Why medical care costs increase

see page 29

business insurance

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July 21, 1969

Simulated testing of conditions on the moon and checking out systems safety were part of pre-flight rigors for lunarnauts. Prime contractor North American Rockwell's insurance program was not overhauled for the Apollo venture.

Strict safety, usual suppliers' coverages accompany Apollo

CAPE KENNEDY—The only thing unspectacular about the 36-story Apollo 11 space craft is the insurance coverage.

More in keeping with the scope of the mission, however, is a sophisticated safety system integrated into every step of the project in an effort to assure optimum functioning of parts and the safe return of the three astronauts launched last week.

North American Rockwell Corp., El Segundo, Calif., is the prime contractor for the Apollo program, and the company built the command and service modules for Apollo 11 journey and also the second stage unit and all main engines.

ONE INSURANCE source familiar with the NASA program told *Business Insurance* that the government doesn't require North American Rockwell or other contractors to take out special insurance coverages other than normal workmen's compensation and public liability policies.

In 1961, it was pointed out, legislation was passed in the House of Representatives to extend government indemnification for unusually hazardous risks to NASA programs, but the measure never got any further.

Last month the House subcommittee on military operations held two-day hearings on government indemnification practices, and NASA General Counsel Paul Debling testified in favor of granting NASA contractors the same indemnification provisions for extra hazardous risks enjoyed by contractors for the Department of Defense.

North American Rockwell has just established a corporate insurance department under the direction of Edward William Altstaetter, formerly insurance manager of the company's aerospace and systems group. That job is now handled by Arthur C. Brunke, and William Fitz continues as insurance manager of North American's commercial products group in Pittsburgh.

THE POSSIBILITY exists—however remote—that the government could sue North American Rockwell or any other contractor for a malfunction in any phase of the Apollo mission. One expert, however, pointed out that "to my knowledge" the government has never brought action against a corporation for any product sold to NASA.

If the government initiated such action, North American's products liability coverage, written by Associated Aviation Underwriters, would presumably respond.

The three Apollo astronauts, in addition to government life insurance policies, are covered for $50,-

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Nixon wants improved jobless pay

WASHINGTON—President Nixon has sent to Congress a bill designed to strengthen the unemployment insurance system and has threatened Federal standards if states do not act within the next two years to supplement his proposal with action on their own to raise benefit levels.

The administration proposal would extend unemployment insurance to 4.8 million uncovered workers, raise the annual wage base on which the employer tax is paid to $6,000, automatically lengthen the duration of benefits during periods of high unemployment, and end restrictions against paying the benefits to workers who are enrolled in training programs which are designed to increase their employability.

The bill stopped short of setting Federal minimum unemployment benefits. But Mr. Nixon's implied threat of such a move raised eyebrows among his colleagues. Most liberal legislators, however, looked upon it as a futile gesture, which will do nothing more than delay the establishment of adequate unemployment benefits levels in many states for at least two more years.

SOME PRIVATELY raised hopes of amending the administration proposal to include Federal standards. They point out that Mr. Nixon has admitted the inadequacy of current benefit levels and opened the door for legislation in this area himself.

In introducing his proposal, President Nixon pointed out that while there are more than 57 million workers protected by unemployment insurance, almost 17 million are not covered.

The 4.8 million of these who would be covered for the first time under the administration bill include 1.6 million in firms with fewer than four workers, 1.8 million in nonprofit organizations, 600,000 in state hospitals and universities, 400,000 on large farms employing four or more workers in each of 20 weeks, 200,000 salesmen, delivery tradesmen and others not currently defined as employes, and 200,000 in agricultural processing activities.

To cushion the immediate impact of this extension on employers, the bill recommends that states be permitted to lower the tax rates on newly covered employers until the record of employment experience can be compiled to determine what their true rate should be.

PRESIDENT NIXON pointed out that with the passage of his bill, the majority of those workers remaining uncovered will be employes of state and local govern-

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Interbank buys cover against counterfeiters

NEW YORK—Interbank credit card system has arranged a counterfeit cover with Aetna Casualty and Surety Co. in the wake of a consolidation of major East Coast and Midwest bank credit card operations.

The contract will cover about 18.6 million credit cards with a $1 million limit for each card-issuing bank. Member banks will assume a 20% co-insurance factor in addition to a $50,000 deductible. After the $1 million limit, Interbank has agreed to assume all counterfeit liability.

Interbank is the clearing house for Master Charge in New York City, Bankmark in Kansas City, First Card and Town and Country in Chicago, and C. & S. Card in Atlanta. The East Coast-based credit card system is now eyeing the possibilities of going international.

BANK AMERICARD, the credit card franchised by Bank of America, San Francisco, with its 22 million card holders, does not buy crime coverage.

Aetna is also soliciting individual Interbank members with a $1 million-limit general fraud policy. Major members are being asked to take a $200,000 overall deductible in addition to a $10,000 per card deductible.

Sources in the First Card-Town and Country Midwest bank credit card system told *Business Insurance* that counter proposals will be given to Aetna for the individual general fraud policies. While discounting published reports that the Midwest system suffered a $12 million fraud loss when first getting off the ground, these sources maintained that $10,000 was the maximum fraud ever run up by a single credit card. ■

Middle East Airlines renews fleet insurance

LONDON—Middle East Airlines, whose fleet was almost totally destroyed last December by an Israeli raid on Beirut International Airport, has renewed all-risk and war insurance policies with Lloyd's of London and other insurers. The risk is again being led by a Lloyd's underwriter.

Policies will cover hulls, passenger liability and third party liability for the 12 aircraft in Middle East's new fleet, valued at about $40 million. The war risk policy was placed 100% at Lloyd's.

Lloyd's and other insurers paid claims totaling $18 million last year when the airline's fleet was set upon by Israeli commandos.

Late news

Drug company offers group credit life

NEW YORK—McKesson & Robbins Drug Co. is offering pharmacists a group credit life insurance program underwritten by Prudential Insurance Co. The coverage allows pharmacists using the company's installment credit services to fully insure loans for $3.80 per year for each $1,000 of debt.

Cotter to get new assignment

HARTFORD—Connecticut state capital sources told *Business Insurance* that State Insurance Commissioner William R. Cotter may be reassigned soon by Gov. Dempsey to serve as state auditor, replacing Leo V. Donahue, who would assume the title of state finance commissioner.

AMA eyes malpractice cover for patients

NEW YORK—A unit of the American Medical Assn. is preparing to start talks with the insurance industry about setting up a form of prepaid malpractice protection for patients injured in the course of medical treatment. If the AMA house of delegates concurs, the board of trustees said it intends to initiate discussions with representatives of Blue Cross-Blue Shield, the American Hospital Assn., the insurance industry and others to study the feasibility of such a plan.

Chemical Bank turns to risk management setup

By RANCE CRAIN

NEW YORK—Chemical Bank here has established the same sort of risk management operation that is being set up in other industries.

The risk management philosophy, which is new to the banking business, encompasses both loss prevention and insurance. At Chemical this means that the insurance department and the investigation and protection department now report to the same man, John R. James, assistant vp-risk management.

Mr. James explained that Chemical's loss prevention emphasis is "rather different" than at most manufacturing businesses. Because the bank's main product is money, Chemical puts the stress on forgery, fraud and employe dishonesty.

ONE OF THE advantages of the combined risk management unit, Mr. James told *Business Insurance*, is a "better coordination" between insurance and investigation and protection so as not to duplicate efforts.

Prior to the new setup, both departments might investigate a specific forgery claim, for example. "The two departments would be pursuing the same general course of action without realizing the other was involved," Mr. James said.

Chemical's investigation and protection department is staffed by three bank officers, ten investigators and a guard force of 275. Mr. James said the investigators

John Robert James

are "on the street almost on a permanent basis" to investigate and recover losses and prosecute the guilty parties.

"THE KEY to doing an effective job," Mr. James said, "is not only to work toward recovery of losses but also to have the perpetrators arrested and brought to trial."

Too often, Mr. James acknowledged, banks and other financial institutions have taken the position that if they get their money back they'll drop charges. But "unless you're willing to take a tough stand," he said, "you just encourage people to defraud the bank."

Chemical, said Mr. James, concentrates on training bank tellers to spot the various illegal schemes they may encounter, such as the cashing of doubly endorsed checks or split deposit capers.

However, he warned, the danger exists that tellers become "overtrained" to the extent that they refuse to cash a check for a valued customer. Mr. James said there must be a "balance point where tellers develop a sixth sense to spot a fradulent transaction."

IN ADDITION to the usual alarm and protection systems, Chemical relies on surveillance cameras that take pictures throughout the day (at a speed of perhaps one frame every 30 seconds or so), rather than a "hold-up" camera, which only takes pictures during actual bank robberies. The surveillance camera, which is used primarily to help tellers identify forgery suspects, also activates on a "full run" basis when a robbery alarm goes off.

Mr. James said Chemical also wants to get a breakdown of the bank's overall loss record by branch office in order to pinpoint problem areas. Figures will include not only bond-type claims but property and liability losses as well.

Turning to insurance problems, Mr. James said the banker's blanket bond policy is becoming "a very difficult area of placement because of the loss experience." He said underwriters claim that financial institutions are working against an 80% loss ratio.

Chemical's blanket bond is written by the Hartford Group, with about ten or twelve excess layers divided among a score of other underwriters. Although Mr. James declined to give limits of the coverage, it's known that most major banks have limits of between $15 million and $25 million. Deductibles usually average about $25,000 or more.

THE BANKER'S blanket bond gives coverage for money loss due to employe dishonesty; on-premises loss from robbery, burglary, misplacement, damage or destruction; in-transit losses; and forgery or alteration losses.

Mr. James said that although Chemical has retained its current deductible on the blanket bond policy since 1962, he conceded that "it might warrant going to a higher deductible" to offset premium increases the bank must absorb when its three-year policy expires.

He pointed out that under a large deductible, "the frequency of losses is more of a problem than their severity." Switching to a risk management setup has meant a "tightening" of Chemi-

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GUIDE TO FEATURES

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Merchants, insurers are turned off on hippies

SAN FRANCISCO—The hippies may be happy but their hosts hate them!

In this instance, the "hosts" are the merchants in this city's Haight-Ashbury district as well as those in the Oakland neighborhoods frequented by the hippies.

Also unhappy are the insurance companies who have been finding that the burglary loss rate is high in the hippyvilles.

"It seemed to go in streaks," recalls Neil Ullo, who runs an appliance store in Oakland. "In one two-month period the store was hit three times."

FINALLY, with the insurance company's insistence and the Oakland police department's recommendations, Mr. Ullo put a $500 set of bars inside the 35-foot store front.

The bars have discouraged thieves who previously managed to break the window glass, grab a couple of portable television sets and disappear in the three minutes or so it took police to reach the scene after the alarm sounded at the station.

"Last year," Mr. Ullo told *Business Insurance*, "my insurance company, which doesn't want its name used, covered about $2,000 in glass breakage alone."

In addition to bars inside the windows, Knox Television and Radio, also in Oakland, leaves almost all its lights on after closing. The windows have an alarm system linked to the nearest police station. Another alarm activates a loud bell should someone force his way in.

"I CAN understand why the insurance companies are upset," declares Maury Knox, "we've had 11 break-ins . . . and only one pair of thieves was caught!" In the last robbery, Mr. Knox lost four color portable television sets worth about $1,200 retail.

During his eight-year siege Mr. Knox's insurance premiums climbed 50% and his insurance company changed the store's policy to a $250 deductible plan. He changed insurance companies and installed inside steel bars just to hold his premium at the same level!

The cost of the bars was $600 and he estimates his night-lighting expense runs about $25 a month.

For protection against armed robbery, a television store owner in the Haight-Ashbury district here has acquired a trained German shepherd dog for $75 and has posted a large "Beware of the Dog" sign in his front window.

Dogs, according to Art O'Keefe of the police department here, have reduced the number of armed robberies in liquor stores, which are the hardest hit branch of the retailing field here.

THE COST of a dog ranges from $75 up, while extensive training for the animal could boost the total to as much as $1,000.

Al Singer, owner of Singer Electric in Haight-Ashbury, installed gates outside the windows of his store, at a cost of $900.

Police agree that the hippy population of both cities has been infiltrated by dope addicts and common thieves. ■

Hippies have merchants and their insurance companies uptight. More and more security measures are considered necessary safeguards.

Hartford sets 70% disability pay

HARTFORD—The Hartford Insurance Group has instituted a new employe benefits program guaranteeing payment of 70% of salary for life in event of a worker's total disability.

Geared as a protective measure against spiraling medical costs and future financial needs, the plan, one of the first of its scope in the country, affects the bulk of the company's 13,000 employes.

Chairman-president Harry V. Williams said the package differs from most company benefit programs essentially because of the lifetime salary guarantee.

PERMANENT SALARIED employes who become disabled receive an amount equal to full pay for six months. After one year of employment, the firm guarantees 70% of the salary thereafter in actual wages and payments from other benefit programs.

For example, an employe earning $10,000 a year would receive guaranteed income of $7,000. If benefits (workmen's compensation, state disability, etc.) totaled $1,000, the company would add $6,000 to bring income to the $7,000 figure.

In addition to this income protection plan, the company's new employe benefit package includes higher insurance limits, innovations in accidental death and dismemberment protection, and expanded medical coverage.

MR. WILLIAMS added: "The package affects new and veteran employes alike, providing outstanding safeguards against the financial burden of major disabilities." ■

washington watch

'Long overdue' Longshoremen's act revision demanded by senator

WASHINGTON—Sen. Harrison Williams (D., N.J.), chairman of the Senate labor subcommittee, has introduced a bill to boost benefits under the Longshoremen's and Harbor Workers' Compensation Act, charging that since the act has not been amended since 1961 such an updating is "long overdue."

Principal provision in the proposal would increase the weekly maximum compensation for totally disabled from $70 to $132 and the weekly minimum benefit from $18 to $36.

In addition, the bill includes provisions that would permit the payment of compensation without a waiting period when the disability exceeds 14 days rather than 28 days presently required; extend compensation on behalf of dependents to those in a student status from 18 to 23 years old; extend the time for giving notice of injury and filing claim with respect to latent injury; limit the liability of employers with respect to subsequent injuries suffered by employes with preexisting physical impairments, thereby encouraging the employment of handicapped persons; extend benefits —not to exceed $3,500—to cases of disfigurement of the neck and other normally exposed parts of the body likely to handicap the employe in securing or maintaining employment; and, make provision for further financing of special funds by increasing payments from $1,000 to $5,000 from employers in fatal injury cases in which there are no survivors and by assessments upon insurance carriers and upon self-insurers.

Significance of the Williams proposal extends beyond the longshoremen's act since sentiment on Capitol Hill appears to be growing in favor of a bill that would require all state workmen's compensation laws to conform to the Federal longshoremen's statute.

* * *

SEN. JACOB Javits (R., N.Y.), long-time crusader for strict Federal vesting, funding and reinsurance for private pension plans, turned the tables on his opponents and cited as an argument for Federal standards the exact study that industry had earlier lauded as almost indisputable evidence in favor of the current system.

The study, recently completed, was undertaken five years ago for the Pension Research Council of the Wharton School of Finance and Commerce. It was partially funded by the Department of Health, Education and Welfare and covered almost 4,000 plans accounting for more than 9 million participants. This amounted to 44% of the estimated coverage of plans in existence for 10 years or more at the time of the study.

Much to the pleasure of those who oppose Federal standards for private pension plans, the study found that most of these plans in the U.S. are extremely well funded. On an individual plan basis, the study found that over 70% of the plans with effective funding periods of 15 years or more were actually more than fully funded. That is, their assets exceeded their accrued benefits.

The study also examined the degree of vesting in the plans studied and found that approximately 27% of the plans met a 10-year vesting schedule and an additional 42% met a 20-year schedule.

THE MEANING of the study was, to many, that the private system is doing quite well without Federal regulation. Sen. Javits, however, said he saw it another way.

He said that by showing how well private plans are doing in the area of vesting and funding, the study bears out his thesis that Federal standards in these areas won't hurt them.

Regarding funding, Sen. Javits pointed out that the study showed that "most" private pension plans are funding well ahead of the 40-year schedule that would be required by his bill for exising plans.

And, as far as vesting is concerned, Sen. Javits said that while only half of the plans studied would meet the standards set up by his bill, the figures show that "many, perhaps even the vast majority," could significantly increase their vesting without any increase at all in the amounts which would have to be contributed to meet the funding standard provision under his bill.

* * *

THE AMERICAN Medical Assn. won a battle by defeating the nomination of Dr. John Knowles for the job of assistant secretary for health in the Department of Health, Education and Welfare. But, it may have, in doing so, taken another step in losing the war.

There can be no doubt that the use of so much political clout in blocking Dr. Knowles' appointment further injured the already tarnished AMA image and weakened it considerably for the many upcoming fights it still faces here in Washington.

In addition, Dr. Roger Egeberg, medical dean at the University of Southern California, who got the job, is understood to be just as liberal as Dr. Knowles in his thinking about the role of government in medicine.

Without even a breather from the terrific tongue lashing the AMA received in papers throughout the nation following the successful blocking of Dr. Knowles' appointment, the Senate finance committee opened its first round of hearings into the skyrocketing costs of Medicare and Medicaid.

Chairman Russell Long (D., La.) made it quite clear in his opening statement that one of the areas that will be studied in depth is payments to doctors under the two programs.

Continued on page 6

Touchy Question #34

How can you jar your pickles when so many of your pickle eaters are jarring you?

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benefit tax slants

No 'separation of service' involved in company takeover, court decides

By JOSEPH S. ROBINSON

NEW YORK—The merger, acquisition and reorganization fever of recent years has brought on a flood of tax problems—not the least of which is in the pension area.

For instance, if Company A exchanges its assets for stock of Company B under a reorganization and then dissolves, does an employe who receives a lump sum payment from the terminated pension get the more favorable capital gains tax treatment?

Not if he continues on the same job for Company B, says the court of appeals. Here's what happened:

TAXPAYER WAS president and major stockholder of Northwest Corp. He also owned the entire stock of Virginia Corp. which took over Northwest under a reorganization. He then became its president. Northwest turned over $32,000 in pension benefits to the taxpayer which he reported as capital gains. Taxpayer's theory: There was a "separation from service" when Northwest was taken over.

Held: Taxpayer has ordinary income. Reason: A "separation from service" occurs only on an employe's death, retirement, resignation or discharge—not when he continues on the same job for a different employer as a result of a takeover (Technical Reference: Haggart, Ct. of Appeals, 8th Cir.).

* * *

THE INTERNAL REVENUE SERVICE holds that in order for a pension plan to "qualify," current compensation must be substantial in relation to total compensation. In other words, you can't have a pension plan based solely on deferred payment arrangements (Technical Reference: Rev. Rul. 69-230).

Can a pension be based on both current and deferred compensation? IRS says it can if there's no discrimination in favor of officers.

Here, a life insurance company adopted an unfunded, unqualified, deferred payment arrangement for its agents. A salesman could elect to have 5% of each year's commissions deferred until retirement under the deferred pay plan.

THE COMPANY also set up a pension plan for its agents in which sales commissions was the basis used for computing contributions and benefits—regardless of the deferment of payment of any part of such earnings.

Held: Since there was no discrimination — i.e. — contributions were uniformly applied to all participants, the pension plan qualifies (Technical Reference: Rev. Rul. 69-145).

But watch out! If benefits are based on deferred and current compensation with only officer—employes entitled to the deferred pay set up, then the plan will be knocked out as discriminatory (Technical Reference: Rev. Rul. 68-44).

* * *

IN ORDER TO GET capital gains treatment, a company must run over to an employe his entire share within one taxable year. Otherwise, the employe will be hit with the tax at regular rates.

Here's what happened in one case. An employe retired and was paid out his total distribution in that year. Later, the employe's share was recomputed and an additional sum was given to him in a subsequent year. IRS says the additional amount received was ordinary income (Technical Reference: Rev. Rul. 69-190). ■

Hospital record banned as evidence

HARTFORD—The Connecticut state supreme court has ordered a new trial in a damage suit because a Glastonbury, Conn., youth's hospital medical record was entered as evidence that he was the driver of the vehicle in which he was hurt.

