane helicopter owned by Sikorsky Aircraft Corp. crashed into the roof of the Goodyear Tire & Rubber Co. plant in Union City, Tenn., while lifting an air conditioning unit. "We don't know where the liabilities will fall yet," said Paul Willberg of Goodyear's corporate insurance department. "There was more damage to the roof than to the unit." Both pilots of the sky crane escaped injury but the crash left a 12' hole in the top of the building. Six air conditioning units were to be installed on the roof, each weighing approximately 3,000 pounds, according to Mr. Willberg. —Wide World photo

Prudential moves into liability field with aviation market aid

By STEPHEN GILKENSON

NEW YORK—In a response to the demands of the jumbo-jet age, the Prudential Insurance Co. has pumped $15 million of new capacity into the world aviation insurance market. The move was disclosed when Pru said it had sold third-party liability reinsurance to American Airlines.

Business Insurance learned American has bought a $15 million excess policy on its 747s. The premium is $50,000, sources say. The coverage has been written through the two existing U.S. aviation insurance pools, U.S. Aircraft Insurance Group (USAIG) and Associated Aviation Underwriters (AAU). The pools, in turn, have bought facultative reinsurance policies from Prudential.

The move is significant on several counts. It marks the first time a life insurance carrier has participated in third-party liability exposures. Such participation is prohibited under most state insurance laws. However, a bill allowing the Newark-based life company to enter the liability field on a reinsurance basis was enacted by the New Jersey legislature in May.

THE DEVELOPMENT is also being viewed as a "real opening up" of the aviation insurance market, a move that has cast an even longer shadow of doubt over the need for the airline-supported captive companies—Air Transport Insurance SA—which are scheduled to begin writing airline risks Jan. 1.

It is believed that Prudential's entry into the aviation market is a trial run for what will become an aircraft reinsurance pool of life companies. Other major life insurers—Metropolitan and Equitable, for example—are said to be keenly interested in the concept.

"What we hope to do eventually is organize a pool of life carriers," said Jack T. Kvernland, senior vp of Prudential. "We have been having talks with other life companies."

Prohibiting the formation of such a pool in the immediate future are insurance laws in other states. The New York assembly this year considered a measure similar to that adopted in New Jersey, but it did not come to the floor. However, its chance for introduction and passage has been called good for next year.

AIRLINE RISK managers, in the meantime, are viewing the Prudential move as a rather formative loosening up of a market that had been severely crimped since the Boeing 747 generation of aircraft was introduced.

"It looks like a good deal," said one airline source. "Of course, it will depend on what they're getting for it. We're asking for a quote; virtually all of the major airlines are reacting similarly."

Asked what effect the additional capacity might have on the airline insurance captive combine, Air Transport Insurance Ltd. and Air Transport Guarantee Ltd., most aviation insurance people appeared skeptical.

"It appears that capacity is being made available, doesn't it?" asked one risk manager last week. He noted that the need for

Continued on page 2

National health plan is criticized for a lack of program organization

By GEORGE LANGWORTH

WASHINGTON—The Committee on National Health Insurance, the 100-member group gathered in 1968 by the late Walter Reuther to study health care problems, has revealed a comprehensive plan for national health insurance. The major thrust of the program is "to use the mechanism of financing to bring about a rational reorganization of health care and its means of delivery in the United States."

The committee's proposal came under fire from a variety of sources in a survey conducted by *Business Insurance*. But perhaps the most controversial point of the committee's proposal is the exclusion of the entire private health insurance industry from its proposed national health care plan.

A spokesman for the committee explained that "there is no question that private insurance companies have done much to provide health care for a large segment of the population. However, we feel that the insurance industry has reached a plateau. It is no longer feasible to operate within the profit spectrum in attempting to provide adequate medical care for the entire population."

THE SPOKESMAN pointed out that "Medicare has proved there is little point in having a fiscal intermediary (Blue Cross-Blue Shield organizations throughout the country have handled the bulk of this responsibility) to administrate a health care program. It has made for a giant snarl administratively."

The CNHI proposal would raise a trust fund that would bear the cost of providing a comprehensive health care program for all residents of the U.S. Under the proposal's scheme of funding, a central government agency (termed the Health Security Agency) would collect some 40% of the money from annual general tax revenues, 35% from a 2% tax on gross employer payrolls (no ceiling provided as in Social Security taxation) and the remaining 25% from a 1.8% tax on the individual's adjusted gross income up to a maximum taxable wage level of $15,000.

The proposal provides that em-

Continued on page 2

Late news

Expect Bayly-Schiff merger

NEW YORK—Reliable sources here confirmed that Bayly, Martin & Fay Inc. and Schiff Terhune Inc., New York brokers, are in the "very serious" discussion stages leading to a merger of the two companies. Persons close to both parties, however, emphasized that the actual decision is "a couple of weeks" off, but indicated that all are happy with arrangements as they have been worked out thus far. If the merger were to take place, the combined company would probably become the sixth largest U. S. insurance broker, following Marsh & McLennan, Johnson & Higgins, Alexander & Alexander, Frank B. Hall and Fred S. James.

Senate unit makes pension survey

WASHINGTON—The heads of more than 1,000 private pension plans have received survey forms from a Senate labor subcommittee that is seeking key information concerning the structure and operation of such plans in a broad segment of private industry. "We hope to determine, among other things, what benefit rights an employe gets under a plan, what funding arrangements are provided to pay benefits, under what circumstances an employe forfeits his benefit rights, and how likely he is to do so," said the committee chairman, Sen. Harrison Williams (D.-N.J.).

$12.2 million paid Air Canada for DC-8 said to be largest ever

TORONTO—Associated Aviation Underwriters has paid Air Canada $12.2 million for the crash of a DC-8 stretch jet here July 5, *Business Insurance* has learned. AAU insured the hull of the craft, and the payment is believed to be the largest ever made on a single aircraft.

The craft, which went down short of the Toronto International Airport while en route from Montreal on a flight that was to have continued on to Los Angeles, was carrying 99 passengers and a crew of nine. Air Canada is insured for third party liability by the London market. Its broker is Dale & Co. of Montreal and Toronto, which in turn works through Alexander & Alexander in New York.

"It's the largest hull payment made yet, and it was paid within 24 hours," an AAU spokesman said. A similar DC-8 owned by Seaboard World Airways crashed and burned in California last year, costing underwriters about $12 million. Boeing 707s are worth something less than that, while the new 747s cost about $23 million.

THE RECENT Air Canada crash is expected to cost the London liability underwriters a maximum of $7.5 million. This figure is derived from the fact that the flight, an international one, has imposed liability limits of $75,000 per passenger.

Of the 99 passengers on board, 22 of them were Air Canada employes.

"So far as we know at this moment," an airline official said, "none of them were on business at the time." He noted that had they been on business they would have been covered under Canadian workmen's compensation laws. This not being the case, however, their survivors have the same rights as those of other passengers, who may sue the airline for the $75,000 maximum.

The crash was the first for the airline since November, 1963, when another DC-8, also bound from Montreal to Toronto, crashed and took 118 lives. ■

FTC order on Coca-Cola contest may involve 'errors' insurance

NEW YORK—If the Federal Trade Commission succeeds in an attempt to force payment of $100 prizes to "Big Name Bingo" contestants whom it feels were misled by deceptive rules in a contest last year, it may not be the sponsor of the game, Coca-Cola Co., that picks up the tab.

The contest was run by Glendinning Co., and according to Charles W. Adams, senior vp at Coca-Cola, the contract with the Westport, Conn., sales promotion outfit "definitely states that prizes would be paid by them." Mr. Adams said that this has become a main consideration of Coca-Cola lawyers in preparing a reply to the FTC's proposed order asking for a cease-and-desist agreement from both companies and including the usual position on restitution.

It has been estimated that as many as 1.5 million persons entered the contest and "many if not all" may be eligible for $100 prizes under the proposed order.

GLENDINNING has an errors and omissions policy with American Home Assurance Co., *Business Insurance* has learned. However, underwriters there are not yet sure they may be faced with a claim—or even certain such a claim would be valid under the policy's conditions.

"The FTC's position is still very much a tentative thing," said an American Home source. "If they don't get a reply from Coke then there may be action involving Glendinning.

The FTC's proposed order would prohibit the defendants from "wrongfully withholding the earned prize of $100 from contest winners who submitted entry cards which were complete and correct under reasonable interpretation of the contest rules —that is, cards which contained at least one correct 'answer' to each question which could be correctly answered."

The game, which gained considerable interest when promoted early last year because of its reported simplicity, involved the identification of famous people. Game cards with 10 questions were answered by attaching pictures of known figures from cap liners of bottles of Coca-Cola and Tab.

THE QUESTIONS appeared to require only one correct sticker, but Glendinning stated last August in letters to complaining players that there could be two answers to one question as it had mentioned "as many answers as you can" in the rules. Glendinning's correct answer to the game card clue "went on Arctic expedition," for example, was both Horatio Nelson and Admiral Byrd, two of the 20 bottle cap answers. Most contestants singled out the latter for their entry cards.

The commission has charged that the published directions and rules misled persons "of average sophistication and skill in semantics." ■

Health care...

Continued from page 1

ployers could elect to pay all or any portion of the individual employe's health care taxes.

The CNHI program is heavily weighted in favor of the group prepaid practice plan form of health care delivery system. What limitations on the number of visits are imposed by the committee on its proposed items of coverage are rescinded when the service is obtained through a group practice plan.

In explaining the committee's favorable disposition toward it, the CNHI source pointed out that "if 10,000 group practice plans, each composed of an average of 20 doctors, were to be established throughout the country in the next five years the group plans would be able to serve about 60 million people. The same number of doctors, offering their services through individual practices could barely handle 30 million people in the same period of time."

The CNHI health care program would cover a wide range of medical costs. Among them are:

- All physicians' services, all hospital services (except for the personal comfort articles), the cost of a convalescent nursing home for up to 120 days per spell of illness. The CNHI national health care plan would also pay the costs of up to 20 consultations of outpatient psychiatric care per spell of illness, the limitation being dropped if the service is obtained through a group practice plan.
- Dental services would be paid for everyone under 15 years of age. The age limit would increase by two years each year up to 25 years of age (e.g., in 1969, all those under 15, in 1970 all those under 17, in 1971 all those under 19, etc.).
- All drugs for both in-patients at hospitals as well as people being serviced through a comprehensive group practice plan would be fully covered under the plan. In addition, all drugs for chronic diseases or illnesses of patients undergoing treatment from physicians in solo practice would be fully paid for.
- A variety of medical devices and applications such as eyeglasses, wheelchairs, braces, crutches and the like are included in the schedule of coverage.
- In addition, all supportive services of a community health group practice plan including social work and psychological services, as well as home health service agencies, would be paid for by the CNHI health plan.

A spokesman for Sen. Jacob Javits, one of several congressmen who have introduced legislation on a national health care program, criticized the committee's "wholesale junking" of the insurance community.

"I don't think any monolithic system to administrate the medical care for all the people in the entire country is realistic," said George M. Wheatley, M.D., medical director of Metropolitan Life Insurance Co., a New York-based insurer.

"I feel like they've developed a great bunch of principles and general objectives," said Howard Ennes, second vp of the Equitable Life Assurance Society of the U.S. "There are no specific programs proposed, I couldn't find any 'budget.' Their program is just a lot of generalizations; in reading it, I don't think they really get down to specific details. Their thrust seems to be 'financing will take care of everything.' But it doesn't do any good to be a millionaire if you can't buy what you need." ■

Air cover...

Continued from page 1

the captive has been "whittled away" in recent months.

A USAIG SOURCE likewise appeared pessimistic of the captive's future.

"With the increased capacity that has become available recently there seems to be less reason for the airlines to capitalize the pool. The initial justification for the thing is gone," he said, adding that if nothing else the proposed captive—in the works for four years at an expenditure of over $1 million—has "opened up the markets."

Clarence Pell, director general of the consortium, said plans for the pool were proceeding as scheduled. Definite intentions to join the captive must be returned by the airlines at the end of this month.

"Until then I really don't know what's going to happen," Mr. Pell told this publication the other day. However, he did say that "interest on the part of the airlines continues to run very high."

WHILE THE captive's role in airline insurance remains very much in doubt, at least one thing appears certain, and that is that virtually none of the five major air carriers (Pan Am, TWA, American, Eastern and United) will be participating in the scheme.

Sources point out that, in addition to the fact that the major carriers do not want to pour money they don't really have into the venture ($13 million in cash and $110 million in guarantees would be needed to participate), there is no real justifcation to dip into their cash flows now that the insurance market has loosened.

"Even before Pru entered into the picture there really wasn't any serious capacity problem in the markets," one informed source said, noting that the existing markets were capable of writing between $140 million and $150 million. "What was missing was that layer of 'sleep' insurance and Prudential will now provide this. God help us if we ever have to use it, but it's nice to have it there."

American Airlines, for instance, had been able to scrape up $145 million from existing markets. The $15 million excess cover provided by Prudential will bring its limits to $160 million ($23 million for the 747 hull, with the balance in third-party liability). American is said to need the higher limits because it is flying the jumbos on domestic routes exclusively, where liability is unlimited. Pan Am and TWA, on the other hand, have limits of approximately $125 million and another $15 million in 'sleep' coverage from Prudential would put their insurance programs more at ease.

UNDER THE CAPTIVE'S scheme, the industry had been shooting for limits of $175 million. Of that amount, it was generally assumed that the existing markets would provide $140 million, with the balance, $35 million, being provided by Air Transport Insurance on a 20% basis. However, since the captive scheme was developed it appears that the insurance industry has opened up even more (a fact termed less than coincidental) and thus whittled away at whatever new capacity the captive would have generated. As it now stands, for instance, the most new capacity Air Transport could provide—in American's case, at least—would be $15 million. And with a broader pool of life insurance carriers on the horizon it appears even that may be diminished.

The $50,000 premium American is paying Pru for the $15 million reinsurance cover is said by practically all concerned to be a "nominal" fee for such a policy. Others, however, point out it is also an "extremely wise investment on Prudential's part."

The Prudential deal was worked out largely through American's broker, Alexander & Alexander, New York.

"IT'S A tremendous thing for the industry," said one A&A man last week. "There was a need for additional capacity in the market. There's a limit to the amount of capacity you can generate for any one type of risk, of course, but of those limits I think the aviation market has done the best job in recent months."

He noted, however, that Prudential is entering the field on a limited basis at first. It is not joining either U.S. aviation pool, but instead merely providing a reinsurance facility for those pools. ■

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Bank-Chubb deal

Justice Department sees similarities to Hartford-ITT merger

WASHINGTON—A Justice Department official told insurance executives gathered here that his department is opposing the Hartford Fire-ITT merger for essentially the same reasons that it opposed the proposed First National City Bank acquisition of the Chubb group.

"In both of these instances," Assistant Attorney General Richard McLaren said, "our decisions to block the transactions involved were determined largely by adverse competitive effects expected in insurance markets.

"I cannot emphasize strongly enough that our complaints were based not on any 'bigness-equals-badness' proposition, but on conventional antitrust doctrines such as: the elimination of potential competition; the creation of power to engage in systematic reciprocity; the entrenchment of leading firms in concentrated markets, and the contributions to, and proliferation of, a merger trend."

THE PROPOSED Hartford-ITT marriage has been approved by stockholders of both companies as well as by Connecticut Insurance Commissioner William R. Cotter. The Justice Department has filed suit in Federal court opposing the merger and the court has issued a "hold separate order" until the case is tried.

Mr. McLaren told a briefing held annually for insurance executives, their related associations and Congressional interests that Justice opposes the Hartford-ITT deal for four primary reasons.

First, the assistant attorney general noted, such a merger would "create a market situation that is structurally conducive to a substantial amount of reciprocal purchasing. This may involve conscious reciprocity practices or what we refer to as 'reciprocity effect'—the tendency of a firm selling or desiring to sell to another company to channel its purchases to that company. This would take the form of a tendency of the many dependent ITT suppliers to direct their insurance business to Hartford—to the detriment of Hartford's competition in the affected insurance markets."

The second reason mentioned by Mr. McLaren is that the merger might "cause vertical foreclosure in insurance markets through the direction of ITT-generated insurance business to the Hartford group, to the exclusion of other suppliers."

CITED AS THE Justice Department's third reason for opposing the plan was the fact that the move would "strengthen and entrench ITT subsidiaries to the detriment of their smaller competitors, through the addition of the financial power and backing of Hartford."



Chairman Frank G. Harrington of the Insurance Information Institute and senior vp of the Insurance Co. of North America, addressed the recent Washington briefing session sponsored by the institute. Seated, from left, are Will Wilson, assistant attorney general in charge of the criminal division of the Justice Department; Charles K. Cox, president of the Insurance Co. of North America, and Frank McLaughlin, director of industry relations, President's Committee on Consumer Interests.

The fourth reason mentioned by Mr. McLaren was that it would "contribute to and aggravate the existing merger and concentration trends affecting the property and liability insurance industry."

The proposed First National City Bank merger with the Chubb group gave the Justice Department's antitrust division qualms for essentially the same reasons, Mr. McLaren noted.

"We were especially concerned that First National City's importance as a lender—particularly to the large airlines—would result in a structural setting in which its borrowers would channel their property and casualty business to the newly acquired Chubb, foreclosing the competition of other suppliers of insurance.

"FROM THE MERGER standpoint, these two situations—ITT-Hartford and First National City-Chubb—substantially illustrate some of our thinking about the insurance industry, and the property and liability field in particular," Mr. McLaren said.

"The substantial conglomerate acquisitions involving insurers, we feel—including those involving banks and other financial institutions—are quite likely to raise serious questions of competitive foreclosure. We will be especially concerned about them in insurance lines in which concentration is already substantial or is increasing, and where the volume of foreclosure is likely to be great."

The First National City-Chubb courtship, Mr. McLaren told the group, may have led to a host of questionable practices, such as "insurance with loans and loans with insurance," through a single company. "And frankly," he added, "we were told that a number of banks and insurance companies had picked out dancing partners."

The Washington briefing, attended by about 50 chief executives and senior officers of 30 groups of insurance companies, was sponsored by the Insurance Information Institute, the public relations wing of the industry.

THAT LITTLE FACT, incidentally, produced one bit of irony during the five-hour session in a Senate meeting room here.

That came when Frank McLaughlin, director of industry relations for the President's Committee on Consumer Interests, urged the industry—and indeed all industries—to remove "a number of irritating impediments" to the recognition of consumer problems.

Mr. McLaughlin, to the obvious embarrassment of Insurance Information Institute officials, said that the insurance industry does not need public relations men as much as they need one or two good people placed in corporate offices to deal effectively with consumer grievances. ■

Private fringes

WASHINGTON—Pay supplements in private industry amounted to 25.1% of basic wages and salaries and 24.3% in the Federal government during 1968, according to the Labor Department's bureau of labor statistics.

During the period 1966 to 1968, the bureau reported almost no change in the relationship between the compensation structures of the two divisions.

Set B. I. management idea workshop Oct. 11-14

CHICAGO—A new Management Idea Workshop addressed to a critical problem area for management—conservation of corporate assets through insurance, self-insurance and enlightened employe benefits—will be held by *Business Insurance* from Oct. 11 through Oct. 14.

The location will be Atlanta's famed Regency Hyatt House.

Participants in the workshop—*Business Insurance* readers and others—will be general corporate executives and officials of small companies who wish to learn fresh concepts and ideas in risk management and employe benefits.

Subject matter for the more than 30 sessions lined up by *Business Insurance* editors will be purposely shifted away from academic "theory." Rather, the entire workshop will be devoted to realistic, current-day problems with which participants can identify, and to solutions they can apply directly to their jobs.

ALL THREE-and-one-half days of sessions will be supervised by a star-studded "faculty" of experts personally hand-picked by the *Business Insurance* editors. Speakers include outstanding men in such fields as corporate insurance, employe benefits (including pensions and profit-sharing programs), safety and security, financial services, and liabilities and coverages needed to meet the new demands of the consumerism movement.

Most importantly, the workshop differs greatly from insurance gatherings because in no sense has *Business Insurance* planned it to be a "convention" or usual "meeting." Registrants will be kept extremely busy from the moment they arrive, and virtually all of the sessions now planned by the faculty involve concentrated analysis of new techniques for corporate risk and personnel management.

Also, in the workshop's "total immersion" format, participants will be expected to involve themselves personally by asking questions—challenging speakers if they wish—and by contributing their own thinking.

The sessions begin on Sunday evening, Oct. 11, and continue until guaranteed adjournment at 3 p.m. Wednesday, Oct. 14. (All sessions start on time and end on time.) Evening sessions run until 9 p.m.—emphasizing, once again, the businesslike nature of the complete workshop program.

FACULTY members of *Business Insurance's* first annual Management Idea Workshop include John G. Veneman, under-secretary of the Department of Health, Education and Welfare; William Winpisinger, general vp of the International Assn. of Machinists & Aerospace Workers; M. Rex Pearson, insurance manager of Signal Cos., and Reuben H. Robertson, one of Ralph Nader's renowned "Raiders."

The program also features:

- Mergers: What are the insurance and benefit considerations? by William D. Smith, vp of insurance, Gulf & Western Industries.
- The Delta Story: More financial services through payroll deductions by W. E. Stephens, payroll manager, Delta Airlines.
- How to spot insurance-buying frauds by Donald H. Trautlein, partner, Price, Waterhouse & Co.
- How to use Madison Avenue techniques to motivate employes by Al Ries, president of Ries Cappiello Colwell.
- Consumerism and corporate management by Dean Sharp, assistant counsel of the Senate antitrust and monopoly subcommittee.
- How to get the most out of your insurance broker by Joseph Gullo, vp of insurance, D. H. Overmyer Co.
- Pollution liability insurance by Harold R. Woodworth, secretary-liability, Insurance Co. of North America.
- Switching from hourly wages to salaries by Dr. Charles L. Hughes, director of industrial relations, Texas Instruments Inc.
- Social responsibility by Herbert D. Smith, vp-public affairs, Uniroyal.
- Directors and officers liability insurance by John P. Olsen, assistant company counsel, Ingersoll-Rand.

The fee for the entire Management Idea Workshop is $285, but if payment is received by Sept. 11, 1970, the fee is reduced to $250—a saving of $35 per registrant. A full refund of the fee will be made if cancellation notice is received by *Business Insurance* on or before Sept. 21.

Included in the fee are all three-and-one-half days of sessions; five meals (three lunches and two dinners); plus a Management Idea workbook covering the speakers' presentations, biographical summaries and roster of those in attendance.

Accommodations at the Regency Hyatt House in Atlanta are not included in the fee, but the hotel has reserved a block of rooms at attractive rates for the workshop.

Registrations for the workshop may be made by using the accompanying coupon, or by writing for additional details to Management Idea Workshop, c/o *Business Insurance*, 740 Rush St., Chicago, Ill. 60611. ■

business insurance

WORKSHOP ENROLLMENT FORM

Please enroll me for the Business Insurance Management Idea Workshop, to be held October 11-14, 1970, at the Regency Hyatt House, Atlanta. The $285 fee (reduced to $250 if you receive payment by September 11) covers my registration for all sessions; three lunches and two dinners; and a Management Idea Workbook including all speakers' presentations, biographical summaries and roster of those in attendance.

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washington watch

Unit's proposed changes in product liability law spell trouble for industry

WASHINGTON—Few Federally commissioned studies have prompted as much controversy in the business community as the final report of the National Commission on Product Safety. And, unlike most studies of its kind, the ripples caused by it are likely to be around for a long time.

Most of the initial commotion has centered around the commission's proposal to establish a permanent separate Federal agency to deal exclusively with product safety. This is understandable because of the vast implications such a proposal raises, like minimum Federal safety standards for all consumer products, regular Federal plant inspections, premarketing clearances for all consumer products, increased product recalls and constantly changing safety regulations and regulators.

But, the commission also made some sweeping recommendations for change in products liability law that have been largely overlooked, which insiders say deserve careful consideration because they foretell pretty accurately what manufacturers can expect to face in this area in the not-too-distant future.

AS EXPECTED, the commission recommended that consumers be allowed to bring class action suits in Federal courts. But it also added a new twist of its own, proposing that suits for treble damages be allowed in the Federal courts against manufacturers who intentionally violate Federal consumer product safety standards.

According to the commission, such statutory redress would add powerful private support to public safety programs.

The commission further suggested that the doctrine of strict tort liability be applied uniformly in state and Federal courts to assure fair compensation for injury to consumers in common law.

It said it favored continuing to rely on common law to govern products liability cases, rather than calcifying "certain progressive principles of the common law" into a Federal code of consumer remedies.

BUT, IT CONTINUED, progressive changes in the common law could be speeded up by persuading state legislatures to modify obsolete statutory provisions which "unduly impinge" on the consumer's right of redress for injury.

Most specific recommendations made in this area dealt with the section of the Uniform Commercial Code which covers breach of warranty because, the commission explained, a "great number" of product liability claims are brought under this legal doctrine.

