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45¢ a copy; $10 a year

July 6, 1970

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This wreckage is what is left of part of Crescent City, Ill., after propane tanks on the Toledo, Peoria & Western railroad exploded in the heart of town, causing an estimated $3 million loss. —Wide World photo

Nixon task force backs agency to guard employes' pensions

WASHINGTON—President Nixon's task force on the aging recommended that an independent pension commission be established to protect employe rights under pension plans and that a voluntary system of portability of pension credits be devised for employes working in occupations in which conventional group pensions are rare.

The proposed commission would apparently be similar in concept to the Securities and Exchange Commission, except that it would be financed through fees paid by plans "for services rendered by the commission."

The task force was bullish on the private pension system, saying that it carries with it "so many advantages for the nation and its future elderly that its continued growth is vital." But, it continued, extension of coverage beyond the current scope will be difficult because it involves reaching a larger proportion of small firms and organizations whose futures, at best, are precarious.

FOR THIS REASON, it said, imaginative new programs must be sought. One of these should be a voluntary portable pension system as a companion to the Social Security system, in which the employe, or any of his employers that wanted to, could contribute in his name throughout his career.

The economics of modern computer technology suggest that high record-keeping costs, which in the past militated against such a system, are no longer compelling.

The task force's proposed independent pension commission would have jurisdiction over all private pension plans and would have the responsibility of:

• Assuring full reporting on the operations of plans, on the essential provisions and rights of employes and pensioners, on the character and extent of funding, and on the results of periodic examinations by independent actuaries and accountants.

• Determining whether standards of prudence and fiduciary responsibility have been met, conflicts of interest have been avoided, and funding objectives have been achieved.

• Acting on behalf of participants to correct or redress deficiencies disclosed in the examination process or through the legitimate complaints of participants.

• Sponsoring research in technical areas of pension planning.

• Determining and promulgating appropriate standards for funding and vesting and making periodic reviews.

• Exploring possible innovations in the extension of pension coverage.

• Supporting legislative programs designed to stimulate the sound growth of pension, disability and survivorship benefits. ■

Question rail standards after propane gas blast

CRESCENT CITY, Ill.—The June 21 propane gas explosion in the heart of this town, which took a toll of nearly $3 million, may have been caused when a hot box fire on the Toledo, Peoria & Western railroad ignited Shell Oil Co. and North American Transportation Co. cars.

Walter Nelson, general auditor for the railroad, told *Business Insurance* that there were 16 cars on the train. The tank cars carrying liquid propane were bound for Texas Eastern Transmission Co. in Middletown, O., and exploded in the center of Crescent City's business district.

Rollins, Burdick & Hunter Co., according to Mr. Nelson, is the railroad's insurance broker. "We haven't even estimated the amount of damage to TPW, yet," he said. The estimated insured damage figure for the town is said to be near $800,000.

The blast, which has violently altered the lives of all 550 residents of Crescent City, wiped out 25 businesses and 25 homes and partially damaged at least 90 other homes. More than 70 persons were injured, many among the 300 firemen that rushed from surrounding towns to put out fires that resulted from the explosion.

State Sen. Edward McBroom has questioned why so many tanks of liquid propane were hauled together on one train and has promised an investigation of railroad standards. The Toledo, Peoria & Western is a freight-only line that operates in Iowa, Illinois and Indiana.

Crescent City was declared a disaster area shortly after the tragedy and the Small Business Administration has made loans of more than $600,000, at 3% interest, available to residents. The SBA said it would be able to make up the difference between the amount of damage the claims paid by insurance companies. ■

OIA's Witco loss put at $3 million

FRANKLIN, Pa.—Officials of the Oil Insurance Assn. said they will cover something under $3 million of the loss sustained by the Witco Cehmical Corp. in a June 19 oil and gasoline refinery fire.

The blaze, which burned out of control for 24 hours and killed three persons, occurred at the Franklin branch of Sonneborn division of Witco.

According to oil insurance sources, the property is insured under a large blanket policy with a "very small" deductible.

The fire apparently started with an explosion among 150 large metal tanks containing several million gallons of gasoline and fuel oil. A second explosion occurred hours later, apparently taking the life of a fireman fighting the blaze. Two employes killed were covered by a workmen's compensation policy written by the Travelers.

Insurance, benefits queries raised by Penn Central's reorganization

By STEPHEN GILKENSON

PHILADELPHIA—If the Penn Central Co. reorganization move has sparked confusion on a broad front, as one newspaper headline summed it up the other day, the situation seems to have provoked something less than perplexity in the insurance industry.

"It's a very simple matter, really," one underwriter told *Business Insurance* when asked the insurance implications of the financial struggle the railroad holding company is now going through. "Insurance companies won't wait—or won't wait long—for their money. Premiums are paid when they are due or the policy lapses. We don't deliver goods and then send the bill. The bill is delivered first."

Penn Central, the nation's largest railroad, filed for reorganization under bankruptcy laws the other Sunday. On Monday, creditors, suppliers, customers and even employes were scrambling around trying to determine who was going to get paid what and when.

Insurance companies, in the meantime, appeared to be sitting back and waiting things out.

"Penn Central doesn't have any overdue premiums at the moment," one source close to the company's insurance program commented last week. "Underwriters can't yell at them yet." He did say, however, that the day of reckoning may come "in a month or so" when the company has policies come up for renewal or premium payments due.

IF THE INSURANCE implications of Penn Central's struggle have been oversimplified somewhat, it is probably because most people in the insurance business just don't know what is going to happen when that "month or so" passes.

"Railroad bankruptcy is entirely different from a normal corporate bankruptcy. There the idea is to liquidate the company. But railroad bankruptcy is designed to keep the road running," one knowledgeable rail insurance source said.

"I think, number one, that the new trustees will be put in the position of being able to pay insurance costs as an operating expense. Unless," he added, "Penn Central is willing to go the entire self-insurance route."

The Penn Central, like most railroads in this country, is already heavily self-insured. It is not known exactly how heavily, but it is believed to be a multi-million dollar figure.