The record of Middlesex Memorial Hospital, Middletown, Conn., was entered in a case involving Cornelius F. Kelly, Glastonbury, and Robert Sherman, Middletown, after the car they were in struck a post in Middletown six years ago.

Mr. Kelly was 16 and Mr. Sherman 15 at the time.

The hospital record stated: "16-year-old boy was driving car when his car hit an iron grid."

THE HIGH COURT'S ruling declares that there was no testimony during the trial to substantiate the hospital report that Mr. Kelly was the driver and the hospital report did not provide information source.

The court's unanimous opinion referred to a previous case in which the court declared: "The real business of a hospital is the care and treatment of sick and injured persons. It is not to collect and preserve information for use in litigation."

The court added that since the hospital statement "had direct" and vital bearing on a decisive issue in the case, its admission in evidence was clearly harmful error." ■

Wash watch...

Continued from page 4

In his kickoff statement, Sen. Long specifically mentioned one general practitioner who billed Medicare $58,000 in 1968 for house calls made to 49 patients. That works out to a visit every third day to each of his 49 patients—twice a week and every-other Sunday. "Who says you can't get a doctor to make a house call any more," Sen. Long quipped.

Sen. Long then cited another physician who engaged in what he called "gang visits" to nursing home patients. In 1968, 54 patients received the benefit of 4,560 visits from that doctor—an average of over 80 visits each. The same physician was paid by the program a total of $42,000 for 8,275 injections which he administered to 149 beneficiaries, Sen. Long added. ■

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NLRB gives retirees bargaining rights

WASHINGTON—In a landmark National Labor Relations Board decision, a 1967 ruling by a hearing examiner holding that retired worker is not an employe, and hence not subject to mandatory bargaining—was overturned by a four-to-one board decision.

The case arose when PPG Industries unilaterally changed a health insurance plan for retired workers of the Allied Chemical & Alkali Workers of America.

The board's decision took exception to the hearing examiner's notion that under the National Labor Relations Act a retired worker is not an employe, and promulgated the position that an employe of enough tenure to earn a pension had "deep legal, economic and emotional attachments" which exceed those of even present workers.

"For retired workers," the board said, "the benefits paid them in retirement are part of a lifetime investment of labor."

PPG's chemical division was ordered to cancel any unilateral changes in its health insurance plan, if so requested by the union, and to include retirement benefits in future bargaining sessions.

The board concluded that "bargaining about changes in benefits for retired employes is an appropriate subject for bargaining because of an inextricable relationship to and impact on the wages, hours and working conditions of those actively employed in the bargaining unit." ■

Another pivotal decision by the National Labor Relations Board has specified a company's insurance obligation to workers during a strike.

THE MUELLER Brass Co., a subsidiary of United States Smelting, Refining & Mining, under a ruling by NLRB examiner Thomas A. Ricci, was ordered to pay $16,000 death benefits to the widow of a worker who died during the 1968 strike of Auto Workers Local 412, despite the company's refusal to pay premiums during that time.

Under Mr. Ricci's findings, Mueller Brass was ordered to pay Mrs. William Racely, widow of the 24-year employe, $16,000, and was instructed to give unions any information needed to maintain insurance premiums for its members during future strikes.

Discrimination on the part of the company was cited as grounds for the order. According to the ruling, allowing premiums of striking employes to lapse was the discriminatory act. ■

info for buyers

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

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

• **Don't Be Half Insured** is offered free by Lansing B. Warner Inc., 4210 Peterson Ave., Chicago, Ill. 60646. The literature is directed toward the corporate insurance manager and discusses inflation's effects and the subject of coinsurance. Write the company in care of Russell K. Hedborn, marketing manager.

• Engineering representatives of the Glens Falls Group have embarked on a program of developing loss control and safety pamphlets. Engineering personnel across the country will write pamphlets on topics with which they have had experience. The first booklet to be printed is **Safety for Electric Utility Linemen.** For information, contact the group at Glens Falls, N. Y. 12801.

• **Holmes the Protectors** and **Automation on Guard** are two pamphlets explaining the background and services of Holmes Electric Protective Co. Light, sound and vibration detectors are covered briefly, as well as vault protection and use of a silent alarm. To obtain the booklets, write the company at 370 Seventh Ave., New York, N. Y. 10001.

• Advance Data Systems Corp., 336 N. Foothill Blvd., Beverly Hills, Cal. 90213, has released a four-page brochure, **Access.** Illustrated with photographs and a table, the item discusses automatic card control entrance security systems and compares the critical security system (which codes up to 16 areas) to the general security system (which codes up to four areas).

• Alarm Lock Corp., 33 Powerhouse Rd., Rosyln Hts., N. Y. manufactures **Safety Alarm Lock,** which provides full-time locking of emergency exit doors while complying with standard safety, fire and building department codes. The first person to reach the door releases the lock with slight pressure on the clapper, automatically opening the door and sounding the alarm. A brochure describing units for different types of doors is free from the corporation.

• **Guide to the Prevention of Fuel Explosions for Gas- and Oil-fired Boiler Furnaces** is a booklet produced by Kemper Insurance Cos. It makes recommendations for safety supervisory devices designed to eliminate many hazardous conditions and to effect a fast shutdown of equipment when a hazardous condition does exist. The recommendations are for boilers having steam capacities generally not exceeding 200,000 pounds per hour. A free copy of the guide is available from the Combined Property Dept., Kemper Insurance Group, 4750 N. Sheridan Rd., Chicago, Ill. 60640.

• Museums and businesses that display items such as paintings, sculpture, gems, stamps and coins can obtain information on the **Extra Sensory Perceptor** from the United States Research Corp., 1920 "L" St., N.W., Washington, D. C. The ESP is designed with all solid-state circuitry to assure reliability and minimum maintenance. It contains a rechangeable emergency battery unit in case of an AC power failure. Various computer panel and auxiliary connections are available to fit individual needs.

• Card Key Systems, 901 S. San Fernando Blvd., P. O. Box 589, Burbank, Cal. 91503, has published its product catalog CC-6-69 containing information on security lock access-control systems and machine readable credentials. The six-page illustrated brochure describes the two elements of the system—a **Card-Key** identification card that acts as a magnetic key, and a **Securiti-Lock,** which is magnetically actuated by the card.

• **Camerz Surveyor** automatic hold-up cameras are available in 35mm and 70mm for use in financial, retail, industrial and other types of installations for protection against robbery, theft, pilferage and unauthorized entry. The cameras offer a 65 degree angle of view, a stop-action shutter, and may be set to run only while a special switch is held. They may also be used in conjunction with hold-up alarm systems. A specification sheet is free from Photo-Control Corp., 5225 Hanson Ct., Minneapolis, Minn. 55429.

• A catalog illustrated with diagrams and photographs explains **Honeywell Fire Alarm Systems and Components.** It is free from Honeywell Automation, 2701 4th Ave., S., Minneapolis, Minn. 55408.

• A report examining the reasons for the influx in products liability exposures, claims and procedures has been prepared by John L. McMahan, consultant and president of Exemplar-McMahan. For a free copy, write Exemplar-McMahan, on your company stationery, at Exemplar Bldg., 1168 Teaneck Rd., Teaneck, N. J. 07666.

• **The American Telephone Alarm** is a free brochure explaining the security reporting system developed and manufactured by A.T.A. Control Systems Inc., 980 W. 84th St., Hialeah, Fla. 33014. The alarm can be programmed to call authorities in case of burglary, fire, medical emergency or equipment failure. Added protection for situations such as hold-ups can be obtained by a pocket-sized remote control or hidden buttons.

• A 640-page book, the result of six years of research, examines the investment policies, administrative practices, and holdings of 1,300 profit-sharing funds. Individual fund growth and performance and certain comparative pension data are also presented in **Investment Practices, Performance, and Management of Profit-sharing Trust Funds.** The book is divided into two parts: Part I is based on research done by the Profit-sharing Research Foundation (20 chapters) and Part II is based on work done by professionals in finance, retirement fund administration, insurance, mutual funds, investment counseling, stocks and mortgages. The price of the volume is $16 from the foundation at 1718 Sherman Ave., Evanston, Ill. 60201.

• A specification sheet detailing the safety and performance features of **Ansul Carbon Dioxide Extinguishers** is available from the company at Marinette, Wis. 54143. The extinguishers come in 5, 10, 15 and 20 pound capacities and are suited for indoor use where winds and drafts do not affect discharge of the gas or where an extinguishing agent leaving no residue is required. Carbon dioxide units are well suited for use with flammable liquid, gas and electrical hazards.

• Notifier Co. offers guidance in planning protection systems that are designed into building plans. An engineer follows the progress of each system and provides any assistance needed from conceptual planning through installation to final check-out. For information on this service write the company at 3700 N. 56th St., P. O. Box 4584, Lincoln, Neb. 68405.

• **Fire Foil**, a fire-retardant paint, has been introduced by the Valspar Corp. The paints insulate coated surfaces through the process of intumescence, a chemical reaction forming tiny cells on top of the surface when exposed to temperatures of about 400 degrees or higher. Fire Foil is available in alkyd flat and semi-gloss and in a range of decorator colors. There is a possibility of lower insurance premiums as a result of the greater fire protection provided by this type of paint. For more information on the product contact William R. Cahill at the corporation, Rockford, Ill. 61100.

• Four illustrated items are available from Honeywell Automation, Minneapolis, Minn. 55408. They are: **The Honeywell Vibration-detection System; The Honeywell Audio-detection System; Honeywell Secret Sentry Capacitance Detector; Honeywell W840 Five-zone Alarm Receiver.** Literature has also been released on a single-zone, consolette alarm receiver, the **W840E.**

• Robot Industries Inc., 7041 Orchard, Dearborn, Mich. 48126, has released an eight-page catalog describing a variety of safety gates. Specifications, applications and outstanding features of each model are discussed.

• A 20-page booklet, **The Liberty Mutual Products Liability Seminar**, is free from Liberty Mutual, 175 Berkeley St., Boston, Mass. 02117. It covers current history of products liability exposure and how it has mushroomed; what its effect can be on any company; establishing a basis for evaluating the liability hazards and potential loss exposure and insurance protection; the problem of strengthening market position, maintaining profit margin and curbing increasing government control; and it evaluates recent trends in controlling potential losses and establishing business procedures for product liability claims.

• The Mill Mutual Fire Prevention Bureau has published an illustrated, 22-page guide on **Standards for the Installation of Nonautomatic Sprinkler Systems for Grain and Milling Properties.** Since automatic sprinklers for grain and milling properties are often impractical because of inadequate water supply and high relative cost, the development of the nonautomatic system has proven invaluable. The information is broken down into supply, distribution and maintenance considerations and is available by writing Mill Mutual Fire Prevention Bureau, 2 N. Riverside Plaza, Chicago, Ill. 60606

Agent charged with premium fraud

TUCSON, Ariz.—A former Arizona state senator accused of grand theft by forging another insurance agent's signature to acquire a $24,000 bank loan will go on trial here Sept. 29.

Sol Ahee, 41, pleaded innocent to forgery and grand theft June 23 before Superior Court Judge Richard N. Roylston, who granted the defendant's request for permission to travel out of state to seek employment, apparently to meet legal and court costs.

Mr. Ahee is charged with fraudently obtaining money for a premium on an insurance policy for the Old Heidelberg Restaurant here.

During a two-and-half-day preliminary hearing before Judge Jack G. Marks in Pima County superior court in May, John J. Flynn, one of Arizona's leading criminal attorneys, denied that Mr. Ahee intended to defraud anyone, but merely was rushing the loan through for the restaurant so it could open on the announced opening date.

A deputy county attorney countered by saying the mere signing of the name, which Mr. Ahee admitted, was proof of intent.

George Mitchell, the insurance agent whose forged signature was on the letter to the Southern Arizona Bank, purporting to confirm the issuance of a policy, testified he did not authorize Mr. Ahee to sign for him and knew nothing of the loan until told about it by bank officials.

MR. AHEE'S secretary testified that she at her employer's direction "made up" policy numbers for contracts when policies were not available. She said Mr. Ahee gave her money figures to put on the contract, which was used as collateral for the bank loan to the restaurant owner, Donald L. Brost. The loan check was made payable to Mr. Ahee.

Mr. Brost says he has since obtained insurance from other sources and has not paid installments on the loan.

Most of Mr. Ahee's former accounts—he's no longer in the insurance business—have been transferred to another Tucson agent, Jacob Fruchthendler.

In 1966, Mr. Ahee was cleared of a bribery indictment in connection with the obtaining of a liquor license while he was a state senator from Pima County.

Firemen get comp

The Connecticut state legislature has passed a measure providing workmen's compensation to volunteer firemen, in training or on volunteer fire duty, who die or are permanently or temporarily, partially or totally disabled as a result of hypertension or heart disease. The bill also extends workmen's compensation to a volunteer fireman working for any other fire department, instead of just another volunteer fire department.

Cotter says rejection of his plan means higher auto insurance rates

HARTFORD—William R. Cotter, state insurance commissioner, has contended that legislative rejection of the "no-fault" auto insurance measures will mean higher insurance premiums for Connecticut motorists.

The turn-down, he said, leaves Connecticut drivers with "little hope of stabilizing or lowering future rates and the prospect of immediate rate increases.

"I am now faced with the need to reconsider requests from the insurance industry for immediate upward adjustments in auto insurance rates," he lamented.

THE INSURANCE Rating Board last Jan. 16 asked Mr. Cotter to boost rates an average of 13%.

On March 12 Mr. Cotter deferred a decision, pending legislative action on the proposed no-fault measures.

The plan was contained in a package of bills encompassing ten auto insurance reforms and was geared to eliminate the "blame" system of paying accident victims. Instead, hospital and medical claims of up to $2,000 and lost-time claims of up to $6,000 would be paid without litigation by a victim's own insurance policy.

Mr. Cotter expressed disappointment over the legislative judiciary committee's rejection of the no-fault plan.

"AN ACTION as important and complex as this one and one that involves so many people should have been given at least the chance to be heard and decided by the full legislature," Mr. Cotter said.

Judiciary committee members objected to setting limits on pain and suffering awards.

The bulk of Mr. Cotter's 15% savings would have come from these limits.

If hospital and medical bills were under $500, the pain and suffering limit would be 50% of the charge.

IF THE BILL was over $500, the limit would be 100%.

The judiciary committee's membership contended that these limits were arbitrary.

Mr. Cotter, however, contended that these limits could be appealed in such cases as death, permanent disfigurement, loss of a body member, permanent loss of a bodily function or other exceptional circumstances.

He said, too, that there is still no doubt in his mind about the savings the projected plan would realize.

"AND NO DOUBT about the fairness of the plan," he continued. "Victims would still have the choice to pursue their claim through the courts, and the no-fault portion of the plan would speed payments to the injured and the rest of the plan would do away with many abuses the public has been so dissatisfied with."

In an other action, the Connecticut legislature approved a measure designed to protect state-based insurance companies from raids by out-of-Connecticut conglomerates and other business interests. ■

Contractor files claim against state

ALBANY, N. Y.—A state supervisor who puffed a cigaret while watching construction firm employes carry pails of gasoline away from an accident is one of the issues in a $2,015,132.44 claim against the State of New York filed in the court of claims here.

The New Haven, Conn., construction firm of C. W. Blakeslee & Sons Inc., which was engaged in the state in June, 1965, for reconstruction work on various highways—officially accepted by the state last January—lists 13 "cause of action" points in its claim, ranging from changes in design in violation of the contract and delays imposed on the the claimant by the state, to the careless supervisor.

The construction company is asking for loss and damage amounting to $80,639.12 because of the supervisor.

THE CLAIM states that on Sept. 22, 1965, a construction crane tipped over into a hole at a construction site and gasoline poured out of the machine. Workmen started removing the gasoline in pails, while a construction field representative named Perez watched, standing near the hole smoking a cigarette. The claim states that he was ordered to put out his cigarette and ignored the order, but finally threw the cigarette on the ground and stepped on it, "which conduct endangered the men at the site."

The claim says the state was warned that if Perez was put back on the field in a supervisory capacity the employe would stop work, and that when Perez did return, the employes stayed out of work for three days, until the supervisor left. ■

Group life cover set for 40,000

LONDON—The Joint Industry Board for the electrical contracting industry and Crown Life Insurance Co. have come up with what they believe is the first group life insurance program in the United Kingdom to cover an entire industry.

Life insurance benefits of $600 each will be payable to about 40,000 electrical workers under the new agreement. The plan will operate in conjunction with Crown Life's "sickness-with-pay" program which the insurer has handled for the industry for the past six years.

The Joint Industry Board encompasses the Electrical Electronic & Telecommunications Union and the National Federated Electrical Assn.

Electrical employes with four months' service are eligible for the new group term coverage. Employers pay the premiums by buying stamps for a Joint Industry Board sickness benefit card.

Insurance is offered without medical evidence, and payment will be made in the event of death by any cause regardless of whether it is connected with employment.

Benefits will be transferrable from one employer participant in the Joint Industry Board to another. If the employe changes jobs he qualifies for immediate coverage if he joins another employer participant within a four-week period, it was explained. ■

Health field next for credit card entry

NEW YORK—Credit cards are about to invade the health insurance business.

This fall employes of Ford, Chrysler, General Motors, Caterpillar Tractor, International Harvester, Deere & Co. and others will be able to walk into a drug store, plunk down an identification card and walk out with an order of prescription drugs.

The drug plan is part of an agreement the auto makers and farm equipment manufacturers signed with the United Auto Workers. The plan provides for full payment for most prescriptions after a $2 deductible. Excluded are contraceptives, therapeutic devices and drugs covered under other group insurance benefits.

AT LEAST TWO of the insurance firms involved—Metropolitan and Blue Shield, which both handle the giant General Motors account—plan to use plastic cards similar to ones which banks and service stations use.

Aetna, which handles parts of the International Harvester and Chrysler accounts, will stick to paper identification cards, and John Hancock (on parts of the Ford business) and Travelers (which underwrites a portion of Deere) are undecided whether to go to paper or plastic.

Insurers see the plastic card idea as one which has considerable potential. "Everyone's keying off it," said one underwriter. Another, who views the UAW plan as a test, declined to give many details of his company's card setup because "we're involved with a competitive product."

The plastic cards under consideration will be embossed, so they can be read by an optical scanner, the information transferred to magnetic tape and payments made via computer.

MOST PLANS may also circulate a "hot" list of employes who no longer qualify for drug benefits, but some insurers say efforts to continually update the list—especially in the highly mobile auto industry—may be more trouble than they're worth.

Since the average drug prescription is $4, one Blue Shield man noted, and participants pay a $2 deductible, insurers shouldn't be too much in the hole for phony claims.

Also, the fact that employes won't be able to get the drugs without a prescription from a physician is counted on to reduce fraud or collusion. And the Blue Shield man added that under its plan computer printouts will flag high frequency drug users who could be addicts.

AETNA (which handles parts of the Chrysler and International Harvester accounts) and Michigan Blue Shield (which has a major portion of all the auto companies) seem to be furthest along in their plans to launch a prescription drug-credit card program, although Metropolitan is readying an elaborate plan which involves supplying participating druggists with Medi-Met decals and imprinters.

Actually, Blue Cross of Greater New York has been operating a prescription drug program, complete with embossed plastic identification cards, since last summer. A spokesman said that although Blue Cross has signed up about 40 groups (of over 50 each) and 90% of the druggists in the area, it's not pushing the plan "too hard" because Blue Cross is still trying to gain actuarial experience.

And this month Blue Shield in Michigan will start a drug program for four drop-forge companies in Lansing.

BUT THE BIG push starts this fall. Blue Shield of Michigan has already ordered 10,000 imprinters for druggists and physicians (the Blue Shield identification card is also good for doctors' services). Blue Shield, however, won't maintain a "hot" list because it fears the list of employes who have left the three auto firms "would read like the Manhattan telephone directory."

Aetna, for its part, has sent out enrollment material to 5,000 or 6,000 pharmacists in 14 areas set up for the initial implementation of the drug plan. Some 425,000 participants are involved in the Aetna program.

Both Aetna and Blue Shield said that if the druggist dispenses a prescription in "good faith" to a credit card holder they will guarantee payment to the pharmacy even though the card is invalid at the time.