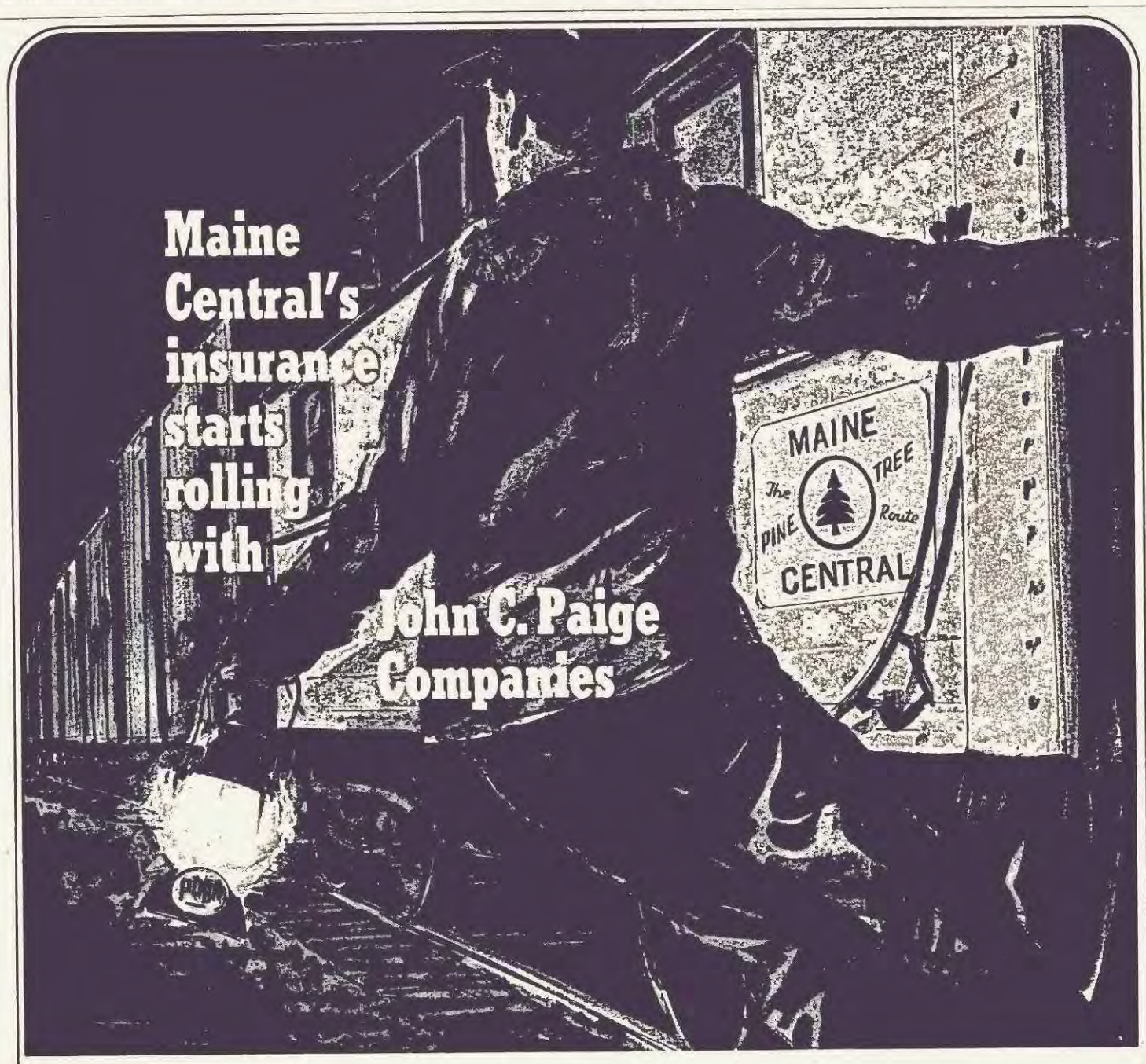
The Uniform Commercial Code has been adopted more or less uniformly by the legislatures of 49 of the 50 states. Recommended changes in the code include:

- Broadening privity horizontally so as to cover "all who might expect to use, consume or be affected by the product."
- Deleting the requirement that a notice of defect be given a seller within a reasonable time by the buyer. The legal complaint instituting the lawsuit is sufficient notice for the defendent, said the commission.
- Requiring that sellers not be able to exclude, disclaim or limit their implied warranty of merchantability or of fitness. Any such attempt is "prima facie unconscionable," the commission said, pointing out that the code permits the seller to disclaim responsibility by use of such words as "as is" or "with all faults."
- Amending the statute of limitations so that it begins running from the date the cause of action accrues instead of from the date the purchase is made.
- Revoking all limits on the maximum amount which can be recovered for death due to the wrongful act of another.

In addition, the commission recommends that states allow their courts to award attorney's fees in cases where the alleged damages total less than $5,000. And, to speed action in the courts, the commission advises that states provide for automatic increases in the number of judges as the population expands.

The commission said it recognized that its many suggestions for changes in the statutes could be countered with the argument that common law develops best when bothered least. The answer to this, it said, is: "If none bothered, there would be no change."

"We feel," it said, "it is critical to encourage compensation for consumers according to principles of fairness, rather than sacrifice justice to geographic happenstance or acquiesce in rules conceived for the oxcart rather than the jet. When we all are not equal before the law we should move to be at least more nearly equal." ■



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Cite high hazard items

WASHINGTON—The report by the National Commission on Product Safety lists 17 categories of home products that were found to be unreasonably hazardous.

Observers said that the action by the commission may augur legislative or legal moves to improve the safety records of the cited products, which are:

- Architectural glass that is not safety-glazed.
- Color television sets, 10,000 of which caught on fire in 1969.
- Fireworks, which cause an estimated 5,000 to 15,000 injuries and 25 deaths annually.
- Floor furnaces which sometimes reach temperatures of 300-350 degrees.
- Glass bottles, including glass carbonated beverage containers.
- High-rise bicycles which have caused skull and face injuries.
- Hot water vaporizers which bear the seals of Good Housekeeping and Parents Magazine and the Underwriters Labora-

Continued on page 10

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following the funds

Organize investment study group for jointly-trusteed benefit funds

ELM GROVE, Wis.—A national investment study group has been established by the National Foundation of Health, Welfare and Pension Plans Inc. here as a result of member requests for short-term investment information.

The investment management committee, whose chairman is Theodore G. Kane, president of Stuyvesant Management Corp., New York, will explore investment challenges faced by jointly trusteed employe benefit funds.

"Our investment performance committee has been involved in development of accurate standards to measure performance of funds," a spokesman for the foundation told *Business Insurance*, "but in the course of their work they realized that we, as an organization, didn't have enough information on short-term investment. Formerly we had concentrated on long-term growth."

"JOINTLY managed funds do present a special challenge to the trustee," Mr. Kane, chairman of the group, told *Business Insurance*, "because they are a sort of hybrid. The benefit levels and contributions are all fixed amounts, decided by union negotiations with employers, whereas in a unilateral fund the contributions of the employer are determined by investment performance."

A trustee in a jointly trusteed fund needs more general knowledge and, as he said, "savvy" to know what to use from an investment standpoint.

"This study will take several years," he said, "because the board of the national foundation decided that they wanted to follow the development and technique of investment management in more detail for the members. Real estate and mortgage loans will be the next areas of review and then we'll investigate different type of investment vehicles and organizations, such as banks, insurance companies and mutual funds."

Mr. Kane said, "This is the first time we've had specialists in different types of investment come together for a study."

R. C. Gallyon, chairman of the foundation, said the committee will study and disseminate information on "the various kinds of short- and long-term investment media of particular interest to employe benefit funds operated by joint boards of employer and employe trustees." Jointly managed pension plans alone, it is estimated, account for assets totaling almost $25 billion in the U. S.

"WITH THE ECONOMIC situation so drastically changed today," the spokesman from the foundation said, "all trustees have taken another look at their portfolios to see if they are getting the best possible results, or if they should look to other sources that had not previously been considered because there was no need. The opportunities for growth in short-term investment are greater today than ever before."

Through the committee's work the organization hopes to achieve an unbiased source of material on the expectations and safety of short-term investments, although the study will also deal with long-term investing.

"The members of the committee felt strongly about the importance of timely distribution of the material," the source said, "and it was decided not to wait until it was all compiled in order to publish a book. The information will be published in separate reports as it becomes available and perhaps later a book will be printed." The reports will go to members of the foundation as part of their regular service. Additional copies, said the spokesman, will probably be available at a nominal cost.

Other members of the newly formed committee are: Gordon E. Emerson Jr., senior vp, John Hancock Mutual Life Insurance Co.; Charles B. Jackson, vp, Fund Administrative Associates Inc.; Claude Kordus, partner, Hewitt Associates; Monroe Morgan, vp, Great Western Financial Corp.; David L. Rosenau, manager of money market securities, Merrill Lynch, Pierce, Fenner & Smith; Harold A. Schwind, associate portfolio manager, Investors Diversified Services Inc.; Fred E. Seibert, vp, Bank of America; David C. Tolzmann, exec vp, McElvain-Reynolds Co. ■

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Who's the boss?

Union to try for national health, safety research

DENVER—The settlement of some 435 contracts with oil and chemical companies across the country this fall will hinge on whether the companies are willing to go along with the International Union of Oil, Chemical and Atomic Workers' goals of funding a nationwide health and safety research program, increasing and standardizing medical benefits nationally and increasing pensions. All these are to be contained in a two-year contract coupled with a $1-an-hour wage increase across the board. These are the demands as they stand at the moment.

There are no industry-wide collective bargaining talks in either the oil or chemical industry. Each contract must be negotiated on a plant-by-plant basis. Initial negotiations are scheduled to begin around the country Nov. 1. The majority of the 435 contracts are slated to expire on New Year's Eve.

A spokesman for the union told *Business Insurance* that labor negotiators plan to ask management to contribute .1¢ for each barrel of oil each company under union contract refines toward a national health and safety research fund.

THE UNION's demand comes in the wake of the United Rubber Workers' recently-won agreement with that industry to establish a health and safety research and development program in conjunction with Johns Hopkins University School of Public Health. Rubber manufacturers agreed to fully subsidize the program with contributions on the basis of hours worked by union employes (*Business Insurance*, June 22).

The Oil and Chemical Workers' plans are "completely flexible," according to the union spokesman. No specific formulations have been made ahead of time, he said, because the union hopes to work out the details in negotiations with the companies. The United Rubber Workers' program is slated to sponsor a continuing series of research projects by Johns Hopkins University at rubber plants around the country.

The chemical workers' union spokesman pointed out that the more than 450,000 industrial materials whose potential hazard to workers are unknown are of greatest concern to union members. He claimed that only 12,000 of these various materials had been examined for their occupational health hazard.

Aside from the fact that they stated objectives of the chemical workers' and rubber workers' plans are similar, the major difference between them may very well be the size of their respective budgets. The Rubber Workers' safety and research program expects $1 million per year to be contributed by the industry. If all oil companies contribute a mil per refined barrel of oil, the oil workers' fund could conceivably reach $3.65 million annually.

THE PLANNED contribution request for the chemical industry (2¢ for each hour worked by a union employe) would net a comparable amount each year if agreed to by all chemical firms in the country that are under union contracts.

The spokesman predicted, however, that there would probably be some oil and chemical companies that would refuse the health and safety research program proposal. "But we're damned well determined to make this thing a reality," he added.

There are currently a handful of joint labor-management safety committees at individual plants around the country. The union wants to invigorate these committees, as well as establish others at all plants in both the oil and chemical industry, to scrutinize the occupational health and safety of the work environment, the spokesman said. "We want to put some teeth in them so that they can do something about any bad conditions they might find," he explained.

Other fringe benefit improvements on tap for the oil and chemical industry November labor negotiations will include a labor demand for a uniform national medical, surgical and hospital benefits program. The union spokesman explained that currently every plant had its own group insurance program, with different levels of benefits and various levels of company support in different areas across the country.

THE UNION WILL ask that a national employe health insurance program be established with a uniform level of benefits for all geographic areas. The spokesman noted that Blue Cross-Blue Shield had been indicated by the union to administer the proposed national health plan.

In addition, the union wants oil and chemical companies to pay the entire cost of the proposed national health plan. "We don't believe that the companies have any incentive to keep the health costs down. In most cases the company pays a flat fee for health insurance coverage with the employe picking up the rest of the tab. We believe that once the company supports the health care insurance program completely they will have a stronger impetus to work to hold down costs," the spokesman said.

Pensions loom as the next fringe item in line of importance for the fall negotiations. The union source explained that most oil and chemical industry pension plans are based on a formula equal to 1.3% of the employe's final pay times the number of years of his service. The union

Continued on page 38



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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.

• **State Workmen's Compensation Laws** is published by the U.S. Department of Labor. The book covers the development of workmen's compensation laws, types of laws, amount and period of benefits, types of benefits, rehabilitation, subsequent-injury funds, provisions in special cases, and the handling of claims. Also included are 15 tables covering waiting periods, numerical exemptions, and agencies administering state workmen's compensation laws. The book may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 for 40¢.

• The National Safety Council offers the **NSC Catalog-Poster Directory 1969-70** free upon request. The catalog is an 80-page descriptive book containing information and price lists for the Council's catalogues and posters. Send requests to 425 N. Michigan Ave., Chicago, Ill. 60611.

• **Accident Cost Control** is an occupational safety aid compiled by the U.S. Department of Labor Safety Training Programs. The pamphlet covers the direct and indirect costs of injured employes, the elements of production concept, and an accident-cost program procedure. The pamphlet may be ordered for 15¢ from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• Belson, Hemingway and Associates, Inc., nationwide insurance personnel consultants, released a 20-page booklet entitled **Decision and Approach** to provide guidelines for the individual seeking new opportunities in the insurance field. The authors, Harold M. Belson and Willard G. Hemingway, deal extensively with individuals reaching goals, qualifications, motivation and the importance of objectivity. The booklet is available by writing the firm at 327 South LaSalle St., Chicago, Ill. 60604

• **Loss Prevention Program** is a booklet outlining authoritative recommendations that will help effectively safeguard business against embezzlement, forgery, burglary and robbery. Plans for internal controls are provided covering audit reports and other similar material. Single copies are free. Address requests to the Public Relations Department, Fireman's Fund American Insurance Cos., P. O. Box 3395, San Francisco, Cal. 94120.

• **Early Warning** is a free brochure offered by Mosler Electronic Systems, 9 South Street, Danbury, Conn. 06810. It is concerned with integrated monitoring systems, their advantages, typical functions with photos of various systems offered by the company. For a copy of the brochure write the company.

• Computer programs of pensions and profit sharing materials are available to corporate employers, insurance companies, mutual funds and banks from the Babb Computer Systems, Inc. 850 Ridge Avenue, Pittsburgh, Pa. 15212. The information is available so that the reports can be produced on company computers or can be obtained on a service basis. For additional information containing the firms' clientele and describing its computer program and exchange library and the systems presently in the library and cost, write the company.

• **Basic Planning for Pilferage Control** is a booklet furnished by Wells Fargo Security Guard Services, 1775 East Center St., Suite 202, Anaheim, Cal. 92806. The object of the booklet is to provide methods and procedures for the protection of industry's assets through security measurers. For a free copy write the firm.

• A standardized control console has been designed to fill the need of large building complexes for central monitoring and control of fire and security systems by Honeywell Automation. **Honeywell System 4 Control Center** is a fold-out provided free of charge by the firm describing its control console. For a copy write the firm to the attention of Tom Probst, 2701 Fourth Ave. South, Minneapolis, Minn. 55408.

• **New Techniques, New Information, Better Communication, for Greater Product Safety—Summary of a National Symposium** contains the recommendations of a cross-section of 100 business and industrial leaders for achieving greater product safety, and for minimizing the possibility of unjustified losses. Design, value engineering; purchasing, manufacturing; quality control; marketing, advertising; products service; legal; and insurance were the seven fields represented in the two day meeting. Single copies of the booklet may be obtained free by writing Mike Biancardi, Director of Product Safety, Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wis. 54401. Employers Insurance was the host of the symposium.

• Normda Industries, Inc., 6330 Riverdale St., San Diego, Cal., 92120, has published a brochure discussing the principle of ultrasonics, the difference between ultrasonics and microwaves and other frequency radio systems, placement and procedural notes. **Ultrasonic For Security** may be ordered from the firm to the attention of C. H. Peterson.

• The Fidelity Appraisal Co. has released two booklets describing the measures an insured should take in order to fully understand and benefit from his insurance policy in case of loss. The booklets answer such questions as: is the insured liable to be adjudged a co-insurer; how can total insurable value be ascertained; how does the reduced rate clause operate; and how is a fire settlement negotiated? **Ashes are not Evidence** pertains to appraisals of industrial, commercial, and municipal properties. **Ashes are not Evidence . . . and how I learned that the hard way** pertains to appraisals of resi-

dence furnishings, household effects, and objects of art. For free copies of the booklets write the firm at 2405 N. Maryland Ave., Milwaukee, Wis.

• The William J. Burns International Detective Agency, Inc. has published a booklet **Protect Your Profits With Modern Security techniques.** The booklet contains information about the security services of the firm and a list of its clients. Send requests to Jack Shannon, Marketing Director, 320 Old Briarcliff Rd., Briarcliff Manor, N.Y. 10510.

• **Pyroxylin Plastics in Warehouses, Wholesale & Retail Stores,** NFPA No. 43, lists the recommended practices in section cover sales and handling of articles (loose or packed), storage of pyroxylin plastics not in containers, and the storage of finished articles or raw stock in containers. The pamphlet may be ordered for 40¢ from the National Fire Protection Assn., 60 Batterymarch Street, Boston, Mass. 02110.

• What a person does before, during and immediately after an earthquake strikes may mean the difference between life and death. **Earthquake Safety Rules** offers guidelines to follow in such a crisis. Single copies are 10¢ and quantity orders of 100 are $5.50 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.

• Thomas F. Sheehan, JD, CPCU, has written **The Liabilities of Directors and Officers: With Practical Solutions For Their Discharge.** The book contains 28 rules of conduct to prevent suits against directors & officers, a table of cases, safeguards to avoid liability, and explains how insurance relates to and overlaps other kinds of insurance. The book also covers examples of common limit and retention under d & o, and actions to limit responsibility of directors. The book may be ordered for $4 from Directors' Press, 5356 E. 72nd St., Indianapolis, Ind. or from Mr. T. F. Sheehan, c/o Excess Underwriters, 175 W. Jackson, Chicago, Ill.

• **The Honeywell Building Security Catalog,** gives general descriptions of the various systems and components the firm provides for such security. The booklet also provides a building security checklist. For a free copy of the catalog write Honeywell Automation, Tom Probst, 2701 Fourth Ave. South, Minneapolis, Minn. 55408.

• Pension plan administrators and attorneys faced with the need to revise plans having excess or step-rate benefit formulas, so as to maintain qualified status under Revenue Ruling 69-4, may obtain the A. S. Hansen, Inc. 69-4 Slide Rule, free. The instructions with the Slide Rule will show how to determine combinations of benefit rates and integration levels. The Slide Rule may be obtained from the firm at 200 Park Avenue, N.Y., N.Y. 10017.

• The Kemper Insurance group has published a revised **Management Guide on Alcoholism and Other Behavioral Problems** to provide all levels of management with help in handling these problems. The booklet provides a policy and a program, procedures, benefit plans and treatment services for employes and their families. An initial order of up to 50 copies is free, additional orders are 5¢ per copy. Orders should be directed to the Public Relations Department, 4750 Sheridan Road, Chicago, Ill. 60640.

Tanker owners eye mutual risk pool

LONDON—Tanker owners are considering creation of a mutual pool because of rising insurance rates, according to Shell International Marine executive John Kirby, at a meeting of the United Kingdom Chamber of Shipping.

He told *Business Insurance* afterwards: "The rumors are confined to certain non-British tanker interests who fear the worst. It is being said in the insurance market that they are mainly Greek and Norwegian independent owners. Recent hull increases appear to have hit them so badly that they are seriously considering alternative arrangements."

Mr. Kirby, managing director of Shell International Marine, emphasized that his own company is not concerned, although it was involved in the twin disasters to the Marpessa (206,000 tons) and Mactra (208,000 tons), which alarmed Lloyd's underwriters when they mysteriously caught fire seven months ago.

BUT SOME independent owners, who do not have the size to face steep hikes in premiums, are anxious about their position because they have to allow for insurance ratings when chartering their vessels to major oil companies on long-term contracts. Their future budgets will be affected if insurance costs continue to rise. The proposed captive for airlines for jumbo jets may have caught their eye as a way out of the impasse, and of course the shipping industry already has its mutuals for other insurance risks in protection and indemnity clubs.

But a mutual for independent tanker owners is a new concept for hull risks and will need careful study if it is ever to come into operation.

However, rising rates for hull insurance were attacked on an all-around basis by the British Chamber of Shipping before Mr. Kirby had revealed tanker owners' fears.

Sir John Nicholson, chairman of the big Ocean Steam Ship Group, and president of the Chamber of Shipping, deplored the fact that underwriters had increased rates four times in less than 12 months.

HE SAID: "The latest increase in the joint hull understandings agreement was brought in before there was time to assess the effect of the three earlier upward changes in the past year. Would it not have been far wiser to assess their impact before rushing in with yet another increase?"

Shell, which carries insurance mainly on the British market, but had to face a large part of the damage to Marpessa and Mactra because it bears substantial deductibles, is now looking with interest to its own insurance ratings when they fall due for renewal this fall.

It was estimated that the total loss of the Marpessa cost Lloyd's and British insurance companies more than $10 million, while Shell had to bear $6 million in self-insurance, and that there would be proportionately high burdens for fire damage to the Mactra, even though it did not sink. ■

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Product liability suits hit 500,000 each year, double the rate of 1963

PHILADELPHIA—U. S. Steel Corp. had to pay a $75,000 judgment for a pole barn nail last year. It shattered when pounded and partially blinded a worker.

A worker in a Tennessee tire retread shop lost a hand when a hot mold fell on it while he was applying a compound. The manufacturer had to pay more than $50,000 after it was established that a 3" retaining ring failed because the groove it was inserted in was too large.

Bethlehem Steel Corp. had to pay $32,000 after a piece of ¾" wire cable failed. A heavy scoop fell on a workman, cutting off his foot.

A CLEVELAND worker lost his hand when the head of a stamping press came down on it. The accident was attributed to failure of a tiny strip of beryllium copper in a switch that cost about a penny. The lawsuit is for $500,000.

Naturally, all this court action has generated a lot of activity among builders and manufacturers. Product liability—and all that it implies these days—is shaking up a lot of people.

The Research Institute of America said recently that 500,000 product liability suits are now filed annually—about twice the rate in 1963. About 95% of them are settled out of court.

Now, industry management is trying to eliminate, or at least reduce, such cases in the future. Machine tool builders, for instance, are revamping machine designs, eyeing the most foolproof. Quality control procedures are being beefed up.

AUTO COMPANIES have been quick to turn with the tide. They've changed their thinking on the quality control they demand from vendors. Car parts vendors can be sued $1,000 per car for non-compliance with Federal safety regulations.

The builders of inspection equipment, meanwhile, are having a field day. Some of their newer machines can operate as fast as production lines.

"Most of these (product liability) lawsuits could be avoided with more care in design, production and inspection," said David Sindell, partner in a Cleveland law firm. "We implore manufacturers to be continually aware of the need for using imagination and standards."

His firm has collected more than $2 million for plaintiffs in 50 to 100 product liability settlements over the past few years. The cases involve electrical and metal part failures.

TRADE ASSOCIATIONS are moving into the liability field in varying degrees. Many have information exchanges that help make products safer, thus preventing lawsuits and heading off rises in insurance rates for the industry. Some supply expert witnesses. Some are also prodding behind-the-times manufacturers and discouraging overly enthusiastic performance promises.

"There is a lot more interest in the subject than there used to be. And more people are asking questions," observed William Atkinson, safety director of the National Machine Tool Builders Assn. (NMTBA).

This group has had safety and accident prevention committees since 1966. The Machinery and Allied Products Institute in Washington has a full-time lawyer on NMTBA's program.

"We are urging all members to send in any data or experiences they have in this area," said Jon E. Jensen of the Forging Industry Assn. "We've also had several seminars on the subject."

ONE GROUP heavily involved is the Gray and Ductile Iron Founders' Society (GDIFS). In a case several years ago, a foundry that made truck transmission parts was among the defendants in a major lawsuit.

A loaded truck went out of control down a hill leading into a town. Considerable destruction and loss of life resulted. A broken clutch housing was blamed. The survivors and property owners filed a $1.6 million suit against the truck manufacturer, the builder of the transmission, and the foundry that made the clutch housing casting.

"Usually the foundry's customer establishes design, selects the metal specifications and dictates the inspection procedures to be used and paid for," noted a GDIFS spokesman. "This is a difficult position from which to assure satisfactory service, especially when you are not aware of the ultimate use." ■

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Hazards . . .

Continued from page 4

tory.

- Household chemicals which are often accidentally ingested by youngsters.
- Infant furniture which is designed in such a way that infants' small heads slip between the slats causing strangulation.
- Ladders which the commission feels should bear a warning label "do not stand on the top step."
- Power tools which sometimes lack effective guards against gears, chains, teeth or blades.
- Shock hazards resulting from industry's decision favoring a ground wire rather than double insulation. (Only 15% of U. S. homes are built to accept the third prong which grounds the device.)
- Protective headgear including football and motorcycle helmets which were not designed with consideration to the force of blows to be anticipated.
- Rotary lawnmowers which often lacerate, amputate, or fracture the extremities or injure persons by ejecting debris at high speeds.
- Children's toys which injure an estimated 700,000 children every year.
- Unvented gas heaters which pose the risk of carbon monoxide poisoning.
- Wringer washing machines which injure an estimated 100,000 annually.

Among other hazardous products which need investigating, the commission singled out electric blankets, dryers, hot plates, bathtubs, extension cords, igniter space heaters, lead paint, propane gas, footwear, welders, eyeglasses, swimming pools, recreational equipment, boats, automatic washers, aerosol containers, and cosmetics which the commission said are not tested for safety before marketing. ■

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Electronics industry asks controls for known security risks in emergency

By TERESA NORTON

WASHINGTON—In testimony before a subcommittee of the House committee on internal security, the Electronics Industries Assn. asked the government for some form of control of persons who are known security risks, in the event of national emergency.

The testimony, delivered by Robert J. Goddard, director of corporate security at Hughes Aircraft Co., followed introduction by 130 house members of a bill to repeal the Emergency Detention Act of 1950. That act, which has never been invoked, permits the President in time of war or "insurrection within the United States in aid of a foreign enemy" to order temporary detention of persons who "there is reasonable ground to believe" will engage in espionage or sabotage. The law refers explicitly to persons trained by foreign powers.

Repealing legislation was passed by the Senate in December.