"RAILROAD covers," the source

Continued on page 30

Late news

North Central crash suit settled for $1 million

INDIANAPOLIS—The first of 30 suits against North Central Airlines Inc., following a 1968 crash at O'Hare International Airport in Chicago, has been settled for $1 million. It has been called the largest award involving an airplane accident in the nation's history. The award went to Rebecca Beasley, 27, an Indianapolis social worker, whose injuries have left her paralyzed in both legs. Dan May, North Central treasurer, told *Business Insurance,* "Stewart Smith Inc., Lloyd's of London correspondents, had all of our insurance at the time of the crash. We consider that our insurance is adequate to cover the crash." The remaining 29 suits resulting from the crash, which claimed 28 lives, ask almost $19 million in damages. In making Miss Beasley's settlement Judge Joseph Wosik absolved the plane's manufacturers, General Motors Corp., General Dynamics and Pacific Airmotive Corp.

IAM unit's members got $1 million in dental care

ST. LOUIS—McDonnell-Douglas incorporated a new dental plan into its major medical benefits package a year ago for International Assn. of Machinists union members. Since then the company has paid out nearly $1 million ($966,405) on less than 9,000 dental claims submitted by employes or their dependents in the IAM district here, which includes workers at the huge Hazelwood McDonnell-Douglas plant.

"It's undoubtedly going for fillings and cleaning of teeth, the more ordinary dental expenses," suggested Grant Braun, supervisor of group insurance for the McDonnell-Douglas aerospace manufacturing facility. "Before the contract settlement I talked to a lot of union employes who said they hadn't been getting some of the regular dental care because they felt they couldn't afford the expense. Now, I guess they're taking advantage of the insurance to catch up on it," he said.

The McDonnell-Douglas dental plan is subject to the typical $100 deductible for the individual employe or $250 deductible for an employe's family. This deductible can be applied to any kind of medical expense covered under the major medical schedule during one year. Once this figure is reached, the individual or the entire family becomes eligible under the major medical insurance, which pays for 80% of all dental bills.

IN ADDITION, there is a schedule for decreasing the company's share of the bill. The company will pay 50% of dental bills in excess of $625. The schedule of dental benefits includes the company payment of 50% of the costs for orthodonture work after the employe has worked one year with the company. Denture replacement is also subsidized up to 50%. However, the original dentures must be more than five years old before the coverage will pay for replacement.

Mr. Braun pointed out another new benefit received enthusiastically during the last year—a vision care plan that provides for a complete eye examination, a pair of frames and a pair of lenses during a three-year period for each employe and his dependents. The company's drug plan is part of the major medical benefits package and subject to the same medical expenses deductible as the dental plan.

"Employes have also been helped a great deal by a new program that we added in which the totally disabled employe who has been with McDonnell-Douglas for a year or more is carried on our regular major medical program until he can go back to work or until he's eligible for Medicare," Mr. Braun said. He also mentioned an improved psychiatric care benefit that provides $25 for each treatment session up to $1,000 maximum during each calendar year.

In an attempt to cut medical expenses the company has also instituted outpatient diagnostic coverage that encourages use of outpatient facilities of health care clinics. "We feel this has really helped to cut down lost time," Mr. Braun noted.

McDonnell-Douglas' health care benefits package is underwritten by the General American Life Insurance Co. of St. Louis. The company also provides a group life insurance policy for the union employes that is scaled to equal the employe's annual base pay. ■

Investment case award is reduced

SAN FRANCISCO—A locally famed financial case in which a widow, Bertha Hecht, won a lawsuit against the brokerage firm of Harris, Upham & Co. for mishandling her investment account, was upheld here this week by a U.S. court of appeals. The three-judge court unanimously agreed with the 1968 decision by District Judge W. T. Sweigert that Mrs. Hecht's account had been "churned" to generate commissions.

The appeals court also concurred with the earlier ruling that the brokerage firm was "fully liable" for having failed to maintain adequate supervision of its accounts. While agreeing on the merits of the case, the appeals court did reduce the amount of damages to a revised sum of about $418,000.

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Vol. 4. No. 14.—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1970 by Crain Communications Inc.

Bjorklund takes over as 'BI' editor

CHICAGO—Richard C. Bjorklund has been named editor of *Business Insurance*.

Mr. Bjorklund has been managing editor of the publication since its inception in October of 1967. He succeeds Rance Crain, who has been appointed corporate editorial director of Crain Communications Inc., publisher of *Business Insurance* and other business publications.

During his two-and-a-half year association with the newsmagazine, Mr. Bjorklund was responsible for investigating and writing a series of news stories detailing how several insurance companies were exceeding their charters and selling phony commercial insurance policies. The articles resulted in at least one state, Missouri, tightening up its insurance laws and revoking abused charters. The series was read into the record of the Senate Commerce Committee.



Rance Crain



Richard C. Bjorklund

"DICK HAS DONE as much as anybody on the staff to shape our editorial views and to develop the exciting brand of buyer-oriented insurance journalism *Business Insurance* has pioneered," said Alfred Malecki, publisher of the newsmagazine. "We expect great things from him in the future."

Prior to joining *Business Insurance*, Mr. Bjorklund served as editor of the Journal of American Insurance, published by the American Mutual Insurance Alliance. A graduate of Roosevelt University of Chicago, Mr. Bjorklund also worked as a reporter and managing editor of the Skokie (Ill.) News and as associate editor of the Publishers' Auxiliary.