"WE BELIEVE this feature of the program is necessary in order to secure broad acceptance by pharmacies, and it has been carefully designed so as to detect and correct any misuse of identification cards promptly," Burton E. Burton, actuary in Aetna's group division, told *Business Insurance*.

Mr. Burton is of the opinion that the use of identification cards in insurance programs "is really not new and, in my opinion, the really remarkable aspect of this new insurance benefit is the establishment of a direct administrative relationship with individual drug providers.

"It is this direct bulk handling relationship, combined with the development of an advanced computer claim payment system which we believe makes it possible for the Aetna to provide basic first dollar coverage for drug expenses on a reasonably efficient and economical basis," Mr. Burton explained.

THE AETNA executive noted that "with the exception of a few isolated experiments" there has been little activity in the drug insurance field for many years

Continued on page 18

opinions

What's new in workmen's comp?

How are the rulings going in the various states on workmen's compensation cases?

Take a typical state such as Illinois. Most states have the same general problems and Illinois, with its large industrial population, is a good criterion. As you know, injuries attributable to acts of God are not compensable, but if the nature of the employment exposed the employe to a greater risk of injury, then the incident may be considered an accident arising out of the course of the employment.

Suppose an injured warehouse worker was standing near the end of an overhead monorail when lightning struck the monorail at a point near where the employe was standing. Is that compensable? The Illinois court says "no," since there was no evidence that the claimant was exposed to any greater risk of injury than other persons in the locality. (*J. I. Case Co.* vs. *Industrial Commission* 36 Ill. 386).

A grocery manager of a supermarket was fatally injured when a sign wall over the entrance lobby crashed through the roof during a terrific windstorm. The Illinois court held this compensable on the ground that the evidence indicated that the sign wall was a structure peculiar to the building and that its design and location made it unusually susceptible to wind damage.

The sign wall was an exceptional risk and not one to which the general public was exposed. (*Eisner Food Stores* vs. *Industrial Commission* 33 Ill. 2nd 474).

Many times employes are assaulted in the course of their employment. Are these injuries compensable? In one case an auto salesman died as the result of an assault occurring in a customer's house, where the purchase and sale of a pickup truck was being discussed. This was held compensable. (*Brewster Motor Co.* vs. *Industrial Commission* 36 Ill. 2nd 443).

On the other hand, an employe of a hotel—while on her employer's premises—was suddenly attacked by her husband who was seen striking her. The employe testified that she slipped and fell when she went for help to stop her husband from beating a co-worker with whom she was having lunch. No compensation, says the Illinois Court. (*State House Inn* vs. *Industrial Commission* 32 Ill. 2nd 446).

In another case, an employe intervened in a dispute between his foreman and a co-worker. A fight ensued, and the claimant, who started out as the peacemaker, was the aggressor. No compensation for him. (*Armour & Co.* vs. *Industrial Commisson* 397 Ill. 433).

Take the cases involving exposure to heat or extreme cold. The claimant froze his hands while shoveling coal outdoors. Five other workers, who were equally exposed to the same cold, did not suffer frostbite. The court denied compensation, saying that claimant's exposure was not special nor greater than that shared by other persons at the same time. (*Consumers Co.* vs. *Industrial Commission* 324 Ill. 152.

The claimant was loading and unloading trucks on a dock in subzero temperatures. Rooms were available to the employes for warming purposes, and the claimant availed himself of this whenever he felt the need. The claimant also wore gloves, wool socks, and an insulated parka. Hot beverages were also available. But in spite of all this, the claimant suffered frostbite to both hands and to both feet. No compensation here. (*American Freight Forwarding Corp.* vs. *Industrial Commission* 31 Ill. 2nd 293).

What if the employe is subject to the same hazards as the public at large? An engineer, while flying on business, was killed when the plane exploded in midair as the result of the explosion of a bomb, which had been placed in the plane by a person who desired to murder a third party. The court granted compensation, saying that where employes are exposed to the hazards of the street, automobiles, trams, and planes more than the general public, such accidents arise out of the course of the employment.

This case sets out some very important guidelines: (1) The accident need not be caused by a risk peculiar to the employment; (2) the employe can be as equally exposed as the public; (3) the exposure must also be a risk of the employment; (4) there is no distinction between negligence, mechanical failure or criminal acts, provided the criminal acts are not directed against the employe for personal reasons. (*C. A. Dunham Co.* vs. *Industrial Commission* 16 Ill. 2nd 560).

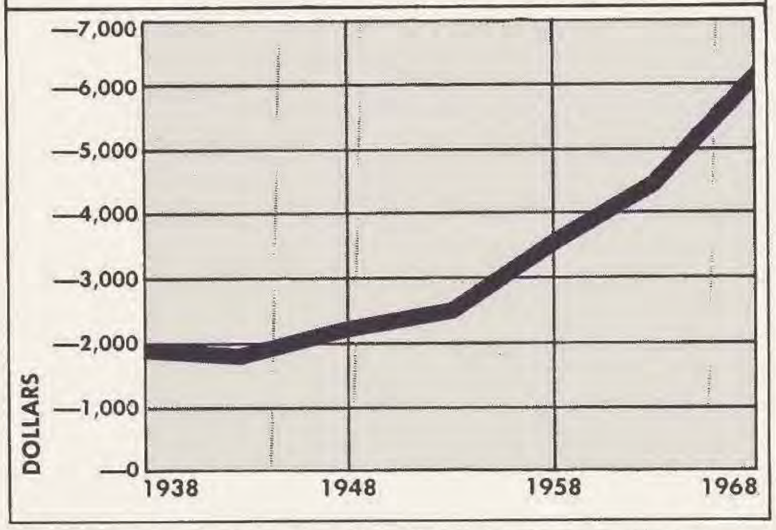
Take the realm of horse play. The claimant fell when a co-worker approached him from behind, placed his arms around the claimant, and pulled him backwards, knocking him over. There was no explanation offered. So the claimant failed to show that the employment was a contributing factor to the injury. There was no compensation. (*American Brake Shoe Co.* vs. *Industrial Commission.* 20 Ill. 2nd 132).

Many accidents happen during lunch periods. When the lunch period is not subject to the employer's control, and the employes leave the premises and go wherever they wish, an injury then will not be considered compensable. An employe was on his way to lunch and was struck and killed by his employer's truck from which he had just alighted in front of his home, which was three blocks from his place of employment. This was held not compensable. The employer had no control over the employe at the time nor did the employer decide the route to be taken by the employe. (*Village of Mark* vs. *Industrial Commission.* 12 Ill. 2nd 168).

What about accidents on parking lots? An employe drove to his employer's parking lot about an hour before he was to commence work.

He fell on ice and snow when he got out of his car. Instead of going to work, he proceeded to a restaurant in the opposite direction from his employer's plant, where he often ate breakfast. There was no evidence that the condition of the lot would have been remedied before starting time. The accident was held compensable. (*Hiram Walker & Sons* vs. *Industrial Commission.* 41 Ill. 2nd 429).

AVERAGE-SIZED GROUP LIFE INSURANCE CERTIFICATE IN THE UNITED STATES



The steady rise in the averaged-sized individual group life insurance certificate since the end of World War II has been from $2,000 to $6,000 plus. At the end of 1968, group life insurance in the U.S. totaled $438.2 billion, about 37% of all life coverage in force with legal reserve life companies. This insurance was provided through 73 million certificates issued under 247,000 master contracts. Purchases of group life during 1968 totaled $39.4 billion, with about two-fifths of the total issued under new master contracts.

—Institute of Life Insurance

Add investment income

We were pleased to learn from Pennsylvania's Acting Insurance Commissioner George F. Reed that new filings for automobile insurance rates take into account investment income on assets equivalent to the companies' unearned premium reserves.

Application of investment income proceeds to the determination of insurance premiums makes good sense. No matter what insurers may say, investment income is a very real and completely litigimate way insurance companies earn funds from policyholders' premiums. Such investment gains should be averaged in when new premium levels are set, especially when, as in Pennsylvania, auto insurers raise commercial vehicle insurance rates 24.5% and more.

letters

BI's reach

To the Editor: I thought you would be pleased to know that the response to our offering of the Glossary of Reinsurance Terms, Info for Buyers, Apr. 28, was far better then I would have ever anticipated in that we have received some 30 requests thus far from all parts of the country—as far east as New York and as far west as Salt Lake City.

I figure that for a "specialty" item like this that kind of response is pretty good and you are to be congratulated on the "reach" of your publication.

Fred Feldman
Vice President, J. H. Lea & Co. Inc., Chicago, Ill.

Houston ASIM

To the Editor: We would appreciate your furnishing us the address of the Houston Society of Insurance Management.

We would like to correspond with them regarding a recent article published in *Business Insurance* (May 26, 1969), "Expect fewer statutory agreements governing contractual liability."

Mrs. T. Murphy,
Ingram-Armistead Inc., New Orleans, La.

Editor's Note: You may correspond with: Mr. W. A. Holcomb, Manager, Insurance & Pensions Dept., Transcontinental Gas Pipe Line Corp., Houston, Tex. Mr. Holcomb gave the speech and is also an official of the ASIM.

Reprint request

To the Editor: On behalf of EBS, we want to express our appreciation to you for the *Business Insurance* article of June 9, 1969, on the EBS audit of the General American Transportation Corp. risk program.

We would like to secure permission from *Business Insurance* to reprint the article, with appropriate credit on the reprint to the publication.

Warren G. Brockmeier,
Manager—Client Services, Risk Management Dept., EBS Management Consultants Inc., Chicago, Ill.

Editor's Note: Permission granted.

'Accuracy and integrity'

To the Editor: Tom Lutz of your Chicago office did an excellent job of covering our recent International Security Conference. We would like to commend him on his thorough approach, in-depth interviews, and "creative approach" to reporting on the subject of security, on which it is necessarily difficult to get information for public dissemination. We appreciate the accuracy and integrity in handling of his materials. He is certainly a credit to your organization.

(Miss) Nina Ansley
Director of Public Relations, International Security Conference, Los Angeles, Cal.

Keeps up to date

To the Editor: Your publication has many interesting items regarding the current status and current developments of the insurance business that do not normally appear in other insurance publications. It is most informative in keeping up to date on new developments and trends.

Norman A. Ellis
President, Ellis Insurance Agency Inc., Rapid City, S. D.

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The Great American Commercial Liability Plan

Green Giant's insurance nourished with safety

By ROBIN MENZ SUHRBIER

LE SUEUR, Minn.—The old saying "a picture's worth a thousand words" sums up the philosophy of the Green Giant Co. since it turned to visual aids to help tell the safety story to its more than 20,000 workers, most of whom are seasonal employes.

The safety factor has been worked into the training films used on the first day of employment. According to Paul Mueller, safety director, "since the employment period for a majority of our workers is short, we had to find a fast efficient way of making these workers safety conscious."

The use of visual aids, he contended, "helps our supervisors train many people at one time and to repeat the training continuously at many locations."

ALTHOUGH the safety section and insurance department, which is headed by Hugh Boren, are separate entities, both men agreed that each function is closely tied to the other. "We're both concerned with keeping accidents to a minimum," they agreed.

Concern with safety goes out to the fields where Green Giant has employes harvesting the crops for canning. "Since the majority of our field personnel drive tractors and trucks, fleet safety has become an important part of our overall program," Mr. Mueller added.

One problem, common to both plant and field, is how to keep workers from reaching into machinery or starting up machinery while another employe is repairing it.

"We've stressed this problem over and over again," Mr. Mueller said. "A machinery lockout program is now in effect in our plants. This should help prevent some of these types of injuries."

The company, he explained, has started an in-plant driver training program for lift trucks. The course includes both classroom training and actual driving instruction.

All men, Mr. Mueller pointed out, are required to wear bump caps because they are working around heavy machinery. Women are required to wear hair nets or scarfs and are requested not to wear loose clothing, rings or bracelets. The slippery nature of the floors requires that employes wear rubber foot wear.

"We also issue rubber gloves and boots where advisable," he added.

Green Giant's accident record has been about 100 doctor-treated injuries per million man-hours worked. The biggest source of severe injury is slips and falls.

THE FIRM has developed a method of holding plant and field managers accountable for safe operations. Accident costs are charged to those operations where they occur. The safety department keeps track of and publishes accident costs for each field and plant location. During the packing season this is done on a weekly basis.

"We also attempt to identify those activities which have the highest incident of severe injury. Then we try to focus resources on controlling these activities," Mr. Mueller explained. "This approach appears to be paying off in reduced accident costs."

He pointed out that the budget for accidents is based on insurance costs. Employers Insurance of Wausau is the workmen's compensation carrier.

The insurance coverage for the firm runs the whole gamut of coverages involving both property and liability areas.

AS PRODUCERS of canned and frozen vegetables, the firm depends on good crop growth each year. Because the cost of crop insurance is high, efforts are put into maintaining a good spread of land as insurance toward crop failure. Although the Jolly Green Giant considers his valley Le Sueur, he has fields located in the West, Midwest and East with canning facilities scattered from coast to coast and into Canada.

Green Giant maintains business interruption on all of its production locations. The policy pays the actual loss sustained with no lag period, according to Mr. Boren.

He added that with most of the company's property coverage, including business interruption, there is a $10,000 deductible per loss.

The combined comprehensive general and auto liability policy is on a manuscript form underwritten by Federal Insurance Co. Charles W. Sexton, a Minneapolis based broker, arranged the coverage. Limits, including the umbrella protection, are in excess of $5 million.

IN THE PRODUCT liability area, Mr. Boren said, the loss ratio has been very favorable. The company doesn't carry product recall protection. "We've talked about it but haven't felt the need sufficient," he said.

MFB Mutual Insurance Co., Lansing B. Warner Inc. and Appalachian Insurance Co. operate in combined effort to provide property and business interruption coverages for most locations. MFB Mutual handles all of the boiler and machinery; Lansing B. Warner assumes major responsibility for the unsprinklered properties.

The manufacturers output policy covering off premise locations and the product in transit is with Appalachian.

Green Giant's most recent serious fires have been at outside locations. Most owned warehouses are sprinklered, while a number of the unowned are unsprinklered.

ANOTHER SERIOUS hazard with cold storage locations is breakdown of refrigeration, causing considerable losses from ammonia contamination.

Mr. Boren contended that extreme care should be used in selection of outside storage to prevent serious damage to product.

Mr. Boren and his staff of four are responsible for all phases of insurance, including the company's insured employe benefits. He believes that it's important for the insurance manager to have a "good working knowledge of his company."

Mr. Boren came to Green Giant in 1941 as a member of the accounting department. From there he went to division controller and in early 1961 he came to the insurance department.

Asked about his most valuable sources of information, Mr. Boren quickly responded, "my fellow buyers and various insurance publications." ■

Insurance commissioner under fire for 'late' action on failing company

MIAMI—A newspaper here has suggested that Florida's state insurance commissioner waited an illegally long time before acting against the failing State Fire & Casualty Co.

The charges came as a U.S. Senate antitrust and monopoly subcommittee began hearings in Washington on the troubled insurance company.

Florida Insurance Commissioner Broward Williams, scheduled to testify before the subcommittee, denied that he waited too long before taking Miami-based State Fire to court on April 7.

ACCORDING TO the Miami Herald, records in Mr. Williams' office indicate that may have been longer than Florida law allows.

Almost seven months earlier, according to the newspaper, Mr. Williams' own examiner had declared State Fire financially impaired and "in violation of the Florida insurance code." That code gives the commissioner a maximum of five months' delay before moving into court against a failing company.

Deputy Insurance Commissioner Harry Landrum said the company technically complied with the law by offering additional stock. "A week later," he said, "they put up stuff to take care of the deficiency."

That stock later was described as of little or no value by the state insurance department. Mr. Landrum said there was no way to determine that at the time.

"IT WAS," he said, "a supreme effort to protect the insurance-buying public. Hopefully, the company could be saved so all claims could be paid."

It didn't work out that way, though, and the delay proved to be a costly one for policyholders.

On Sept. 11, 1968, examiner William A. Venn found State Fire $1.7 million in the red.

Now insurance department attorneys say the company's deficit is $8 million. The company had about 6,000 policyholders.

THE SENATE subcommittee, which subpoenaed Mr. Williams, also sent subpoenaes to Emil Tucker and George Henry, accused by Florida officials of helping a Mafia figure drain money from State Fire.

The insurance firm, investigators contend, issued a group of surety bonds used to secure loans. Three of these loans, according to the New York Investigation Commission, were used to funnel at least $181,500 to John Masiello, identified by the commission as a Mafia loan shark.

Mr. Williams was aware of the company's plight long before Mr. Venn's report, according to the Miami Herald.

"Because of its (State Fire's) continued financial deterioration in early 1967, a reorganization program was submitted to the company May 1, 1967, by the Florida insurance department," according to Mr. Venn's report, which was never released until the company's management demanded it during court hearings.

"MANY OF ITS proposals were not complied with and on Oct. 11, 1967, the department presented a petition to the board of directors whereby it sought to be appointed as a receiver of the company, with the intention of placing the company in conservatorship."

The company balked at voluntary receivership. Instead of taking the fight to court, Mr. Williams allowed State Fire to accept a takeover proposal by Capital Bancshares Inc., a Texas holding company.

According to the newspaper, the takeover was allowed despite the fact the National Assn. of Insurance Commissioners' committee of valuations had rated Capital Bancshares stock as being worth "zero" as an insurance company investment as early as Dec. 31, 1966. That same rating was given a year later, according to Mr. Venn's report.

Mr. Williams himself disallowed Capital Bancshares stock when another firm, North American Guaranty Insurance Co., was placed in receivership in October, 1967.

THE U.S. comptroller of the currency's office said that takeover had "left this company (State Fire) in an extremely weakened condition. Practically no free assets of a liquid nature remain in the company's portfolio."

Mr. Venn wrote that the move "resulted in a rapid deterioration of the company, ending in less investment income and considerably less liquidity in its securities."

Some states other than Florida worried about State Fire, and in 1967 several refused to renew the company's licenses pending corrective action.

Mr. Venn's report cited numerous examples of recommendations by the Florida insurance department which were ignored by State Fire's management.

Florida statutes allow the insurance commissioner to seek legal action against a balky company.

FOLLOWING the original Venn report, the company continued to go downhill, although on paper it showed slightly increased assets through the addition of Bartep, Calculator-Computer, Allen Electronic and Junction Bit and Tool Co. stock.

Mr. Venn warned that these stocks "are considered to be a highly speculative type investment with questionable or little market available."

The insurance department eventually agreed with his assessment, labeling all the new stock worthless or virtually worthless.

Dade County (Miami) circuit court agreed that the company was beyond saving and granted the department power to liquidate it. ■

Faulstitch appointed to new post

SALEM, Ore.—Oregon's Gov. Tom McCall has named state insurance commissioner James R. Faulstitch to a new post as his assistant for economic development and consumer services.

Mr. Faulstitch has headed Oregon's insurance commission since 1967.

He will be succeeded, temporarily, by ass't. insurance commissioner F. Frank Howatt, named as "acting" commissioner pending the governor's selection of a permanent appointee. ■

Air Line Pilots Assn. members see themselves as 'mild mannered'

By EDWIN BLACK

WASHINGTON—There is a union that hasn't had a major contract overhaul since 1933, almost never strikes (and doesn't believe in them), yet easily manages to corral yearly salaries in excess of $35,000.

The union is the Air Lines Pilots Assn., which without a whimper keeps 30,000 members among the highest paid hourly workers in the world, is presently negotiating for salaries up to $75,000, yet refers to itself as the most "mild-mannered" union around.

Captain David Bahncke, the founding father, organized the union back in 1933, when the pilots found themselves in desperate straits. The forerunner of American Airlines—"without a word of explanation" and without arbitration—slashed monthly pilots' salaries from $1,100 to $250. The rest of the lines followed, and the pilots were left in a serious spot, without any laws to protect them, or any union to bargain for them.

SECRETLY, the Air Lines Pilots Assn. was formed. The penalty for being a member, if discovered by management, was industry-wide blacklisting. Finally, through the efforts of men like Mr. Bahncke, the carriers were forced to sit down with the organization before the National Mediation Board.