THE EIA, representing the largest U.S. defense contractors, suggested in its testimony that it would like to see the 1950 Act strengthened to provide the President with detention powers in peacetime. Mr. Goddard quoted from the 1950 Act, saying: "If the primary reason for protection is to assure that facilities that are essential to the national defense are not seriously damaged or destroyed by 'espionage, sabotage, and acts of subversion,' the only realistic and effective means of attaining this goal is to see that access to such vital facilities is limited to loyal and trustworthy persons."

Mr. Goddard said that the EIA defined 'espionage' as essentially a peacetime activity and 'sabotage' as essentially a wartime activity. "Of course," he added, "both are constant possibilities at any time."

The industry organization, whose 300 members manufacture all types of electronic systems, equipment and parts, went on record as saying that it would not be opposed to the repeal of the detention measures "if there is a security mechanism that will accomplish the same objective."

A major force for repeal has been Japanese-American groups conscious of the experience of 112,000 people of Japanese descent rounded up at the outset of World War II and held under Presidential order. Other testimony at the House hearings has held the act to be unconstitutional because it makes possible detention without trial.

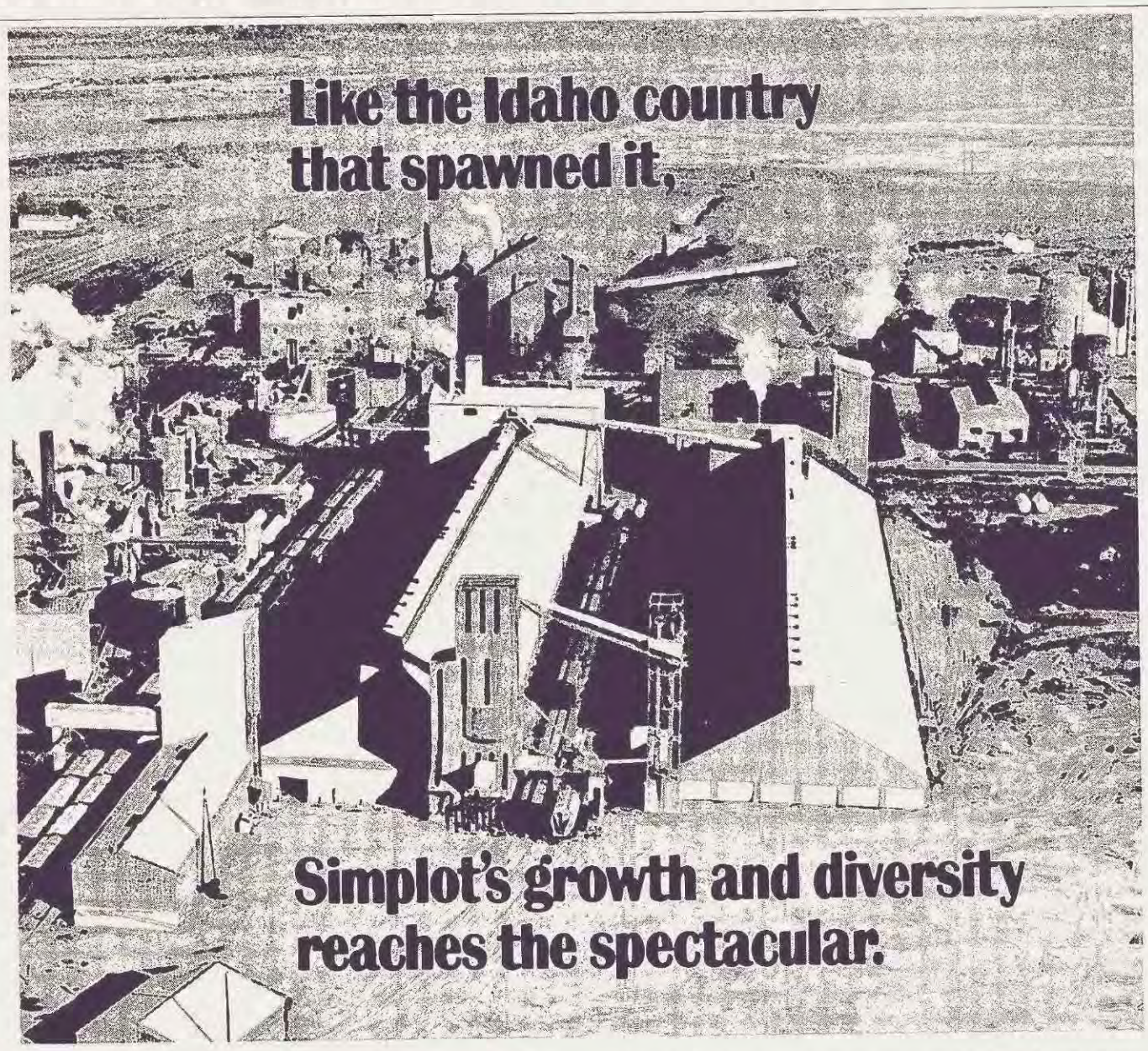
MR. GODDARD told the Subcommittee,

"Here is what requires protection in a so-called 'defense facility:' the physical plant itself, its production, its services, its classified information (if any), and its people. Fences screening, lighting, lock and key controls, lobbies, receptionists, guards, firemen, and the like, are necessary and effective. But they are not enough."

The EIA characterized the biggest threat to defense facilities as "people—the wrong kind of people" and said that industry needs the help of government to minimize both external and internal threats.

A spokesman for the EIA in Washington, D.C., told *Business Insurance* that the association has conducted no special study and made no suggestions for implementation of the security programs it says are necessary. "As a matter of fact," the spokesman said, "at the close of the EIA testimony the chairman of the committee, Rep. Richard H. Ichord (D., Mo.), said 'it sounded as if the EIA is having as much trouble making up its mind what to do as the committee is.'"

Following testimony from the Department of Justice, the repeal bill will go back to the House internal security committee for final consideration. ■



From potatoes to a dynamic $200 million complex

Potato farmer Jack Simplot was already well-established in the business by 1930. That's when he began to diversify around the economy of the potato. He used its residue for cattle feed and launched large-scale feedlot operations. Today, J. R. Simplot Company markets over 200,000 steers and 70,000 lambs each year.

In the forties, Jack Simplot perfected dehydrating and freezing techniques. At present Simplot Food Division processes 2 million pounds of French fries daily.

Simplot has moved into mining, fertilizer production, poultry processing, and soil treating services. Sales of the Boise headquartered company have climbed to about $200 million annually. And potatoes still provide the foundation.

Insurance to grow on

The Simplot complex includes a wide range of specialized activities. And each requires specialized handling of workmen's compensation insurance. Jess Swan, president of J. W. Swan Agency, Boise, brought Argonaut and Simplot together in 1955. Today, a master policy covers over 5,000 Simplot employees coast-to-coast.

Hugh Larkin, Industrial Relations Manager for Simplot, sees it this way: "We keep growing in new directions, and our compensation needs keep changing. But whatever we do, Argonaut covers us—*carte blanche*. With their safety engineering help, we now have a 77% experience modification. That converts into a good many dollars saved when we renew our policy."

New directions of insurance needs

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Sunoco to require exact change

PHILADELPHIA—Sun Oil Co. will soon follow the lead of the Standard Oil Co. (California) and require all nighttime customers to pay for purchases with the exact change or credit cards.

Sun Oil, with service stations throughout the East Coast and Midwest areas, will attach signs reading, "Exact money or Credit Card Sales Only!" on top of Sunoco pumps in all its stations.

Both Sun and Standard Oil Co., with stations throughout the West, are taking the precautionary no-cash-on-hand measures in an attempt to thwart robberies. Both companies believe that removing the source of temptation from a would-be robber should solve the problem.

The no-cash-on-hand plan is similar to one now being used by bus companies. Robberies of buses in many major cities have virtually been eliminated by requiring passengers to deposit the exact change and allowing the drivers to carry no money with them. A spokesman at Sun Oil believed that a measure such as this would act as an inducement to prospective employes as well as a deterrent to robbers.

The Standard Oil Co. will staff most of its stations with two men at night to further combat the problem.

According to the Federal Bureau of Investigation, there were approximately 15,000 service station robberies in 1969, a 50% jump from the preceding year. ■

Mass plan is upheld

SEATTLE—The decision by Washington Insurance Commissioner Karl Herrmann to permit the mass marketing of home owner and automobile insurance through payroll deductions has been upheld here by superior court Judge Horton Smith.

The judicial approval resulted from action initiated by the Independent Agents and Brokers Assn. of Washington which claimed the Herrmann decision was "discriminatory" and unconstitutional and would "damage the business of independent agents."

Mr. Herrmann's decision was on a request for approval of such mass marketing by Standard National Insurance Co., a subsidiary of The Travelers. ■

1955. That's when Ansul first started evaluating halogenated hydrocarbons. Of all those tested only two met our standards. Ansul 1211 and Ansul 1301. Now, Ansul introduces modular total flooding systems engineered to your requirements.

Ansul's clean agent systems provide the best environmental protection where agent damage or clean-up are intolerable.

Ansul's clean agent systems. From the best in the business. The Ansul Company.

The Ansul System

Company president clarifies stand on giving 'time off' for campaigning

By PATRICK THOMAS

NEW YORK—"Involvement" is a popular word these days.

You hear it in the office, walking down the street, at home and in restaurants. It is usually followed by phrases like "to save the country" or "for the good of the nation." Most everyone it seems, wants to get involved and Lawrence S. Phillips, president of the Phillips-Van Heusen Corp., is certainly no exception.

In an off-the-cuff talk to apparel industry executives, Mr. Phillips proposed that corporations take a new approach in getting their employes involved in the political system: Give them two weeks off, with pay, preceding the November elections to stump for the candidates of their choice. However, apparently Mr. Phillips didn't realize just how involved his proposal was, for he has since reneged on the new fringe benefit idea.

Mr. Phillips told the executives that the approach was necessary "because of the urgency of the matter and the divisiveness within the country. Corporate presidents—of large and small companies, but particularly small—should encourage their associates to take part in local elections. Involvement is terribly important, even in a bad year."

MR. PHILLIPS compared his plan to that of closing colleges at election time and added, "I'm not really suggesting a permanent fringe benefit. But at worst, it's better to shut down for two weeks while our system exists rather than for 52 weeks if our system is destroyed."

A few other executives around the country applauded the idea. Harold Willens, president of Factory Equipment and Supply Corp. in Los Angeles, called the proposal "in the self-interest of the business sector as well as the country as a whole. If the business sector involves itself in this fashion, I think the majority of the people would work for peace candidates. It would become a national referendum in a meaningful kind of way."

Democratic Sen. George McGovern called the idea superb. "It strengthens the concept when it is more than a student effort because it indicates some responsibility on the part of the business community," he said.

Sen. McGovern also pointed out that Mr. Phillips' proposal "is a very generous thing. None of this is tax deductible."

IN A SPEECH earlier, Dr. Asa S. Knowles, president of Northeastern University, had said: "Many employes will ask for time off to demonstrate on public issues. All of this will give rise to a need for new personnel policies."

Mr. Phillips obviously agreed and pointed out that "the issue is not whether business will survive this year but whether the nation will survive. I am groping for the moderates who can no longer remain inactive. And in our company I plan to encourage all of our people to be involved."

Since then, however, it appears that Mr. Phillips has had to "clarify and elaborate" this statement.

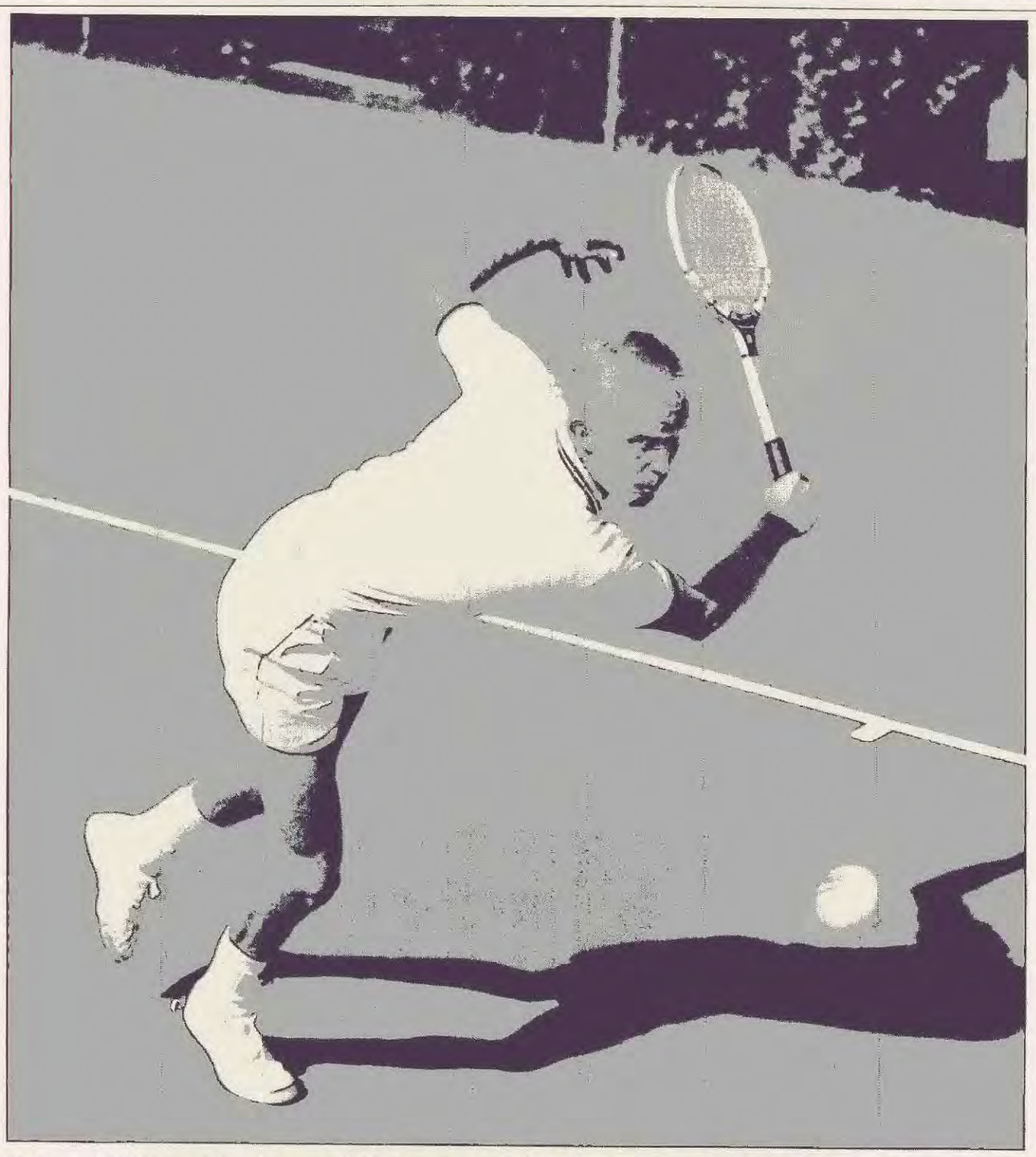
In a memo to company executives, a copy of which has been acquired by *Business Insurance*, Mr. Phillips told division officers: "Our corporate position has been and is a rather simple one. I have always encouraged executives to be as actively involved as they possibly can in community affairs as well as local and national organizations of their choosing. It has long been my position that each of our responsible executives in addition to discharging his responsibility to the company must do his maximum to be a good and active citizen in his community and the country."

HOWEVER, rather than let the employes off, Mr. Phillips urged officers to be "practical and feasible" in assisting employes to:

- Rearrange their vacation schedules so that vacations "could be taken during that period immediately prior to the November election."
- Rearrange and reapportion work schedules "where feasible so that an individual desiring to do so would have more time available for his own political activities."
- Utilize weekends and nights "during the pre-election period and develop programs of political activity to assist those employes who are desirous of becoming involved in those efforts."

"Obviously," he went on, "an individual's desire to become involved in this manner must be related to his primary obligation to his job."

He concluded by saying that "the purpose of this letter is two-fold—firstly, to clarify the public position I have taken and, secondly, to encourage you again to give your assistance by taking a full and active part in the affairs of our communities and our country and to indicate to our employes that we will be of maximum feasible assistance in implementing their involvement." ■



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Hawaii will examine use of no-fault

HONOLULU—The feasibility of establishing no-fault liability insurance in Hawaii will be studied by the department of regulatory agencies here under instructions of the Hawaii legislature.

No-fault auto insurance proposals were introduced in both houses but did not get to the legislature prior to its recent adjournment.

The study is authorized by House Resolution #408 which was adopted. The resolution declares:

"Whereas, cancellation of insurance policies, increased insurance rates, court delays, delays in accident payments, difficulties in measuring fault, economic hardship of accident victims and physical pain and suffering are some of the many problems of concern and importance to the public under the present automobile accident compensation system; and, whereas, no fault liability insurance appears to offer a fair and reasonable remedy to the defects of the present system; now, therefore,

"Be it resolved, that the department of regulatory agencies be and hereby is requested to study the feasibility of establishing no fault liability insurance in Hawaii and report its findings and recommendations to the legislature." ■

Intuition and maternal instinct help Maxwell House fem safety director

By SUSAN TRAUSCH

HOBOKEN, N. J.—Schnackenburg's Luncheonette is one of the hot spots in Hoboken, and Marie Scotti, corporate safety director at General Foods' Maxwell House Coffee plant down the street, sat in the diner's nearly empty booth section eating a quick tuna sandwich.

Miss Scotti, one of the few women safety directors in the country, eats there practically every day. It's not always tuna, but it's always quick.

"I'm usually in a hurry," she said. "This week has been wild. I thought about cancelling the interview, but next week will be wilder. Actually, there's no such thing as free time in this business."

MISS SCOTTI has been in the business a long time. "And I'm not going to tell you how long," she said. She has spent her entire career at General Foods, serving as personnel manager and Hoboken plant safety director before becoming safety manager for all five plants in the Maxwell House division, which has about 5,000 employes.

She admits that it's unusual for a woman to be in her post and said she has not yet met another lady safety director for a large corporation.

"It's not easy for a woman in this field or in any field that's primarily a man's territory," she said while walking briskly past the shabby tenaments lining the street leading from Schnackenburg's back to Maxwell House. "When I first went to meetings at the National Safety Council or the American Society of Safety Engineers, they usually thought I was a nurse. It takes awhile to get accepted. I'm not in women's liberation at all. I think a woman just has to work hard to get somewhere, probably twice as hard as a man."

She waved to workers in the yard on Maxwell's loading docks and called them by their first names. They called her Marie.

"THE ACTUAL daily machine inspections and enforcement of rules is carried out by the plant safety man," she said. "But I've tried to get to know as many of the workers as I can. I guess you'd say I'm a human engineer. I'm most concerned with the way people behave and why. Maybe a woman's intuition and maternal instincts help me a little bit here. But I think the best way to deal with people is to be direct. Look them in the eye, say what you think, and don't change your mind three times before you say it."

One of the areas Miss Scotti feels most strongly about is off-the-job safety. In her fourth-floor office overlooking the New Jersey City's harbor, she pulled out booklets, flyers and letters she has written on the subject.

She and her assistant, Florence Hauck, compile all accident records by hand, categorizing and numbering them according to plant. In one release she reported that for the first quarter of 1970 there were six on-the-job injuries for every 61 off, which means 2.5 times as many days lost for at-home mishaps.

"I send releases and leaflets directly to employes' homes and also to management at work," she said. "At first glance, off-the-job safety may not seem as important as on-the-job programs and a lot of people think an employe's time is his own and the company shouldn't tell him what to do with it. But an employe who falls or has a car accident is going to cost the company money. Some 922,000 pounds of production were needed to make up for off-the-job accidents in that first quarter of 1970."

ONE OF HER employe auto accident prevention ideas is a booklet titled "How Would You React?" It is made up of 8.5" by 5.5" cards. The first card in a series illustrates an emergency situation, the second lists possible reactions, and the third lists the correct moves to make. She also put together an illustrated booklet on home appliance safety. Another booklet shows the Maxwell House cup, cracked in half, with a caption saying $8 million of Maxwell House sales were needed to pay for accidents.

"I think up the ideas," she said. "I feel it's important to be creative and entertaining, but the main thing is to drive the message home and get people thinking safety."

Miss Scotti was chairman of the Greater New York Safety Council's off-the-job safety committee and is now chairman of a similar committee for the National Safety Council's Industrial Conference, which will be held in October.

"I think that insurance companies could be doing much more in the off-the-job area," Miss Scotti pointed out. In addition to



Marie Scotti

having a degree in English and speech from Long Island University, she also has a general insurance broker's license. "A few years back I spoke at the Administrative Insurance Engineers Conference in Chicago and really tried to bring home the problem to them. They have all the accident figures at their finger tips and could really be making management aware of the problem. In the long run it would save everybody money."

OF COURSE, Miss Scotti is just as vigorous about her on-the-job safety programs.

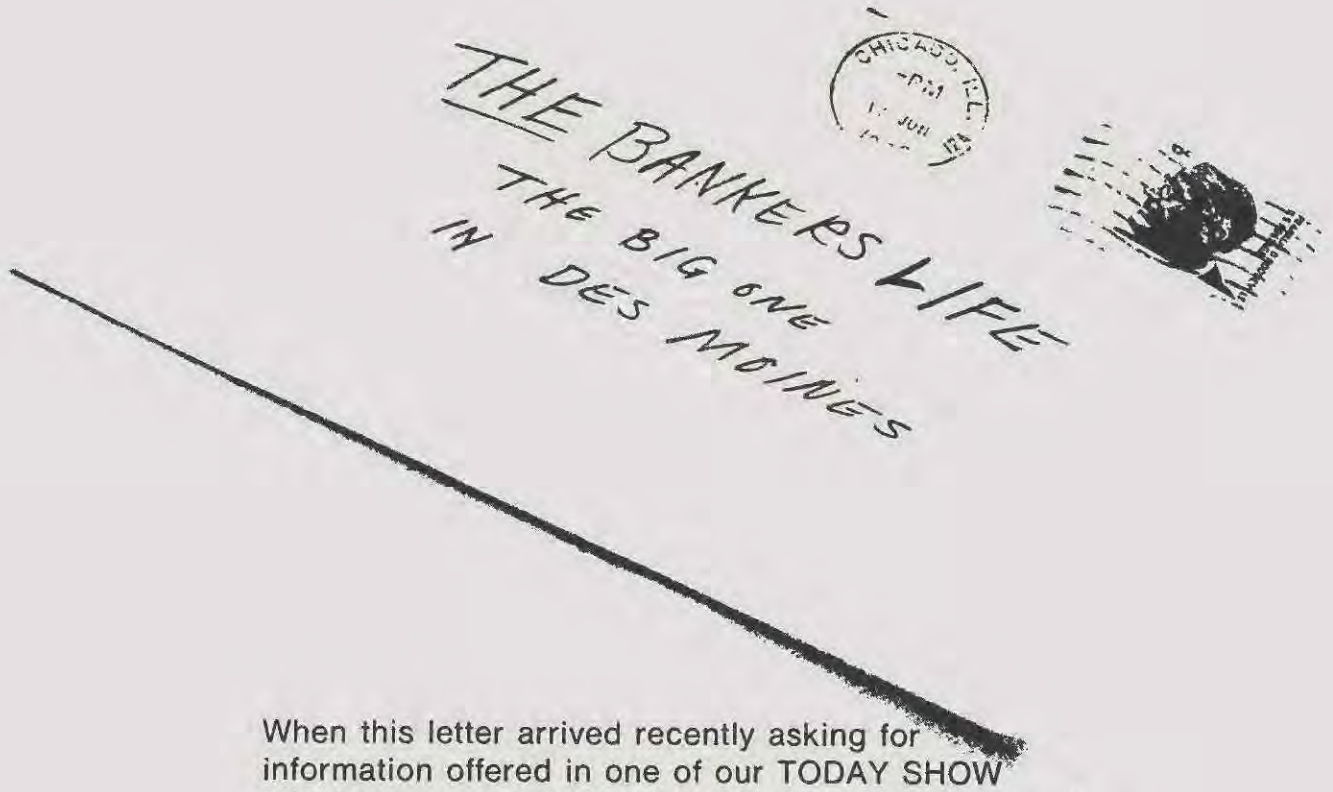
"One of the most important areas is driver safety," she noted. "There are 500 drivers and I have a detailed card on every one of them. If there is an accident, I write down the time, type, conditions, and whether or not it was preventable."

One of the ways in which she encourages safe driving is to sponsor contests, awarding prizes for the number of years a man has driven without having a preventable accident. Group prizes are also given to districts and regions with the best records.

"Plants also get prizes for good

Continued on page 18

The postman cameth.



When this letter arrived recently asking for information offered in one of our TODAY SHOW television commercials, we got quite a chuckle from it.

Still, it's nice to be known.

There is a difference between us and all those other companies with "Bankers" in their name. Not one of them writes as many different kinds of group contracts as we do. Or is as old as we are. Or is licensed in all 50 states and Canada.

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opinions

Unique opportunity

THIS issue of *Business Insurance* carries an announcement of special importance to every business executive with risk management and personnel administration responsibilities. This magazine will sponsor its first Management Idea Workshop at the Regency Hyatt House, Atlanta, Ga., Oct. 11 to 14.

Editors of *Business Insurance* conceived of the workshop as a logical extension of the unique information service this publication has brought to buyers of employe, property and liability protection, pension investments and financial services. Dynamic material on all of these management areas will be included in 30 "idea-packed" sessions at the October workshop.

During nearly three years of service to corporate executives, we have published an every-other-Monday magazine, reprint booklets and a book on employe savings plans by columnist Bion Francis. We plan to provide other valuable services to our readers, beginning with the unique Management Idea Workshop.

Conservation of corporate assets, a concern of every businessman confronted with a sagging economy, will be the theme of the sessions in Atlanta. Special attention will be focused on the new liabilities, coverages and employe needs of the Seventies brought about by the consumer movement.

Management Idea Workshop sessions have been specially designed for corporate officials whose companies may not have full-time risk managers or employe benefits administrators. The sessions also hold particular attraction for general corporate executives and financial managers who are responsible for the operations of risk management and employe benefits departments. New concepts of corporate asset protection will be translated into straightforward, workable terms by speakers and panelists carefully chosen by *Business Insurance* editors from a wide range of recognized consultants and working corporate managers.