Mr. Crain, a ten-year veteran of Crain/Com., has served in the Washington, New York and Chicago offices of Advertising Age. He was named editor of *Business Insurance* when the publication was founded in 1967. ■

Ask radiation safety act

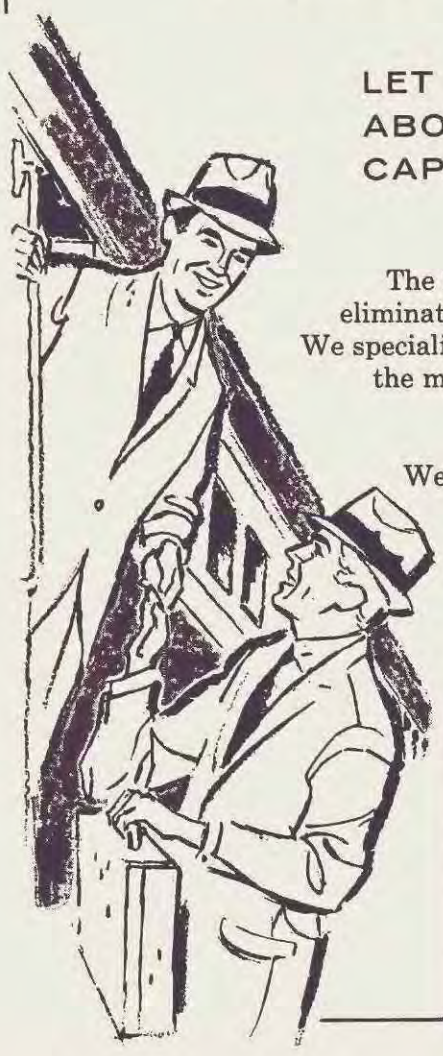
WASHINGTON—A bipartisan group of ten senators has introduced a proposed Radiation Health and Safety Act that would set minimum standards for accrediting schools for training radiologic technicians and provide stiff civil penalties against any unaccredited institution that trains radiologic technicians.

The proposal's chief sponsor, Sen. Jennings Randolph (D., W. Va.), said a person in the U.S. receives 50 times as much radiation exposure from medical X-rays as from the nuclear power industry. He then pointed out a 1969 public health service report that indicates an individual in the U.S. receives approximately three times as much radiation from a diagnostic X-ray exposure as is necessary.

Through the same examination, an individual in the U.S. receives approximately twice the radiation exposure as in England, he said, adding that this exposure could be reduced by 10% through proper training.

Sen. Randolph quoted Dr. Darl Morgan, founder of the American Health Physics Society, as saying there is strong evidence that there are between 3,000 and 30,000 needless deaths per year in the U.S. as a consequence of genetic mutations. ■

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Aquatennial cover must blanket 225 events

MINNEAPOLIS—A $48,000 diamond crown for the Queen of a mid-summer festival here ranks among the risks that must be insured before the celebration gets under way.

The insurance coverage for the 30th annual Aquatennial covers the "widest spectrum of our needs," said Kenneth R. Walstad, managing director of the Minneapolis Aquatennial Assn. He added that the scope of production and the geographic spread make a civic celebration somewhat hard to cover.

Coverage for the more than 225 events staged all over Minneapolis runs the gamut from a basic blanket liability policy to a disaster clause in Mr. Walton's own coverage, group hospitalization on the full-time employes and theft coverage on the Queen's crown.

THE BLANKET liability policy through the Insurance Co. of North America has limits of $1 million and $500,000. It carries no deductible. Because the Aquatennial has had no major claims against it, its premium for the coverage is less than a $1,000.



Hoping for a soft landing, these members of the U.S. Army Golden Knights and U.S. Air Force Thunderbirds thrill the crowds during an Aquatennial air show. A rider to the Aquatennial festival's liability policy covers possible injury to spectators or damage to property.

The festival carries an additional rider for its air show in case of injury to spectators or damage to property. This is a normal exclusion under a blanket policy.

Mr. Walstad noted that the limits of the policy indicate the potential public or property damage that could result from such a festival.

The liability policy was arranged by the Charles W. Sexton Co., Minneapolis, and is in force year round since the Aquatennial Assn. sponsors cultural activities throughout the year.

THE GAILY decked floats in the festival's two parades are insured by the float builders with the exception of injury to the public by a float. This is covered by the Aquatennial's policy. Each float entered must meet certain safety and fire specifications including fireproof construction materials and sufficient exhaust outlets. "All major events are reviewed by the fire department for compliance with regulations," Mr. Walstad said.

He mentioned that there are first aid stations on every corner of the parade routes with volunteer nurses and doctors manning them. Fire-fighting equipment, an ambulance and medical aid are stationed at every major festival site. At the water show there's an aquatic first aid unit set up on a boat.

The police force, civil defense workers and others volunteer to maintain order in the crowds and prevent possible injuries. INA also has people at the festival to check any problems or hazards that could occur.

According to Mr. Walstad, "the Aquatennial, by law, is required to cover the city of Minneapolis and its public lands." The festival coinsures with the park commissioners.

Auto coverage with a deductible was arranged through Sexton for a fleet of 40 official cars. The drivers must furnish proof of insurability and coinsurance on personal policies. Marsh & McLennan arranged for auto coverage for the staff vehicles.

A special trip insurance policy is arranged for the Queen of the Lakes for her appearances during the year which number around 500. Theft coverage for her diamond crown is in effect only for the duration of the actual festival. A rhinestone replica is worn for her other appearances. ■

HEW standing firm on original health care plan

NEW YORK—The Department of Health, Education and Welfare is standing firm on its proposal of a health maintenance option, which would give health care consumers the opportunity to choose between alternatives, John G. Veneman, under secretary, told a meeting of the American Management Assn. recently.

In a speech which emphasized the humanistic side of the technological revolution, Mr. Veneman pointed out that Americans spend "$60 billion a year on health care, but tens of millions are not getting the care they need because they can't afford it. We are spending $60 billion a year . . . but we are spending it on second-rate, unacceptable care."

Mr. Veneman pointed out that the answer to America's health care problems is not piece-meal Federal intervention but "a highly diversified, pluralistic, competetive and internally managed health industry with minimal governmental regulations." The system would presumably use private insurers from whom the government would buy services.

HE SAID THE ultimate goal "is a system in which the doctor is rewarded financially for keeping the patient healthy, the hospital is rewarded for efficiency and can invest savings in improved services, the hospital and doctor together are rewarded for the efficient use of manpower and the health consumer, the individual or the Federal government, has a choice between alternatives when he buys health care."