"It was through the great tenacity of this organization," asserts union spokesman Harry McKee, "that we managed to come to a working agreement in 1933—one, I might add, that was so satisfactory, it has been the accepted formula ever since."

The decision of the board held that a pilot's salary should be in direct proportion to the productivity of the craft. For this reason, his pay schedule is a composite of gross weight pay, over-water pay, mileage and a series of other factors that measure the craft's efficiency and thereby the pilot's share of that profit.

IN FACT, there are so many factors involved in the formula, with entirely different scales for day and night flying, that Mr. McKee maintains, "I've been a pilot for 27 years, and during all that time I never figured out how they made up my paycheck."

This "increment" system not only progresses with the product worth of the aircraft but allows the flyer to keep up with rising standards of living. Present day earnings are in the neighborhood of $35,000 and bound to go up soon.

With the introduction of the Boeing 747 jumbo jet, capable of transporting nearly 500 passengers and crew across the ocean, the pay boost for pilots of those runs will probably exceed $15,000. The pay formula being what it is, flyers could theoretically tally $75,000 per year, all factors being just right.

AS FOR EMPLOYE benefits, "Right now," says Mr. McKee, "we've got the association life insurance programs, but the companies offer us much better plans. Most airlines have $50,000 group hospitalization, and group life that runs from one to three times the man's annual salary."

There's also a special loss of license policy that protects a man who can no longer pass his physical and loses his license.

One of the secrets behind the air line pilots' program of insurance is Harvey Watt, an ex-pilot who organized an insurance company primarily to protect people in the aircraft business. Union sources consider his underwriting to be "more than just a list of classes. The man knows the needs and the dimensions of the business."

IN FACT, vacations, conditions, insurance and pensions are so well adjusted that the $15,000 pay increase to overseas pilots of the new 747s will not even occasion a bid for higher benefits.

Says Roy Fuller, ALPA negotiator, "What can I say? We're satisfied with what we're making and getting. It's not a utopia, though—there are some items we think need improvement.

"For instance, it's true that some pilots make around $35,000, and that the FAA sets their flying time maximums at under 30 hours in any seven-day period, but that can be misleading.

"For every hour of time spent in the air, our man sets three hours on the ground—doing weather reports, checking the plane, waiting for his flight, etc.—so he works about 240 hours a month to get in his 80 hours flying time. But, you see, these non-flying hours aren't paid for."

According to practice, a flyer is paid from the time the engine is turned over at the origin, to the time it's turned off at destination —or from "block-out to block-in," an old description dating back to Lindbergh's use of wheel blocks to keep the plane stationary. Today blocking-in and out is measured from the time the ramp recedes at the origin to ramp extension at the destination airport.

"SOON," according to Mr. Fuller, "we are going to ask for credit for ground time, and, in fact, all time spent away from home. We'd like to return to the old system of salary, based solely on mileage, but the carriers just will not agree to this.

"But with flights taking less time and transversing more country in less time, you can see that we're going to have to make up for this with more than just the token remuneration we now receive for ground work—which is two-thirds of the job."

There are some new benefits that the union has been discussing, such as dental coverage. "Well," says Mr. Fuller, "right now we have no dental coverage, but our men are usually paid well enough to take care of their own teeth, so that's a minor pursuit."■

Hawaii adopts UDC law

HONOLULU, Hawaii—Hawaii's legislature has adopted a new unemployment compensation disability law, which has been signed by the governor, adding this state to the small list of U. S. states having such a law.

The new legislation is favorable to the operation of private carriers. It does not include a state fund.

Coverage will be provided by insurance carriers and by the device of self-insurance, with an assigned risk plan applicable to carriers and self-insurers alike. ■

Giles on the law

Idaho onions cause chemical manufacturer to cry in court

By JOHN W. GILES
Attorney-at-law

WASHINGTON—The Idaho supreme court believes that Idaho farmers know their onions.

In a recent case in Idaho, a farmer brought an action against the manufacturer of a chemical herbicide. The action was for breach of warranty and alleged that 85% of his onion plants were killed by the herbicide.

The manufacturer called two expert witnesses, each of whom said that in their opinion the herbicide did not cause the damage. But the farmer called in several of his brother farmers and qualified them as experts and they testified that the herbicide did cause the damage.

The court said that these farmers were experts because they had long experience in raising onions. Although none had formal education or training in plant pathology or herbicides, they were all familiar with the cultivation and harvesting of onions.

The dissent held that these farmers knew no more about herbicides than the average juror and they should not be qualified as experts. (Idaho Sup. Ct. *Bean* v. *Damond Alkali* Co. 5/12/69.)

* * *

IF YOUR SALESMAN dies in a hotel fire which apparently was started in his room, and the hotel is practically destroyed, are you liable for the loss?

Under the terms of the employment, the salesman's expenses, including travel, motel, etc., were paid by the defendant. He had no fixed working hours, but was subject to call at any time. There was no evidence that he had been called either by a customer or the defendant employer on the morning of the fire.

In dismissing the complaint, the court said that even if the salesman negligently or deliberately started the fire, such conduct could not have been within the scope of his employment. Accordingly, under Pennsylvania law, no liability could be imposed.

The Pennsylvania court described two situations. In one, the employer is liable when his servant, while delivering gasoline, negligently lights a pipe and drops the blazing match in a pool of gasoline on the ground. In the second, liability is denied when the employe, a chauffeur, negligently flicks his lighted cigarette out of a car window into a passing load of hay.

In the first case, dropping a lighted match into a pool of gasoline on the ground was a negligent manner of performing the duty of delivering gasoline, whereas the chauffeur, throwing a burning cigarette from a car window, though negligent, had nothing to do with the manner in which he drove his master's automobile, and was not driving carelessly. Do you agree?

* * *

HOW TECHNICAL can you get?

An attorney in Illinois insured a piece of property which he controlled. Suit was filed against the city and the property of the insured, alleging that as the result of a wooden protection in front of the building, the plaintiff was injured.

The address of the property specified in the complaint was not that of the insured's property. The insurer refused to defend, because the premises, as described in the complaint, were not covered by the policy. The insured sued the insurance company, after defending the suit himself, for the fees and costs of defending the action.

The court gave judgment for the insured, saying that when it appears that a complaint against an insured does not state facts with sufficient definiteness to clearly bring the case within or without the coverage of the policy, the insurer is nontheless obliged to defend the action, if there is, potentially, a case under the complaint within the coverage of the policy. (*Sprayregan* v. *American Indemnity Co.* Illinois App. Court, First District, Feb. 3, 1969.)

* * *

THE PLAINTIFF testified that he was dancing the waltz in a corner of a dance hall, because there was one fellow on the floor whom he was trying to keep away from.

"When it is crowded like that you really can be bumped," he

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Westinghouse paid $63.6 million in pension, insurance benefits in '68

PITTSBURGH—Group life and health claims totaling $41.6 million—a record amount—were paid out last year to Westinghouse Electric employes and their dependents.

Another $22 million went to retired Westinghouse employes under the company's pension plan. The pension trust gained some $59.5 million in 1968—$25.3 million from investments and almost $25 million from Westinghouse contributions. Employes in the contributory pension plan paid in an additional $6 million.

The Westinghouse pension plans at the end of last year had assets of $657.6 million. Of that, $370.8 million was invested in stocks, $150.4 million was in bonds, $96.9 million was tied up in other investments, $37.2 million was in cash and equivalents, and $2.3 million was in receivables.

THE COMPANY said that it paid $31.5 million toward the cost of group life and health coverage last year and that employes contributed $12.5 million to cover dependents.

Westinghouse said that claims paid last year topped 100,000 for the first time. With a total of 107,000 claims, and allowing for the fact that in a number of cases two or more claims came from the same family, Westinghouse estimated that one out of every two employes (or their dependents) received insurance benefits last year.

The highest amount in claims was for hospital expenses—nearly $16 million. More than $9.5 million went for life insurance to survivors of employes who died in 1968.

Accident and sickness benefits amounted to more than $4.5 million. Surgical benefits were nearly $4.5 million and maternity benefits hit more than $2.5 million.

WESTINGHOUSE paid more than $2.5 million into the pension trusts to pay for the cost of continuing one-third of the amount of life insurance coverage for retired employes. Minimum coverage is $2,500.

Westinghouse said that reserves for unsettled claims, taxes and administrative expenses totaled more than $1.5 million. Last year about $381,000 remained from the advance payment made to insurers which handle the Westinghouse account.

The giant manufacturing and electric company reported that at the end of 1968—a year and a half after the program was started—more than 24,000 employes participating in a personal savings program had over $27 million credited to their accounts.

This figure included more than 170,000 shares of Westinghouse stock and about 700,000 in U.S. savings bonds.

Westinghouse employes received a personalized benefits statement detailing their own record of benefits under the company's pension and insurance plan. ■

Idaho court...

Continued from page 17

said. "But this fellow kept coming, and all of a sudden, bang!" The plaintiff fell down and hit his head on the floor, and his partner fell on top of him and ripped her dress in the descent.

He sued the ballroom for failure to conduct its establishment in an orderly manner and in compliance with statutes. The court decided for the ballroom, saying that it would only be liable if it were found that it knew or should have known of the rowdy actions of third persons which might lead to the injury of other dancers.

Although the bump which floored the plaintiff may have been deliberate, it was not a happening which the ballroom owner was bound to anticipate. *(Goggin v. New State Ballroom.* Supreme Ct. of Mass. April 18, 1969.)

* * *

WHAT HAPPENS when a judge sues an insurance company? This one did not do so well.

The chief justice of a state supreme court obtained, through the American Judicature Society, its group accidental death and dismemberment policy to cover both his wife as a non-member and himself as a member.

The brochure indicated four classes of insured persons, two of which were categories of nonmember wives, and further indicated that these classes of wives were not eligible to receive permanent and total disability benefits.

When the judge's wife was totally disabled as the result of injuries sustained in an automobile accident, the judge maintained that the state antidiscrimination statute amends the policy so that it provides only one type of coverage for each insured person.

The court did not sustain the judge. It said that for it to be a violation of the antidiscrimination statute, the insurance company must discriminate between insureds of the same class. The insured here is in a different class from his wife. The master policy describes four classes of insured persons. Under the policy, members are designated either Class I or Class II insured persons and wives of members are designated Class III or Class IV insured persons, according to their age. There is therefore no discrimination. (U.S. Court of Appeals, *Simmons v. Continental Casualty Co.* 5/28/69.) ■

Credit cards

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"simply because it was not possible to administer the paper work involved in a risk area where virtually all insured families will have drug prescriptions each year and have a great many of them."

A spokesman for Blue Cross of New York said that "ideally, a single card could take care of benefits all over the country," and a source at Blue Shield in Michigan disclosed that the organization has "talked with the government on a general basis" about starting a pilot program in Michigan to dispense drugs to Medicare participants.

Blue Shield in Michigan projects about 10 million overall claims in 1969, and with the coming of the prescription drug plan anticipants 19 million in 1970 and 35 million by 1974. The card could be used for everything from doctor visits to eye examinations. Aetna is predicting 1.5 million drug claims alone in the first year of the program. ■

london line

Air passenger awards boost liability rates

LONDON—World hazards reviewed by British insurance experts in a summary of recent disasters include the Caribbean and U. S. hurricanes, the Brussels store fire, and oil-rig accidents off the British coast. But one of the team points out potential dangers in the use of 300,000 ton tankers and jumbo jets and estimates that, if two such jetliners collided over New York, there could be a $300 million claim in the end.

Because of the Beirut air disaster, the time may be coming for war risks to be excluded from normal aviation policies, and covered by the specialist war risk market, says the Aviation Insurance Offices Association in London.

It also warns that premium rates might have to rise because awards to passengers, especially in America, are steadily mounting.

* * *

ORION Insurance Company Chairman P. B. Gilbert has told stockholders that cargo insurance may be helped by the use of containers for world shipments if they reduce pilferage. But the insurance of specie is currently unsatisfactory, and there is great need for more stringent security measures to combat increased crime.

* * *

NEW-TYPE business policies have been introduced for large corporations in Britain by the Sun Alliance group so as to save time and trouble.

They will combine, under one overall "cover," the legal requirements to insure against accidents that have been in force under English law for more than fifty years.

These have provided for compensation for injury to workers hurt while engaged in direct work for their firm, and accidents to other people, mainly ordinary members of the public, who were indirectly affected by mishaps.

For years by a quaint approach separate policies have been traditional for these two classes of claim. Now the new plan (and it has been long overdue) provides for one policy to cover all normal business risks a corporation might encounter.

* * *

BRITAIN'S insurance industry has hit out at the Wilson Labour Government plans to "soak the economy" by demanding higher payments for national insurance protection.

For the plan calls for every worker, and every employer, to pay more money to the administration in the next three years so that it can raise retirement-age pensions and other welfare-type benefits.

It will add $750 million to the country's wage costs next year. But the plan will benefit the low-paid industrial worker far more than the nation's professional classes in the end.

Joint leaders of the major insurance firms, who have helped for years to provide millions of Britons with pensions or other benefits under businesslike policies—and with premium payments carefully worked out by experts with decades of experience—are complaining bitterly that the "welfare state" plan is unfair to many people in its present form. ■

Group life dips

May purchases of group life insurance under new or revised group contracts totaled $2.24 billion, down from $2.52 billion a year earlier, the Institute of Life Insurance reported. Group purchases for the 12-month period from June, 1968, to May, 1969, (including Federal employes' group life) were $38.85 billion, down from $41.68 billion in the previous 12-month period.

Open rating earns trial in Illinois

SPRINGFIELD, Ill.—After tacking on a two-year trial period amendment, this state's house of representatives passed an open competition rating bill in the closing hours of its 1969 legislative session.

The bill now goes to the senate for certain concurrence in the amended form.

Describing it as a "California-type bill," William Gibson, assistant director of insurance for Illinois, said it will no longer be necessary for the more than 700 companies doing business in the state to file rates with the department of insurance. The director of insurance, however, "can ask to be put on the mailing list for insurers' rate manuals," Mr. Gibson said.

THE PASSAGE of the measure means that Illinois Insurance Director James Baylor will likely introduce an industrial exclusion bill in the next legislative session. Such legislation would allow corporate buyers to purchase coverage from insurers not licensed to do business in Illinois.

Business Insurance reported in May that an industrial exclusion bill would be introduced into the state legislature unless an open competition bill became law first.

JAMES E. Bailey, national legislative counsel for the American Society of Insurance Management, told *Business Insurance* that he had no worries about the two-year trial amendment.

Another ASIM spokesman, W. S. Robertson, manager of insurance for A. E. Staley Manufacturing Co., testified in favor of the open competition bill before the insurance committee of the house.

MR. ROBERTSON told the committee that the ASIM favored the bill because it would "assure the availability of realistic coverage in adequate amounts at an equitable price; rates filed in such a system do not create a predatory or proprietary climate; filings are not merely a vehicle for the direct insuring of an undesirable risk to be transfered to a reinsurer; and prompt and adequate regulatory review procedures are available to determine that filings are not detrimental to the solvency of insurers."

Waller Smith, director of insurance for United Air Lines, and Mr. Bailey accompanied Mr. Robertson before the house committee. ■

EDP software, output often ignored in coverage

DALLAS—The rapid rise in computer usage by businesses of all types has resulted in constantly increasing exposure, for most firms, to catastrophe losses.

The potential for a disastrous loss goes far beyond the loss of the equipment itself The software and the computer output both represent an often irreplaceable investment, the loss of which could drastically impair a firm's ability to operate.

"This often overlooked potential for disaster creates a need for insurance programs that go beyond the relatively simple realm of insuring the computer equipment itself," said Phil Brown, an executive with Houseman & Co. Insurance here, an early starter in developing insurance programs for computer installations.

HE SUGGESTED that companies operating computer facilities look at the risk factor from three standpoints—the computer equipment, software and output, and extra expense and business interruption.

The need for adequate coverage on the equipment itself is affected by the ownership. If it is leased, careful attention to the lease agreement will often reveal the existence of conditions that transfer responsibility for loss or damage of the equipment to the lessee.

In the case of equipment owned outright by the firm, Mr. Brown recommended insurance on a replacement cost basis, regardless of the installation's age and "generation." In view of the increasing cost of the more sophisticated equipment which would be required for replacement, general price increases and tax considerations, an annual insurance coverage review is a prudent measure.

The cost—value of the equipment is easy to see, and to determine. What is often overlooked, however, is the value of the software—the programs that actually operate the computer—and the output of the computer. Many programs and the output of the computers are so valuable they cannot be adequately covered.

FULL REALIZATION of the value will lead to maximum protection through a combination of insurance and revised operational procedures.

The need for a comprehensive look at this aspect of the computer picture is illustrated by one company's experience. The programs represented more than 44 man-years of work. Rewriting them would have been a practical impossibility. Recognizing the importance of these vital computer instructions, the EDP manager had prepared duplicates to avoid disaster, since loss of these programs would have forced a shutdown of most of the firm's profit-generating manufacturing operation.

With duplication such a loss was still a distinct possibility, because the duplicate programs were located in the same room with the originals and were stored in unlabeled file cabinets. The insurance manager was able to minimize the risk simply by recommending a change in storage procedure. This situation was uncovered during a periodic risk survey by the firm's insurance advisors.

Similar situations in all types of business point out the need for a periodic review by an expert to insure that exposure to loss is reduced to the minimum, and the remaining exposure hedged with the most economical insurance package.

THE THIRD area of often unforeseen potential catastrophe is extra expense and business interruption. Many EDP managers feel they can safely rely on other facilities.

This judgment often overlooks the problems involved, Mr. Brown contended. Finding the time to handle the full load of a facility operating at full capacity is not as easy as it sounds, especially when sophisticated third-generation equipment is involved. When a compatible facility is available nearby, it would be a rare and fortunate thing indeed if it miraculously had so little work of its own that it could handle all requirements of the disabled facility, even if the programs and raw data remained intact.

Possible exposure of confidential data is just another complicating factor. It can be resolved, of course, and it may be possible to meet all requirements on several other facilities, even if they are at distant locations.

A realistic periodic analysis of the situation should provide management with the contingency plan and insurance coverage combination to best solve the problem.

Business interruption insurance is generally carried, but it often excludes losses resulting from damage to computer equipment. With the increasing dependence on the computer to do everything from actually operating on-line production machinery to forecasting of market trends, this type of exclusion would leave a firm wide open. Business interruption coverage is available solely for computer installations or as part of a total cover.

A comprehensive risk survey on a regular basis is vital to assure a company's management that risks are clearly and fully understood, and are being covered by good management and insurance. ■

Ship builder admits fault

COLLINGWOOD, Ont.—The vice president of a ship-building company admitted to a coroner's jury that a 9,300-ton ship slipped off its launching pad here May 29, killing two men and injuring 42 others, because one of 15 crucial timbers holding it in place was so rotten it snapped.

The jury was also told:

The shipyard had no emergency alarm system to warn the 120 men working underneath that the 730-foot vessel was bearing down on them.

THERE WAS no company disaster plan despite the high dangers.

The Ontario department of labor has never inspected a ship-launching job site in Collingwood or probed the safety and working condition of the 250 men need to launch a ship, although 11 ships have been launched here in the last 10 years.

The premature, nightmare launching of the Canada Steamship Line's $11 million Tadoussac took less than 10 seconds. ■

High court broadens rights of small stockholders to bring damage suits

WASHINGTON—The Supreme Court continued to broaden the rights of small stockholders to bring damage suits against corporate officers for alleged stock manipulation by refusing to disturb a lower court decision. The ruling came on the last day of the court's term and of Earl Warren's 16-year tenure as Chief Justice.

The action was the latest in a series by the Warren court having the effect of exposing corporate managers to liability in stockholder suits. The action makes it easier for small stockholders to press private damage suits in Federal court.

Leon Green, the plaintiff, sought to recover damages of less than $1,000 from Wolf Corp., a New York realty concern, its officers and others on grounds of alleged manipulation of Wolf stock. Federal courts, by their rules, will hear cases only when the amount in controversy exceeds $10,000. Mr. Green, however, filed his suit on behalf of 2,200 other persons who had bought Wolf stock between June, 1961, and Dec., 1963.