We urge all readers of *Business Insurance* to review carefully the workshop brochure inserted in this issue. It offers a unique opportunity to learn in a dynamic way concepts that can save your company money and advance its management of the vital areas of risk control and employe benefits.

Chance for reform

THE U.S. House of Representatives has approved the creation of a nine-member commission to conduct a two-year study of Federal bankruptcy laws, an action taken in the face of a 1,000% rise in bankruptcies over the past 20 years. Those who favored formation of the commission pointed out that 90% of bankruptcies today are "consumer bankruptcies," but our laws are geared to business failures.

We believe that an overhaul of bankruptcy laws is long overdue because the last comprehensive look at the statutes was 32 years ago.

Insured Pension Plans

Number of plans		Reserves	
1959	28,430	1959	$17.6 billion
1969	257,300	1969	$37.9 billion
Number of persons covered		**Payments into plans in year**	
1959	5.3 million	1959	$1.8 billion
1969	10 million	1969	$3.8 billion

Insured pension plans in 1969 covered more than 9 million active workers and 1 million workers or their dependents actually receiving pensions. This figure is nearly double the number of persons covered by such plans a decade ago. The number of insured plans in the same period increased nearly tenfold to 257,300, an increase attributed to Keogh plans and tax-sheltered annuities, programs that frequently cover only one person.

Source: Institute of Life Insurance

We also believe that the commission, when it is approved by the Senate and appointed, should give earnest consideration to amending the law to subject insurance companies to Federal bankruptcy regulations. This is a necessary law enforcement move to prevent sharp operators from looting the assets of insurance companies as they slip into insolvency.

As things stand now, those who run insurance companies into the ground seem able, too often, to get away with self-enrichment and are subjected only to wrist-slapping by state insurance commissioners or state courts.

The late Senators Pat McCarran and Homer Ferguson, authors of the Federal legislation that exempts insurance companies from U.S. regulation, were crusty legislators. But they could not have foreseen the day of cute holding company arrangements, complicated conglomerates and tangled securities transactions, any of which can be used in certain circumstances to cover the rape of an insurance company.

We have witnessed recent examples in Florida, Illinois and Oklahoma of insurance companies dropping into insolvency under the very eyes of state regulatory officials. In several recent instances there was strong evidence that officials of the insolvent insurers did nothing to conserve the assets of the failing firms. Indeed, all too often the officers and directors of insolvent insurance companies have been found to profit handsomely while the companies go under to the detriment of the public.

Under Federal bankruptcy laws such willful depletion of insurers' assets would be a punishable offense. Law enforcement officials have emphasized to *Business Insurance* that such punitive powers are needed to keep criminals out of the insurance business and to frighten sharp operators who eye insurance assets.

While such a change in Federal law would serve to punish criminals, it would in no way affect the operations of thousands of legitimately operated insurance companies.

Another U.S. agency?

PRESIDENT Nixon's task force on the aging has recommended that a new Federal agency be created to protect employe rights under pension plans. The proposal suggests that the agency be something like the Securities and Exchange Commission except that it would be financed through a fee system.

Among the responsibilities of the proposed commission would be assuring full reporting of pension plans, determining whether standards of fiduciary responsibility have been met, acting in behalf of plan participants in complaint situations, sponsoring research into pension planning and generally promoting sound growth of pension plans and related programs.

We believe that such a commission could be useful, particularly in times when there is a strong call for government to act in broad terms to protect the security of families and individuals. There is a welcome trend toward integrating government and private security programs to produce the most desirable protection at the lowest possible cost. Life insurance agents, for example, integrate Social Security benefits into their study of a family's insurance needs.

But if an SEC-type commission on private pension programs is formed, it should be sensitive to the advice and experienced reactions of employe benefits administrators. We have had a recent unhappy experience with impossible Federal standards being imposed on mine operators, a misguided effort to improve lagging safety standards. It is important for government, particularly when it enters a new area, to take careful soundings of the practices and possibilities for improvement. This is true of the private pension system, which has overall operated with a high degree of responsibility to the persons it protects.

A clearly appealing proposal by the President's task force is that a voluntary system of portability of pension credits be devised for employes working in occupations in which conventional group pensions are rare. We have encountered a school of thought that says that pensions should be used as a fringe benefit to weld employes to their jobs. But a more persuasive argument is made by those who say that a worker who has once accrued pension credits should be able to rely upon those credits for their intended purpose.

Portability and vesting provisions of some pension plans clearly must be improved if private pension programs are to serve their social purpose. If a commission on pension is formed, pension portability should be one of its first concerns.

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letters

(This column is a readers' forum. Letters are welcome. Address: Letters to the Editor, Business Insurance, 740 Rush St., Chicago, Ill. 60611.)

Fraudulent claims

To the Editor: I have read David Warren's article "Self-insurance of workmen's compensation" in your June 8 issue.

His thought-provoking concepts are certain to elicit response. While the article was written to support one of several views of this complex situation, I am only concerned with the allegation that the California State Compensation Insurance Fund has said "40% of the claims filed in California are either fraudulent or highly questionable."

Both the statistic and the source are inaccurate. The number of fraudulent or questionable claims is a very minor proportion of the total claims filed.

By contrast, we find that most claimants expect no more nor less than the compensation laws provide.

Larry Reyes
Vice President, State Compensation Insurance Fund, San Francisco, Cal.

Editor's note: See the Perspective section for a reaction to Mr. Warren's article.

Nonsmokers' bonus

To the Editor: I read with a good deal of interest the article on the non smokers' bonus pay plan being used by the Major Pool Equipment Corp. in Caldwell, N. J.

I took the liberty of writing directly to this firm to obtain a copy of their no smoking pledge and the postoffice has returned my letter as it was not delivered with the address in your newspaper. I would very much appreciate having their correct address so that we might write directly to them.

Frederick G. Paige
Vice President, Fast & Co. Insurance, Ft. Lauderdale, Fla.

Editor's note: The correct address is 200 Entin Rd., Clifton, N. J.

Products liability

To the Editor: Our office would like permission to reproduce and distribute to our member companies copies of the articles "Products liability: A wrestling match over manufacturers' money" and "Fringe benefits get first priority in 70s collective bargaining talks" which appeared in the Mar. 16 issue of *Business Insurance.*

N. A. Brokaw
Executive Secretary, Central Illinois Industrial Assn., Peoria, Ill.

Editor's note: Permission granted provided you credit Business Insurance *and send us two copies of the reprinted material.*

Doing homework

To the Editor: Where can I find a good dictionary of insurance terms, a digest, synopsis or outline of salient features of insurance contracts in the property and casualty field and a guide to rates and rate making?

S. A. Haag
Manager of Insurance, Jos. Schlitz Brewing Co., Milwaukee, Wis.

Editor's Note: The Chamber of Commerce of the U. S., Washington, D. C., publishes the Diction-

Continued on page 22



Like the cherry on top, a franchise insurance program can make the whole deal look tempting.

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A tailor-made franchise/association insurance package can make your whole package look delicious.

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Stores Pre-Vent firm set up to help curb shoplifting, thefts by employes

NEW YORK—Sanford Edelman, head of Stores Pre-Vent, a new security service to aid retailers in fighting the problems of shoplifting and employe pilferage, is an old-school idealist who is pitting the good guys against the bad guys.

His service, formed about one year ago as a subsidiary of Spartans Industries Inc. (the company that operates Korvette, Atlantic and Spartan discount stores) provides clients with undercover employes and shoppers who infiltrate store operations and let management know what's happening.

"You can have all the alarm systems and mirrors and hidden cameras you want, but an employe who plans to steal from the company can figure out how to get around them," Mr. Edelman told *Business Insurance*. "You need people working within the system."

MR. EDELMAN has been in the retail business for 14 years, having worked his way from stock boy to Korvette's operations vp. He thinks there is absolutely no substitute for quality personnel.

"I take my time hiring Stores Pre-Vent people," he said. "All of our workers have had retail detective experience. There are about 20 working as undercover employes and 50 serving as shoppers. If I don't think we can meet the demands of a job, I won't take it. Recently I spent days interviewing 27 new applicants for a job in Detroit. Nobody measured up, so I turned it down."

He explained that the undercover people usually work in teams of three or four. Posing as store employes, they keep a lookout for pilferage and trouble spots.

"They give management a concise report on the areas that need improvement," he noted. "This is not a tattle-tale sheet on who's making out with whom in the stockroom. Actually it amounts to systems analysis. We review training procedures, policies and give management a capsule look at the whole operation. I think we're the only security company that gives this kind of in-depth report, and we do it for about $100 less than other companies. Our fee is $650 per month."

THE PEOPLE who work as shoppers, he said, not only check the honesty of the cashiers and look for shoplifters, but try a lot of customer tricks to see if workers catch them. "They switch tickets on merchandise, try to get refunds for merchandise they didn't buy and, again, keep looking at the system as a whole for needed improvements," he said.

He also explained that as a third Stores Pre-Vent service, clients are offered use of a data bank listing confessed shoplifters by Social Security number and birth date.

"This is not a black list," Mr. Edelman said. "We do not list people by name. If an employer is making a check on someone, we tell him either that there is information on file or that there is no information. From then on it's up to him whether or not he wishes to hire the person."

The cost for the data bank is 25¢ per reference check. Also, 10¢ credit is given if an employer turns in a shoplifter's Social Security number to Stores Pre-Vent.

"OUR THEORY is that a person who has worked as a cashier is not going to go into another line of work," Mr. Edelman explained. "He's going to get cashier work some place else. We think the data bank is better than checking past employer references because many times the old personnel man doesn't want to say that the worker has been caught stealing for fear of a libel or slander suit."

Stores Pre-Vent is also distributing a new alarm lock manufactured by the Excello division of the Thiel Corp. In addition to sounding an alarm, it relocks itself.

"The big new market for these is in the trucking industry," he pointed out. "With all the cargo thefts today, trucking people have been looking for better protection. We don't say the lock is foolproof, but only an expert burglar with fine instruments would be able to pick this lock. The insurance companies are quite enthusiastic about it."

Stores Pre-Vent has been in business about one year and has six offices around the country, serving about 14 clients. ■

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Intuition . . .

Continued from page 15

records," she said, "but those are based on improvement over the previous year. Whichever plant has made the greatest reduction in accidents gets the Manager's Safe-working Trophy. This is also given on a quarterly basis, according to improvement over the last quarter. There's a lot of competition for these awards and I think it helps a great deal."

IN ADDITION to mailings and contests, Miss Scotti said she makes regular trips to other plants in Houston, Jacksonville —and San Leandro. She also has quarterly meetings with Maxwell House's insurers, plant safety directors, legal advisors and engineers.

"What's dangerous about the coffee business is the high-speed equipment," she pointed out. "There are grinders and roasters and everything goes like lightning."

She pointed out that the huge coffee tanks are another potential danger and that there were very strict procedures for employes working around tanks.

"Most accidents are caused because people are people," she said. "They don't think or they want to save time. Human beings just take chances."

She noted that the other day an electrician came to fix her overhead light and climbed on a chair instead of getting a ladder.

"I made him get down and get a ladder," she said. "I told him right out, 'Not in my office, buddy.' Safety directors have to be sticklers." She smiled her quick smile and folded her hands on her multi-colored flowered dress. "In a nice way," she added. ■

Aetna promotes seven

Aetna Life & Casualty has made several changes in its group insurance department, including the appointment of Burton E. Burton as vp and actuary of that department. Also named by Aetna were Allan R. Hardie, Laurence B. Huston Jr. and Marvin P. Winston Jr., all assistant vps in group, and William N. Martin, Russell C. Palmer and Winsor H. Simmons, group secretaries.

Mance says Europeans restrict business insurance excessively

LONDON—Lloyd's chairman Henry Mance called for greater freedom in many aspects of business insurance when he addressed British industrial leaders on European attitudes toward new insurance legislation.

Talking of international political moves to unify the commercial interests of Britain and other Western European nations, he declared: "Government reactions to insurance problems tend to be weighted by the needs of individuals, but in terms of national economy business insurance is far more important than personal cover.

"Some directives intended for insurance controls in Europe are too restrictive, because they are meant for protecting individual policyholders in life insurance.

"AMERICA IS an extreme example of tight control by state insurance commissioners that has led to a most unsatisfactory position, both for the business assured and the insurance industry. Incidentally, it has not prevented a considerable number of insurance company failures every year."

Stressing that his remarks were intended to apply to business insurance, and not to individual life insurance, he said: "The pattern of insurance in Europe has tended toward a high degree of control. Draft directives for regulations in these countries suggest that there is still too much indiscriminate emphasis on the protection of the individual policyholder.

"I note that there may be less rigorous reporting requirements for marine and aviation business, on the ground that they are international business operations. But why should it be confined to these markets?

"Even in Britain, where we have so far been more perceptive, there are recent signs of controls being initiated for the protection of the individual in such a way as to place restrictions on the freedom of business insurance. This is the sledgehammer approach to crack a nut."

CAPACITY problems could not be faced effectively if industry was prejudiced, and if care was not taken to limit controls to the minimum necessary for the protection of the individual policyholder, Mr. Mance asserted. Dealing with European objectives, he said there seemed to be unnecessarily restrictive rules on the localization of reserves in mind, as well as over-elaborate statistical and reporting provisions.

He complained that there was a danger that insurance would be put in a tariff strait jacket "across the board" by protective clauses that would prevent industry and commerce in Europe from finding the insurance cover they most needed. Defenseless private individuals had to be protected against "rascally insurers," but there was a real risk of being too restrictive for the development of a healthy insurance market in Europe, he said.

Experience in America had shown how unsatisfactory it was for both the assured person and the insurance industry to have tariffs put in a strait jacket by writing business on a scale of rates and terms from which there could be no deviation. In Britain, he claimed, there is a flexible system by which business could be written either on tariff terms with the tariff companies, or in a non-tariff market such as Lloyd's, covering many types of non-life insurance throughout the world. This approach gives good service to everyone, and helps to assist both business and commerce in a world that is becoming more sophisticated in its demands.

Mr. Mance was dealing with plans for new legislative moves throughout western Europe to codify insurance requirements if Britain joins the existing European economic community headed by leading West European nations. He suggested that some of the laws might be planned solely to protect the domestic insurance markets of member countries, in contrast to Britain's desire to offer its expertise to everyone. ■

Insurer is suing for $4 million

BUFFALO, N.Y.—The $8.25 million bankruptcy petition of Mrs. Phillip B. Schwab will be attacked in U.S. bankruptcy court by Glens Falls Insurance Co., which says she owes them $4 million.

The bankruptcy branch of the U.S. attorney's office has also entered the case in the interests of protecting the court from possible fraud.

Mrs. Schwab has testified that she knew nothing of her financial affairs when she and other members of the Schwab family signed "personal indemnity guarantees as an inducement to the insurance company to issue surety bonds" in behalf of her husband's company, Schwab Brothers Trucking Inc. of Tonawanda. This guarantee situation is, in essence, very similar to buying an automobile on time payments with one person or firm cosigning for another.

MR. SCHWAB himself took the stand at two hearings and invoked the fifth amendment 156 times. The company of which he was president defaulted on about $25 million in contracts, including the Kensington Expressway in 1965. Glens Falls payed off on performance bond covers after the defaults.

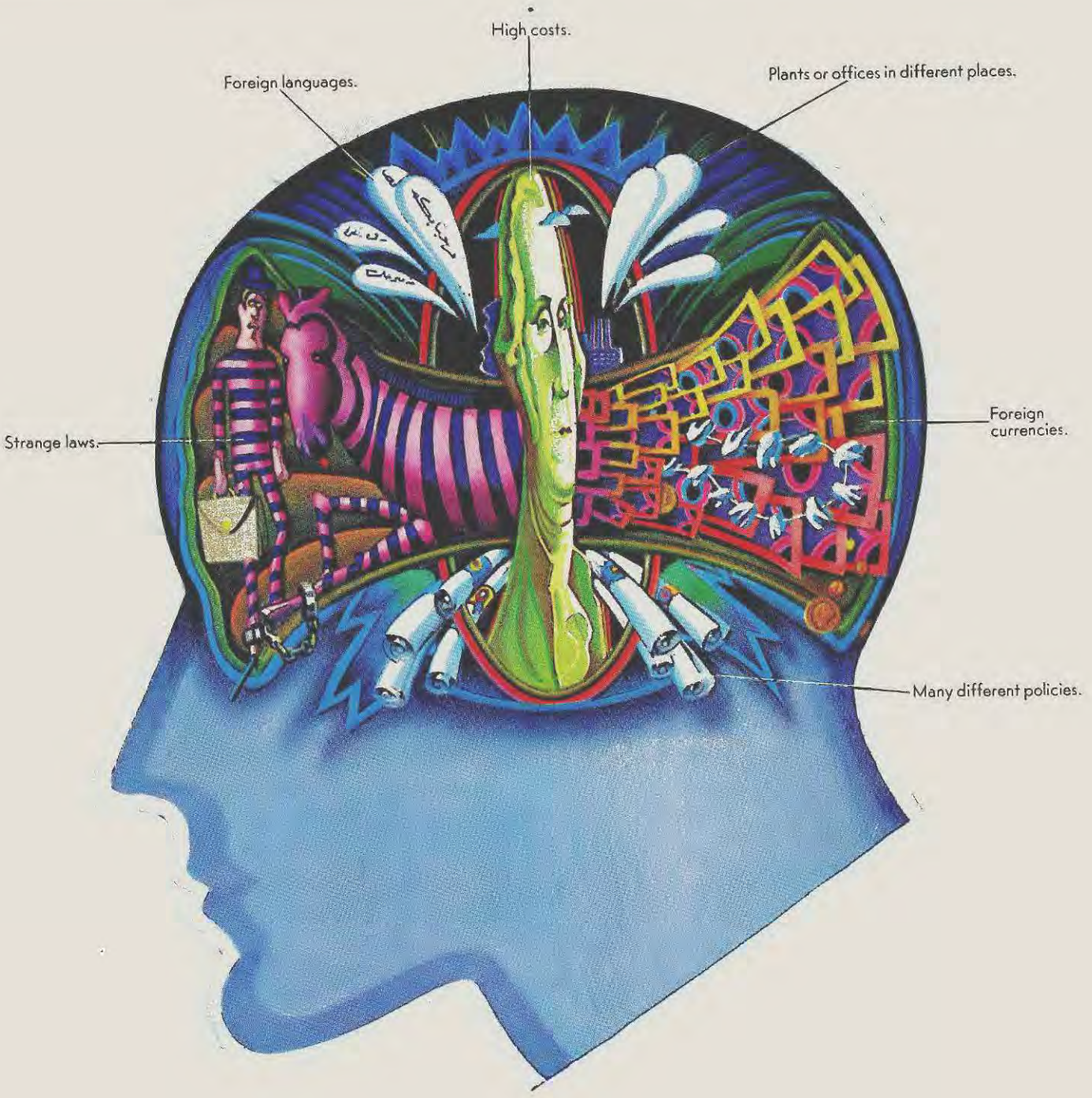
Frederick D. Turner, lawyer for Glens Falls, has objected to Mrs. Schwab's bankruptcy because she has not preserved any financial records. He will also argue against granting her a discharge from her debts on the grounds that she has not adequately explained the loss of her assets.

Mrs. Schwab's attorney, Julius M. Ramm, who contends the Glens Falls suit is merely "harrassment", has opposed the objection on the grounds that since she was not involved in a business she was not legally required to keep financial records.

Mr. Ramm told *Business Insurance* that any insurance company should investigate before issuing such bonds and should continue their investigation if they have any doubts about non-payment or default. "If they don't," he said, "they should be prepared to take their lumps." ■

Hall names vps

Henrik Salher, Casper H. Horsting and William J. Richardson have been named vps for Frank B. Hall & Co.



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Employes buying mutual fund that invests in government securities

By GEORGE LANGWORTH

PITTSBURGH—For those employes who are becoming gunshy in the current market, an alternative to the flagging mutual funds has been introduced —another mutual fund. This one, however, is far from the "go-go" category: Its assets are invested exclusively in government securities.

Federated Investors Inc., a financial holding company based here which operates 16 different funds, has set up the Mutual Fund For Investing in Government Securities Inc. Issuing its prospectus officially only last October, the government securities mutual fund's assets have already climbed to over $20 million. And Glen R. Johnson, president of the fund and a former national director of the Savings Bond Division of the Treasury Dept. told *Business Insurance* he expected the fund to be taking in new money at the rate of $1 million a day soon.

In the past the fund had been concentrating on individual investors. For an investment of $250, an individual may buy into the no-load fund. (A no-load fund charges the participant no sales fees.) Apparently there were quite a few people disinclined to bullish feelings about the economy—the fund pulled in $14 million before it got its first corporate customer last month.

"So far we've actually signed up two firms," said Mr. Johnson. Both have less than 50 employes. "However, 12 other companies have agreed to offer the fund as an employe benefit payroll deduction plan. Besides these, we've had nearly 300 queries from companies with as few as 20 employes to as many as 37,000 employes."

MR. JOHNSON explained that the $250 minimum investment was not necessary for employes participating through payroll deduction. The employe agrees to allow the company to deduct a minimum of $5 from each of his paychecks. The company then mails a monthly check to the fund, an arrangement identical with the other mutual funds being marketed through a payroll deduction program.

So far the fund has performed quite well in comparison to other rival funds currently bedeviled by the tribulations of the stock market. "During the first and second quarters we have managed a 7.2% yield. And if the interest rates continue as we expect, we believe that the fund will be able to sustain a 7.2% yield for the entire year," said Mr. Johnson.

The major difference between this mutual fund and others is the risk factor. "We just don't have one," Mr. Johnson pointed out, "all our assets are invested in government securities whose interest and principal are guaranteed by the Federal government." The majority of the fund's assets are invested currently in U. S. Treasury bills (short-term) that are now paying up to 7.91% and Fanny May (Federal National Mortgage Assn.) obligations yield as much as 8.5%.

In talking about future return on his fund's portfolio, Mr. Johnson sounded much like antecedent and faster-talking mutual fund salesmen of yesteryear: "The fund is planned to provide the smaller investors with an opportunity to purchase the higher yield U. S. government securities through the payroll deduction plans," he said, pointing out that he had recently discovered "several small banks out in the Midwest" whose government securities' investment return didn't measure up to his fund's.

THE REASON for the fund's currently unusual yield was due to the expertise of his portfolio manager, Ed Soraka, said Mr. Johnson.

"Ed used to manage the government securities portfolio of one of those huge banks here in Pennsylvania," he explained. At a time when pension fund administrators are complaining about how badly bond portfolios and fixed investments in general are being managed, Mr. Soraka apparently is something of an exception. "But we have to remember that government securities are a very sophisticated market," Mr. Johnson said.

The custodian of the government securities mutual fund is the State Street Bank of Boston, the largest mutual fund custodian in the U. S. The bank will send a print-out of the transactions made each time a payment is made into the fund for each employe. In addition, the bank sends an annual statement at the end of the year of the employe's account in the fund, noting all appreciation, purchases, interest and reinvestment.

Although the government securities mutual fund incorporates all of the administrative features of other mutual fund payroll deduction plans, several corporate employe benefits directors contacted by *Business Insurance* declared they weren't yet that interested in buying Mr. Johnson's sales pitch.

SAID ONE: "Our employes would say, 'What the hell's the difference between that and savings bonds?'" He noted, along with Mr. Johnson, that 60% of people who currently buy U. S. savings bonds through a payroll deduction plan were cashing them in as soon as they got hold of them and not waiting until interest accrues. "If our employes were really worried about the safety of their investments in the stock market they would ask to stop our stock purchase plan and start putting their money into the U. S. savings bonds program we already have. But they're not."

Another reflected the dogged optimism about the economy that many feel in spite of the current market ills: "The market has to come back up. And I'll wait for it because government securities simply don't provide a diversified enough an investment program. Ideally, I think the best investment program includes not only government securities, but blue chip obligations as well as some highly speculative issues as well."