To achieve the goal, the Administration has proposed changes in the form of amendments to the Social Security Act. One of the proposals is an option, under Medicare and Medicaid to make payments to health maintenance organizations, which would provide care under health maintenance contracts.

Another goal of the option will be to give health care consumers the choice of obtaining services from a health maintenance organization or arranging for them in the usual way from individual doctors and hospitals. At the same time, the government would get the choice of entering into arrangements with private individual health insurers. Each contractor, however, will be subject to high standards including serving persons of high medical risk.

"Medicare patients who choose this option would get all the services they now receive under Medicare, plus preventive care and other services," he said.

MEDICARE PAYMENTS to maintenance organizations would be made on a fixed per capita basis, negotiated in advance. The rate would be no more than 95% of the estimated amount payable under the current Medicare framework. Moreover, the maintenance organization would have to provide care within the agreed-upon price. If the cost of the care was less, the difference would be profit for the maintenance organization.

He added that "controls would be built into the program to protect high risk consumers and incentives would be offered to health maintenance organizations to provide comprehensive services to hard-to-reach and underserved areas . . . the inner city ghettoes, Appalachia, the Mexican American, American Indian and Eskimo communities."

All contracting organizations would be required to see that all possible steps are taken to maintain health and prevent illness, to treat illness as soon as possible, to avoid unnecessary hospitalization and to provide services from a single source in a coordinated efficent manner.

The Health Maintenance Option also encourages group practice by doctors.

He pointed out that even though the government's proposing such a program is revolutionary, the program itself is "hardly a revolutionary idea. Nearly six million Americans are now participating in pre-paid health care plans. ■

Firm seeks $1.1 million

STAMFORD, Conn.—Polycast Corp. of Stamford has filed a $1.1 million suit against the city of Stamford and its health director, Dr. Ralph M. Gofstein.

Polycast charges that Dr. Gofstein acted beyond his capacity as health director, has harassed the company, and has interfered with a consultant hired by Polycast to deal with air pollution.

The action stems from an incident at the Polycast plant. When Dr. Gofstein and other department officers tried to test the air at the Polycast plant, they allegedly were met with a barrage of bottles, rocks and pieces of iron thrown by plant employes.

The suit seeks $900,000 in damages from the city. It also includes a $100,000 personal suit against Dr. Gofstein by Nicholas Dabona, Polycast president, and a $100,000 suit against Dr. Gofstein in his capacity as health director. ■

City buys $2 million catastrophe cover

OTTAWA—This Canadian capital city has decided to buy $2 million worth of catastrophe liability insurance to cover itself for the next three years against "almost everything."

The city council recently voted to purchase the cover jointly with the regional government. The policy will be written by the Canadian Indemnity Co., which in turn will reinsure a considerable portion in London. Cost for the policy, which has a $100,000 deductible clause, will be $11,614 a year.

Under an agreement between the city and the Ottawa Insurance Agents' Assn., the commission on the sale of the policy will be divided among the more than 300 agents in the association.

Ottawa originally worked with the association in drawing up the coverage, which was then put out to bid from several major insurance companies.

Union gets assurance LTV won't 'raid' its fund

PITTSBURGH—A United Steelworkers Union local here has agreed to withdraw a suit charging antitrust violations against a Ling-Tempco-Vought Inc. proposal to acquire Jones & Laughlin Steel Corp. The suit was brought to prevent feared pension fund "raids" after the takeover by the giant Dallas-based conglomerate.

Personal assurances from the president of Ling-Tempco-Vought Inc., James J. Ling, and some apparently "iron-clad" security features of the trust agreement controlling the management of the $228 million pension fund have forestalled the attempted blockage. The LTV acquisition of the Pittsburgh-based steel works for a reported $500 million is still pending.

Rumors and fears of massive work-force cutbacks, plant closings and pension fund raids have become rife in recent weeks among the 10,000 company employes here. LTV's reported financial troubles were cited as the major cause prompting the worries. Mr. Ling was recently deposed and replaced as chairman of the board of LTV by Robert H. Stewart III who is also chairman of the First National Bank of Dallas, a creditor of the conglomerate. Union officials noted that there was widespread concern among union membership that the conglomerate might dip into the reserves of the pension fund to bail itself out of these woes.

IN ADDITION, it has been a typical strategy of Mr. Ling in times of his company's financial duress to conduct what he calls a "redeployment"—the breaking up of newly acquired companies into different units of operation in which stock is subsequently sold publicly to raise funds. The union apparently felt that these alternatives would probably be chosen since J&L's Pittsburgh works have been operating at a loss in recent months and startup troubles have plagued the bottom-line of the steel firm's newest steel mill in Hennepin, Ill.

"Stipulations in the trust agreement govern the Mellon Bank and Trust Co.'s (the pension fund trustee) handling of the pension fund and prevent any tampering with the funds by management," James A. Ashton an attorney for United Steelworkers Union Local 1843 here told *Business Insurance*. In addition, Mr. Ashton explained that Mr. Ling gave union officials his personal pledge that there would be no plant closings, pension fund raids, work-force cutbacks or any other similar moves by LTV after the takeover. He said, LTV will do "everything possible to improve the performance of J&L in all areas."

A source at J&L also pointed out that it was in keeping with a trustee's fiduciary responsibility not to act against the interests of the employes for whose benefit the pension fund had been established. He explained that the company had repeatedly denied the recurrent rumors apparently triggered by the acquisition.

Judge Louis Rosenberg restrained and enjoined LTV from suggesting investments of any kind to the trustee of the J&L pension fund without the express consent of the court. ■

New cover for restaurant owners

PALO ALTO, Cal.—On July 1, Eldorado Insurance Co. here began offering California restaurant owners a new package insurance policy for safety-minded operators who subscribe to a periodic flue cleaning service and who install acceptable dry chemical fire extinguishing systems in their kitchen cooking areas.