A FEDERAL district court ruled that Mr. Green lacked standing to file a "class action" and threw out the suit, inasmuch as no other stockholder had filed suit or intervened.

The second circuit court of appeals in New York reversed the district court, saying that "a large number of individuals may have been injured, although no one person may have been damaged to a degree which would have induced him to institute litigation solely on his own behalf."

The Supreme Court, without comment, refused to disturb the appeals court's decision.

THE DEFENDANTS can now ask the high court to reconsider its refusal to review the appeals court's decision. The Supreme Court, however, rarely grants reconsiderations.

Wolf Corp. said the suit will go back to the Federal district court for trial. Wolf denied that there was any manipulation of the stock.

In an earlier Supreme Court action, it was ruled that state law is not ousted by Federal law in damage suits involving offshore oil drilling rigs.

THE CASE AROSE when two men met their deaths on drilling rigs located off the Louisiana coast. Each man's family brought suit for wrongful death in the Federal courts under both the Federal Death on High Seas Act and under Louisiana law.

In both cases a circuit court of appeals held that the High Seas Act was the exclusive remedy for the deaths, although the two families claimed they were entitled to additional compensation under state law.

In the case before the high court, Rodrigue vs. Aetna Casualty & Surety, Mr. Rodrigue was performing a test on a drill pipe high on a derrick when he fell to his death on the floor of the rig.

HIS WIDOW and three children brought three actions: An admiralty action under the High Seas Act; and two others against the owner and insurer of the rig. The civil actions were brought under two state laws, the Outer Continental Shelf Lands Act and an article of the Louisiana civil code.

The trial court consolidated the two civil actions and dismissed the insurer, who had been made a party to one of the civil actions under a Louisiana "direct action" statute. No reason was given for the dismissal, but the ground urged in the motion was that the accident did not occur within the state of Louisiana so that state law did not apply.

Although both the district court and the appeals court dismissed the consolidated civil action on the ground that the High Seas Act provided a remedy, the Supreme Court before adjourning last month held that the Lands Act and Louisiana law applied in the case.

THE UNANIMOUS decision, written by Justice White, held that "the accidents in question here involved no collision with a vessel, and the structure was not a navigation aid. It was an island, albeit an artificial one, and the accidents had no more connection with admiralty than do accidents on piers. Indeed the court has specifically held that drilling platforms are not within admiralty jurisdiction."

Justice White stated that "it is apparent that Congress decided that these artificial islands, though surrounded by the high seas, were not themselves to be considered within maritime jurisdiction.

"Thus the admiralty action under the Seas Act no more applies to these accidents actually occurring on the islands than it would to accidents occurring in an upland Federal enclave or on a natural island to which admiralty jurisdiction had not been specifically extended," he stated. ■

Policyholders win court rule

TORONTO, Ont.—Constitutional history is made in a Supreme Court of Canada judgment which supports the federal position in a jurisdictional dispute with Ontario.

At stake was $400,000 of assets deposited with the Ontario treasurer by Wentworth Insurance Co., Toronto, which was declared insolvent following the bankruptcy of Prudential Finance Corp. Ltd. of Toronto.

Under Ontario law, an applicant for a license to carry on an insurance business must deposit with the province negotiable securities for the protection of policyholders.

THE CONFLICT, now resolved by a five-to-four judgment of the Supreme Court, revolved around the matter of priorities in the distribution of the $400,000 to policyholders.

The Ontario Insurance Act draws a distinction between those policyholders who claim for losses and those who claim for refunds. The Ontario statute gives priority to those who claim for losses.

The Dominion Winding Up Act requires that all funds on deposit must be distributed equally among all policyholders. Had the Ontario law prevailed, the claims for losses would have used up all the $400,000 leaving nothing for policyholders claiming for refunds. ■

Whitt joins Capitol

David V. Whitt has been named director of group insurance at Capitol Life Insurance Co., Denver, Col.

Probers check Dominicana air cargo crash; settlement still up in the air

MIAMI—A team of investigators is reassembling portions of a Dominicana Air Lines cargo aircraft to find why it plummeted into a downtown Miami business area, taking ten lives and injuring 13.

Business Insurance reported (July 7) that sources said a $12 million liability policy written at Lloyd's of London covers the tragedy.

Investigators from the National Transportation Safety Board hope to find why the disabled DC4, once modified to haul automobiles in an English Channel ferry operation, suffered malfunctions in two of its four engines shortly after takeoff from Miami International Airport on June 23.

ALMOST immediately after the transport lifted off the runway, the pilot feathered one engine. After the tower notified the pilot that a second engine was smoking, the aircraft made a wide circle, attempting to return to the airport.

But instead, it gradually settled down into an almost vacant main artery. It demolished an auto body shop and sent a blazing wing knifing down the street, spewing fuel into shops on both sides.

The safety board team has questioned two mechanics, friends of the dead crewmen who made minor repairs on the aircraft before it took off. Crewmen had cancelled two earlier flight plans because of engine trouble, and had asked the two moonlighting mechanics, both Colombians, to work on the engines.

Peter McBreen and Associates of Chicago was assigned by the underwriters to handle the Miami claims.

POLICE authorities estimated the total property damage was "at least $1 million." There was no indication what kind of settlement Lloyd's might offer or what any of the survivors would accept.

The crash was only the fifth of an aircraft out of Miami International Airport since 1946.

Foreign cargo carriers have been involved in the last two crashes, prompting local criticism of the lack of supervision U. S. aviation authorities exercise over foreign airlines flying into American airports. Federal Aviation Administration officials said this country respects the right of other nations to certify transport pilots that fly into this country, and to establish their own maintenance procedures without superimposing U. S. regulatory agencies.

WHEN THE Dominicana cargo plane crashed last month, the Charles Knapp family was hardest hit.

Two Knapp sons were working in the family paint and body shop when a major portion of the plane leveled the building, killing the two youths instantly.

A friend of the family revealed that within less than 24 hours after the news was heard, agents for attorneys approached the Knapps via phone and in-person calls.

As of last week, legal counsel has not been retained by the Knapps. ■

Lawyer held negligent in late appeal

SAN FRANCISCO—A service station accident which occurred at Redding, Cal., has ended in a U.S. district court decision here resolving what insurance people call "the most complicated" automobile insurance case of the year, *Preferred Insurance Exchange vs. William W. Coshow.*

The loser in the case is an attorney who apparently failed to file a brief at one time and failed to enter an appeal at another time.

To find against the attorney, it was necessary to determine that his client would have won the case had an appeal been taken. It also was discovered that the trial judge had before him in the original action a copy of the wrong insurance policy.

The district court had to decide whether the insurance company would have won if both the real policy and the one before the court had been used.

THE ACCIDENT occurred while the service station attendant was filling a gas tank. The nozzle came out, spilled gas and the gas caught fire and killed the car driver and injured a passenger.

Cal-Farm Insurance Co., as carrier for the owner of the service station, paid $25,000 toward a settlement and then turned to Preferred Insurance Exchange for $25,000 plus attorney fees on the ground that both the owner and attendant of the service station had been covered by the deceased's auto policy.

This contention was based on the concept that, in servicing the automobile, the station and the attendant were actually using the man's car with the owner's permission.

The Federal court ruled that Preferred "owed no defense to the employer and no defense to the employe" insofar as the estate of the deceased was concerned but that it did owe a defense with regard to the claim of the passenger in the car.

Thus, having first decided that the case should have been ruled in favor of Preferred, the Federal court then decided that the attorney for Preferred was negligent in having failed to appeal within the prescribed time period. ■

Chiropractic care now part of Calif. cover

LOS ANGELES—All group health care insurance policies issued in California must now include coverage for chiropractic care, according to Dr. Charles L. Davis, president of the California Chiropractic Assn.

A bill authorizing the inclusion went into effect last November, but Dr. Davis said full interpretation of its contents delayed the announcement to the association's more than 1,000 member-doctors.

"With some very minor exceptions," said Dr. Davis, "no policy issued in the state of California can any longer draw distinction between medical and chiropractic treatment on claim payment.

"The passage of the bill is an acknowledgment of the rights of each individual to seek out the doctor and method of health care which he has found to be, in his own experience, most effective," stated Dr. Davis. ■

following the funds

Bankers shift fund investment plan in face of changing economic climate

By THOMAS LUTZ

CHICAGO—Major pension and profit-sharing investment counselors agree with many corporate fund managers that, after more than nine years of inflationary growth in the economy, the current cooling-off tendency calls for a reevaluation of fund investment practices.

Fund managers in corporations are heavy in cash and eyeing blue chips on a selective basis, this column reported last issue, even though the stock market is sagging and money is tight. Bank investment counselors in major banks, however, tend to be more flexible, if not conservative.

This cooling-off period is said to be a result of the potential extension of the 10% Federal surtax, high interest rates, a decrease in the rate of increase for the Gross National Product and a drop in the installment buying practices. To many economists, these factors are bound to conspire effectively against inflation.

Even if the surtax isn't passed in the near future, the threat of wage and price controls by the Nixon Administration is thought to be enough to stay more inflation.

DAN BLOCK, trust department vp at Chicago's Continental Illinois Bank, said, "We are generally getting away from the speculative markets into more stable areas—public utilities, the paper market and retail trade."

The retail trade investments, Mr. Block explained, are for the long pull. "In the 1970s we think we will have a more consumer-oriented society than we have today."

Although the increase in consumer installment purchases has been smaller and smaller since the first quarter of 1968, the Continental Illinois investment specialist feels consumer installment buying is only keeping pace with the decline in inflation.

"We view this cooling off as an opportunity to get into good-valued common stock," said James P. Baxter IV, exec vp for First National Bank of Chicago. Taking what he called "an aggressive stance," Mr. Baxter is looking for "secure earning prospects" for pension and profit-sharing funds.

IN GENERAL agreement with Mr. Baxter, Malcom Kelley, senior vp for Bank of America, said, "There has been a long-standing trend toward a greater investment of new fund money in equities—principally common stock as opposed to fixed investments." Following this trend of buying common stock is Bank of America's plan for the cooling-off period.

However, Robert Fullton, investment officer at U.S. Trust Co., New York, said his bank's investment practices will "not change at all"—whether the economy cools off, has a slump or hits new record highs in inflation.

U. S. Trust will invest pension funds in common stock only and keeps 80% or more profit-sharing money in the same equities. Even if a rough recession came, Mr. Fullton said, U.S. Trust will "very likely not change its investment practices." He added that common stock will "out perform bonds," and that there is therefore no need to change.

Another large bank investment officer based in Chicago, who described his bank's investment philosophy as "on balance, in an aggressive posture," said he is encouraging greater liquidity reserves for both pension and profit-sharing funds. "But there are still a great number of common stocks that are worthwhile and well-priced," the source told *Business Insurance*. He named the computer industry, consumer services and soft goods as among the stocks he considered "worthwhile and well priced."

THE REASON this Chicago banker is encouraging profit-sharing and pension managers to maintain larger liquidity reserves is the possibility of a recession. "The intent (of the high interest rates and other regulatory moves) is to turn down the economy. It may be that they will turn it down too much; therefore we advise this liquidity reserve idea," he said.

The investment specialist does not encourage real estate for profit-sharing fund investments, but does keep an eye on property for pension fund monies.

Mr. Block, of Continental Illinois Bank, said he could not foresee the possibility of a significant recession. If one were to come, he would not alter the bank's pension and profit-sharing investment plans.

Echoing Mr. Block, Mr. Baxter, of First National Bank of Chicago, said, "When you're investing for pension and profit sharing, you're investing for the long pull." He therefore saw no problems with a slight recession.

A similar opinion was expressed by Mr. Kelley, of Bank of America. "A modest business recession," he said, "would not alter our plans."

IN GENERAL, the bankers took the view that an end to the war in Vietnam this year, or a significant withdrawal of U.S. fighting men (100,000 troops or more), would benefit pension and profit-sharing investments.

"Any significant withdrawal from Vietnam," Mr. Block said, "would be a plus factor." He reasoned that his plans to invest in the retail businesses would be aided by the influx of GIs.

Mr. Baxter agreed with Mr. Block, saying a troop withdrawal "would turn the market upward and thus help fund investments in that way."

However, Mr. Kelley doubted very much if any withdrawal of fighting forces would markedly affect the investments he makes for pension and profit-sharing funds. But he did say that such a withdrawal "would have a tremendous effect on the economy as a whole."

Another investment officer said

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American Chain balks at union putting pension into mutual fund

BRIDGEPORT, Conn.—Local 6038 of the United Steelworkers of America wants to switch its pension into mutual funds, but American Chain and Cable Co., which finances its present pension fund, won't let the union withdraw its money without a court battle, said a union spokesman.

According to the local, the pension fund should presently amount to about $342,000. But American Chain and Cable Co.'s Allison-Campbell division is offering $312,000, including 5% penalty, if the union withdraws.

Learning this, the union filed a suit in U.S. district court of Connecticut against the company, charging fraud, misrepresentation and asking for a termination of the current three-year contract, in addition to $250,000 in damages.

THE CHARGE alleges that a 1962 pension plan revision was falsely certified to the Internal Revenue Service as in no way reducing employe benefits. But, say union sources, "Now we discover that there is a 5% terminating fee—and we never had that in the old agreement. And now we find out that there's this annual service fee, which was never in the former plan.

"What all this means," asserts the source, "is that there are reductions in our present plan from the old plan, which is contrary to IRS regulations, and these reductions were hidden."

Rudi Poulsen, local 6038 president, told *Business Insurance:* "We want our money and it's not there."

A SOURCE at American Chain and Cable Co. contends that "the whole matter is one of interpretation. We've maintained this plan for over four years and they've never said anything about it. For heaven's sake, it involves only 1% of the employes, and I think that we'll be vindicated in court."

Mr. Poulsen argues that all 115 eligibles of 140 Allison-Campbell division workers are affected. The union also claims that through mismanagement and procedures undisclosed to the IRS, pension money was depleted.

According to the complaint, $83,000 was idled in a zero-interest checking account, and large insurance commissions not devulged to the IRS ate up money from the pension fund.

THE SUIT FURTHER states that American Chain and Cable was bound to contribute $36,000 annually to the pension fund, but "without revealing same to plaintiffs, received a $3,000 annual rebate." This "rebate" was in the form of policy dividends, but the money never went into the pension fund, according to the suit. Instead, it was "used to reduce the next contribution by the defendant," the union said.

These items were discovered after Norman F. Dacey & Associates examined the plan. The local voted unanimously to withdraw its funds from the company program and invest it in the mutual funds of Dacey.

"We know it's a risk," admits Mr. Poulsen, "but all the members are willing to take it. Under the company plan, sure, we have a guaranteed pension, but there's no opportunity for growth.

"It's merely a matter of our wanting to improve ourselves. It's permitted in the contract."

MUTUAL BENEFIT Life Insurance Co. of Newark provides the group coverage already in effect. Mutual offered a better guaranteed pension, but the union turned it down in favor of the growth potential of the Dacey fund.

"What this means," stated Mr. Poulsen, "is that the plant can't advertise it has a pension plan, which is pretty embarrassing for them. According to the company, what we're getting into is not a pension fund. And it's true. There's no guarantee with the Dacey growth issue, but we approved this gamble by secret ballot.

"We chose Mr. Dacey because he is the most honest operator in the area, and he's really worked hard to show us how to make the most of our money.

"Now that we're trying to get out, they won't give us the cash value of our fund. They say the cash value is reserved for retirement only, and withdrawing funds before that time will necessitate a penalty."

Sentiment at both Mutual and American Chain and Cable is that the fund was establshed strictly for retirement purposes, the cash value not maturing until retirement.

The courts will decide whether the union is right when it says, "This is merely a ploy to keep us from leaving the company cold with a program they didn't have the initiative to think up." ■

Health care regulator for Washington

OLYMPIA, Wash.—Mrs. Curtis R. Shelley, a partner in the Tacoma firm of Gus J. Paine Insurance Services Inc., has been named by Washington State Insurance Commissioner Karl Herrmann as a special deputy in charge of health care service contractors.

Mrs. Shelley, who has served as vice chairman of the commissioner's advisory board, will supervise a new department established to regulate the industry and assist it in complying with legislative requirements.

A new law adopted by the just-concluded legislative session imposed tighter controls over the prepaid medical care field.

Starting July 1, the insurance commissioner must examine contract forms, license agents and require financial statements from insurers in the health care field. ■

Bankers shift

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that if peace comes in Vietnam he is certain the market will be "bullish." This, he said, would call for a more aggressive posture, allowing fund money to buy up soft and hard goods stock, get into the building industry and even go into high technology industries.

The investment executive was cool to the idea of buying any defense-related industry stock in the near future. "Congress is going to be a lot tougher about appropriations and the profits these corporations make—whether there's peace in Vietnam or not." ■

Nixon Administration moves to limit Medicare, Medicaid doctors' fees

WASHINGTON—The Nixon Administration has moved to cut costs of Federal participation in Medicare and Medicaid by some $570 million by reducing some hospital payments, setting a ceiling on certain physicians' fees and making other changes.

Robert H. Finch, Secretary of Health, Education & Welfare, announced that effective July 1 the department would eliminate the automatic above-cost allowance currently paid to hospitals and nursing homes under Medicare and hospitals under Medicaid.

The Federal government has been paying a flat 1½% contingency fee above costs to profit-making institutions and 2% to non-profit institutions to take care of costs not covered in the basic Medicare and Medicaid reimbursement arrangements.

THE ELIMINATION of the cost allowance fee is expected to reduce Federal outlays for Medicare alone by an estimated $65 million annually.

"After three years of experience we believe the costs which this allowance was intended to cover shouldn't be determined in the future by the application of a flat percentage . . . but should be specifically identified and thus recovered," Secretary Finch said.

Secretary Finch, however, has promised a full review of reimbursement arrangements, and has said that any increases in payments to hospitals approved would be retroactive to July 1. There have been complaints by hospitals that reimbursement for some costs is inadequate.

IN REGARD to Medicaid, the Federal government has placed a ceiling on the payment levels to physicians and other practitioners, also effective July 1. The measure is now in a 30-day interim consideration period, during which modifications may be made.

The ceiling is in connection with the Nixon Administration's $2,552 million Medicaid budget, which would cut $505 million from the $3,057 million Johnson budget, if all reductions were to be approved.

The new regulation places a ceiling on the level of reimbursement at the 75th percentile on a scale of customary charges in a medical community. That is, a physician may not be reimbursed in an amount greater than that customarily charged by 75% of the physicians in that community for that service.

The maximum now varies from one state to another, with some states, for example, making reimbursements only up to the 40th percentile. As long as payments go no higher than the 75th percentile, states may continue at the same level used as of January 1.

THOSE STATES with current ceilings up to the 83rd percentile (roughly in line with Medicare) may continue at this rate until it comes into line with the 75th percentile. States now paying above this rate must cut back.

These rates may not be increased until July 1970 when a reassessment will be made and the rates adjusted on the basis of the consumer price index, or some similar index which does not take into account medical costs.

The measure will also require the states to report to HEW the methods used to determine the level of "usual and customary" charges and the controls used to prevent overcharges for Medicaid patients.

HEW also included two other Medicaid reductions in its April 15 budget proposal to Congress, both of which would require new legislation to be enacted.

ONE WOULD prohibit Federal financial participation in elective orthodontic procedures and the other limit the time an elderly person may be covered for confinement to a mental institution to 120 days in a calendar year.

Meanwhile, the Senate last month passed two measures amending the original Medicaid act.

One measure would push back the goal date for the states to be providing comprehensive medical care for all eligible residents from 1975 to 1977. There are still a number of states in which Medicaid programs provide only minimal or emergency care, an HEW spokesman said.

The other amendment passed by the Senate would permit the states to cut back on certain Medicaid services they now provide, where required by budget problems, so long as the dollar amount is not cut and the money saved does not go to hikes in fees paid to physicians.

Secretary Finch has also announced as a broad policy of his administration an increased emphasis on the use of nursing homes, intermediate care centers and home care where full hospital care is not required to further reduce costs of health care for the Federal government. ■

NLRB rules on strike and fringe benefits

CHICAGO—A National Labor Relations Board trial examiner here ruled that union employes of Illinois Bell should not receive credit toward fringe benefits for any time more than 30 days that the union was on strike last year.