The above reception to the government securities mutual fund approach provides an interesting contrast to Mr. Johnson's marketing plans. Unlike all other mutual fund payroll deduction marketing plans, Mr. Johnson doesn't plan to send in sales representatives to make personal sales presentations to employes. "We plan to mail each employe a kit, containing all the information on the fund. Included will be an authorization card which he'll return to the company," he explained. ■

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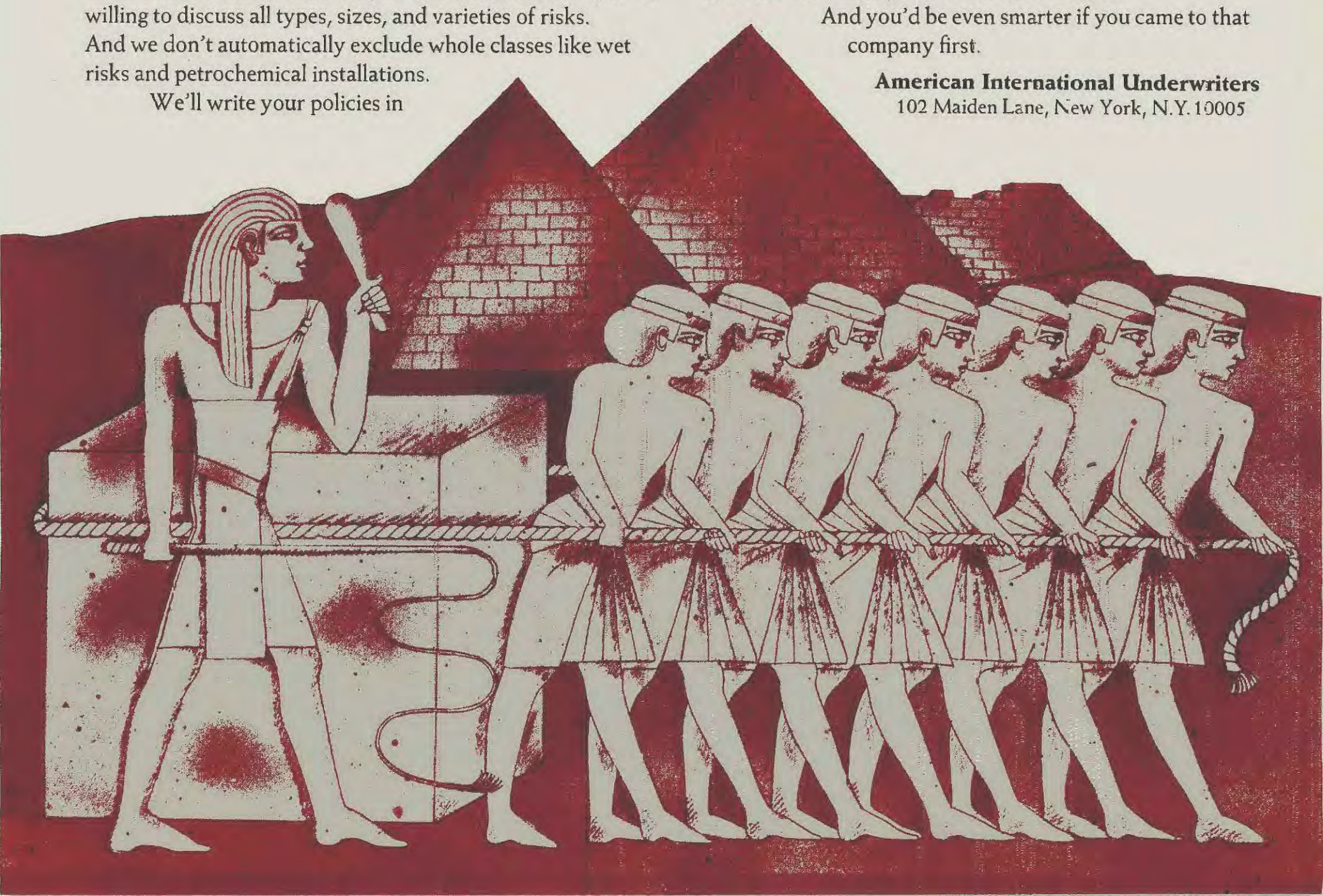
We'll write your policies in English or the local language. Or both. And in most cases we can settle your claims in dollars or the local currency. Or both.

By the way, the problems of the overseas builder aren't the only thing we're familiar with.. We also know a lot about the market. You see, AIU has been writing overseas risks for more than 50 years now. That experience, combined with our offices in 120 countries plus the 12 we've got in the U.S., make us think we're a little bit better equipped to handle your problems than the next company you might speak to.

So if you're going to look for a company to handle your C.A.R. overseas, you'd be smart to come to a company that treats it as a major line and not a sideline.

And you'd be even smarter if you came to that company first.

American International Underwriters
102 Maiden Lane, New York, N.Y. 10005



letters

Continued from page 16

ary of Insurance Terms. The Policy, Form and Manual Analysis Service, covering fire, casualty and surety contracts, is published monthly by the Rough Notes Co., 1142 N. Meridian St., Indianapolis, Ind. 46206. The company also has published a paperback primer, Crime Insurance, written by Harold S. Gee. The Fire, Casualty & Surety Bulletins, updated on a regular basis, are published by the National Underwriter Co., 420 E. Fourth St., Cincinnati, O. 45202. Rate Making in Fire Insurance, by Kent H. Parker is part of the Property and Liability Insurance Handbook by J. D. Long and D. W. Gregg and is published by R. B. Irwin Co., Inc.

Not a lobbyist

To the Editor: Your editorial in your edition of July 6, referring to the forthcoming December meeting in Chicago of the National Assn. of Insurance Commissioners, contains certain vital inaccuracies that should not be permitted to go uncorrected.

As general manager of the Illinois Insurance Information Service I have been requested to act as chairman of the press and public information committee for that meeting to be of service to publications such as your own. You have, however, labeled me as "a paid lobbyist for the Illinois automobile insurance industry" —although you did not identify me by name. That statement is totally incorrect.

The basic operating procedure of the Illinois Insurance Information Service over the 12 years of its existence has been to scrupulously avoid any lobbying activity. During those 12 years, neither I nor any representative of my office has been in Springfield or Washington during legislative or Congressional sessions and at no time under any circumstances has this organization been involved in any lobbying activities. The Illinois Insurance Information Service is precisely what its name implies—an information service. Your own magazine has used our facilities for basic information and for that reason alone you should be aware of the nature of our operation.

Your editorial also makes the point that the NAIC public information committee will also be comprised of two publicists for major insurance companies domiciled in Illinois. They also are not lobbyists. Illinois companies legitimately have registered lobby representatives, but their function is completely divorced from the information operation performed by my office and the two gentlemen who will be associated with me in attempting to facilitate coverage of the NAIC meeting for publications such as yours.

The detail involved in committee and subcommittee work and reports in NAIC meetings runs to tremendous volume. If *Business Insurance* so elects, it can assign ten or a dozen reporters to cover these committee meetings. The public information committee that I head has no wish to ask you to accept, reject or even read the detailed reports that we will be providing for the facilitation of news coverage by all media.

If I may make a proposal, may I suggest that *Business Insurance* set in motion machinery by which the trade press organize a consortium for coverage of the committee and subcommittee meetings of the two annual regular meetings of NAIC. Such an operation would cost your publications perhaps $100,000 per year but from your point of view such expenditure might well be worthwhile.

Finally, you may be assured that there will be complete integrity in the offset reproduction of vital reports at the Chicago NAIC meeting. Whether *Business Insurance* chooses to utilize these reproductions or elects to send in its own staff people en masse to attempt to duplicate the operation is a matter for your decision.

You may also be assured there will be no lobbyists in the information operation.

T. F. Reynolds
General Manager, Illinois Insurance Information Service, Chicago, Ill.

Outrageous fee

To the Editor: It really makes my heart bleed when I read such items as that on page 10, June 8 of *Business Insurance*, where "Mr. Spence, who is to receive 40% of the award."

While the whole award in this case is outrageous, the most flagrant atrocity for my money is the fact that an attorney could possibly receive $720,000 for prosecuting any case!

And then we have state, provincial, and Federal governments ranting about increases in insurance premiums. It seems to me that a lot of things are badly out of focus in the insurance fraternity.

D. M. Stuart
Insurance Manager, Canada Packers Ltd., Toronto, Canada.

Offers inflation guard

To the Editor: In a recent article, "Inflation guard offered in commercial policies," *Business Insurance*, May 11, you say "It is believed that the Hartford is the only carrier offering the device in a strictly automatic, programmed method."

For your reader's information, Insurance Co. of North America has had its own endorsement available since December, 1969.

L. W. Miller
Manager, Press Relations, Insurance Co. of North America, Philadelphia, Pa.

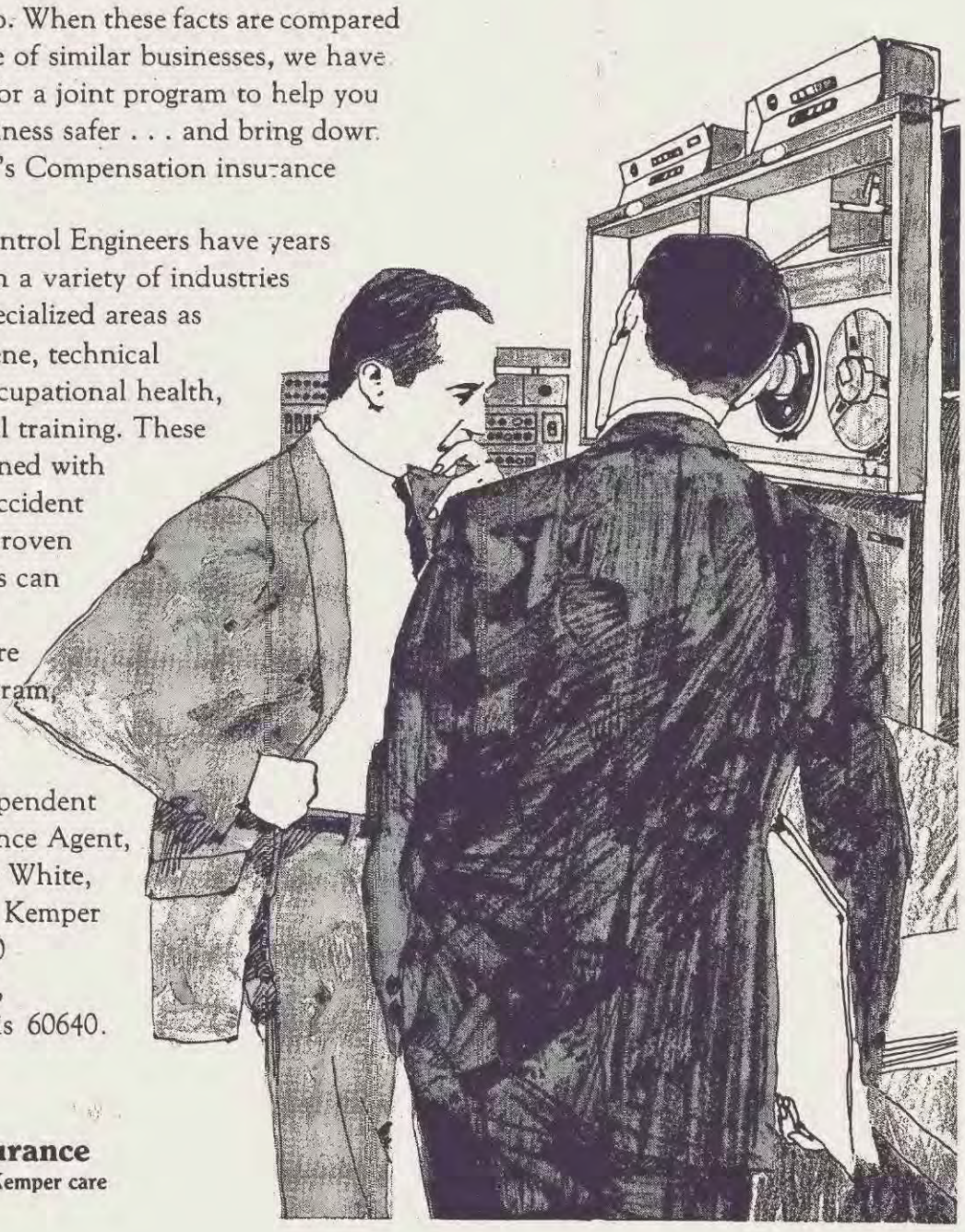
Who says,"Accidents can be controlled?"

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That's why our Loss Control Engineers use computer data in analyzing accident potential. This helps policyholders reduce the severity and frequency of accidents.

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Our Loss Control Engineers have years of experience in a variety of industries and in such specialized areas as industrial hygiene, technical engineering, occupational health, and educational training. These services, combined with computerized accident control, have proven that "Accidents can be controlled."

To learn more about this program, see the Yellow Pages listing of your local independent Kemper Insurance Agent, or write Walter White, Vice-President, Kemper Insurance, 4750 Sheridan Road, Chicago, Illinois 60640.



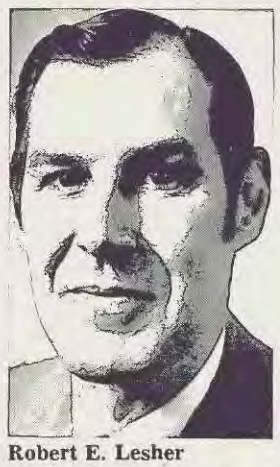
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Trans Union puts Lesher in new post

CHICAGO—Trans Union Corp. has named Robert E. Lesher to the newly created position of assistant risk manager. Mr. Lesher, formerly insurance supervisor at Interlake Steel, will be responsible for protection of Trans Union assets and income.

Prior to joining Interlake in



Robert E. Lesher

1964 Mr. Lesher was an underwriter at State Farm Insurance. From 1954 to 1961 he served as supervisor of insurance at Funk Bros. Seed Co., Bloomington, Ill.

Mr. Lesher is a director of the Chicago chapter of the American Society of Insurance Management. ■

Senate panel broadens class action measure; it's tougher than Nixon bill

WASHINGTON—The Senate commerce committee has voted to open the Federal courts to a wide range of class action suits brought by consumers. Like a House commerce subcommittee recommendation earlier, the Senate committee has gone somewhat beyond the recommendations of the Nixon Administration.

Under the Administration measure, class action suits could be brought by consumers in Federal courts only after fraud or deception has been established either as the result of prosecution by the Justice Department or by a final cease-and-desist order of the Federal Trade Commission. Such suits would also be limited to 11 specified types of fraud and deception.

The Senate body has expanded the Administration's list of proscribed practices to 16. It also authorizes the FTC to designate additional unfair practices that might be open to class action suits in the future.

LIKE THE HOUSE subcommittee's recommendation, the Senate measure would also require Justice Department or FTC approval only in cases involving transactions of $10 or less.

In addition to the 11 provisions under the Administration's measure, the Senate panel added the following to the areas where class action would be allowed:

- Cases where false or misleading statements about the profitability and other aspects of home-operated business ventures were used by a defendant;
- Cases where consumers were threatened or physically abused, systematically harassed, intimidated or coerced by a named defendant;
- Cases where gifts or prizes were offered with no intention of providing them in connection with a particular sale;
- False or misleading statements in offered discounts or other considerations in return for the names of prospective buyers of a product;
- Cases where payment had been accepted for goods materially different from those ordered.

UNDER PRESENT class action laws, suits by groups of consumers cannot be brought in Federal courts unless one of the petitioners claims damages of $10,000 or more. State courts do allow such suits, but they are usually difficult to introduce because of various restrictions in state class action laws.

Washington observers feel the Senate measure is designed as a compromise between the Nixon bill and one sponsored by Sen. Joseph D. Tydings of Maryland and Bob Eckhardt of Texas, both Democrats.

The House commerce subcommittee's bill also goes beyond the Nixon recommendations. That measure has yet been approved by the commerce committee itself, although no major opposition is expected.

However, the House measure does contain one concession to business interests, long worried about "nuisance" suits. Under the House subcommittee's proposal, the aggregate amount of claims must be over $25,000 before such an action could be introduced in a Federal court. (*Business Insurance*, July 6.)

IN ANOTHER recent development affecting the liability of a U.S. business, the Senate commerce committee has accepted the recommendations of the FTC in approving a bill to stiffen penalties for the manufacture and sale of clothing and household fabrics that fail to meet Federal flammability standards.

Present U.S. law applies only to those who willfully violate the standards and limits the penalties for each violation to $5,000 and a year in jail. The new bill, however, would authorize jail terms of up to five years and $10,000 in civil penalties for willful violations. Other violations would be subject to penalties of $1,000 and a year's imprisonment.

The commerce committee's bill would also require the testing and certification of fabrics by manufacturers before they are placed on the market. ■

Foreign ship owner to pay U.S. award

WASHINGTON—The Supreme Court, citing the Jones Act in a 5-3 decision, ruled in favor of Zacharias Rhoditis, a Greek seaman injured aboard a Greek ship while in the port of New Orleans on Aug. 3, 1965. The court further stated that the foreign registering of the ship Hellenic Hero did not clear its owner from paying damages won in a U. S. court.

The court cited the foreign flag as a facade by the Hellenic Lines Ltd. which is 95% owned by Pericles Callimanopoulos who has lived in the U. S. since 1945. The court also cited that the majority of business of the lines is in transporting cargo to and from America. Many American based shipowners fly their ships under flags of convenience to lower their expenses.

Dissenting opinion in the high court denied that the Jones Act covered this issue. The act was originally designed to protect American seamen working on American flag ships. The wording of the law however does not limit the cover to U. S. seamen.

Also noted in the dissent was that Mr. Rhoditis' employment contract stipulated that Greek law would be controlling and that all claims arising out of the employment would be settled in a Greek court. ■

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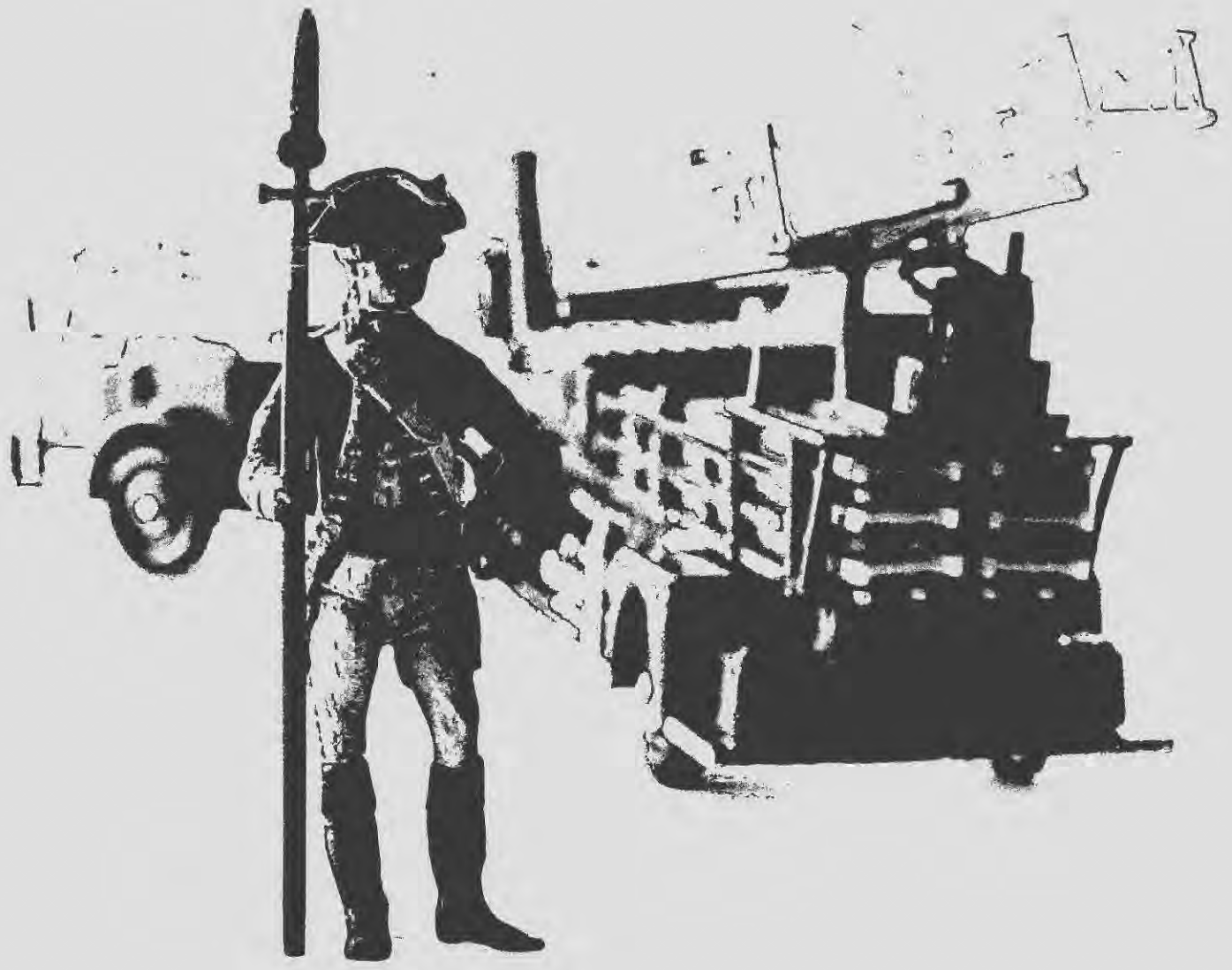
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business insurance/perspective

Cost allocation is important to risk man's success

by Bion H. Francis,
manager of benefits planning,
Colt Industries, New York, N.Y.



Bion H. Francis

Allocation of insurance costs is a subject which may not have been mentioned in your insurance courses, but it can have an important bearing on your success as an insurance manager.

Let us take one of the multiplant, multidivision corporations which are now such an important part of the American business scene. Suppose you are the insurance manager. How do *you* deal with division managements?

Whatever you do, you must keep in mind the pressures local managers are under. Their current earnings, and their future prospects for promotion, may both depend on the figures on the bottom line of their operating summaries. To them, *you* are a problem.

Because of their responsibility—and need—for producing profits, if they are dissatisfied with their insurance costs, they may tell you they are going out to get competitive insurance bids. Even worse, they may even get competitive bids.

OF COURSE, you have nothing to worry about. You have worked out the best policies for your company; you have negotiated the best rates. No one can get a better deal for your company, you tell yourself.

But down here in the corner you have a small plant. It's in a low-cost area with a small building well protected. The plant controller goes to an insurance company that would like to get your national account. Your plant controller doesn't know beans about insurance, but there he is with a lower cost than you allocated to him.

How could that happen? Perhaps you *did* have the best deal that could be obtained for your company. The problem may be that you did not allocate the cost properly among your operating divisions.

How should this be done? Perhaps the simplest thing to do is to ask your insurance company to do it, and forget about it. There are some situations where this may be easiest and perhaps the best solution. An example of this may be the application of a retrospective formula.

BUT IT may not be the complete answer to rely on your insurance company. To an extent, the allocation of your insurance cost is an internal problem of the corporation. To an extent, you should know your internal problems better than the insurance company does. If the insurance company works out the allocation, you should be familiar with how the company does it.

'Where catastrophic lines are included, proper allocation of costs require an evaluation of the hazards.'

What principles are involved? The allocation may be a simple affair. You may decide, for example, to allocate costs in proportion to the sales in each division. This is perfectly proper if we are talking about product liability, and the hazard is about the same for each division.

You may use a head count of employes or the claim volume by divisions. If this is what you do, you should see to it that the degree of hazard is comparable. If, for example, you have dynamite, brass stampings, ammunition, woodworking operations, aluminum ingots and drugs under one corporate roof, as I once did, obviously the hazard can vary widely in different lines of insurance.

Let's take claim volume for a review of some difficulties. One major difference between policies is that, because of hazard, size of risk, and other considerations, some insurance is essentially cost-plus in nature, while other insurance may have catastrophic possibilities of loss. That is, the chance of a loss may be low, but if it occurs, the loss may be catastrophic.

OBVIOUSLY, cost-plus insurance lends itself to allocation of cost by claim volume, whereas catastrophic lines do not. Where catastrophic lines are included, proper allocation of costs requires an evaluation of the hazards. How do you do this?

It is sometimes best to start with the two extremes and work toward the center. For example, it may be possible to detach portions of the insurance problem where the insurance is standardized and where the spread of risk is so great that there is little or no argument about cost. Or you may want services provided, and one major problem may be to work out the cost of the services. So you separate the portion where the problem is easy.

Now, how about the difficult portion where hazards may be severe or unpredictable, or very large? Capacity, for example, may be a problem, so you attempt to work out a cost for this. It may be that you can place a line of insurance only by using the leverage you have from the total line of insurance which you are placing. Obviously, your capacity problems on difficult operations are not part of the picture that a local plant controller deals with when he obtains competitive bidding. You should make sure that your boss or your company understands this.

With the easy and the difficult portions of the line costed out, you tackle the remainder. Here, perhaps, you can allocate in proportion to sales, head count, or claims volume, perhaps with a weighting for degree of hazard.

WHATEVER YOU DO, keep a record of it. If you are challenged, you should be able to prove that you recognized the problem and worked out a solution in a careful and scientific manner.

The necessity for this goes beyond your dealings with corporate and division managements. The pricing of your product depends in part on proper cost accounting. If you have two divisions which vary widely in hazard, and you make no allowance for this in allocating insurance costs, you are giving, in some degree, an unfair advantage to one and imposing a competitive disadvantage on the other.

Remember that all this is not an arbitrary requirement. Corporate management is under pressure from stockholders and has one overriding concern—profits. Corporate management passes that pressure on to division managements, and, in the insurance field, the division managements pass it on to you. And in the insurance field, you're supposed to have the answer to the question: "What does it cost?" ■

Self-insurance of workmen's comp is not a panacea

By E. V. Anderson,
assistant vp,
Casualty Cost Control Consultant,
Johnson & Higgins,
New York, N.Y.

This article is a response to an article on the self-insurance of workmen's compensation by David Warren in the June 8 Perspective. Readers of this publication are invited to reply, as Mr. Anderson did, to articles that appear in the news section or the Perspective section of Business Insurance.

IN EVERY generation, or as rapidly increasing industrialization hits different parts of the country, the idea is advanced that "self-insurance" of the workmen's compensation obligation will *automatically* produce cost savings on something more than a very limited handful of very specially situated risks of very substantial size. Now the current high cost of money has started a new rash of statements to this effect and all of them remain shot full of holes.

Actually, the thought that the chief financial officer of a big industrial concern is to adopt some far-reaching posture for the sake of some transitory and, perhaps, ephemeral "cash flow" even if all other things were equal—which they never are—seems to me to denigrate the good sense, objectivity and long-range planning ability of the country's most important financial management officers.

The latest in this pot-of-gold generalities is the article in the June 8, 1970, issue of *Business Insurance* by David Warren of Warren, McVeigh and Associates of San Francisco, Cal.

This article is so phrased as to indicate that any account whose compensation premium is $100,000 or more, should and could save $20,000 via a program of "self-insurance." At least this seems to be the connotation if the buyer is located in California and uses Warren, McVeigh and Associates.

IN MANY cases, the omission of the whole truth of a matter can become an actual distortion and we note that Mr. Warren suggests that to begin his comparison, "we should view one policy year." Why view one year? Could it be that if more than one year is used, it will become apparent that the "cash-flow saving" computed with such apparent care is a *one-shot* saving! The final sentence of the article states that, "Long-term cost savings in the neighborhood of 20% may be expected." Mr. Warren does not use the word "annual," but the implication seems clear.