President John V. McGraw Jr. said the new policy will be made available to such restaurant owners with a substantial premium discount for a "broad array of coverages." Basic policy coverage will include general liability, fire and related perils on all property, time element coverage, coverage of accounts receivable, plate glass, neon sign, breaking and entering and all-risks extension option covering property.

washington watch

Mine safety compliance troubles could invade other industries, too

WASHINGTON—Lobbying over the provisions of the omnibus occupational health and safety bill has been heated ever since former President Lyndon Johnson introduced the original measure in 1968. But the fight has recently reached a new high pitch as businessmen are seeing the almost chaotic conditions that the Coal Mine Health and Safety Act has caused in the nation's mine fields and wonder if they soon may be facing similar problems.

Mine owners are frantically, and largely unsuccessfully, trying to locate the necessary equipment and funds to comply with the new law, and in the meantime are facing stiff civil penalties for noncompliance. Often the problems they face are deeper than just equipment and money. The fact is in many cases the technology is not yet developed to make compliance feasible.

Highlighting the seriousness of the situation in the mines is the recent rash of strikes that threaten the nation's electrical utilities and steel producers whose coal stockpiles are already low.

WHILE THE strikes have been promoted by a number of factors, one of the most important is said to be the resentment felt by the miners who were led to expect major changes at the mines following enactment of the bill.

Many businessmen feel that the situation at the mines may be a preview of what they can expect if Congress gets overexuberant in drafting the omnibus health and safety law and doesn't provide for meaningful industry review of proposed safety standards.

"Passage of a safety standard that industry cannot possibly comply with in the prescribed length of time can be a powerful tool in the hands of labor," one business lobbyist commented to *Business Insurance*.

One example of the kind of problems mine owners are encountering is spotlighted by a bill introduced recently by Sen. Wallace Bennett (R.-Utah), who openly charges that Congress was "overzealous" in passing the coal mine safety bill.

HIS BILL WOULD change the provision of the mine safety law that requires automatic brakes on every mine car used underground. According to Sen. Bennett, the main problem with this section of the law is that there is no such equipment available.

"Automatic brakes are simply not made for mine cars of the type presently in use," he points out.

So far, at least, the government is bearing the brunt of the miners' ire. They charge that it is not so much the coal companies and their safety practices that are upsetting them, but the government's lax approach toward enforcement of the new law.

The government has all but admitted that certain sections of the bill can't be implemented in the time granted by Congress.

DURING A TOP level conferencee on the mine safety law in Washington June 15, Henry Wheeler Jr., acting deputy director of health and safety of the Bureau of Mines, openly indicated his department is resigned to the fact that it will be some time before most mines can comply with the initial respirable dust standard of 3.0 milligrams per cubic meter called for immediately by the new law.

Mr. Wheeler said he believes eventually most mines can comply with the standard with presently available technology. But, he continued, "in many mines, it will take time and it will cost money for the needed improvements to be made.

"Also in some situations," he said, 'it will be difficult—because of the mining systems, space limitations and underground conditions generally—to apply present technology.

"To complicate matters further, the needed equipment—principally ventilation fans and tubing—is in short supply with many operators competing for the available equipment at the same time.

"As a result," he said, "the required dust revolution in the mines will come—but not as fast as might be expected and desired." ■

Is there a medical benefit plan for ailing profits?

Medical benefit plans have a way of getting out of hand. Even as the costs of medical care keep climbing, employers are pressured to add a little more coverage here, an extra wrinkle there.

You may not even be overdoing it. You may need every bit of the employee coverage you now have. But without close professional attention, your medical plan can easily become a drag on your P & L Statement.

Before things go wrong, let Johnson & Higgins review your entire program. Your problem may be a lack of coordinated planning and effective control. Our staff of experienced consultants and medical plan specialists will make a professional examination of what you're spending, and how you're spending it. Help you eliminate overlapping coverages and install tight controls. Help you reshape your medical and other benefit plans to give you only the precise coverage you need, and at the most reasonable cost.

Our approach as insurance brokers and employee benefit consultants has one aim – protecting your profits.

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Jury gives $701,834

PORTLAND—A circuit court jury in Portland, Ore., has awarded one of the largest verdicts on a civil personal injury case in the state court's history, $701,834 in damages to a workman burned by a high voltage line while he was installing a conveyor belt for a gravel company in 1966.

Judgment was filed June 3 against Portland General Electric Co., in favor of Harold Parker, 54, Sauvie Island.

Mr. Parker was an employe of Ross Island Sand and Gravel Co. on Oct. 6, 1966, when he was installing a conveyor belt on one of the firm's machines. A metal pole Mr. Parker was using touched an 11,000-volt power line that had been installed over the equipment where Mr. Parker stood.

The line had been installed by PGE in violation of a City of Portland electrical code, which forbids open transmission lines carrying more than 7,500 volts over any structure where persons are working. The line was only 11 feet, nine inches above the structure where Mr. Parker stood when he was burned.

Evidence during the trial also showed Mr. Parker has undergone plastic surgery 14 times, and has gained partial use of his hands. He is scheduled for four more operations.

The jury awarded Mr. Parker $640,000 in general damages, and $61,834.37 in special damages for medical care and loss of wages. ■

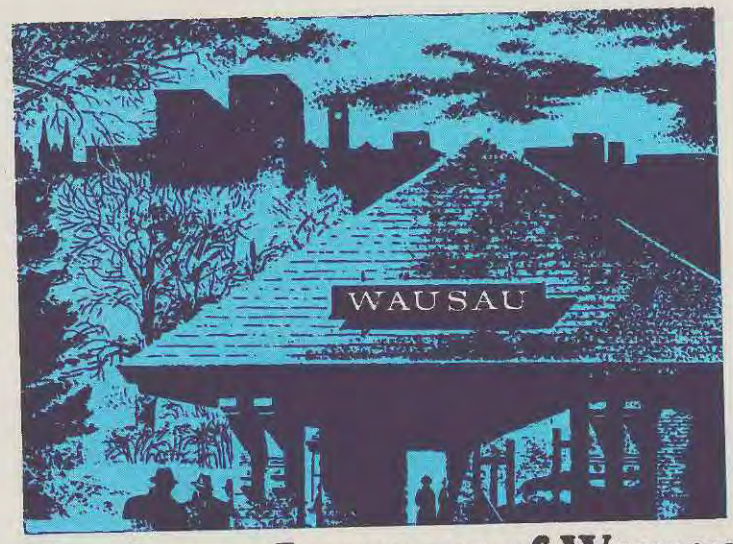
Touchy Question #137

Are you trading premium dollars for dividend nickels?