In all, the strike lasted 139 days.

Floyd Brown, employe benefits manager for Illinois Bell, said that the only employes the ruling affected were those with less than six months service—and therefore ineligible for some life and sickness benefits—and those who were about to become eligible for pension benefits.

THE RULING also affects vacations and termination pay.

Mr. Brown said that "it's pretty much water under the bridge now because those who were affected have become eligible."

System Council T-4, AFL-CIO International Brotherhood of Electrical Workers, had charged that Illinois Bell had threatened strikers and prevented them from accumulating seniority during the strike.

Robert E. Fitzgerald Jr., attorney for System Council T-4, said the company's action was a "clear case of unlawful discrimination" and that court action will be taken. ■

Convicts form group to counsel on bad check writing prevention

ANAMOSA, Ia.—A group of inmates in the state prison here have formed Check Writers' Anonymous to provide information to cut or prevent loss from bad checks.

The inmates at the Iowa Men's Reformatory who belong to the group have been convicted of writing bogus checks or have been involved with bad check passing—if not convicted on that account.

The group's ABC's of check cashing include:

- Ask questions about the check to be cashed.
- Beware of strangers and get positive identification, including close inspection of drivers' licenses.
- Call the bank, particularly if the check is for a large amount. Passers will often try a bluff by asking that the bank be called.
- Don't hurry. Check to see that the amount spelled out is the same as the numerical figure.
- Endorsements must match the name on the front of the check.

FORGERS tend to work quickly, but everything should be checked no matter how long it takes, according to the group.

The inmates also contend that signatures should be guarded so that they are not available to a forger. Some persons who write company checks use a different signature for correspondence than for signing checks.

Cashing checks during holidays, Saturdays, Sundays and other than normal business hours requires extreme caution.

Identification is the key word in passing checks, according to the inmates. Social Security cards or drivers' licenses can be stolen or forged easily. Drivers' licenses with descriptions are okay.

Juveniles in many states are not legally responsible, so it's a good policy not to cash checks for youths, or if you do, check with parents.

THE PRISONERS also advise:

- Know the person or be able to identify him by some other means before cashing his checks.
- Lost or stolen checks are trouble. Notify the bank immediately.
- Methods of bad check passers tend to follow a typical sequence of events: a small purchase; calling check casher by name; extremely friendly; if questioned, gets angry or offended; says he knows the manager; has local account; dresses for local area.
- Never cash a check unless endorsed while being watched; if already endorsed, ask that it be redone and compare the signatures.
- Out-of-town checks are dangerous.
- Pencil-written checks should never be cashed.
- Don't worry about embarrassing check cashers. If persons have nothing to hide, they understand the extra care.
- Rubber stamp checks should not be cashed unless both the payee and the maker are known.

In addition the inmates suggest that each store should start a bad check prevention system. Even better, they urge that a system be started for the entire community.

Types of checks make no difference to forgers, the prisoners contend. Even the most reputable looking checks, including cashiers' checks, money orders and drafts, can be altered or forged.

SOME OTHER tips include:

- Understand the handwriting, and never take a check marked hold, save or void.
- Validate your company's checks and make certain they can't be altered.
- Writing a bad check is easier when personnel are rushed or if they fear holding up customers.
- X'd-out figures are not to be accepted.

Your profits can be saved by using proper handling techniques, the inmates maintain.

Check Writers' Anonymous can arrange with the reformatory to have speakers appear before groups. For further information on a bad check prevention program, write Check Writers' Anonymous in care of Owen Julius, Box B, Anamosa, Ia. 52205. ■

United Fruit wins marine safety award

NEW YORK—Traveling marine inspectors, safety meetings aboard ship, and indoctrination programs have paid off for United Fruit Co., which took first place in the 1968 National Safety Council contest.

The award was given for the marine industry's lowest accident frequency and lowest lost-time accident rate.

Captain G. F. Beal, merchant marine director, outlined United Fruit's safety philosophy this way: "We've got a traveling marine inspector, which either none or very few companies have. All the lines run off of a shore-based inspection system—the ships come in, they check 'em out, but they never get to see them afloat.

"OUR INSPECTOR travels right along with the ships. He's on the boat for a week, ten days, even a month. He goes through the entire craft, from equipment to sanitation. Of course, he reports anything right away and resails with the ship after the report to see that it's righted."

Mr. Beal also cited the monthly safety meeting, in which the crew meets to discuss new equipment, problem areas and safety tips.

"But our most important factor," said Mr. Beal, "is our indoctrination program. Sure, we can paint obstructions bright colors to reduce falling over them, and label everything clearly for understandability, but none of it's worth a dime if the men don't know the meaning of safety.

"All our men undergo extensive safety indoctrination, which not only teaches them what and how to do something safely, but also the why and what happens concerning safety—which is why we've probably got near the lowest claims figure of any self-insuring merchant in the marine industry." ■

Goes to Fred S. James

Fred S. James & Co. has named George P. Olson as representative in its employe benefit department, San Francisco. He was formerly with Barney & Barney Inc., San Diego.

How to thwart burglaries, stickups told at Mosler safe company clinic

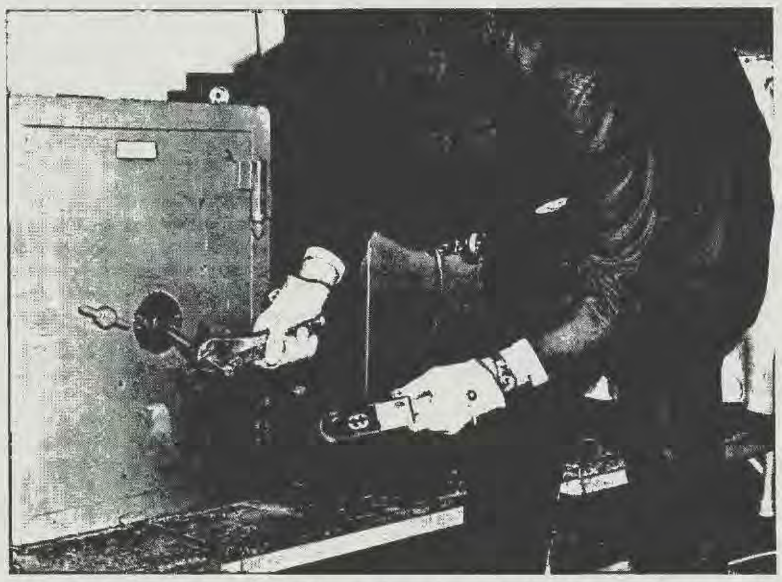
NEW YORK—How are you fixed for thefts? At an all-day anti-crime clinic here sponsored by the Mosler safe company, the following tips for thwarting crime were offered to burglar-wary businessmen.

To discourage burglars—the ones who come in when everyone else is gone:

- Don't trust a fire safe with cash. Use a labeled, armored-steel money safe listed with Underwriters' Laboratories or the Safe Manufacturers National Assn.
- Don't leave the store unlighted overnight. Light is the least expensive protection you can buy.
- Don't hide cash by spreading it throughout the store or keeping it in drawers or cabinets. These are easily forced open and pilfered.
- Don't hide your safe where it cannot be seen from the street. Keep it in a prominent place, preferably viewable through your front window, and if possible under a bright light.
- Don't keep your cash in a lightweight safe that can be carried away or moved to a more secluded spot in the store. Safes with wheels can be rolled out. Safes should either be too heavy to move or anchored to the floor.
- Don't leave your store at night until you check to see that all doors, windows or other entrances are securely locked.
- Do limit knowledge of the combination to preferably no more than two people. Change the combination frequently and always after personnel changes.

TO DISCOURAGE robberies—thefts made directly from persons—Mosler offered the following tips:

- Don't let large amounts of cash accumulate in your registers. Bandits often pose as customers. There are special undercounter quick deposit lockers in which this money can be easily deposited.
- Don't keep cash protection a secret from bandits. "Burglar Alarm" signs and "Two Key" signs help deter the robber.
- Don't make bank deposits without plenty of precautions. Make use of armored car services. Plan to use daylight hours for bank deposits and take a different route and a different time each day.
- Don't allow checkers to balance their cash in the checkout area before closing. This is really tempting bandits. This should be done in an office or other area less vulnerable than the checkout stand.
- Don't allow the cash counting operation in the office to be visible. Large sums of money exposed to view represent a temptation not only to bandits but to employes and customers as well.
- Don't try to be a hero. Don't offer any resistance if you are held up. Do what the bandit says. Tell your employes to follow his instructions too.
- Do not use or encourage the use of firearms. No amount of money is worth the personal safety of you or your employes.
- Do use an alarm system that incorporates a daytime hold-up feature which will send a silent signal to a remote supervisory area.
- In high-risk areas, consideration should be given to the use of camera surveillance equipment, time-locks on safes and bullet-resistant partitions and windows for check-cashing purposes.
- Don't make it a policy to have only one man open and close the store. The two most dangerous times of the day are the opening and closing hours. Have one person wait across the street while the other unlocks the store and waits to see if all is clear. ■



This hooded security specialist—referred to as Mr. X at a Mosler safe company clinic—gives a fast demonstration of how to punch your way into a safe. Mosler suggests hooking up an alarm system to the mechanism.

FAIR plan gives cover to 8,500

LOS ANGELES—More than 8,500 California property owners who had problems obtaining insurance in the normal market have so far been provided basic property insurance through the state's FAIR plan.

Governing Committee Chairman G. R. Pahlman said about two-thirds of the policies issued are on dwellings and the rest on business and public institution properties.

The plan was established last year by the California legislature. It began operations in August, 1968.

Originally it was a means of providing property insurance for dwellings in brush fire areas.

In January of 1969 the insurance company members of the plan voluntarily began writing essential property insurance on risks in urban areas which, because of deterioration or susceptibility to riot losses, had not been previously written through normal channels. ■

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business insurance/perspective

Who is pushing up the cost of medical care?

by Bion H. Francis,
manager of benefit planning,
Colt Industries, New York

Bion H. Francis

Within a year or two, Congress will probably act to increase the funds flowing into Medicare. There seems little doubt about it. The question is when —not whether—it will be done.

I had this in mind recently when I read an article in the Wall Street Journal describing the working life of a doctor in general practice. He was putting in 12 and 14-hour days and still not keeping up with the demands on his time.

According to the article—and this is confirmed by doctors I have talked to—this is not an uncommon situation. The number of doctors in general practice has dropped from 76 per 100,000 Americans in 1950 to about 50 per 100,000 in 1967. And with more money and a rising standard of living, their patients are expecting more and more from relatively fewer and fewer doctors.

AGAINST THAT background, let us consider again the coming increase in the money flowing into Medicare. If we do increase these funds, what will we accomplish?

There is one thing we obviously will *not* accomplish. We will not bring about any significant increase in the time, which doctors—and nurses and hospitals—are able to devote to their patients. For if the medical profession is working to its limit, how can its output be increased?

However, one thing will be accomplished by an increase in the flow of money. If more and more money is used to buy an unchanged amount of medical care, the cost of medical care will rise. What else can it do?

BESIDES THE RISE in medical costs, what else will be accomplished? There may be a change in who gets the medical care.

Despite the rise in medical costs, a significant increase in the money flowing into Medicare may result in an increase in the medical care of the aged. But if we are right when we say that the total volume of medical care can not be increased significantly, an increase in care for one group must be accompanied by a decrease in care for some other group.

What group?

The rich? They will undoubtedly use their financial resources to make sure that they will continue to have adequate medical care.

The poor? Their medical care is provided largely by tax money. Except to the extent that they are limited by a taxpayers' revolt—which is a possibility—welfare administrators will try to maintain medical standards for their charges.

THE MIDDLE CLASS? They, too, will strive to maintain their standards of medical care despite rising costs. To this end, they will use insurance, employe benefit programs—all at an increase in cost.

Clearly, an increase in Medicare funds will result in a financial struggle as all groups try to maintain their standards of medical care. The flow of money for medical care will be increased still further. The end result may well be that the volume of medical care is not increased greatly, but that everybody pays more for the medical care which they do receive.

The brunt of the decline in care will probably be borne by the only group not represented by professional administrators in this field—the members of the middle class not protected by the benefit programs of major corporations.

This end result hardly appears to be something to strive for. What should we do?

THE FIRST STEP should be to recognize that we are dealing with a problem where money alone is not the answer. If we wish to bring about an increase in the quantity and quality of medical care, we should take steps to see that we have enough doctors.

If we don't have enough, what can we do to increase the supply? This may require the enlargement of existing schools of medicine, the development of new schools, steps to increase—and to finance —the number of youngsters who elect to enter the medical profession.

The proportion of aged in our population is increasing rapidly. If we honestly want to provide more and better medical care for them—which is tied closely to the problem of providing adequate medical care for all the people of the United States —then we should look at the long-range need for doctors and take the steps necessary to meet that need.

But this is a long-range approach, which will not accomplish much in meeting the needs of the years immediately ahead. What can we do to meet the need which exists right now?

The same page of the Wall Street Journal which carried the article about the overworked doctor also carried an article about inflation. And the article pointed out that our main defense against inflation generally has been machines and automation, and the great increase in productivity which these have brought about.

In the medical field also, the problem is productivity. Could this problem be solved —or met at least in part—in the same way? Could machines, manned at least partly by paramedical personnel (who could be trained more quickly than doctors?) do at least part of the manual work which doctors do now?

In serious medical situations, the final action and judgment must come from men rather than from machines. However, machines could be used to permit the time of doctors to be conserved to do the things which only the doctors can do. Their time should certainly not be wasted on anything which a machine could be developed to do properly.

THERE HAVE BEEN some approaches to this already in medicine, but we could go much further in the field of medical automation. This could probably be done more quickly than bringing about a significant increase in the number of doctors.

Do not interpret this as a criticism of the medical profession. If someone were to try to force you to accept more money, what would you do? You would take it, of course.

This has been almost exactly the position of the medical profession in recent years. Through insurance, employe benefit programs and welfare and Social Security programs, we have been increasing the flow of money into the medical profession much faster than the quantity and quality of medical care could be increased.

The doctors did not do this. *We* did it!

No, my purpose in writing this is only to point out that if the medical profession is working to its physical limit, purely financial measures alone will not improve or increase medical care.

More money alone is not the answer. We must take the long-range action which is necessary to increase the number of doctors to the level we will need at the time we will need them. And we should take whatever measures are possible in the short term to increase the effectiveness and utilization of all the medical resources we now have. ■

'If more and more money is used to buy an unchanged amount of medical care, the cost of care will rise.'

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

The case for a New York insurance trade center

by Charles F. Levinson,
insurance manager,
Port of New York Authority,
New York, N. Y.

In the atmosphere of disagreement between the young generation and the old about the only point of joint agreement is that insurance is difficult to buy.

Rich or poor, black or white, college graduate or illiterate, all find the problem of obtaining coverage and keeping it one they all share. Experts in the business don't see any end to the defeatist attitude of American insurance management that is encouraging wholesale cancellations and dropping of coverage at renewals.

This is of far greater importance to the average person than the problems of special placement of large buyers of insurance. Yet, in many ways, their problems are due to the same basic cause—lack of profitable experience for almost all classes and types of coverage.

THIS TOO WILL PASS as increased rates come into existence and hopefully the runaway inflation slows down. Meantime, all is confusion in the marketplace. Puzzled producers and bewildered buyers don't understand the present market. The carriers apathetically shrug their shoulders. Small wonder public opinion of the industry is at low ebb.

Let's discuss how another industry faced with similar problems is trying to solve the situation. Every day thousands of insurance people in downtown New York pass by the site of a construction project called the World Trade Center. Its main claim for future fame in most peoples' minds rests in the fact that two structures in the complex will both be several hundred feet higher than the Empire State Building. Yet, having the dubious honor of tallest structures in the world probably is far

Continued on following page

perspective

Continued from preceding page

down on the list of reasons for the construction. The purpose is to revitalize foreign trade through the Port of New York by making it easy to operate in a confusing and technical area.

The Port of New York Authority's primary responsibility is to aid and encourage import and export of goods and materials through the Port of New York rather than through Baltimore, Boston, New Orleans or the dozens or so other ports of entry or departure. For this reason they were chosen to consolidate in one area all the facets of transportation and servicing of goods. This will include among other things, customs house facilities, exporters, importers, steamship companies, marine and foreign insurance company and brokers' offices.

UP TO NOW, the great global companies like DuPont, Ford and Parke, Davis with their sophisticated staffs were almost the only ones that could successfully negotiate in foreign trade. The smaller companies shied away in many cases from such farflung activities. The center will instantly provide information on marketing opportunities as well as technical and logistical help.

People such as the small manufacturer from Kokomo, Indiana, looking for additional markets, or the trade mission from India here to purchase some American wheat, will both share its benefits.

What has this got to do with insurance except for the needs of cargo and hull cover for importers and exporters? Nothing directly, but the crying need for a central information and service center, recognized in the world trade area, exists almost to the same degree for the insurance business in the New York area.

Never before has there been so much confusion and misunderstanding among all facets of our business. Things are going to get better but not as rapidly as they would if someone was coordinating the effort. Right now many insurance carriers are looking for good business, good brokers and good agents in spite of the opposite opinion held by many good brokers and good agents who are being cancelled or having other troubles with their present carriers.

Thousands of claimants are unhappy because of delayed settlements or inequitable offers of payments as the claimant understands. Hundreds of complaints by dissatisfied policyholders are going to the state insurance departments instead of to the carriers themselves.

Millions of dollars are spent by many

Charles F. Levinson

carriers individually for public relations that could better be spent on an industrywide basis as the railroads have started to do. The list goes on and on. Everything points to a crying need for a coordinating bureau for the industry in each of the large insurance centers.

I VISUALIZE a super organization which would be a combination of the many trade organizations now partially doing a public relations and informational service for industry. These duties would be expanded to encompass such areas as the matching of markets with buyers and the handling of complaints on the style of the Better Business Bureau.

'An insurance trade center would . . . restore the confidence of Mr. Average Citizen in the insurance business.'

Confusion exists not just between buyers, brokers, agents and their companies, but also between companies. Shrunken markets and increased costs for reinsurance have seriously curtailed the operations of all companies. A central organization could help coordinate treaty and specific facultative reinsurance arrangements when needed.

As for the large and even so-called target risks that are finding market difficulties, a major service could be rendered through the operation of a computerized placement service. For instance, a broker with a large stock of whisky to place in bonded warehouse T of the XYZ Distilling at Lexington, Kentucky, would submit this line for coverage through the computerized service. Just as the airlines check space reservations in a few seconds, a speedy commitment could be obtained from a previously programmed list of carriers who had an interest in the whisky business.

CERTAINLY A COMPUTER operation that could indicate in reply to a broker's query what carriers might be interested in a certain type of risk would be of great help. John Smith, broker for the XYZ Mfg. Co., gets a query for officers and directors coverage. He has no idea that there are eight or ten different markets and that the underwriting requirements and some forms of the carriers vary considerably. The computer would at least give him a place to start.

One of the crying needs in our business is for the experienced underwriter who can properly evaluate a risk, set a rate, estimate a possible amount subject to one loss and finally accept for his company or his group an adequate but not excessive portion of the risk. No one company is large enough to have such experts in all fields. Frequently a recognized lack of expertise in some area is the cause of a continued declination to write certain lines.

Companies recognize this and try to correct it by forming pools such as the Factory Insurance Assn. and the nuclear pools or the Marine Office of America. Lloyd's has what they call "lead underwriters" who, in their own field, are recognized as experts and other syndicates who do not have such an expert will follow the lead and take a portion of the same risk. Organization and recognition of such experts in the American market could be another duty of our super organization.

I COULD GO ON and on as to the multitude of things such an organization could do. One major effort would be in the area of eradicating the mutual-stock company cleavage which has led to duplication of organizations and services that are expensive and inefficient.

Stock companies are deviating on rates and offering dividends. Mutuals are writing through agents and in many cases have stock affiliates. The direct writer now is milking off the cream of the business because of the continued in-fighting of the mutual and stock companies. For years the life insurance companies have pulled together in spite of their stock-mutual differences and different types of marketing. Such an organization could probably integrate and expand the operation of the College of Insurance with its fine staff and excellent library that is relatively little used.