As a matter of fact, if the "self-insurer" properly reserves those accidents which have occurred but have not yet been brought to settlement just as an insurance company is made to do in the interests of its future solvency, the pay-outs in a relatively short period will match those of the insured basis and in the loss portion of the dollar there will and can be *no actuarially computed saving.*

Mr. Warren states that the principal advantage of self-insurance is improved

Continued on following page



E. V. Anderson

Continued from preceding page

loss control. This would be an advantage if it were true that the self-insurer could expect something better than what he had before or if it was impossible to secure equivalent loss control at lower cost under an insured program. Obviously, the advantage can lie only in the *difference* in cost or in the *difference* in effectiveness. An alternative costing $10,000 in new expenditure, reducing next year's losses by $30,000, is not the equivalent of a $15,000 expenditure which reduces next year's losses by $40,000. The efficiency and specialization in claim and safety work, as well as in control of reinsurance costs, all favor the insurance carrier.

Even if 85% or 90% of all injuries have a psychological basis, this is not related to the motivation of the employer toward loss control. The motivation on a cost plus retrospective rating plan has the added driving force of specialists unbiased by any desire to hide last year's losses under the rug.

MR. WARREN states that improved employe relations are fostered when the employe knows that his check comes directly from a "concerned" employer rather than from an "impersonal" insurance company and that an employe is less inclined to make a questionable claim against his employer than against an insurance company. This is wholly a matter of opinion, not a statement of fact. Mr. Warren is certainly entitled to his opinion. It has been our experience that a much greater number of employers like to be insulated from this particular problem which can and often does spill over into other areas of industrial relations. If any fraction of claims have a fraudulent background, is it better to entangle them in your own grievance machinery or to have a third party who can shoulder the blame of proper denial?

The article says that "insurers state that these figures do not hold for larger accounts and this *may* be true." Mr. Warren must know very well that his figures do not hold for larger accounts. Again he states that "there are some retention plans which *could* develop lower (overhead) costs." The proper word is not "could," but "do."

No first line workmen's compensation insurance underwriter is content to have $5,000,000 in premiums. Such an amount is too small for stability even with reinsurance and much too small for efficient claims or safety work. Yet Mr. Warren uses $100,000. as a satisfactory figure to illustrate the "benefits" of self-insurance for a manufacturing firm.

Another point that has been abundantly clear to sophisticated risk management is that loss control activities conducted by professional personnel visiting plants where losses aggregate $1 million per year will teach safety personnel one hundred times the lessons learned in a plant with annual losses of $10,000 per year. "Inbred safety" leads to self-satisfaction and thus to a negation of a principal management function.

THE INSURANCE dollar has two main divisions—a portion for losses and claim adjustment expenses and the balance for all other expenses. To improve on the loss portion of the dollar, you have to have more than reasonable assurance that the step you take will in truth, actually *improve* the loss picture in frequency or severity. As far as the expense portion of the dollar is concerned, it serves no useful purpose to the industry's image (or to fact) to state factors for "acquisition or sales costs" and general overhead which are close to three times the actual amounts used on all insured programs involving premiums in excess of $100,000.

C. Arthur Williams, Jr., of the University of Minnesota, in a bulletin for the U.S. Department of Labor, indicates that in 1939 only 19% of the country's compensation payments were made by "self-insurers." In 1967 that figure was down to 14% and since this latter figure probably includes an even greater number of gigantic corporations, the actual numbers may have shown a greater decline in this particular period.

"Self-insurance" of the workmen's compensation risk does not, in most instances, compare favorably in either cost or performance with a cost-responsive plan of insurance underwritten through a professional representative with any one of the many qualified insurance companies available to California risks or those of any other state. ■

E. V. Anderson is an assistant vp in the casualty loss control division of Johnson & Higgins. Prior to joining the firm in 1948, he was supervising engineer in the National Surety Corp.s' home office. Mr. Anderson was plant safety manager from 1945-46 for the Burroughs Wellcome Co. In addition he was occupational disease specialist for Aetna Casualty & Surety from 1937 to 1945. Mr. Anderson received a bachelor of science degree in chemical engineering from Cooper Union in 1937.

Dear Gerry

How to handle the employe who uses his own auto

by Gerald W. Wilson,
analyst of corporate insurance,
New York, N.Y.

DEAR GERRY: How do I handle the employe using his own car on company business? We pay 10¢ a mile. This should take care of primary liability but the claims do not seem to work out that way.

ANSWER: Some corporations require an employe to sign a form advising him that in consideration of the mileage allowance the company is not responsible for loss or damage to his vehicle (except as a third-party tort feasor based on liability at law for negligent acts), and that the employe is expected to carry third-party auto liability covering both employer and employe in limits not less than the financial responsibility limits.

Also, the employe is advised that third-party legal liability insurance carried by the company applies only while the employe is driving the car in the course and scope of his employment, and in any event in excess of actual limits carried by the employe or in excess of financial responsibility limits, whichever is greater.

This at least informs the employe of his responsibility.

Some employes argue that rates are higher if they include the employer. When an employe is regularly using his car on company business the employer should be willing to pay the difference. In many cases the Class 3 rate is less. Those who occasionally use their cars are not affected nor is their insurance cost.

Another aspect of this is the reimbursement of the per-day charge on rental contracts for employe rental of autos. Most firms reimburse the collision deductible assumed when the rental charge for elimination of the deductible is not reimbursed to the employe. If the employe is using the rented car for personal business he may prefer paying the charge himself, because the employer will only pay the deductible collision losses when the employe is using the car on company business at the time of the accident.

It is a good way to get those elusive accident reports, especially if in order to be reimbursed the employe must report whether or not he has been involved in an auto accident during the time for which he is claiming reimbursement of either mileage or rental costs.

Some firms do not cover employes as additional insureds. This is a dangerous practice and is only kidding oneself in an era in which nothing coming out of the courts is clear cut.

DEAR GERRY: My insurance department budget either over-runs or under-runs at least 20% each semi-annual period. My budget includes salaries, travel and office supplies. Where could I be going wrong?

ANSWER: You probably are doing fine. Many others have a similar problem, and probably within your own company. It is difficult to judge when a special project or problem is going to produce unexpected costs. Keep plugging away, watch the length of your phone calls, budget for contingencies such as ASIM and AMA appearances for yourself and staff.

Contemplate a full circuit of your facilities once a year. Even though you may not make the trips, those on your staff will probably fill in this budget item.

As to the services-you-do-for-others department, such as furnishing extra copies—let them make their own copies and distributions. Charge services you perform for outside organizations to them. How many free mailings do you make for these organizations?

Pay your share but let the broker pick up the luncheon tab when he should, and make the insurance people do it when they should. Perhaps attention to these items would tend to level off the costs of your department.

DEAR GERRY: Why are you against group automobile plans for a company's employes?

ANSWER: I am not against them, I only take the position that one should have a good idea of what one is getting into. The first principle with any service or benefit plan is that what one gives one finds difficult to take away and, the second principle is that what was once an employe contributory plan soon gets negotiated into an employer-paid fringe benefit.

What is further likely to happen is that the insurance department can get caught in the middle with regard to premiums, claim settlements and qualifications for inclusion under the plan. It is another situation in which, if all goes well, no one cares and everything that goes wrong lands in the insurance manager's lap. I do not believe that there are too many plus factors with regard to the employer's side. The administration savings of such plans usually come from transferring the administration to the employer. I do not feel that the usual fictitious group created has sufficient homogeneity to warrant its creation. This is especially true since most insurance underwriters offering such plans would insist upon screening out undesirable participants.

DEAR GERRY: What is total account underwriting and how does it affect the risk manager?

ANSWER: Total account underwriting is apparently a broker-inspired term meant to appeal to insurance carriers with regard to the premium volume afforded by the broker or agency or in some cases a large insured. The concept has been accepted by some risk managers that their individual premium volume for all lines with any particular insurance carrier will have some effect. This concept falls flat on its face in practice when the risk manager finds he must package—property or casualty but not both—in order to receive any real consideration from premium. In short, account underwriting is not important to the risk manager except to the extent it affects the broker's or agent's ability to place business. To the extent that total account underwriting may exist the risk manager has an additional reason to know the commissions (both direct and contingent) enjoyed by his broker-agent. Please, don't get me into any controversy as to whether any particular broker is actually acting as a broker or agent in any particular situation because that is apparently "for them to know and you to find out"—if you feel it is worth the effort.

DEAR GERRY: Why do people get so angry at insurance companies? There are fewer businesses that have shown a better interest in public relations.

ANSWER: Because they like to bicker over matters of concern only to themselves. For example, after a riot some insurance man says, "It's insurrection and not covered as an excluded war peril." A plane is hijacked and blown up by a hijacker and a similar statement is made. A hurricane hits and some insurance man says water damage is excluded. A fire occurs and the insurance company says differentiate between the damage caused by electrical arcing and the resultant fire or differentiate damage from the explosion.

People tend to get quite irate when what they expect to be the situation coveragewise is not and there is little leeway for comfortable compromise. It is not as some would believe entirely a public relations problem. It is a products problem that, though it can be somewhat handled by public relations, still needs good hard management control. Insurance companies need their own policemen and like doctors they have to have their own medical associations and grievance committees. Going to court should be a last resort. Other remedies seem, however, to be lacking when dealing with insurance companies and that could be one cause of frustration and anger. ■



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Newsman's benefits to total about $200,000

NEW YORK—George Syvertsen, the CBS news correspondent who was killed when a news crew he was with ventured inside the Cambodian border late last month and was ambushed, was insured by his employer for almost $200,000.

Another correspondent, Welles Hangen of NBC, who is missing and said to be held captive by the Vietcong after a similar foray, is also insured by his network under similar coverages.

According to CBS sources, Mr. Syvertsen is covered under a travel-accident policy written by American Home Assurance Co. The policy is the same as that on all CBS employes, and provides for a minimum of $100,000 in the event of accidental death on the job. The sum is graduated upwards according to an employe's salary and classification.

THE CBS NEWSMAN is also covered under an accidental death benefit policy, with limits set at a maximum of two times annual salary. In addition, he is covered under a group life insurance policy written by the Travelers Insurance Cos. The life insurance policy is also in the amount of two times annual salary.

Mr. Syvertsen and other newsmen working for CBS in the war zone are insured under essentially the same coverages as all network employes, although premiums on those covering the war are higher. The Syvertsen claim is the first CBS has filed as a direct result of the Vietnamese conflict, a source told *Business Insurance*.

NBC's Welles Hangen has similar coverages, according to a spokesman at that network. Mr. Hangen, however, is believed to be alive and held captive by the Vietcong. His salary will be paid throughout his ordeal, NBC said.

The CBS claim is the first filed for a member of the press in the employ of the larger news gathering operations in this country as a result of the war in the Far East.

The New York Times, which has as many as five men covering the war, also covers its reporters under travel-accident policies. Written by Insurance Co. of North America, the Times' policy provides for five times annual salary up to a maximum of $100,000. ■

Comp cost could be cut 20%, doctor says

NEW YORK—A doctor has declared here that workmen's compensation costs could be reduced as much as 10% to 20% if outmoded claims procedures were revised and updated to more scientific systems.

Dr. Stephen S. Leavitt, a San Francisco psychiatrist and the director and vp of Teknekron Inc., made the claim before an American Management Assn. session on controlling employe benefit costs. Teknekron is described as a consortium of university scientists and engineers that applies advanced technology and multidisciplinary teamwork to the solution of complex problems. It has headquarters in Berkeley, Cal., and has offices in Washington, D.C., and New York.

Dr. Leavitt charged that the adjusting of insurance disability claims is still being done in the same "quill pen" manner that was used when the first workmen's comp laws were written a half century ago. He added that the key to solving the problem of high employe health care costs is to get to the claims adjuster and sophisticate him. Claims adjusters, he said, are "the drones of the insurance world."

"ALTHOUGH THEY are housed in multimillion dollar steel and glass palaces that also contain huge, sophisticated computer installations," he said, "claims adjusters, like Dickensian clerks, toil at their lines of little desks with the same tattered folders and ask the same questions as did their predecessors two generations ago.

"Yet," Dr. Leavitt emphasized, "these are the individuals who immediately control the distribution of hundreds of millions of dollars annually and deeply affect the lives of thousands of families.

"Their crucial decisions," the doctor went on, "are based primarily upon intuition that at best is the product of years of experience. The typical adjuster today processes the papers of a case load of 300 to 1,000 claims. He does not have the training, the knowledge, facilities, or the time to handle the problem solving aspects of his job properly—if he thinks of his job as a problem at all."

Dr. Leavitt said that the division of health sciences of Teknekron Inc. has recently developed a system of scientific disability management in which the adjuster has a key role in the prediction and control of case outcome. The system was developed for a major workmen's comp carrier, he said.

Within the carrier's files of 600,000 cases we found a wealth of data that enabled us to formulate procedures for the early identification of problem cases. By means of interactive computers, claims adjusters are alerted to take the necessary actions that speed recovery and return to work. Additionally," he said, "the Teknekron program increases efficiency throughout the administrative process. By improving the accuracy of reserving, additional funds are made available for investment." ■

Sourdoughs receive monthly pension

JUNEAU—Alaskans over 65 who have been residents of the state for a minimum of 25 years have been granted a monthly pension of $100, regardless of need, by the state legislature. This will affect approximately 4,000 citizens.

The "residence-incentive" grant program is in addition to the authorized general fund of $314 million for the state's 294,000 citizens for the fiscal year ending mid-1971.

The legislature voted its members' pay and cash benefits to $16,150 a year from about $9,150 and a new pension program, supported entirely by the state, granting legislators with at least 15 years legislative service pensions equal to 75% of their highest salary.



Would you enter a tournament with an unknown ball? To risk the outcome of a tournament on the random selection of a ball is unthinkable to the 'pro'—or to any player who takes his game seriously. Far too much would be riding on an unknown quantity—the make, the quality, the tested performance of the ball. And—speaking of risks—our performance in writing all types of personal and business insurance has been tested for over eighty years and has earned the favor of the 'pros'. Ask your pro, your independent broker or agent about our services and worldwide facilities.

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U.S. risk manager tells Britons how it's done

LONDON—Belief in the growing future of risk management was expressed by John V. Cockshott, of the risk management division of Standard Oil Co. (N.J.), of New York, when he addressed more than 350 British insurance managers at an educational seminar in London.

He told them: "We have been talking about risk management for fifteen years, but it's only in the past five years that there has been a serious attempt to define its function. There is no doubt in my mind that it is here to stay. I think it presents a great career for those who are prepared to grasp the opportunity to move into this new area."

Dealing with his own company's views on the subject, he said: "My company has taken for its own account a substantial figure as the first amount of any physical damage loss for several years, and consequential losses are not insured at all. With this level of self-insurance you have to substitute something else, and that something else is loss control."

HE GAVE THREE examples from his company files of how a financially-oriented risk manager can help operational personnel in making meaningful business decisions. Taking these case-histories from active records of Standard Oil (N.J.), he said:

• "Some time ago our engineers were designing a new chemical plant. Their problem was to decide whether to make it a two-train or three-train plant. They knew what total capacity they needed to produce the required products, but they wanted some guidance as to the safety aspects. A three-train plant was of course more expensive to build. The question was whether the additional cost could be justified from a reliability point of view. The obvious response seemed to be that a three-train plant would give greater flexibility in case of breakdown. However, an in-depth analysis showed that the advantages were more than outweighed by the fact that there would be a greater frequency of mechanical failure with three trains, plus the considerable added cost of the extra train.

• "The company was expanding an existing refinery and centralizing all the instrumentation in one control center. Everyone recognized the vulnerability of that center, and a proposal was made to spend a substantial sum of money in making it blast-proof. We were asked to say if such an expenditure was justified in the light of past incidents that could have caused dislocation of the operation with and without blast-proofing of the control center.

• "In the design of our mammoth tankers, consideration has been given to the use of bow thrusters that would improve their maneuverability when in port or approaching docking facility. In order to properly analyze the economics of a heavy initial capital expenditure plus significant annual maintenance on each vessel, we had to assess the magnitude and frequency of losses that might be avoided over the life cycle of the vessel."

MR. COCKSHOTT told the conference delegates, "In my own company over a period of several years we have educated key persons as to how we can be helpful, and now they are beginning to recognize those areas in which our expertise can make a contribution.

"How did we sell company management on these new concepts? The answer is that without formal approval or acceptance we tried to demonstrate the kind of contribution that we were capable of making. We got hold of new projects in the blueprint stage, and we asked meaningful questions relating to hazard risk and consequential losses.

"We made certain that our questions were the kind that probably had had no prior consideration, those relating to public liability exposures, health hazard to employes, risk of civil unrest, pollution exposure, and the like. We found that in many cases our recommendations were accepted, but were being presented as someone else's ideas.

"This did not worry us as we were getting our points across, although we were not always getting credit for them. Eventually the operating people would come to us and ask us to look over new projects.

"WHEN THE VOLUME of this work built up, we were able to go to management and say that insurance no longer described the function we were performing, and we became the risk management division.

"Today in our company no major investment is approved unless risk management has appended its comments or given it a clean bill of health."

In addition, Mr. Cockshott said, his risk management division looked at the economics of each new investment proposal to ensure that hazard loss had been properly allowed for.

In the past, for example, the manufacturing group would ask for the fire rate on, say a fertilizer plant, and taking the cost of the plant, would calculate an annual premium and build that figure into the economics. Now it is made certain that they have allowed for all hazard risks that could affect the earnings of a new plant—consequential damage, liability losses, earthquake, flood, civil disturbances, health hazards, losses below excess levels—so that the investment proposal presented a realistic picture.

MR. COCKSHOTT, who visited London in his role as chairman of the International Co-operative Committee of ASIM, said:

"The change from insurance management to risk management has been hastened by a number of factors. Up to a few years ago insurance of all kinds was relatively low priced and easy to buy. The insurance manager's job was to make certain everything was properly insured, and the insurance premium was just one more component in the cost of doing business—usually a relatively minor expense when compared to wages, raw materials and transportation. ■

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Lockheed claims its SUB fund is very healthy, despite continuing lay-offs

LOS ANGELES—As unemployment increases with the decline in new activity in the aerospace industry, supplemental unemployment (SUB) funds are being drained away. McDonnell-Douglas and North American Rockwell, for example, have already been forced to suspend unemployment payments out of their funds. But Lockheed Aircraft Co. though faced with similar (and more publicized) troubles, claims its SUB fund is not only healthy but is still backed up by a sizeable general fund.

McDonnell-Douglas Corp., an aerospace firm headquartered in St. Louis, ended payments from its SUB fund because the fund fell below the "floor" of $18 per worker, according to a spokesman there. Workers in Long Beach, Cal. will be the ones primarily affected, he said.

In addition, as reported earlier in this publication, North American Rockwell was forced into a similar move last March. The United Auto Workers negotiated a plan with North American when the SUB fund reached a terminal level to spend the remainder of the money on group hospital, medical and surgical benefits that cover both the employes and their dependents. The plan will continue to be bolstered by money still coming into the fund as the result of earlier contribution agreements by the company.

LOCKHEED HAS not developed any real miracle of a SUB plan, although it appears to be in the same position relative to its counterparts in the industry as that of gold mining companies in relation to the rest of a recession stock market. The differences are in the numbers.

During the last two years employes of McDonnell-Douglas in the Los Angeles area dropped from 36,000 to less than 13,000. North American experienced a similar decline from 70,000 to less than 49,000 in its Long Beach facilities.

By contrast, Lockheed is not only holding its own in employment at its West Coast facilities, but is actually gaining somewhat. "Yes, it's true we expect to be down in employment about 13% by the end of the year," Kelly Hanze, Lockheed's director of labor relations, told *Business Insurance*. "But you have to remember that that's company-wide. We've dropped from 32,000 to about 25,000 employes at our plants in Georgia during the last eight months. However, we've been pretty stable here on the West Coast, even been doing a little new hiring recently."

Although it has been reported that Lockheed is having its liquidity problems, the company's contributions continue to flow into its SUB fund. "This plan is relatively new. We changed the lay-off benefit plan back in 1965. In our negotiations with the labor unions (The International Brotherhood of Electrical Workers, International Assn. of Machinists and United Welders of America) we developed a fully-funded trusteed plan," Mr. Hanze explained.

THE COMPANY originally had agreed to a supplemental lay-off benefit but only as a "paper liability." The plan was completely unfunded. Accountants would allocate 5¢ per hour worked by each employe up to a maximum of $100 per employe per year. In 1965, the company set up a new plan whereby a quarterly contribution of $20 is set aside in an individual account for each employe. The individual accounts are invested according to the option of the employe.

"He may choose between investing his individual account's contributions in common stock, in bonds or a combination (50-50) of the two," Mr. Hanze, pointed out, adding that the employe could change his mind officially once a year. "The plan is fully funded, trusteed and irretreivable as far as we're concerned," he said. Banker's Trust Co. is the trustee of the fund and also manages the investments as well as the administration of the employe accounts.

"Layoffs occur on the basis of seniority at Lockheed," explained Mr. Hanze, who noted that lay-offs had not reached a majority of those hired after 1965, let alone those hired before the SUB plan was changed. As a result, the older employes are covered by both the remainder of the "paper liability" scheme terminated in 1965 as well as the new basic benefits unemployment fund.

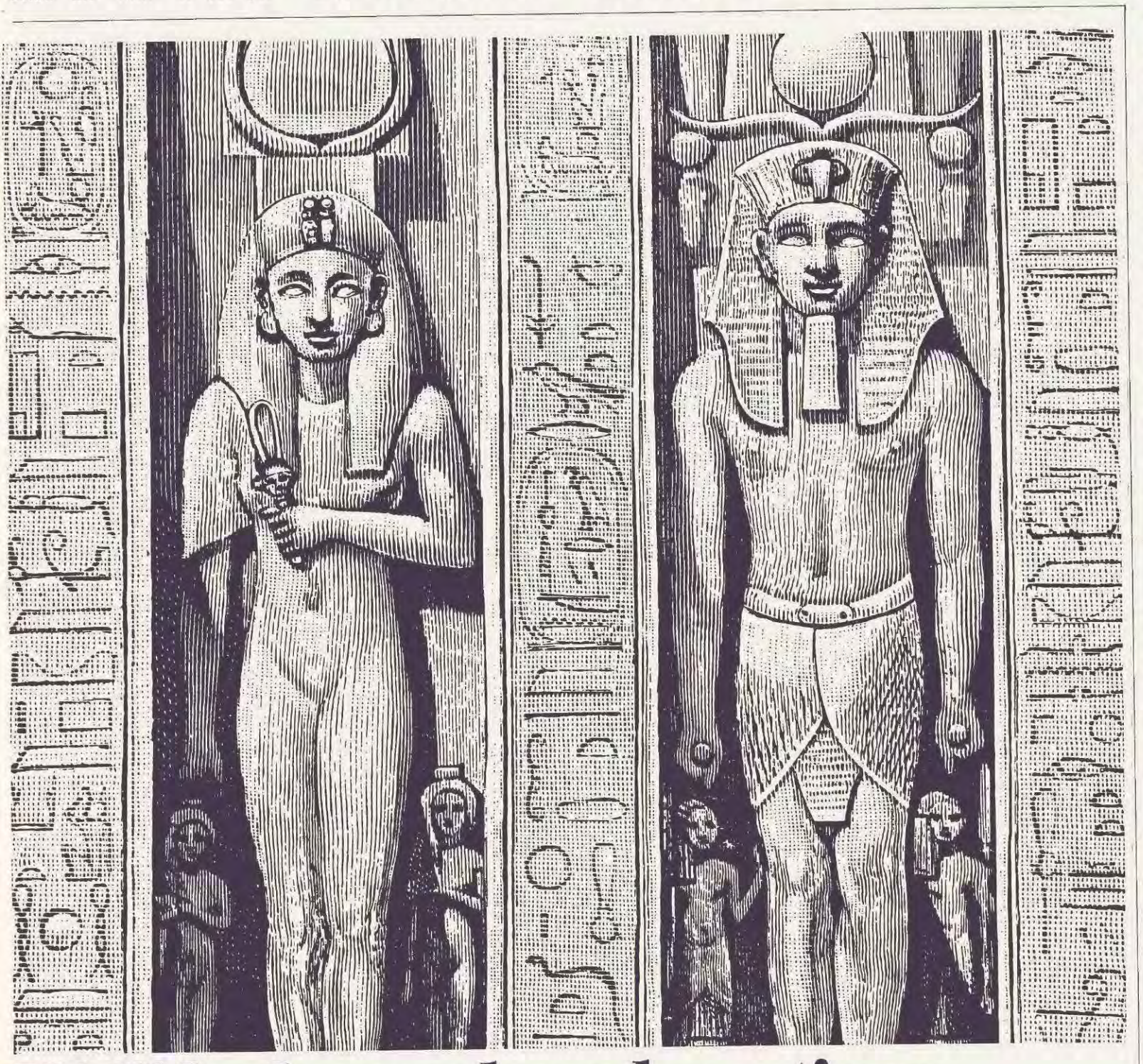
"Each employe gets an annual statement of how his account has been invested and what its results were," said Mr. Hanze. An employe becomes eligible for the supplemental unemployment plan after he's been with Lockheed at least a year. He receives the benefit in a lump sum payment that's tax exempt when he retires, is laid off for at least four weeks, enters the armed services, becomes totally and permanently disabled or if he quits and has 10 years of service with Lockheed. In the event of his death the assets in his SUB account are liquidated and are paid to his widow or surviving dependents."

COUPLED WITH the state unemployment insurance, a maximum of $65 per week, the supplemental benefit helps to replace a sizeable piece of the employe's salary. Lockheed's plan covers between 35,000 and 40,000 hourly employes. Salaried employes have a comparable savings plan in which they can contribute up to $6 a week which is matched by the company and placed in a trust with Manufacturers Hanover Trust Co.

The cost of managing such a fund as that of Lockheed's supplemental unemployment benefits plan is considerably more expensive than that of a pension fund. Although a computer program has to be used to keep up with all of the ins and outs of the "paper" action in the accounts, the administrative costs are considerable. A bank charges a flat rate for the administration plus an additional fee for investment management.

These fees inevitably come out of the assets of the SUB fund or out of the employes' unemployment benefit. However, companies often pay them officially out of their operating funds to take advantage of the tax exemption granted to such expenditures.