That's the way most mutual insurance companies write retro plans. The greater the premiums developed under the plan, the higher the dividend returned to the policyholder. The insurance buyer with the worst experience gets the biggest dividend.

That's crazy.

Employers Insurance of Wausau pays its retro policyholders exactly the same dividends they would have received under guaranteed cost plans.



Employers Insurance of Wausau

Unlike our competitors, we do not *penalize* our customers for good experience and *reward* them for bad experience under our dividend program.

If you're right in your decision to buy a retrospectively rated insurance policy at all, you're better off with us.

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We think insurance ought to work for a living.



Bruce W. Shmabarger, right, director of insurance for AMF Inc., New York, is presented the AMF achievement award for outstanding ability in negotiating insurance settlements for AMF. Rodney C. Gott, AMF chairman and chief executive officer presents the award, given for major contributions to the firm's success, which consists of $500 in cash, a plaque and a citation describing the award winning activity.

Drive for employer-paid group liability launched in Washington

SEATTLE, Wash.—A drive for legislative approval of group liability insurance for all union members, with the premium to be paid by the employers, has been started here by George A. French, secretary-treasurer, Wholesale and Retail Delivery Drivers and Salesmen, Local 353.

Mr French launched the move during a public hearing by a joint legislative interim committee on insurance called by August Mardesich, democratic state senator. Mr. Mardesich, who is chairman of the committee, is investigating mass merchandising of insurance "to determine whether the 1971 Washington state legislature should take action in this area."

Mr. French told the committee that "the Teamsters will sponsor enabling legislation that would permit the union to negotiate a group liability insurance program as one of our fringe benefits.

"HOWEVER," he declared, "we want a true group program rather than something that comes out of mass merchandising. We are convinced the employer-paid coverage is an immediate necessity with all members of a union worker's family covered by the policy."

During the committee hearing, John Look, corporate administrator of insurance and trusteed plans for the huge Boeing Co., offered a statement that his company "favors automobile and homeowners mass merchandising. "We do not offer either type of insurance to our employes," Mr. Look added, "therefore I speak without benefit of actual experience although our office has studied the subject intensively."

"Mass merchandising," he said, "should lead to a more efficient, and hence less costly, distribution of a basic necessity of modern living, with savings resulting from reduced selling expenses, lowered insurance company administrative costs and centralized collection of premiums.

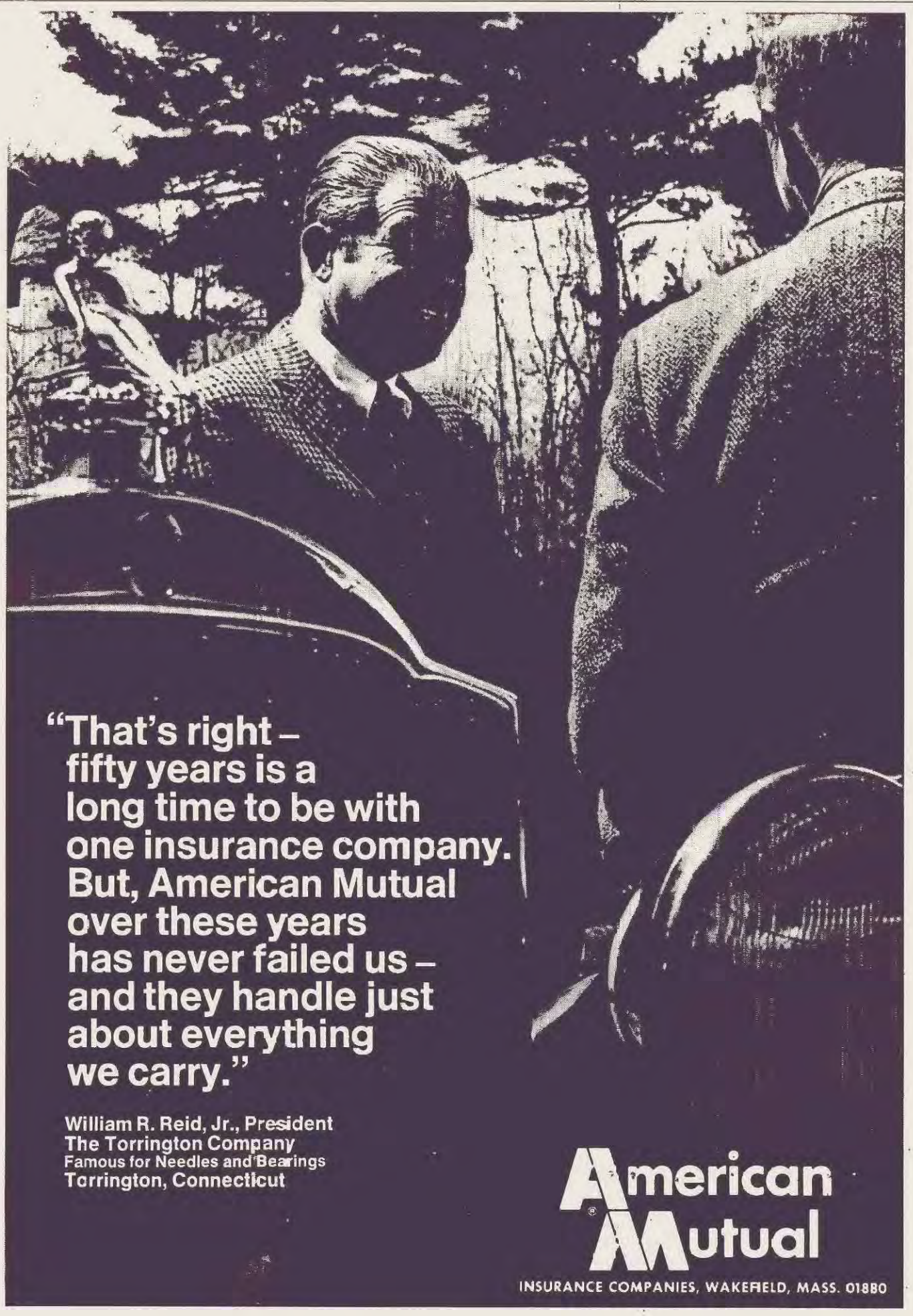
"Payment of premiums through monthly payroll deductions," Mr. Look continued, "is a logical method of purchasing insurance protection. More adequate levels of insurance could be maintained if premiums could be paid monthly."