This leads to the logical conclusion that such an operation would need a separate centralized headquarters around which could be gathered all of the service organizations that are needed in our business. These would include inspection, adjustment investigation, reporting services, rating bureaus, a local office of the New York state insurance department, insurance personnel firms, insurance law firms, buyers, brokers and company organization officers, to name just a few.

Most logical organization for the job, because it presently is organized and to a limited degree has some of the same responsibilities, is the American Insurance Assn. Its avowed purpose "is to promote interest of its member companies in every legitimate manner possible." It could absorb the Insurance Information Institute, the American Mutual Insurance Alliance and various other organizations now doing similar work.

All of the foregoing suggestions are in the direction of improving the insurance business generally by simplifying the operations through a maximum of cooperation and coordination. Like any radical and new suggestion it has many drawbacks and rough spots. However, I believe the basic idea, a New York insurance trade center, with a carefully conceived, authoritive and well-financed super organization drawing its funds from the people who used its services, would help the entire industry and restore the confidence of Mr. Average Citizen in the insurance business. ■

Charles F. Levinson, insurance manager, the Port of New York Authority, holds a B.A. degree from Columbia University and a CPCU designation. He was formerly associated with a number of Midwest stock insurance companies as insurance underwriter and field man. Mr. Levinson served as insurance manager of Magnavox Co. from 1954-57, subsequently becoming insurance consultant to Insurance Audit & Inspection Co.

Risk management notes

prepared by Warren, McVeigh & Assoc., San Francisco, Cal.

Liability insurance

Much has been written about limitations of coverage inherent in the new (1966) standard liability policy but, in the absence of court decisions interpreting new policy conditions, it is not easy to know exactly what coverage one has or what alterations should be requested. There is, however, one restriction which should be removed by everyone who wants coverage to apply as broadly as possible to events which can cause liability claims. This is the limitation of coverage to accidents rather than occurrences. Of course, the policy covers "occurrences" but then says that "an occurrence is an accident . . . ." Removal of the word "accident" or its replacement by a less restrictive word can be negotiated with many underwriters.

* * *

Another limitation of coverage is that damage or injuries caused at the direction of the insured are not covered. But consider a guard defending company property who injures a striker or demonstrator in a scuffle. As a deliberate act, this could be uninsured. Such a contingency could be avoided by a suitable endorsement extending coverage to such situations.

Property insurance

Boiler insurance covers steam explosions. Fire insurance covers boiler firebox explosions. It is not uncommon for an explosion to occur where the cause cannot be determined for certain, and if two different insurers are involved, both could deny coverage. Such a situation can be avoided by placing both coverages with the same insurer—or by securing, *in writing*, agreement from both underwriters as to how such a situation would be handled.

* * *

Business interruption values change greatly with time and should be carefully reviewed every three to six months. Some techniques for alleviating over- or underinsurance are the "agreed amount" endorsement, the "premium adjustment" endorsement, and the endorsement extending the period of indemnity. If you have a manuscript policy, some of the wording from these forms may be useful.

Automobile

If employes use their personal cars on company business, are they fully aware of the fact that they are expected to provide their own insurance? If they assume, as many do, that the company covers them, ill-will and possible labor problems could result, in the event of a major accident.

If you do not insure auto physical damage because of the low loss potential, are there concentrations of vehicles subject to fire, explosion, vandalism, etc., where a loss could exceed your maximum self-retention limit?

Crime

A recent issue of the San Francisco Chronicle carried a story of how an accountant for a moderate-sized fruit shipping firm in Salinas was able to embezzle over $1 million over a six-year period. White-collar crime of this type is said to far exceed in volume the depredations of armed criminals. It again points up the need for high limits of fidelity bond coverage. If your limits are not at least $1 million, perhaps a discussion with your agent or broker is in order. Remember, too, that embezzlement can include property as well as money.

* * *

A recent attempt by a technical employe to sell a newly developed chemical formula to a competitor points up a deficiency present in many insurance programs. Such a defalcation is covered under the fidelity bond, but how would you place a value on loss of a trade secret? Two moves should be made wherever high values are involved: first, establish agreed amounts with underwriters on each high-value project and the conditions under which a loss would be paid; second, be certain that policy limits are high enough to cover.

Loss prevention

Have you ever considered putting automatic sprinklers in a building? If so, were you told that if the cost of installation was $10,000 and insurance savings were $2,500 a year, the system would pay out in four years? Such a statement ignores the effect of Federal income taxes which, in effect, extend the payout period more nearly to eight years rather than to four years. However, we don't recommend this method of decision-making. Sprinklers should be installed on the basis of values exposed and the probability of fire. If properly done, the sum of insurance, protection, and losses over the years will be minimized.

Administration

Have you a planned program of retention of old insurance policies? Property policies are generally not worth keeping beyond a year or so from expiration and can then be discarded to conserve space. Not so with liability, fidelity or workmen's compensation policies. Claims in these areas can arise or be continued many years after expiration. ■

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Playboy Bunnies' coverage 'over and above others' in bar business

CHICAGO—The long-eared rabbit head embossed on every Playboy Clubs International key is the opener for those young ladies who qualify for one of the most comprehensive employe benefits programs in the restaurant and bar business.

"Our benefits are over and above others in the restaurant and bar industry," Nanci Gentile, "Grandmother Bunny" and assistant to the personnel director, told *Business Insurance*. "The others are now coming up in this area." (Miss Gentile supervises Mother Bunnies, who in turn speak for individual club Bunnies.)

"What we are trying to create is the best possible employment arrangement for these unique girls," PCI Personnel Director Philip J. Lombardi said. Good insurance coverage, he maintained, is "requisite to getting high caliber employes."

HALF THE Playboy Clubs in the U. S. have contracts with the Restaurant Employes & Bartenders International Union, an AFL-CIO affiliate. Union Bunnies can therefore bargain for better fringe benefits—although they didn't push hard in this area during last June's negotiations, primarily because Playboy had increased benefits voluntarily in October of 1968.

All Bunnies, whether under union contract or not, are provided the same insurance coverage, Mr. Lombardi said. Aetna Life and Casualty Co. is Playboy's employe benefits carrier.

The present program involves hospitalization, major medical and disability features—in addition to $2,000 life insurance coverage. The changes incorporated into the program as of last October include:

- An increase in the daily hospital room rate from $16 to $25.
- The development of the major medical plan, which has a $100 deductible and pays 80% of the next $10,000 in expenses.
- An increase in maternity benefits from $160 to $250. Some of

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Bunnies who qualify for one of the most comprehensive bar business insurance coverage packages are inspected by Hugh M. Hefner, creator of all Playboy enterprises.

Kleiston firm to pay cost of doctors' calls

WARREN, R.I.—The Kleiston Rubber Co. will pay for both doctors' house calls and office visits for 150 union workers under a contract negotiated with the United Rubber Workers.

The agreement calls for adoption of Blue Shield 100, or Plan U, a comprehensive major medical plan giving full coverage for semi-private hospital care up to 365 days per year, "usual and customary" physicians' fees and full maternity benefits.

Kleiston is the first employer in the state to include the Plan U rider covering doctors' house calls in a health plan, according to the Rhode Island Blue Shield. The rider was recently approved by the State Director of Business Regulation and is expected to go into effect July 1 when it is prepared in contract form. ■

Insurer issues Berkeley riot, police action exclusion

BERKELEY, Cal.—The City of Berkeley's riot insurance has been cancelled by Zurich Insurance Co. because "the community is a particularly bad risk."

City Attorney Robert Anderson said he had been notified that to retain the rest of the general insurance policy with the Swiss-based firm, the city would have to accept the exclusionary endorsement that the carrier would no longer honor personal and property liability claims resulting from police-related actions. Berkeley's primary policy had a limit of $25,000 per occurrence.

Excess coverage, with limits of $500,000/$1 million, is placed with Employers Commercial Union.

THE CITY may be the first in the U.S. to have such an insurance policy cancelled under such circumstances.

"I don't know if any other city in the U.S has had this particular police-action exclusion," Mr. Anderson said. He added that the city council had authorized him to use his own discretion in accepting the endorsement. Zurich has a 30-day waiting period prior to cancellation.

Mr. Anderson told *Business Insurance* that he is contemplating letting the entire policy go in order to seek another company. "If we accept the exclusion and later find better coverage, we'll have to cancel with Zurich and pay a large cancellation fee," he explained.

"With our reputation for turmoil," he added, "I imagine it is going to be difficult to find someone willing to insure us."

IN RECENT months insurance companies have been publicly expressing their alarm over the high risk of covering the nation's "violence-prone" cities.

Zurich said riot-related claims in Berkeley in the last fiscal year exceeded the city's $121,000 premium by $84,000.

In its letter of cancellation, Zurich said its Berkeley policy providing insurance and benefits "will not apply to any property damage, personal injury or bodily injury arising out of:

- "Riots, civil commotion, civil resistance or mob action or any act or omission in connection with the prevention or suppression or control of the foregoing.
- "Any act or omission of the Berkeley police department or any member or any person or organization aiding or assisting the Berkeley police department."

"This certainly won't help the morale of our police department," Mr. Anderson said. ■

Bunnies . . .

Continued from page 32

the Bunnies are married. Mr. Lombardi described the maternity benefit as "a standard provision." There is a nine-month waiting period after marriage that qualifies eligibility.

- A hike in surgical benefits from $300 to $420.
- Unmarried students, up to age 23, added as eligible dependents.

PLAYBOY'S disability plan for Bunnies is a $40-a-week payment up to 26 weeks, with coverage starting on the eighth day of disability.

Individual coverage is paid for by Playboy, but the Bunnies pay for all coverage provided dependents.

About the Aetna package, Mr. Lombardi said, "It's a safe assumption that there's always an increase in premium coming and the cost of administration also goes up. But we must provide a good and competitive plan for the girls."

With Bunny turnover between 80% and 120% annually, the Playboy personnel director feels that the insurance program is one factor that attracts new girls.

"WE REALLY have no problems with recruiting because the job pays well. We have a great many applicants," Mr. Lombardi said. But the insurance coverage is attractive.

According to Miss Gentile, many of the girls who become Bunnies have never worked before. These girls, she said, are surprised to learn that Playboy provides insurance coverage.

"If the girls come from other employment," Mr. Lombardi added, "they sort of expect the coverage."

In the future, the Playboy personnel director looks for four demands from union Bunnies. They include extended disability payments, another increase in both surgical and daily hospital rates and a dental plan. Mr. Lombardi described these demands as "pretty standard. They want as much as they can get."

The recent contract, although without fringe benefit changes, has one interesting feature that Mr. Lombardi and Miss Gentile feel is a breakthrough. Negotiations established a Bunny Council, which will review matters of import to Bunnies and advise management as to what Bunnies want.

It is Playboy's hope that this unique employe group will help keep the unique girls happy at their work. ■

Bank . . .

Continued from page 2

cal's loss prevention program to control these smaller, but often-repeated, losses.

Chemical's other insurance programs are handled by Home Insurance (for property) and Insurance Co. of North America (for a single-limit blanket liability policy). Mr. James reported that Chemical fully insures buildings, improvements and betterments, plus data processing equipment, media and extra expense.

HE NOTED that the bank self-insures business interruption because this coverage would involve loss of the use of money, "and underwriters want to shy away from the subject." He said that business interruption losses are typically predicated on sales—a type of "comparative measurement" which banks of course don't use.

Interestingly, Mr. James considers his biggest problem to be insurance markets—not for the bank itself but for its fiduciary accounts, such as estates or trusts, handled by the bank. He said the bank has received "many" mid-term cancellations from underwriters which don't want to cover the private dwellings or small commercial property the bank is looking after for various clients.

Mr. James said that "much small property coverage is being cancelled in New York City, and it doesn't seem to matter where it is."

As for Chemical's own insurance problems, Mr. James noted that he tried to get $5 million additional coverage on an excess forged securities policy a week or so ago, "which ten years ago I used to get with one phone call. It took me 14 days to get the coverage completed." ■

Apollo 11 . . .

Continued from page 1

000 life contracts underwritten by Citadel Life Insurance Co. as part of a publishing deal worked out between NASA and Time Inc.

The Apollo 11 moon landing mission is backed up by one of the most elaborate and sophisticated safety control networks ever assembled.

Astronauts Neil A. Armstrong, Colonel Edwin E. Aldrin and Lt. Col. Michael Collins, in their historic 250,000-mile mission, culminate eight years of effort involving thousands of private industrial firms, many universities, the Congress and the executive branch, in a project that at its peak involved roughly 300,000 Americans and a cumulative investment of some $21.5 billion.

IN THE PREVIOUS Apollo missions, systems involving as many as 5.6 million moving parts have functioned with 99.9999% reliability—"a statistical miracle," according to NASA's manned space flight safety director, Jerome L. Lederer.

A key safety concept in the Apollo 11 moon landing mission, as in previous missions, is redundancy of equipment wherever possible in every critical system of the spacecraft and booster. In the re-entry system, for example, there is an automatic guidance system, a manual system activated by the astronauts and a system operated from ground control stations. For oxygen supply, there is a capsule supply system, a pressure suit supply system, and a system operated from the ground control stations.

There are two critical points in the moon journey where the redundant systems plan is not used and reliance must be placed totally on the performance of a single system. These points are called single point failures, where a risk must be taken on the possibility of failure at that one point.

When the astronauts took off from the moon, they relied entirely on the one engine of the lunar vehicle. If that fails they stay on the moon.

AGAIN AFTER moon take-off they depend on the single engine of the lunar module waiting for them in orbit around the moon. If that engine fails, the lunarnauts would be unable to get out of moon orbit and return to earth.

The rescue of the astronauts at either of these two points would not be practical. The rescue of astronauts from a spacecraft in trouble is feasible only for certain portions of the mission. At other stages reliance must be placed on inherent reliability of parts and redundancy of supporting systems.

Another central safety control is the use of 14 "go/no go decision points," where a decision is made jointly by the flight crew and the flight control teams in the mission control center whether to continue or switch to one of the alternate missions.

At each plateau, an appraisal is made of the precise condition of the spacecraft, crew, ground support and all systems. The decision to continue to the next plateau is not made until all readings check out and indicate it is safe to go.

During the course of the mission, crew members are subject to constant biomedical in-flight monitoring. Heart rate, breathing rate real-time and delayed electrocardiograms will be relayed to the mission control center and remain under the surveillance of the flight surgeon and his team.

Communication with the crew is to be maintained through a worldwide network of land, sea and air monitoring stations linked directly or indirectly with misson control center in Houston. There are periods of 45 minutes during each moon orbit when contact with ground control is broken as the spacecraft passes behind the moon.

The pre-flight safety programs have been carried out as meticulously as controls practiced during the mission itself. The workmanship during the manufacture of the component parts of the Apollo were monitored by some 3,000 quality assurance specialists.

THE THREE APOLLO 11 crew members each spent more than five hours of formal crew training for each hour of the mission's eight-day duration, in addition to 1,000 hours of training over this normal mission preparedness.

Apollo 11 astronauts also took part in spacecraft manufacturing checkouts at the North American Rockwell plant in Downey, Cal., Grumman Aircraft Engineering Corp., Bethpage, N.Y., and pre-launch testing at Cape Kennedy to gain thorough operational knowledge of the complex vehicle.

Mission preparation included more than 400 hours of training for each crew member in simulated Apollo 11 space capsules at both the Houston and Cape Kennedy space centers, including simulation of conditions on the moon, where temperatures range from plus 200 degrees to minus 200 degrees Fahrenheit.

But despite vast resources of time, effort and technology committed to the successful completion of the Apollo 11 lunar mission, NASA officials are aware that the probability of mishap can not be totally eliminated.

NASA Safety Director Lederer said that "the probability of an accident has to be accepted because of weight and space constraints, the hostility of the environment, the chance of unforeseeable events, thousands of sensitive pre-launch procedures, new techniques, small factors of safety and the complexity of the light weight, often miniaturized components.

"It is the nature of exploration to be always accompanied by risk. And the risk must be calculated against the potential gains." ■

Jobless pay...

Continued from page 1

ment, And, he urged the states and localities to take action in the light of their local circumstances to include their own employes in unemployment insurance coverage.

The proposed increase in the taxable wage base to $6,000 would take place over a five-year period. Thereafter, the base would be "reviewed periodically to make certain the adequacy of financing."

In the majority of states, the taxable wage base for the unemployment insurance tax is the first $3,000 of wages. This, President Nixon commented, is exactly what it was three decades ago.

In that same period, he pointed out, average wages in employment insurance tax is the first $3,000 of wages. This, President Nixon commented, is exactly what it was three decades ago. In that same period, he pointed out, average wages in employment covered by the system have increased almost five-fold.

TO JUSTIFY the hike in the taxable wage base further, President Nixon pointed out that the low tax base places obstacles in the way of hiring low-wage workers because a substantially higher proportion of their wage is taxes. In addition, he said, the impact of the tax tends to encourage use of overtime rather than adding workers.

Mr. Nixon said the higher base will have the desirable effect of allocating costs more equitably among employers. Particularly at the state level, overall benefit costs will represent a lower per cent cf taxable wages, and allow rates to reflect employer experience more accurately.

The proposal regarding an extension of benefits during periods of high unemployment states that when the jobless rate of those covered by unemployment insurance qualifies or exceeds 4.5% for three consecutive months, individuals would receive benefits for an additional period up to 13 weeks.

This time extension would end when the national unemployment rate of those in the system (currently 2.2%) fell back below 4.5% and when the number exhausting their benefits in a three-month period dropped below 1% of those covered. The additional payments would be financed out of that portion of the unemployment tax that is now retained by the Federal government.

PRESIDENT NIXON'S message to Congress accompanying his proposal included guidelines for the states to follow to update their benefit levels, a move the President termed as "essential" if the unemployment insurance program is to fulfill its role. He called on the states to set their maximum benefits at least at two-thirds of the average weekly wage of their insured workers. This, he said, would result in benefits for 80% of the covered workers equal to 50% of their wages.

"Up to now," Mr. Nixon said, "the responsibility for determining benefit amounts has been the responsibility of the states. There are advantages in states having that freedom. However, the overriding consideration is that the objective of adequate benefits be achieved. I call upon the states to act within the next two years to meet this goal, thereby averting the need for Federal action." ■

Justice official warns against 'planned bankruptcy' operations

NEW YORK—A general alarm went out to corporate officers this month to be alert for "scam" operations—companies that quickly establish credit and then profit from a quick, planned bankruptcy while leaving no recoverable assets for creditors. The warning came at a special meeting of the National Industrial Conference Board here.

The alarm was voiced by Asst. Atty. Gen. Will Wilson, Department of Justice, criminal division, who spoke on the evils of corporate tolerance to "scam" operations, criticizing their practice of "not getting involved" unless hope exists for financial recovery.

"The businessman's reluctance to get involved is the swindler's shield," said Mr. Wilson, "and the swindler knows it. The scam operator is content to steal a little from each of his victims. He relies on the victim's reluctance to press charges. Moreover, once a company is seen as unwilling to prosecute, they are marked by a generation of scam operators to come."

MR. WILSON emphasized that "a pervading sense of responsibility in the business community, which recognizes that a threat to one member is a threat to all, is essential."

Modis operandi of the scam operator is to gain control of a going business with an established credit rating (a Dun & Bradstreet D-2 is usually good enough), and begin purchasing in unusually great quantities. The material is immediately resold in bulk. The proceeds are concealed, often in a Swiss bank. Before the suppliers become suspicious, the scam companies go bankrupt, leaving no assets to seek by creditors.

Another common scheme is the "same name" scam, characterized by opening a business with a name deceptively similar to an established name already in the same local. These operations feature near-identical trademarks and stationary emblems. Once the credit is established the same over-purchasing begins, ending with the inevitable bankruptcy.

THE "CHRISTMAS" scam centers around the Yuletide rush, the swindle usually beginning in October or November, with the end coming with the New Year. These fly-by-nites specialize in Christmas specialities and often get lost in the mass sales that accompany the holiday season, Mr. Wilson said.

The signs that herald the coming of scabs are easily recognizeable once learned, he added. A sudden major increase in sales to a single customer should be checked, as should an order for a larer volume of merchandise than the firm has ever acquired.