But how supplemental unemployment benefit funds are managed, and how they are funded are hardly the issues now. "The only thing that can deter the depletion of a SUB fund is a massive infusion of contributions. It hardly depends on how you manage it," declared Melvin Glasser, director of the United Auto Workers' social security department. ■



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Asks $20 million from Ford in class action suit

ATLANTA—A lawyer here, who claims he has had trouble getting repairs through warranty provisions on his 1969 Mercury station wagon, has filed a $20 million "class action" suit against Ford Motor Co. in a Georgia superior court.

Paul K. Silverman, 36, is asking that the court require that auto defects that come to light during the 12,000-mile or 12-month warranty period, be repaired under warranty provisions even if the work is done after the car is out of the warranty period. The suit notes that Ford and its dealers have "interpreted the language of the warranty to state that defects must be corrected" within the warranty time.

Mr. Silverman, who is inviting others to join in the class suit, also contends that Ford often gives dealers unrealistically small allowances for making needed repairs under warranty. Consequently, he said, there is "mistreatment of customers" by "improvising defect repairs, using temporary, makeshift and superficial techniques of patching a defect, so that the defect will reoccur after the warranty lapses and then the customer is billed heavily," he said in the suit.

"**ANOTHER** mistreatment of customers consists of delaying customers by assurances that the defect will be corrected at a later date," the suit goes on. "This method of deceiving customers is used where either the 12,000-mile or the 12-month limitation is very near."

Mr. Silverman is asking $20 million in punitive damages to prevent Ford "from implementing similar wrongdoings in the future" in addition to reimbursement for "repair bills for work that should have been warranty work, but where the effect of the warranty has been denied."

The lawyer, who said he has already been contacted by more than 50 persons with similar complaints, said he filed the suit because of problems he and his wife have had with their $6,000 Mercury station wagon, bought in late 1968. He claims that three defects in the car, which were allegedly discovered during the warranty period, still haven't been properly repaired although the car was brought in for servicing under the warranty provisions several times. The car is now out of the warranty period and the dealer has refused to repair the defects under warranty provisions, he said. The defects, he said, include a leak in the car and malfunctions of the air-conditioning system and the starter. ■

Pensions take bigger tax bite

BOSTON—Taxpayers in Massachusetts will be paying more than $200 million annually for state and local pension systems within three years. Earlier predictions said this figure would not be reached until 1976.

The latest findings are contained in the annual report on retirement allowance paid to former state and local employes released by the Massachusetts Taxpayers Foundation (MTF).

The report commented that pensions paid in 1968 to retired public employes and beneficiaries by state and local retirement boards totaled nearly $158 million and only 10% of the total retirement payments were supplied by retirees' contributions. The remaining 90% ($141 million) came from current tax revenues—a $25 million boost over the cost two years ago.

The foundation blames increases in annual pension costs on lengthening pension rolls. More public employes are retiring and living longer. Higher pensions are the vogue because of salary increases. Other contributing factors named were retroactive formula liberalizations and increases to retirees with pensions under $6,000. ■

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Hawaiian Enterprise insured for $21 million —$10,000 deductible

SAN FRANCISCO—If you are ever wandering along a beach in Hawaii or northern California, look out to sea and spy what you think is a rather large, pretentious looking yacht stacked high with provisions. Don't wonder too much about it. You have probably seen the S.S. Hawaiian Enterprise.

The Hawaiian Enterprise, owned by the Matson Navigation Co., is the largest containership (34,700 ton displacement) flying the American flag. She boasts a 32,000 horsepower engine and can turn 23 knots. When fully loaded she can carry 1,168 24′ trailers, 152 of them refrigerated, but she is equipped to handle vans of virtually any size. Her measurements are a buxon 72′ keel and a 95′ beam.

Matson insures the bulk of the vessel in the London market while the American Hull Insurance Syndicate writes 42.5% of the insurance on her.

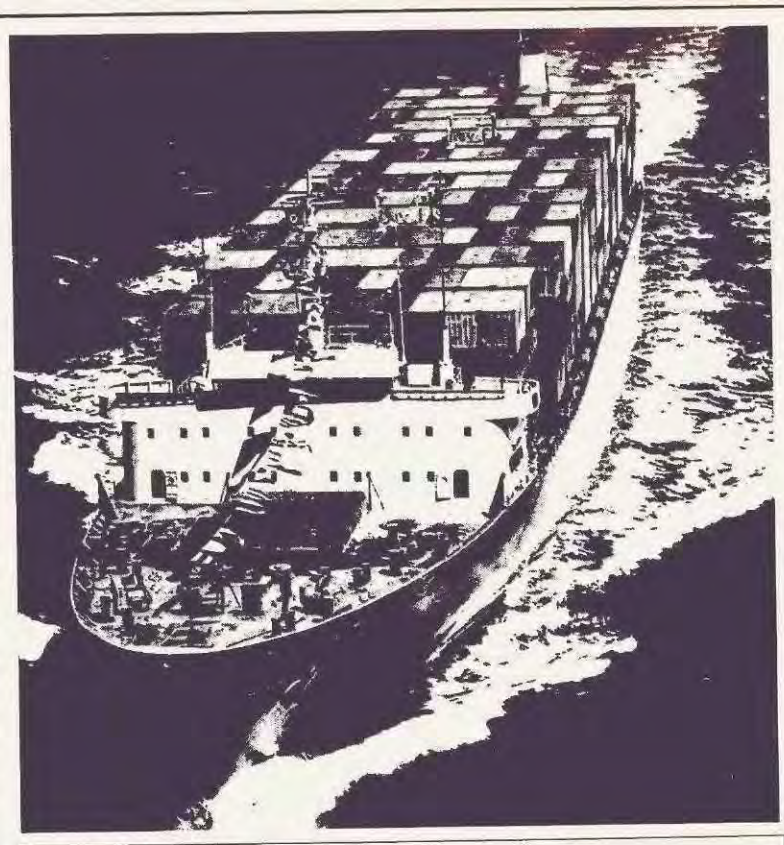
THE SHIP has been sailing since March of this year and has experienced no losses whatsoever. Even though she has a no-loss record, the Enterprise's insurance premiums are no lower than other containerships because she is covered as part of the Matson fleet. The American Hull Syndicate figures the loss ratio of the entire fleet rather than on individual vessels.

A spokesman at American Hull told *Business Insurance* that the Hawaiian Enterprise is a "well put together containership" and that if she continues with her no-loss record, she would definitely be a plus for the Matson fleet at policy renewal time.

The $21-million Enterprise is covered for full replacement value with a low deductible, "about $10,000," according to a source at Matson.

Built by the Bethlehem Steel Corp. at their Sparrows Point, Md., shipyard, the vessel is the first in a $60-million four-ship construction program undertaken by Matson. A sister ship, the S.S. Hawaiian Progress, is due for completion in September of this year. Two other containerships are under construction in Bremen, Germany, and are scheduled for completion in late 1970 and early 1971, respectively.

Despite her size, the highly automated Enterprise is fast on the water and can be loaded and unloaded easily and rapidly once in port. On her maiden voyage the ship cut more than a full day from the usual 5½ day West Coast-to-Honolulu run. ■



U. K. insurers get $1.2 billion from U. S.

LONDON—Premium income received by Britain's top 300 insurance companies from business in the United States totaled nearly $1.2 billion last year, a rise of 6% over the 1968 total, according to figures released to *Business Insurance* by the British Insurance Assn.

The sum does not include premiums payable to Lloyd's underwriters, who will issue their accounts separately later in the year.

The results of these leading British insurance companies' work in the U.S. led to an underwriting loss of $40 million, but this was more than covered by investment income totaling more than $75 million.

UNDERWRITING losses in the U.S. market for these British companies resulted principally from auto insurance and homeowners business.

Basil Robarts, of the Norwich Union group, who is chairman of the British Insurance Assn., comments:

"Inflation and the difficulty of raising premiums because of state control of rates has made profitable underwriting increasingly difficult in the U.S. market. To improve the situation, insurers are adjusting their portfolios and shedding unprofitable business."

Worldwide premium income for these 300 British insurance companies rose last year to more than $8 billion, an increase of 6%.

N.Y. campus destruction self-insured

ALBANY—Insurance companies faced with huge losses as a result of violence and destruction on the nation's campuses will not be able to point to New York state-operated institutions of learning when they cite loss figures for the past academic year.

A report released here the other day by John J. Mather, an assistant to Chancellor Samuel B. Gould, reveals that damage at 18 of the State University of New York's 26 colleges and centers totaled $518,500 in the 1969-70 academic year. Not a cent of it, Mr. Mather told *Business Insurance*, is insured. For the most part, New York self-insures state properties.

Most of the damage, said Mr. Mather, occurred at four centers in the system. They are the University of Buffalo, with $223,000 in damages; Albany, $85,000, Stony Brook, $78,000, and the State University College at Buffalo, $92,463.

Most of the damage, with the exception of that at the Buffalo campus, occurred after May 4 in the wake of the National Guard shooting deaths of four students at Kent State in Ohio and Jackson State in Mississippi and the American intervention in Cambodia, the report notes. Most of the damage was as a result of the work of arsonists who acted singly or in small groups, it added.

"It is quite clear," Mr. Mather said in the report, "that new efforts must be made to meet disorders formented by extreme radicals. Furthermore, greater effort must also be made to present campus disorders accurately and in context to ensure public understanding and support of higher education." ■

Knight elected vp

Marsh & McLennan Inc., international insurance brokers and employe benefits consultants, has named Robert P. Knight senior vp.



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High school girls make movie, end up provoking a $1 million libel suit

BEND, Ore.—Give two high school girls a movie camera, turn them loose to make a film instead of writing term papers for their honors English class and what do you get? A $1-million libel suit.

The suit was filed by Rudolph J. Moberg, an auto sales manager, against the school district here and five teachers. The two girls have not yet been named in the suit.

Mr. Moberg is suing for $200,000 in punitive damages and $50,000 in general damages for each of the four times the film has been shown. The film, "Sick America," has reportedly been viewed by about 260 students in three English classes and a sociology class. Mr. Moberg and the board of Deschutes County School District No. 1 have also seen the movie.

THE TEACHERS are covered for their liability by their membership in the Oregon Educational Assn. That policy is written by the Horace Mann Mutual Insurance Co., Springfield, Ill., and has a limit of $100,000 per teacher. The personal and occupational liability section of the policy covers libel and slander as well as more standard teacher complaints like corporal punishment damages.

When asked by *Business Insurance* if the suit would put a strain on their coverage capabilities, a spokesman at the association replied, "A million dollars. Wouldn't that put a strain on anybody?"

School officials involved refuse to discuss the incident but it is reported the liability is covered by a blanket policy carried by the school district.

Mr. Moberg "stars" in about a minute long section of the film. He is shown conducting a business transaction on his car lot with a teen aged girl. The background music of the sequence is a rock record which speaks about drug pushing.

HIS SUIT, however, does not stop with personal injury damages. Mr. Moberg contends that the film ridicules the American government, its officers, other American institutions, Christianity, businessmen and armed force personnel.

Mr. Moberg also charges that "the teachers knew that the words and pictures and meanings were false."

The suit states that he is "considered to be a moral and upright person by his neighbors and members of the community with which he is acquainted, and has always been honest and upright in his trade and occupation."

The suit has not yet gone to court. ■

Say pension funds should build offices

SAN FRANCISCO—The city retirement board which hitherto has resisted all attempts by the city administration to "borrow" from its $480 million, and ever-growing, employe pension fund, may be about to "give in."

Chief administrative officer Thomas J. Mellon has appealed to the board twice in the last seven months for a $40 million loan to finance a new court house and renovate existing city offices. A three-member committee of the board, which rejected all of Mr. Mellon's earlier appeals, this week invited him to return with a proposal that would construct a modern city office building.

Daniel Mattrocce, executive director of the retirement system, said, "The committee believed the use of pension funds would be better for a city office building than for a court house."

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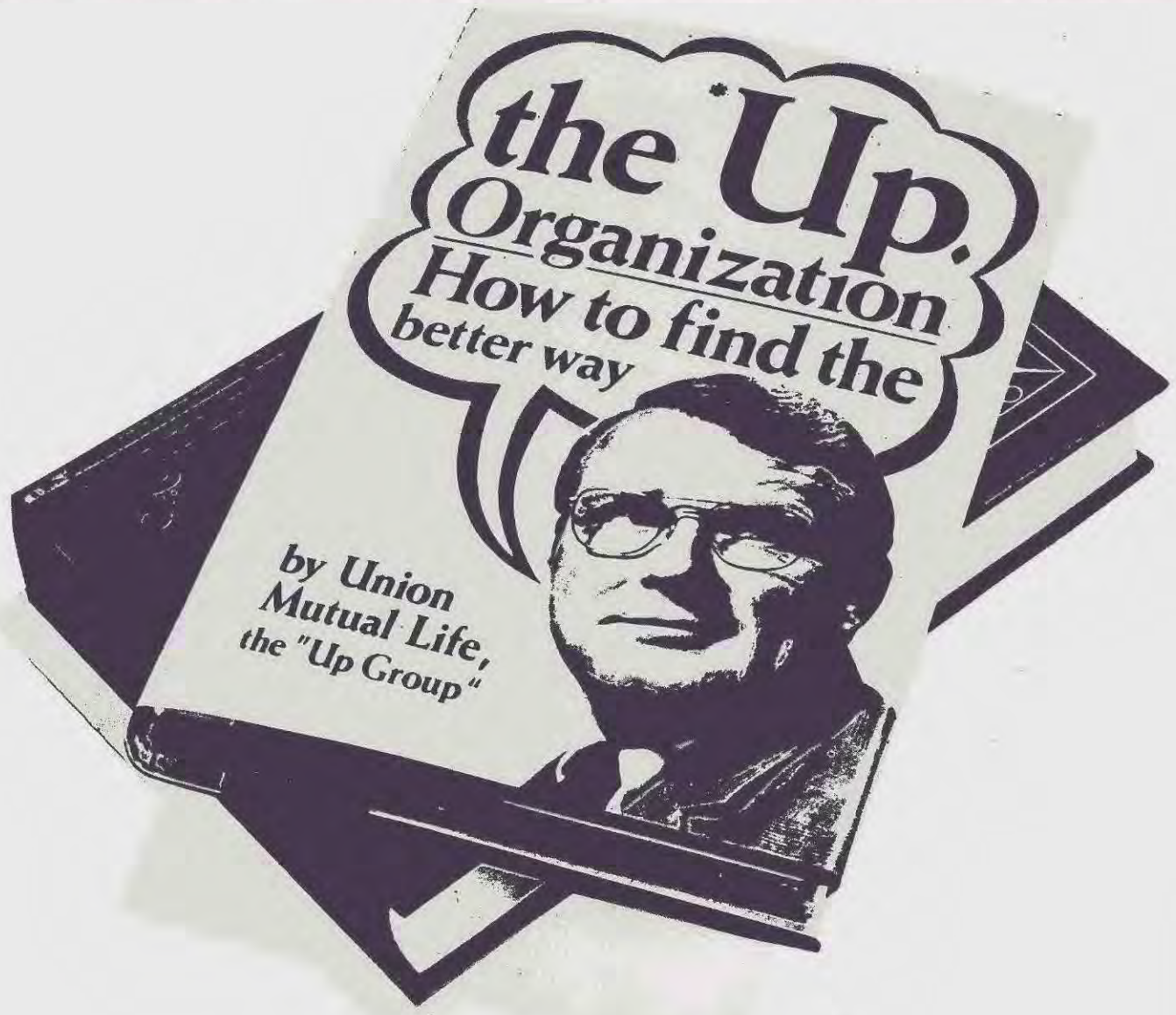
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Giles on the law

Trend is to implied warranty in the sale of new homes by builder-vendors

By JOHN W. GILES
Attorney at law

WASHINGTON—Courts have recently moved away from the harsh doctrine of caveat emptor in the sale of new houses and have recognized the existence of an implied warranty of fitness in a routine sale of a new dwelling. In the past ten years six states have recognized an implied warranty—of inhabitability, sound workmanship or proper construction, in the sale of new homes by builder-vendors.

These cases express concern that the buyers of new homes, especially in large developments, are not on an equal footing with the builder-vendor. They are no more able to protect themselves than are buyers of mass-produced automobiles.

Two recent cases illustrate this trend. In Arkansas, it was recently held that the builder-vendor of a house was liable to the original vendee for water damage caused when rain seeped into the house from ductwork embedded in the concrete floor, even though the vendor had signed a contract of sale, prior to the delivery of the deed, that stated that he had inspected the property and did not rely on any warranties. The court pointed out that the ductwork was laid beneath a concrete floor and could not possibly have been discovered by even the most careful inspection. The contract clause applies only to defects that might reasonably have been discovered in an inspection made by the purchaser of average experience in such matters.

In a Vermont case, it was held that the builder-vendor of a house that had faulty foundation and floors and an improperly graded lot is liable to the original vendee for breach of an implied warranty of structural fitness even though the sales contract has been signed before the house was completed and title passed. The Vermont court said "the ancient distinctions which support the doctrine of caveat emptor make no sense in today's society and tend to discredit the law. Therefore, Vermont will apply a warranty against structural defects. Although the sales contract in this case was entered into *before* the completion of the house, there is no rational doctrine basis for differentiating between the sale of a newly-constructed house and the sale of an automobile. (Ark. Sup. Ct.—*Wawak* v. *Stewart* 2/2/70; Vt. Supreme Court—*Rothberg* v. *Olenik* 2/3/70.)

* * *

IS A DEPUTY sheriff liable if he has a clear opportunity to arrest drivers for flagrant violations of law and fails to do so, and, as the result, plaintiff's decedent is killed in a collision?

The supreme court of Arizona says that he is. The violations here were committed in the presence of the deputy sheriff. The court observed that the doctrine of official or executive immunity is unavailable to an individual law-enforcement officer. (*Massingill* v. *Yuma County*. 451 Pac. 2nd 639.)

* * *

IN THE CASE of *Sterling Drug* v. *Yarrow* it was ruled detail men of a drug manufacturer must personally warn physicians of the side effects of a particular drug, or suffer the consequences.

That same court has upheld a half million dollar judgment against Parke Davis & Co., in which an infant suffered brain damage as the result of a detail man telling a doctor that the new vaccine he was selling would cause about the same reaction as an older type of drug.

The warning just was not enough. The vaccine was for immunization against four diseases, diptheria, whooping cough, tetanus and polio. It was a successor to the old three disease vaccine. But the new combination caused the whooping cough component to lose its potency and resulted in severe reactions.

The child suffered convulsions and serious brain damage after the second injection of the new vaccine. The court upheld the trial court's finding that the drug was defective, and said that the maker had breached its implied warranty of fitness.

The court ruled that the manufacturer was negligent, both in warning physicians and in testing the drug. The detail men only imparted to the purchaser what appeared on the package insert, and that, said the court, was inadequate. The company had previously received several reports of physicians of severe reactions to the vaccine and one report of a child who had died after receiving the vaccine.

The court approved the trial court's finding that the maker's investigation of these reports and its testing of the vaccine after receiving them was inadequate and negligent. (CA 8—*Parke Davis & Co.* v. *Stromsodt* 6/9/69.)

* * *

A THOROUGHLY INEBRIAT-

Continued on page 40



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Research . . .

Continued from page 7

plans to demand that this formula be raised to 1.7% of the employe's average earnings in the last five years of service times the number of years' service in all pension plans of those oil and chemical companies involved in the contract negotiations.

In addition, the union will ask that employes be allowed to retire at age 62 without an actuarial reduction of their pension benefits. The union also wants all coordination of pension benefits with Social Security benefits to be done away with. Currently retired employes are not to be forgotten in the negotiations either. A 10% increase in their pensions will also be included among the fringe benefit improvement demands.

These fringe benefit improvements will be ratified with the workers covered under labor-management negotiated contracts in the oil and chemical industries before they are officially presented to the management negotiators next fall, the spokesman explained. Some 80,000 union members are now covered under oil industry contracts with the union while nearly 90,000 are covered by chemical industry union contracts. ■

Large-loss fires cost $400 million last year, up 25% over 1968 figure

BOSTON—Losses from major fires in the U. S. rose by more than 25% last year, according to the National Fire Protection Assn. (NFPA). The association estimates that fires causing damage of $250,000 or more totaled slightly less than $400 million, up $85 million from the year before when a similar number of large-loss fires occurred.

The NFPA estimate is based on damage caused by 491 fires involving buildings of all types, industrial facilities, transportation equipment, forests and other property. In 1968, 487 such fires occurred.

Industrial facilities accounted for approximately $122 million or roughly one-third of the total in the large-loss category. The largest such fire reported was the $45 million property loss at the Rocky Flats plant of the Atomic Energy Commission in Golden, Col. The year's second largest property damage fire was the more than $15 million loss that occurred at the 11-acre warehouse of the Stop & Shop food store chain in Boston.

THE NFPA also reported that four other building fires topped the $5 million mark during 1969.

One of these occurred on Jan. 1, 1969, when five industrial buildings in Webster, Mass., went up in flames. Damage from that blaze amounted to about $10 million.

A five-story shopping center complex in Omaha, Neb., was destroyed Oct. 17, causing damage that totaled about $5.5 million. Later that month an explosion at the Union Carbide Corp. ethylene complex in Texas City, Tex., caused property damage of $5 million. Another $5 million loss occurred Sept. 6 in a 15-building industrial complex—the Appon-aug Mill Industries—in Warwick, R. I.

The computer manufacturing plant of Radio Corporation of America at Palm Beach Garden, Fla., accounted for $4.5 million in damage April 12. Two fires costing $3 million each involved a piano factory in Memphis and a paper manufacturing plant in Elizabeth, La.

OTHER industrial fires with losses of $2 million or more in the NFPA roundup included the following: a $2.3 million fire June 13 at Kaysam Corp. of America, a plastics manufacturing plant in Paterson, N. J.; a $2.3 million fire July 29 at the Oregon-Idaho Frozen Food Corp., Portland, Ore.; a $2.25 million fire June 11 at Massey Ferguson's machinery manufacturing plant in Stockton, Calif.; a $2 million fire March 1 at Pacific Trail Sportswear, Seattle, Wash.; and a $2 million fire Oct. 18 at an American Cyanamid Co. chemical plant at Willow Island, W. Va.

The most serious transportation fire in 1969 occurred on Oct. 16 when an $11 million DC-8 aircraft overran the runway at Stockton (Calif.) Metropolitan Airport during a training session, struck a roadway and caught fire before exploding.

The NFPA also noted there were 17 large-loss restaurant and night club fires, in which damage totaled $12 million. This was $6.5 million more than 13 major fires in 1968 in this category.

In addition, three church fires each cost $1 million or slightly more during the year. They occurred at the Rockford (Ill.) Methodist Church, Shaaray Tefila Synagogue in Far Rockaqay, N. Y., and Christ Church United Methodist in Charleston, W. Va. In all, the NFPA reports, there were 10 major church fires in the U. S. taking a toll of property valued at $5.8 million, about $2 million more than the 1968 total of eight major church blazes.

Seven large-loss hotel fires and one in a motel destroyed property with a total value of $6 million. That figure, the NFPA noted, represents five fewer fires than in 1968 but the dollar loss rose about $300,000. ■

Music group gets group coverage

NASHVILLE, Tenn.—The Country Music Assn. has developed a new group accident insurance plan for its dues-paying members or their full-time employes.

The plan, which covers those members and employes under the age of 70 in the U.S. or Canada, offers accidental death and dismemberment protection 24 hours a day, on or off the job, around the world. The cost is less than a dollar a year for each $1,000 coverage, from $10,000 to $100,000.

The new program includes an optional family plan for wives and dependent children as well as offering a choice of annual, semi-annual or quarterly premiums.

Coverage includes flying as a passenger on commercial airlines, Military Airlift Command and other civilian aircraft including planes owned or operated by the member's employer.

The insurance plan is carried by the Home Insurance Co. of New York and administrated by the Mid-South Benefit Plans Inc. of Nashville. ■

$3.8 million suit against 3 U.S. firms

DETROIT—Thirteen Canadian families are suing three United States firms for $3.8 million in damages allegedly caused by American pollution drifting over the Detroit River into the Windsor, Ont., area.

A civil suit was filed in a U.S. Federal Court here against Great Lakes Steel, Allied Chemicals and Detroit Edison.

The 33 individuals are seeking $1 million punitive damages from each of the Detroit-area firms for "willfully and wantonly jeopardizing their health." In addition the three companies are being sued together for a total of $795,000 compensatory damages.

Donnelly Hadden, an American attorney for the Canadian group, said the suit is a class action, which other residents may join, and other defendants may be cited before the case comes to trial.

He said the damages are being sought for diminuation of property value, damage to property, medical expenses and loss of the normal use and enjoyment of homes. ■

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Legal showdown in pollution case avoided

STAMFORD, Conn.—A legal showdown between the Stamford City Health Department and the Polycast Technology Corp. over air pollution has been avoided with agreement between the two parties to drop pending law suits (*Business Insurance*, July 6).

Mayor Julius Wilensky said that the agreement included an admission from Polycast of existence "of an odor nuisance" and acknowledgement of responsibility to clear it up.

Polycast had filed suit in Stamford superior court against the city for $1 million—including a $100,000 suit against health director, Dr. Ralph Gofstein—for allegedly exceeding authority in trying to enforce air pollution standards on Polycast.

THE HEALTH department, in turn, brought an arrest warrant against Polycast president Paul R. Daddonn, charging failure to comply with Stamford's clean air and water regulations.

Announcement of the agreement triggered a protest demonstration at city hall by 20 Yale law students, charging a mayoral "sell-out."

Stamford saw legal efforts against Polycast under way as long ago as five years when citizens of neighboring communities brought the firm to court to force it to do something about what was called a "very smelly" situation.

The suit succeeded, but then the company changed its name, thereby avoiding responsibilities under the law suit to conform to the court ruling.

SOME WEEKS AGO, health department representatives were stoned by Polycast workers.

Polycast, which makes plexiglass for military use, has conducted an anti-health department campaign through full-page newspaper ads and with trucks carrying the American flag. ■

Giles . . .