MR. LOOK also contended that "claims services for our employes should be improved under mass merchandising. To be successful, however, mass merchandising should permit variations in premium rates in recognition of the differences in exposure between the members of the group."

William W. Fisher Jr., associate counsel for the Travelers of Hartford, told the committee hearing "a mass-merchandising program is subject to competitive pressures and its success is dependent on the good will of the masses of employes.

"If the insurer is not handling underwriting and claims in an acceptable manner," he declared, "there are plenty of economic controls to compel it to do so.

"File- and use-legislation," Mr. Fisher added, "would expedite handling of mass merchandising as well as other insurance risks." ■



Computer can predict quake effects

SAN FRANCISCO—A computer system has been developed to establish the effect of earthquakes on buildings. It consists of a combination of movies, computers and scientific data, presented this week to the seventh annual design automation workshop here by James Lord, systems engineer for Albert C. Martin and Associates, architects and engineers.

Earthquake data and general specifications of a particular structure are fed into a computer. The computer returns "raw information" on what might happen during an earthquake. A scaled-down movie is then produced to show in outline form how the building should react.

Mr. Lord presented a sketch of what a 7.4 Richter scale quake might do to the twin tower 52-floor Atlantic Richfield Plaza now being constructed in downtown Los Angeles. The moving graph, magnified 120 times, demonstrated that the building "could be expected to move some 20" laterally at key points.

"Many other structures now standing as well as those under construction," Mr. Lord added, "do not have that good a response to an earthquake potential.

"The film proves," he said, "that the towers could hold up well under an earthquake of 8.5 on the Richter scale."

The system was developed with the help of the California Institute of Technology. ■

speaking of safety

Best Foods plant goes 1.4 million man-hours without single comp claim

INDIANAPOLIS—Best Foods plant employes worked a record 1.4 million man-hours without a single lost-time accident, earning themselves the Corn Products Corp. (CPC) Gold Cup safety award for the third straight year, and a plaque from the Hartford Insurance Group for the fourth year.

The 260 workers at the plant, which makes Rit Dye and Shinola shoe polish, have also received three National Safety Council awards. CPC is the parent corporation for Best Foods and gives the award every year to the plant with the best safety record. The third year a plant wins, it is allowed to keep the cup.

"This is quite an unusual and outstanding record," said Ken Daniels, safety engineer at the Indianapolis Hartford office, which writes the plants workmen's compensation coverage. "They worked a little over three years without an accident. I think the main reason for it is the excellent training program given to plant supervisory personnel. They're really taught the art of handling people and motivating them to do well."

He told *Business Insurance* that each year the plant won, there was a special presentation. Work stopped for an hour and the president, from New Jersey, made the presentation. Also, there was a drawing in which six employes were awarded $25 savings bonds.

"PLANT EMPLOYES have a good feeling about management," Mr. Daniels said. "They don't do their jobs saying, 'Boy, will management give us hell if we have an accident.' They really feel that the company is interested in them and wants to help, and in turn, they do a good job."

Robert Conte, personnel manager and safety director for the plant, agreed.

"We try to make every employe feel that he is a part of the company and the team spirit is very strong here," he said. "New employes get a safety manual and a booklet describing all company operations. We try to show them how they fits in."

Mr. Conte said he also sends out newsletters and releases regularly. He noted that this year he plans to have foremen hold short meetings with employes to discuss safety and to go over any questions workers have on the manual.

"EVERYONE WAS quite excited about the good record and we were all holding our breaths as we got down to the close of the three-year period," he said. "In fact, I got a little superstitious about it. People would come into my office and start patting me on the back, but I wouldn't talk about it. It was like the ninth inning of a no-hitter."

Mr. Conte said that since the award in March there have been two lost-time accidents, but that the mishaps and spoiled record haven't changed employe attitude.

"Sure, they're all very disappointed," he said, "but they are determined to make the rest of the year perfect. They want to win another cup." ■

Cahill's kin wins award

CAMDEN, N.J.—The governor of N.J. and his 17-year-old daughter have been awarded a $100,000 out-of-court settlement of a suit filed after an auto accident left the girl paralyzed for several weeks last summer.

Gov. William T. Cahill and his daughter, Patricia, were given the sum after it was approved by a superior court judge here.

Miss Cahill was a passenger in a car driven by Michael M. Di Marco, 17, of Haddon Heights, N.J. According to the suit, the Di Marco car was forced off the road by a vehicle coming in the opposite direction last June 26. The car was driven by Mrs. Kathleen Webb, 30, of Cherry Hill, N. J. ■

Asks U.K. risk men to back project

LONDON—Insurance managers in Britain are being urged to back the demand of James Cristy, pension fund administrator for the Upjohn Co., for a joint project of ASIM and the American Risk and Insurance Assn. to set criteria for risk management.

When the papers at the ASIM Miami conference, including those reported in *Business Insurance*, April 27, were being debated before leading members of the Assn. of Insurance Managers in Industry and Commerce in London, they were told of the important forecasts made for the future of risk management.

AIMIC Chairman William Nuttall, chief insurance officer for a prominent U.K. chemical group, who was at Miami, told them, "The paper at Miami that I consider to be outstanding, from the point of view of insurance managers wherever they operate, was the one Mr. Cristy delivered.