The sudden use of telephones to place orders is a frequent giveaway that a company is in too big of a hurry to receive shipments, especially if there is a history of order placing through the mail, Mr. Wilson warned.

ANY SUDDEN SWITCH from cash sales to credit sales, coupled with unusually large orders, especially if the company ownership has recently changed hands, should be an immediate red light to suppliers.

Of course, Mr. Wilson noted, the utmost alertness must be given to firms asking for credit based upon unverified financial statements.

According to Mr. Wilson, scam operators flourish despite the large number of arrests in recent years due to a lack of support from the business community.

"If the businessman's only motivation to cooperate is a short-run view of his financial position," said Mr. Wilson, "the racketeer can obtain immunity." ■

New roofers' benefits

Hartford area roofers have voted to end a month-old strike, accepting a package offer that brings their wages and fringe benefits to $8.62 an hour at the end of three years. The new three-year agreement provides a total package increase of $3.05 an hour—$2.45 in wages and 60¢ in benefits. Fringes include pension, vacation and welfare benefits and a liberal travel allowance. (On a per-mile basis, the travel allotment now amounts to 17¢ by May 1, 1970—up 5¢ from the expired contract).

Dancer who liked his job gets benefits

ALBANY, N. Y.—An employe who dances in the elevator during his lunch hour and breaks his leg is entitled to workmen's compensation benefits, the court of appeals has ruled.

The court upheld an appellate court decision that the employe of Harcourt, Brace & World, New York, should receive $912 in medical benefits because he had been inspired to dance over the "good feeling" he held about his job.

The state's highest court made clear that the ruling only applied if the man, Robert Bletter, an associate editor of high school text books, was dancing because he liked his job.

In a dissent Justice Matthew Jasen stated that he did not believe Harcourt, Brace or its insurance company should be required to pay for injuries resulting from "this purely personal act." The majority issued no opinion in the 4 to 2 decision.

The Workmen's Compensation Board said that the dance, on the employer's premises, was not an unreasonable activity in view of his good feeling toward the company. ■

Kane-Miller names Ian to risk post

NEW YORK—Joseph M. Ian has been named director of real estate and insurance at Kane-Miller Corp., a food company with processing, distributing and restaurant operations.

Mr. Ian, who has been a consultant for the past six years, was president of the Animal Insurance Co. of America until its reorganization into the Mayflower Life Insurance Co.

He has also served as director of real estate and insurance for the New York Central Railroad.

In his new post, Mr. Ian will be responsible for employe benefits as well as property and liability coverages. ■

Safecracker reveals ways he can be thwarted

NEW YORK—Chances are that a burglar would not be nearly as impressed with your safe as you were on the day you bought it.

A man identified as Mr. X walked up to a "typical" money safe, knocked off the combination dial with an axe, drilled through the lock mechanism with an oxy-acetylene torch and opened the door. It all took less than two minutes.

The safecracker in this case was a security specialist with the Mosler Safe Co. participating in a live demonstration at the anti-crime clinic the company sponsored here.

TIME IS the key element in physical security, the Mosler expert told his audience after the demonstration. Given enough time, a burglar can destroy even the best safe "because whatever man creates man can also destroy."

Mr. X, who was not identified by name for security reasons, explained that money safes are constructed with varying degrees of resistance. A steel safe will withstand a drill attack. If it is bonded with copper, it will resist a blowtorch.

A SAFE containing Relsom, (other companies use other names) a hard carbide metal, will stand up against the most sophisticated cutting tools and drilling equipment. He also warned that cash should not be kept in a record safe. A record safe is made to protect documents in case of fire and offers no real resistance against burglars.

At the same time, most money safes give little protection against fire, he warned. (Combination money/record safes, however, are available.) He noted that rioters in some instances have made bonfires of credit records.

About 35% of the record safes in use today are the cast iron type made before 1917, usually with wooden interiors and concrete-filled inner wall. These offer little protection in a fire since the concrete will explode and the door blow off when exposed to heat.

The Mosler Co. urged the use of safes tested and approved by the Underwriters' Laboratories. A film made under normal testing conditions in a UL laboratory was shown. A test safe was subjected to 2,000 degrees heat for more than an hour, then dropped onto a sheet of concrete and broken rock. The simulated cash and documents inside were unharmed.

Two other film clips shown at the clinic were taken by closed-circuit tv cameras during hold-ups of two Cleveland supermarkets. The cameras in both thefts were activated by clips in the cash drawers and the films led police to arrests in less than two weeks.

IN ONE CASE a gunman found the camera and shot it out, leaving police with an excellent full-face close-up before stopping the film.

Det. Robert McDermott of the New York City police department had some strong criticism for businessmen who overestimate the skill and intelligence of the burglar by accenting the fiction that a burglar will find some way of breaking in. He urged that businessmen protect their property with the highly pick-resistant locks that have been on the market for the past 8 or 10 years.

The cylinders he specifically recommended were Sergeant Keso, Eagle Super-Security, Illinois Duo, Chicago Ace, Miracle Magnetic and Medico. These can be put into a lock already in use. Ingersoll, a British-made cylinder, must be used with its own lock. It is the only cylinder on the market more than four years that has never been reported as being picked. ■

Backs full pension for males at 60

NEW YORK—Members of the Railway & Airlines Clerks are expected to "rally behind" a Railroad Retirement Act amendment which would provide full pensions for male railroad workers at 60, after 30 years of service.

Such a plan is now in effect for female employes. Extending the benefits to males would "equalize an unfair discrimination against the male sex," as phrased by the union.

The legislation, introduced by Rep. Dominick Daniels, (D., N.J.), was endorsed by C. L. Dennis, union president, who also serves as chairman of the Railway Labor Executives Assn. retirement committee.

Mr. Dennis labelled the move as a step in the continuing effort to improve railroad benefits and retirement systems. He added that the male pension plan would lead to other badly needed improvements. ■

New Mexico passes bills on insurance

SANTA FE—The New Mexico legislature has approved and Gov. David F. Cargo has signed into law the following measures dealing with the insurance field:

SB 211 providing for an insurance underwriting association to make essential property insurance available and establishing a riot reinsurance reimbursement fund.

Substitute for HB 208 increasing weekly compensation under occupational disease disablement law from $45 to $55.

HB 297 providing for the creation of a central registry of insurance in the Department of Insurance.

HB 227 permitting an insurance company to invest funds in the building in which it has its principal office and the land where it is located if the land is owned or leased under terms approved by the superintendent of insurance.

HB 140 providing for municipalities to enter into contracts with private insurance companies to establish employe retirement systems.

HB 304 providing for supervision and review of the utilization of medical service providers under Medicaid programs. ■

Ohio court rules 731 can sue over coal dust

TOLEDO, O.—U.S. district court has ruled that 731 Sandusky residents are entitled to sue for damages resulting from coal dust blowing from the Norfolk & Western coal dock in the northwestern section of the city.

The court further ruled that the railroad should continue attempts to curb the dust and that a hearing will be set for January, 1970, to determine how successful the anti-dust measures have been.

In the opinion signed by District Judge Don J. Young, the court said, "The only practical means of working out the damage matters appears to be to refer the matter to a special master, who should be a resident of Sandusky." The special master would set a deadline for the filing of claims.

The court action originated in Erie County common pleas court but was transferred to the Federal court by the railroad company on the grounds of the diversity of citizenship.

BEFORE THE ruling was made, Senior District Judge Frank Kloeb held a hearing for a temporary restraining order to determine the geographical boundaries of the area affected by blowing coal dust. "Through this limitation the court is able to give attention to the vast body of claims for which a reasonably plausible geographical basis can be determined," he said.

At the same time, the court did not rule out claims from persons outside the geographical boundaries, but said these would be separate actions.

The court said, "The overwhelming weight of the evidence showed that persons who lived in various parts of Sandusky, and had had no more problem with dust and dirt than is common in cities, started to have serious problems when the defendant began to stockpile coal."

The N&W's waterfront facilities are for loading and storing of industrial coal, which is finer than heating coal. Also, the types of coal include "fines" which are actually coal dust, according to the court. ■

OK group legal cover in California

SAN FRANCISCO—Members of labor unions, consumer groups and other organizations will have a chance to get low-cost legal advice under proposed new rules of the California State Bar.

THE RULES would, under the proposed change, allow such organizations to make agreement for group legal practice, similar in every respect to group medical practice.

The proposed changes for the California State Bar must first be submitted to the California state supreme court for approval. ■

Agent's error imposes fire liability on Aetna

MONTPELIER—The Vermont supreme court here reversed a lower court decision and held the Aetna Casualty & Insurance Co. liable for damages that were specifically excluded from a plaintiff's policy.

Eldon Dodge, the plaintiff, asked his insurance agent for all the additional insurance he would need when he expanded his oil business to include bottled gas.

Aetna agent Max Stoddard believed the comprehensive liability policy Mr. Dodge then carried was sufficient and made no changes.

After a $12,000 fire at their home, Sherman A. Carter and James Taylor Carter brought a negligence suit against Mr. Dodge's employes who had serviced their gas burner.

Aetna refused to defend, citing a products hazard exclusion clause in Mr. Dodge's policy.

The court held Mr. Stoddard negligent in not meeting the plaintiff's request for full coverage, and held Aetna responsible for "the acts and neglects of its general agent." ■

Baker promoted

Walter J. Baker has been promoted to manager of personal insurance administration in the San Francisco office of Metropolitan Life Insurance Co.

Widow sues over seizure of trailer

ST. PETERSBURG, Fla.—In an unusual suit, a widow has sued the Commercial Credit Corp. for $1.2 million, claiming that the company was responsible for the death of her husband when it seized their mobile home in 1968 and did not return it until a month later.

As a result of the company's action, Mrs. Kathryn Zilke charged, her husband "suffered great anguish and pain both of body and mind, his physical strength was reduced, his health impaired and by reason of said injuries his ability to do ordinary labor was diminished."

She claims that the injuries led to her husband's death on Oct. 9, 1968.

IN HER SUIT, Mrs. Zilke claimed that Commercial Credit "maliciously, recklessly and wantonly" refused to return her husband's property even though he presented proof that the corporation had no right to take possession of this mobile home.

In the two circuit court suits—Mrs. Zilke sued as an individual and as administratrix of her husband's estate—she asked for a total of $400,000 in compensatory damages and $800,000 in punitive damages. ■

17% auto rate increase nixed in Washington

A request for auto insurance rate increases of up to 17% has been rejected by Washington Insurance Commissioner Karl Herrmann, in Olympia, who said he did not reject the possibility of future rate increases. The rejected increases were requested by the Insurance Rating Board whose member firms write about 15% of the auto insurance in the state of Washington.

Retirees in United Mine Workers receive increased pension benefits

PITTSBURGH—The United Mine Workers Welfare and Retirement Fund has announced a 30% monthly pension increase from $115 to $150 for retirees.

The action was seen as both boosting benefits, beginning August 1, and the political fortunes of W. A. Boyle as the incumbant union president. The pension fund increase came within 24 hours after Mr. Boyle was installed as chief executive of the fund, replacing the late John L. Lewis.

Mr. Boyle is facing stiff opposition from executive board member J. A. Yablonski, who seeks to take over the number one position in the December election. Mr. Yablonski's platform is a carefully constructed package of rank-and-file complaints concerning the retirement fund and related benefits.

The pension raise is expected to both assuage the discontent of the rank-and-file, and win over the 70,000 retirees eligible for voting in the union's December election. But a union source denied that the move was strictly a vote-getting maneuver by Mr. Boyle.

However, the 30% hike did come at an unexpected time, when coal sales had dipped. The measure will require an additional $30 million drain on the employer-financed plan, which provides for 40¢-per-ton royalty on all coal sales from union-organized mines.

Ironically, the recent slack in coal sales has been the result of increased union demands and wildcat strikes during the year.

In announcing the higher benefits, Mr. Boyle also promised to begin an "in-depth" investigation of other fund areas, including widow's benefits and hospitalization. ■

Ohio Civil Service gets group auto

COLUMBUS, O.—Nationwide Mutual Insurance Co. announced what it said was the first major mass marketing of automobile insurance in Ohio and said the Ohio Civil Service Employes Assn.'s 30,000 members would become eligible for the payroll deduction plan Oct. 1.

Cecil L. Emmons, chairman of the OCSEA insurance committee, said association members will be eligible for significant premium savings through either payroll deductions (where government units offer them or direct billing where deductions are not available. Service will be provided by Nationwide hometown agents.

The plan, according to Ashley T. McCarter, vp for business insurance of Nationwide Mutual, offers a new single limit liability coverage from $25,000 to $1 million at a cost lower than conventional split limit coverages. ■

Three carriers reinsure at Continental

SAN FRANCISCO—Manhattan Fire and Marine Insurance Co., Guarantee Insurance Co. and Guarantee Insurance Co. of Texas, affiliates of Insurance & Securities Inc., will reinsure with Firemen's Insurance Co. of Newark, one of the Continental Insurance Companies of New York.

The agreement is subject to ratification by the board of the Manhattan Guarantee group and to approval by the insurance departments of both California and New York.

If approved, it would be retroactive to Jan. 1, 1969, and cover business in force as of that date.

"There are areas we wish to explore in the property and liability insurance field," Elwood Murphey, president of ISI, explained, "but we cannot practicably develop our plans through the agency structure which has heretofore operated for Manhattan Guarantee."

Eligible employes of the companies will be offered employment with the reinsurer. ■

Packer maintains separate medical plan on seasonals

LE SUEUR, Minn.—From the valley of the Jolly Green Giant comes a self-insured basic medical plan for Green Giant employes.

Termed "unique in the industry" by Hugh Boren, insurance manager for the firm, the plan covers 2,000 of the company's regular employes. Another 1,000 employes are covered by insured plans.

On room and board the plan pays 80% of the most common semi-private room rate. It pays 100% of the first $250 in ancillary expenses and 80% of the next $250.

THE NON-PROFIT self-insured plan dates back 18 years and is felt by management to have been very successful. The plan covers a worker and his dependents.

The group major medical plan, underwritten by Prudential, pays after a $100 annual deductible. There is a $15,000 overall maximum for employes and their dependents.

According to Mr. Boren, major medical will pay a substantial part of the expenses over and above the basic plan and also for expenses that are not covered by the basic medical plan.

One feature of the major medical plan pays 80% of all reasonable and necessary charges for treatment of conditions known to exist on the date coverage became effective.

THE COMPANY pays the full cost of major medical insurance for the employe and a portion of the cost for dependents.

Green Giant also offers its eligible employes group life insurance, travel accident and long-term disability coverage. The profit-sharing plan for employes is on a non-contributory basis.

For seasonal employes in company housing there is a fully contributory medical plan. Within each company housing complex there is a nurse to handle medical problems.

The company maintains first aid stations at each plant location. Field workers, Mr. Mueller explained, are required to carry first aid kits with them.

(For other news of Green Giant see page 14.) ■

Get new benefits

Members of the Oil, Chemical and Atomic Workers local in Pryor, Texas, have accepted a benefits package offered by Nipak Inc. and have voted to extend the unions' contract with Nipak to November, 1970. Included in the package are a 3% wage increase, payment by Nipak of all retirement and death benefit program costs, and reduction of the pension tenure requirements for full participation from five years at age 30 to six months and no minimum age requirement.

dates for buyers

Aug. 8-14, Insurance Section, American Bar Assn., annual meeting, Marriott Hotel, Dallas.

Aug. 11-13, J. H. Wiggins Co., Effects of sonic boom, Airport Marina Hotel, Los Angeles.

Aug. 25-27, J. H. Wiggins Co., Effects of sonic boom, Summit of New York, New York.

Aug. 25-27, American Risk & Insurance Assn., annual meeting, Sheraton-Gibson, Cincinnati.

Aug. 25-27, National Foundation of Health, Welfare and Pension Plans, 15th annual educational conference, New York Hilton and Americana Hotels.

Sept. 8-10, American Management Assn., Office operations—effective management of company information: records, files and documents, New York.

Sept. 9-12, International Rendez-vous, Monte Carlo.

Sept. 15-17, J. H. Wiggins Co., Effects of sonic boom, O'Hare Inn, Des Plaines, Ill.

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A myopic desk clerk hands Staff Sergeant Andrews the keys to Master Sergeant Andrews' room. The staff sergeant walks in on the master sergeant's wife.

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

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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 <u>have</u> 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.

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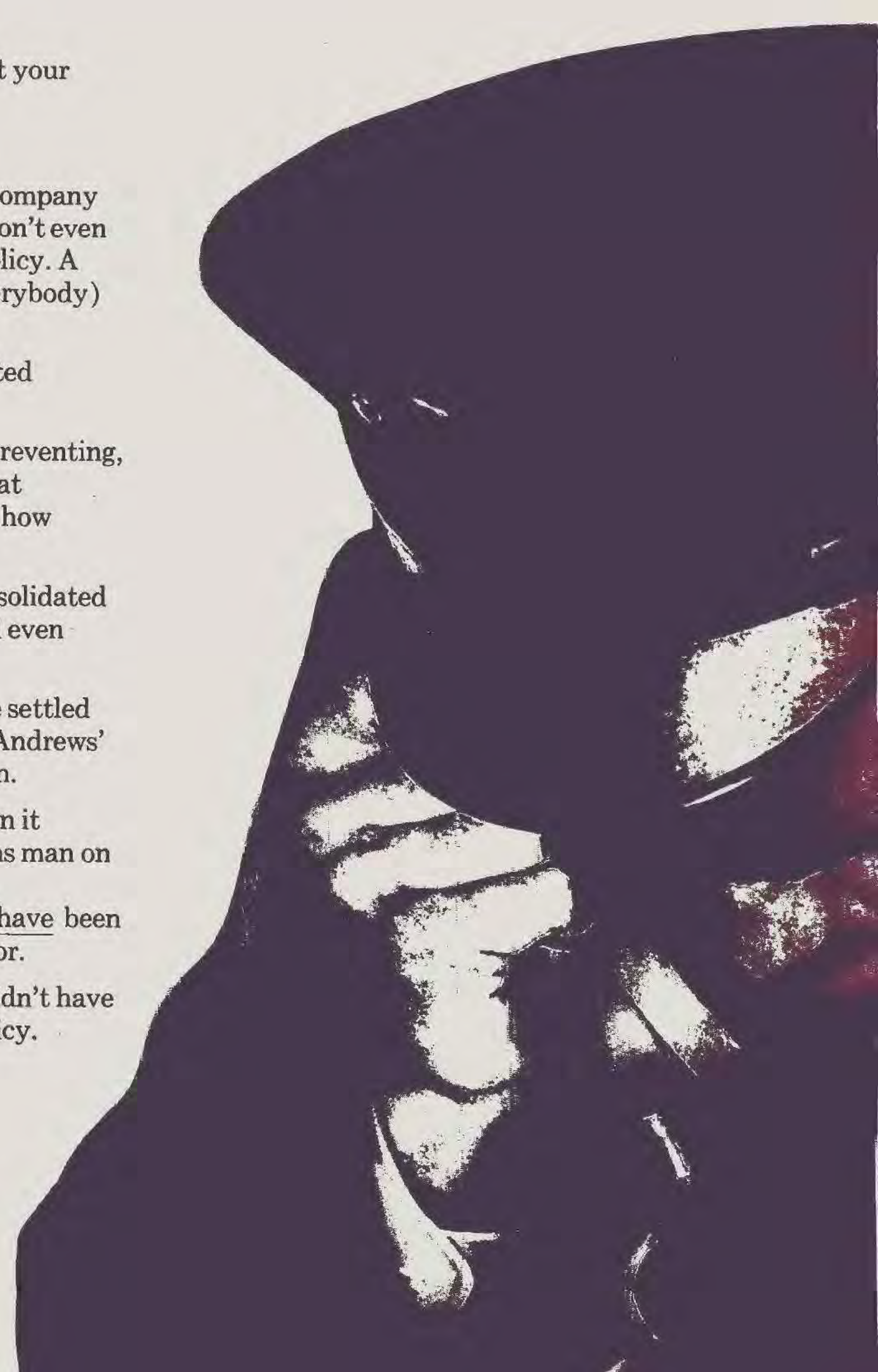

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