Continued from page 38

ed seaman was wending his way back from shore leave to his Coast Guard cutter. The ship lay in a floating drydock, making it necessary for the seaman to pass along the drydock wall to go on board.

Atop the wall, he took it upon himself, for no apparent reason, to turn three heavy wheels that controlled the water level in the drydock. As a result, the ship began to list and then fell off its blocks against the wall. Both the ship and the drydock partially sank.

The owner of the sunken drydock brought suit against the United States, which he claimed was vicariously liable for the seaman's tortious action. The district court held for the plaintiff and the court of appeals affirmed, saying that liability should be imposed on the United States, because whatever the seaman's motive may have been, the injury was within the "characteristic" risks attendant upon the operation of a ship. (See *Bushey* v. *United States*. 398 Fed. 2nd 167. (1968).)

* * *

IN NEW JERSEY, the insured was covered by both a home owner's insurance policy and a fire policy. Neither of these covered damage to the business merchandise in the basement.

The insured was leaving on his vacation and desired to have the merchandise in question insured. He contacted the company's agent who stated: "We can cover you for $7,500 and you are fully covered."

Neither one of them discussed the perils actually covered by the policy. The agent here should be held to have understood that the possibility of water damage from bursting pipes in the basement is a common peril against which protection would be denied and expected.

The fire policy which was subsequently mailed was lengthy, confusing and ambiguous, and while it provided no coverage for the merchandise, the average person, if he could struggle through the fine print and uncommon verbiage, could hardly be said to have been so alerted.

In holding the insured liable, the court said by justifiably relying on the insurer's superior knowledge, the insured has been prevented from procuring the desired coverage elsewhere. To reject this approach because a new contract is thereby made for the parties, would be an unfortunate triumph of form over substance. (N. J. Sup. Ct. *Harr* v. *Allstate Ins. Co.* 6/30/69.)

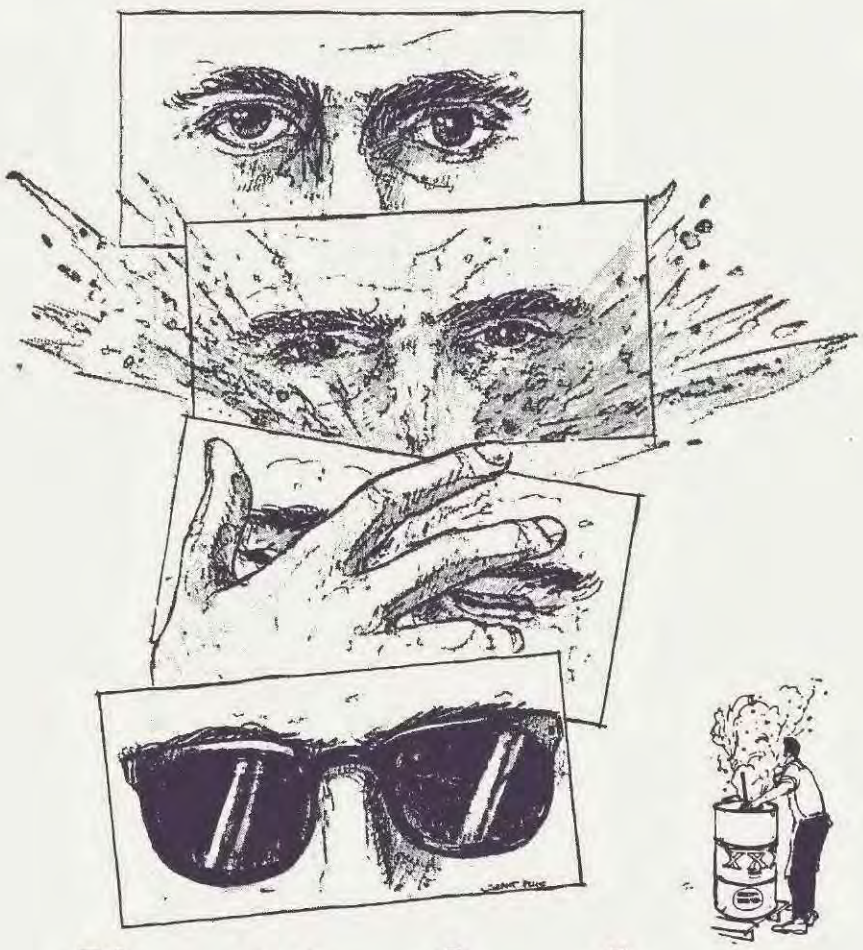
* * *

ARE INJURED employes liviong on the premises of the employer entitled to workmen's compensation? The court of appeals of Ohio says "yes" and states that if an employe is required to live on the employer's premises, either by the express terms of the contract of employment or under conditions of practical necessity, an accident occurring during occupancy of the housing facilities is compensable under the workmen's compensation law.

The plaintiff's decedent, who had been burned to death when a bunkhouse on the employer's premises exploded, was a fixed-hour employe and not on call or subject to continuous employment. (*Pearson* v. *Taylor Fruit Farm*-248 N.E. 2nd 231.)

* * *

WHEN A POLICY says that a particular type safe must be used to store money and securities when the premises are not open for business, it means what it says—and usually it is explained to the insured at the time the policy is issued. Noncompliance with this provision of this policy cost the losers the value of the stolen property in a recent case in the Federal court in Florida. (*Jefferson Realty of South Dade, Inc.*, v. *Fidelity & Deposit Co. of Maryland* 410 Fed. 2nd 847.) ■



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benefit tax slants

IRS goes along with decision on assignment of group life coverage

BY JOSEPH S. ROBINSON

NEW YORK—Some time ago, the tax court recognized effective assignments of group life insurance to remove policy proceeds from the estate of the insured. The court held that such group insurance transfer to the insured's wife was not to be included among the insured's taxable assets.

The Treasury has announced its acquiescence to this decision. (See Gorby, 53 T.C. 80 Acq. I.R.B. 1970-18, P.5.)

To illustrate the significance of the ruling to a company executive, let's assume that John Doe has $200,000 in group insurance on top of $200,000 in other assets. Let's also assume that Mr Doe's expenses and debts would amount to 10% were he to die.

If he effectively had transferred the ownership of his group life insurance to his children while alive and left one-half of his estate to his wife, he could have saved roughly $24,000 in death taxes. Here's how the figures shape up:

His gross estate would be $200,000, since the group insurance would be out of his estate. After deducting expenses of 10% ($20,000), the marital deduction would have come to $90,000 (50% of the "adjusted gross estate" of $180,000). Deducting the $60,000 flat estate exemption, Mr. Doe's taxable estate would have been reduced to just $30,000. The tax on that is only $3,000. On the other hand, assuming the $200,000 insurance was left in his estate, the tax could have zoomed to $26,700—a difference of $23,700.

* * *

IF YOU WANT to pick up the favorable capital gains treatment when you draw down your pension benefits, you must sever your employment relationship. In other words, you must quit or retire.

Some employes enter into an arrangement with their company in which they agree to offer their services as a consultant after they retire. Internal Revenue has spelled out its tax position on such matters.

A consulting agreement should not contain any fixed schedule of duties or assignments on the part of a former employe if he wants capital gains on lump-sum pension payouts. What's more, the agreement should stipulate that the former employer will not exercise supervision over the former employe in the performance of his advisory services and will not require his compliance with detailed orders or instructions.

These guidelines, if observed will preserve the favorable tax treatment on distributions from a qualified pension or profit-sharing plan. (See Rev. Rul. 69-647.)

* * *

A SEPARATION agreement is no bar to a widow's pension. A married couple entered into a separation agreement in which each gave up all rights to the other's property. Some years later, the husband died. At the time he was a participant in his company's pension plan, which provided that in the event of his death his widow would be entitled to a pension.

Held: The wife's separation from her husband at the time of his death did not make her any less his widow. So she has the right to the widow's benefits under the pension plan. What's more, the fact that both parties relinquished the right to the property of the other did not alter the widow's rights as a third-party beneficiary. So says a North Carolina Court. *(See Tobacco Group Ltd. v Peoples Bank & Trust Co.* 17 N. C. App. 202—1970.)

* * *

LIFE INSURANCE premiums insuring an employe were paid by his company. The employe was permitted to name the beneficiary, collect disability payments, or receive an annuity when he retired. The firm reserved the right to surrender the policy for cash at any time.

Held: This latter right to cash value made the employer an indirect policy beneficiary. That means the employer could not deduct the premium payments. So says Internal Revenue.

* * *

TO OBTAIN the customary favorable tax results, a group, term insurance plan providing permanent insurance to any employe must offer it to all employes. And that's so even if different contracts cover different employes (e.g., by age category.)

A BUSINESS expense deduction was denied an engineer for cost of meals during one-day business trips . . . he wasn't away from home when trips were made. True, the engineer worked almost 18 hours per day and rested briefly in his car, still he always returned home at night. (See Barry 54 TC No. 115.) ■

Calls health industry 'laissez-faire'

TAHOE CITY, Cal.—Einar Mohn, director of the Western Conference of Teamsters, has charged the health industry with being "the last, greatest private reserve of laissez-faire economics in our society." Mr. Mohn, who also is chairman of labor's California Council of Health Plan Alternatives, made the accusation before the Sacramento Valley Counties' regional postgraduate institute here.

He told the group of California doctors attending the institute that "the medical community is unresponsive to social issues.

"Organizations of physicians," he delared, "while enjoying awesome power, have failed tragically in exercising that power to improve American life."

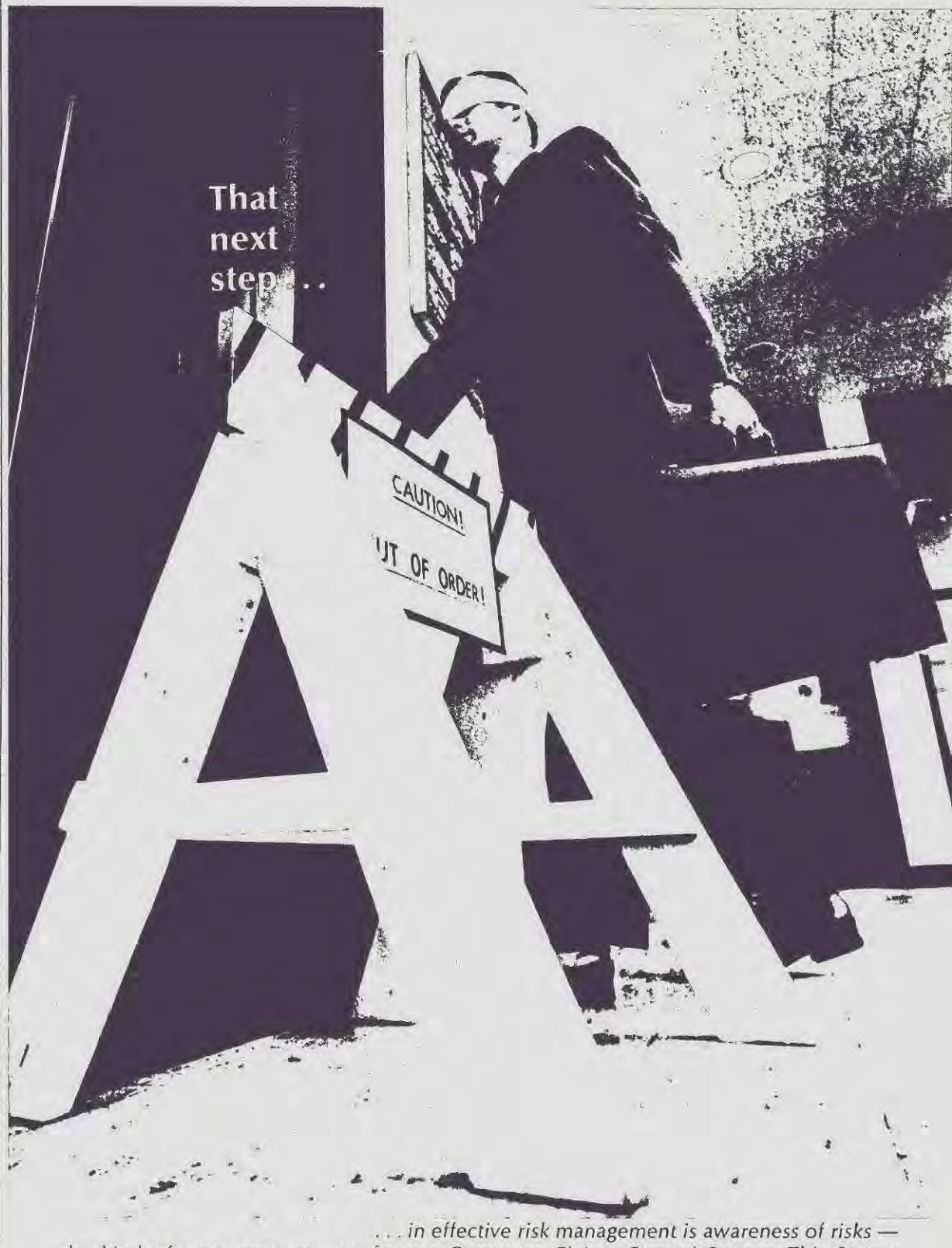
Mr. Mohn criticized the doctors and hospitals for failing to improve systems for delivering health care. ■



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london line

New guide to tanker safety coming from London's Petroleum Institute

LONDON—The Institute of Petroleum in London has announced that a new guide on tanker safety will shortly be available as a result of research by the International Oil Tanker Terminal Safety Group.

The American Petroleum Institute and other international bodies have cooperated in the production of the guide, which will include a review of the evolution and dispersal of hydrocarbon gas in tankers.

Ten major oil companies have been helping since 1966 to produce the guide. It will cover the framework of international procedures and codes as far as the safe operation of terminal and tanker facilities is concerned.

* * *

A GOVERNMENT inquiry into all aspects of insurance business in Eire is being started this year. Insurance brokers have complained that premiums are too high, and competition is restricted. Auto insurance will be among factors to be reviewed by the Ministry for Industry and Commerce.

* * *

AIRLINE PILOT Cornelius John Donovan, 58, of London, has won an important court case against his former employers, Invicta Airways, who had dismissed him while he was flying for them five years ago.

He claimed that he was asked on three occasions to take utterly unjustifiable risks, which might have jeopardised passengers as well as airline crew.

Three British High Court judges have agreed that he was entitled to damages for wrongful dismissal, as he was fired after refusing to "cut corners" in order to speed up operations for the airline, which had employed him at $750 a month.

He was a wartime fighter pilot with the Royal Air Force, and later flew with British European Airways.

* * *

BECAUSE THE SEX-life of a London workman was ruined when a three-pound spanner fell on his head while he was helping to build a tower at a cable works, he has been awarded $40,000 damages. Judge Denning declared: "The accident has affected not only his entire way of life with his wife, but her life as well."

Medical experts found that the nerve filaments of his brain were damaged through the accident, and that he had ceased to be a happy man.

The judge awarded him $15,000 because he had become impotent, and $25,000 for other injuries, such as spinal damage, which had contributed to his breakdown.

* * *

BRITISH COURTS are being asked to settle a dispute between Lloyd's underwriters and the Panamanian Oriental Steamship Corp. of Panama, over the seizure of the Panamanian ship Anita in Saigon four years ago.

The owners claim that it was a total loss because it was confiscated by South Vietnam authorities after radios and suspected smuggled goods had been found by the harbor authorities, and had become useless after lying in Saigon harbor since 1966.

But the Lloyd's syndicate, which is being sued for $150,000 under a war risk policy extending to Saigon, is resisting the claim on the ground that the ship was only seized for breach of customs regulations even though it was in a warlike zone, and that this offense was naturally excluded from cover by the usual clauses.

A High Court judge is being asked to decide whether the seizure was for breach of war security in South Vietnam, as the action was taken by a special tribunal, or just for ordinary suspected smuggling.

* * *

BRITAIN'S big international airline, British Overseas Airways Corp., is awaiting the final prospectus of the new proposed world airlines' captive company for the jumbo-jet era.

It is believed this may vary in material respects from the earlier draft prospectus, though details are not available yet here.

But BOAC hopes to complete its evaluation, before deciding its approach to jumbo-jet cover, shortly. It has not yet decided whether to join the captive, or to wait and see what happens.

* * *

SHIP CAPTAINS entering Britain this summer will all get official copies of a government leaflet warning them against the dangers of oil pollution. On arrival at ports, they will be reminded of the penalties under international conventions, and the need to use port facilities for discharge of oily residues.

Britain has forbidden oil discharges round its coasts as well as into part of the Atlantic, and foreign ships that infringe on the ban will be reported to their governments for legal proceedings.

The primary aim of the leaflet is to remind ships' crews to avoid pollution, in preference to having penalties imposed on them.

* * *

THE GARD P and I Club (protection and indemnity), of Arendal, Norway, has arranged membership in TOVALOP for about 70% of its tanker membership, it is reported. This represents about 2.5 million gross tons. TOVALOP is the Tanker Owners Voluntary Agreement on Liability for Oil Pollution. ■

Ask for tough security program to stop hijacks

MONTREAL—A special two-week meeting of the International Civil Aviation Organization, a United Nations agency, closed with all countries asked to unite behind a tough security program to protect planes and passengers from hijackings, acts of sabotage and armed attacks on the ground.

After a debate, the 300 delegates from 91 countries decided not to apply sanctions against countries that do not measure up to the organization's prescribed safety standards. They did, however, pass a resolution calling for more strict guarding policies at airports. To become effective, the resolution, which was passed almost unanimously, must be upheld by the national laws of the member states.

Another resolution to deter acts of sabotage and armed attacks on the ground recommended that airport personnel install high fences equipped with electronic alarm systems and bright lighting around all airport premises. The resolution also called for the careful checking of passengers; strict screening of anyone entering the departure side of terminals; and close inspection of unaccompanied baggage and packages.

THE RESOLUTION also called for the creation of special security patrols for the "maximum segregation and special guarding of aircraft during stop-overs."

The part of the declaration which condemned all acts of violence against any civil aircraft was supported by all members except a few Arab delegations. While reserving their position, the Arab members did condemn acts of violence but also condemned the use of civil aircraft for carrying arms and other military equipment.

The meeting adjourned with all members urged to support a conference, slated for next December at The Hague, which will deal more comprehensively with hijackings. Another conference, to be held no later than summer of 1971, will deal specifically and comprehensively with saboteurs and ground attackers. ■

$426,000 LIRR loss is insured

NEW YORK—A fire, which almost completely destroyed two Long Island Railroad Budd cars, will cost the railroad insurance underwriters pool and the Travelers Insurance Co. a total of $426,000.

According to a source, the line carries no self-insurance on its property covers. There is, however, a $25,000 deductible on the loss.

The blaze, believed to have been caused by a short in the electrical system of one of the cars, injured one fireman but no passengers were involved. Three parked cars were damaged by the intense heat at the rail line's yards in Jamaica.

AFTER THE electrical system shorted out on one of the $213,000 cars, the fire appeared to have smoldered before destroying the carriages of the two cars.

The rail source told *Business Insurance* that the undersides of the cars were not too badly damaged and that a salvage operation on the undercarriages only was not out of the question. "The interiors were completely destroyed," he added.

Another LIRR spokesman was quoted in a newspaper article as saying, "This is not an unusual occurrence. It has happened before with passengers aboard, but they are always evacuated" if the cars are smoldering.

The spokesman added, "Nothing is fireproof. It (fabric covered seats and carpeted floors) was fire resistant material. Once it got going it was pretty hot."

The cars were manufactured by the Budd Co. of Philadelphia. Budd cars have been the source of many of the LIRR's commuter service problems in the past, particularly during cold weather. ■

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Except maybe yours, gentle reader. Because it's not your hotel. And it's not your wife.

It's only your insurance company.

But if the company that insures you is the kind of company that always bails out its policyholders with money, you don't even have an insurance company. All you've really got is a policy. A very expensive policy. Because somebody (meaning everybody) has to pay for all those paid-up claims.

Consolidated thinks you deserve more than placated claimants to show for all those premiums.

Consolidated thinks you deserve a genuine, loss-preventing, claims-investigating insurance company. A company that knows when and how to use its ingenuity and when and how to use its money.

As in the case of Andrews vs. Andrews, when a Consolidated claims man bargained on the theory that true love could even avert a possible invasion of privacy suit.

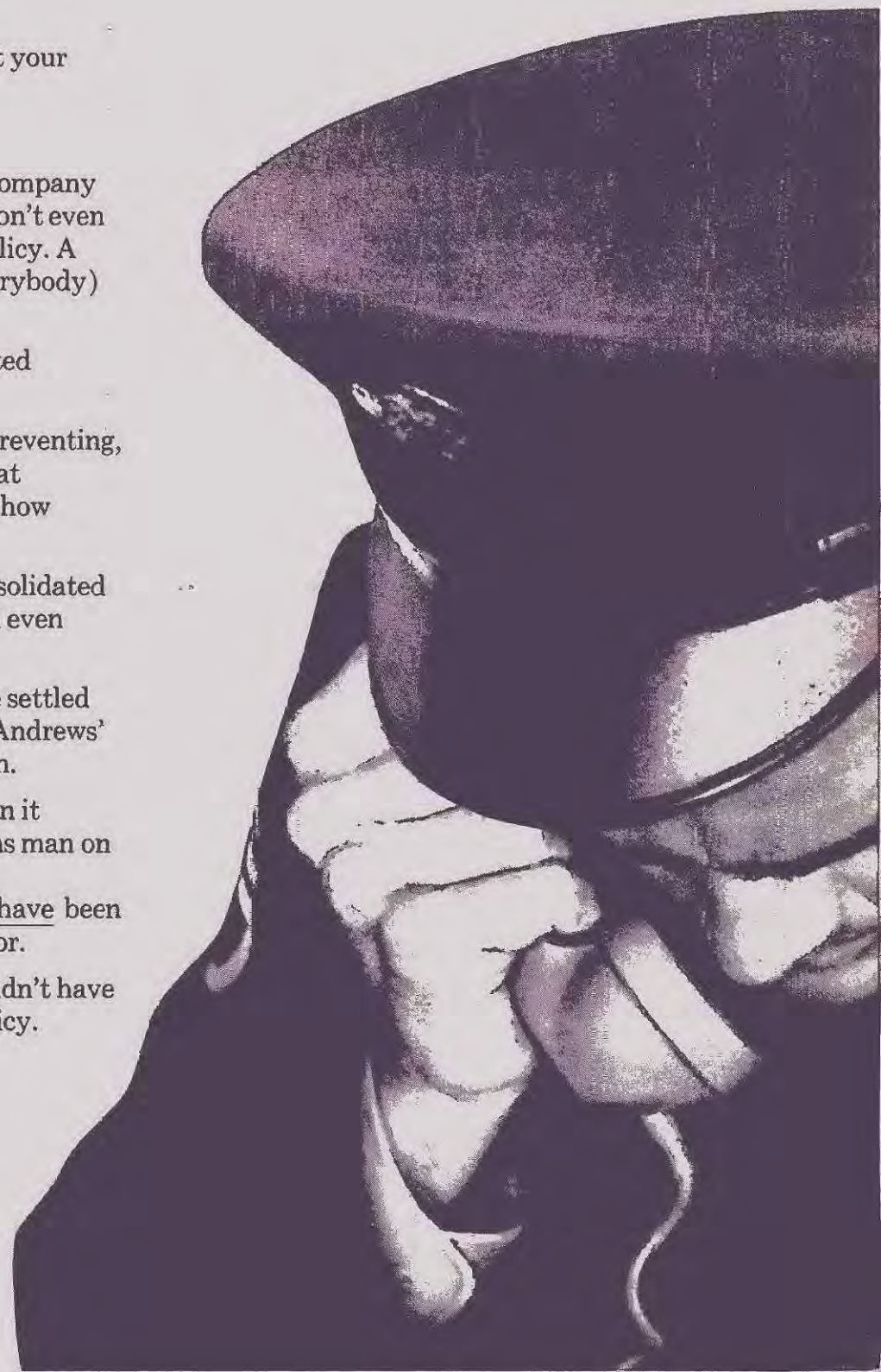
In the hotel when the comedy of errors occurred, he settled the fracas on the spot by scouting down Staff Sergeant Andrews' young bride and bringing her to the elder Andrews' room.

Not that all potential claimants are push-overs when it comes to honeymooners. Not that there's always a claims man on the scene to save the day. But in the absence of either, Consolidated's omnipresent loss prevention engineers have been known to send more than one desk clerk to the eye doctor.

Something to think about if your agent or broker didn't have the foresight to find you a company instead of just a policy.

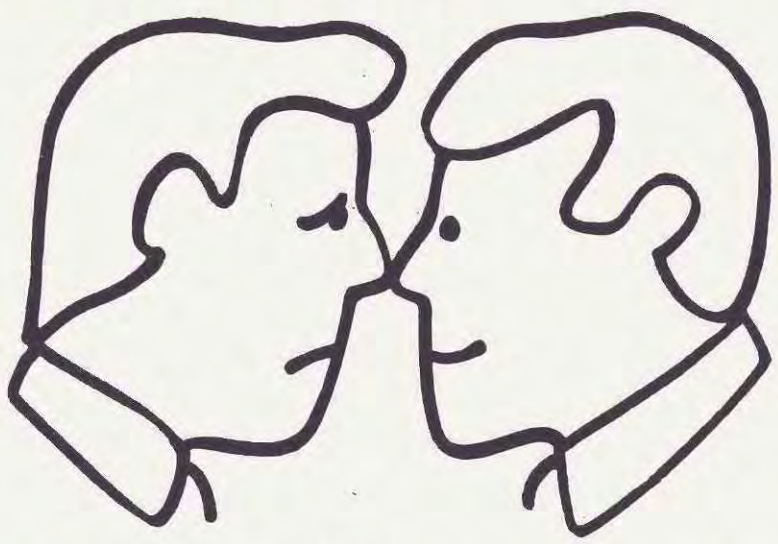
Consolidated Insurance Companies
345 Adams Street, Brooklyn, New York

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Not just a policy.



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