"HE PREDICTED that within the next ten years risk management will become broader in scope, more precise in its practice, and better appreciated by top management.

"He stated that risk management is handicapped today because of the narrow field we as insurance managers have selected for it, because we have failed to support our opinions with statistics, and because there is no academic agreement as to what distinguishes a risk manager from an insurance manager.

"He recommended a joint project between ASIM and the American Risk and Insurance Assn. to pinpoint responsibilities and set criteria for good performance," Mr. Nuttall said. ■



Ætna has helped handle a lot of explosive situations before. But this was as ticklish as they come.

Problem: How to blow up the old San Mateo-Hayward Bridge spanning San Francisco Bay—without damaging a new high-level bridge paralleling it. The chance for loss was tremendous because in some places only 25 feet separated the two structures, and a slip-up could cause thousands of dollars of damage.

Ætna loss control engineers were consulted. And with the help of seismographs, laboratory analyses and detailed safety controls, they were able to advise the contractor on how to set off tons of dynamite with hardly a ripple around the new piers.

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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.

• The **1970 Safety Training Institute Courses** is a 10-page booklet giving brief summaries of the various institutes sponsored by the National Safety Council. The booklet is free and can be ordered by writing the firm at 425 N. Michigan Ave., Chicago, Ill. 60611.

• The National Safety Council has collected 15 articles originally published in National Safety News in **Fundamentals of Industrial Hygiene** (stock no. 151.11). The 120-page booklet contains important facts for the care of employes in industrial organizations. Single copies are $4.60, orders of 10 are $2.00. Send orders to the Council at 425 N. Michigan Ave., Chicago, Ill. 60611.

• A monthly newsletter on the latest developments in the battle against noise pollution is being produced and distributed by the National Council on Noise Abatement in Washington, D.C. Members of the council receive it free, however, there is a $20 yearly fee for non-members. For more information or to subscribe, write: Noise News & Reviews c/o National Council on Noise Abatement, 1965 K Street, N.W., Washington, D.C.

• The Kemper Insurance Group has prepared **Detour Alcoholism Ahead** for supervisors and others who require a basic understanding of alcoholism; to enable them to identify the various signs and condition of developing alcoholism and to highlight the fact that it is a treatable illness. Initial orders of 50 copies are free, any additional orders are 5¢ per copy. Direct requests to the Public Relations Dept., Kemper Insurance Group, 4750 N. Sheridan Rd., Chicago, Ill. 60640.

• **Effective Low-Cost Employe Benefit Communications** provides a personalized benefits summary statement for each employe. Paydata, Inc., outlines, via computer, an employe's stake in his company, highlighting the overall contribution made by the company. This service is aimed at the mass market of smaller corporations and averages $5.00 yearly total cost per employe. Paydata provides an effective and economical avenue for conveying to each employe the full value of his benefit program. This valuable management tool is available through agents and brokers. For more information write to Paydata, Inc., 20 Evergreen Place, East Orange, N. J. 07018.

• A brief sketch of **Survivor Income Benefits** funded under group life insurance is provided by the Equitable Life Assurance Society. The brochure covers the questions of what type of plans are available, who is eligible, who receives the benefits and for how long, and how much the plans cost. Copies may be obtained by writing the firm to the attention of Group Sales Promotion, Area 24-E, 1285 Avenue of the Americas, N.Y., N.Y. 10019.

• A bulletin discussing the latitude and limitations of injury statistics, suggesting how such statistics can be utilized as a means for establishing an injury prevention program is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. **Using Injury Statistics** covers evaluation of disability, frequency rate of disabling work injuries, etc., with charts and tables included. The cost is 20¢ per copy.

• Detectalarm is a product of Alarmtronics Engineering, Inc., 154 California St., Newton, Mass. 02195. It is an electronic audio detection system designed for economical protection from burglary, intrusion and vandalism. For further information write the company.

• Companies with pension plans that are concerned about the substantially higher cost that could result from pension reform legislation may be interested in becoming members of the Assn. of Private Pension and Welfare Plans Inc. Members receive extensive information on pension developments and opportunities to express their views on legislation through local meetings of members with their own congressmen. A free brochure and additional information may be obtained from Joseph P. Leary, Assn. of Private Pension and Welfare Plans Inc., P.O. Box 1920, Washington, D.C. 20013.

• **Safe Lifting** in an eight page booklet published by the U.S. Government Printing Office, Washington, D.C. 20402, listing and diagraming the eight steps involved in lifting heavy loads. The booklet is available for 15¢ from the Superintendent of Documents.

• The National Fire Protection Assn., offers a 100-page pamphlet for $1.75 dealing with the general requirements, inside hazards, exterior storage tanks, spray foam systems, monitor and hose systems of **Foam Extinguishing Systems.** The booklet can be ordered from the association at 60 Batterymarch St., Boston, Mass. 02110.

• The National Fire Protection Assn. offers three pamphlets dealing with the installation and maintenance of portable fire extinguishers: **Installation of Portable Fire Extinguishers,** 36 pages, $1.00, No. 10; **Maintenance and use of Portable Fire Extinguishers,** 33 pages; $1.00, No. 10A; and **Model Enabling Act for Portable Fire Extinguishers,** 10 pages, 50¢, 10L, can be ordered from the association at 60 Batterymarch St., Boston, Mass. 02110.

• Reprints of the article **Loss Prevention and Proper Motivation** by John P. Gausch are available upon request from EBS Management Consultants Inc., Risk Management Dept., 100 Church St., N.Y., N.Y., 10007. The article asserts that police systems are not the answer to prevent loss through accident, theft, and fire, but rather an insight into behavioral sciences is what is necessary.

• The National Safety Council estimates that 19.2% of the compensable work injuries with permanent partial disability involve machinery; 3.1% of work-injury fatalities involves machinery. **Safeguarding Machinery** is an 8-page booklet listing the reasons for using guards and includes a table of standard materials and dimensions for guards. The booklet can be obtained for 10¢ from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• **Supervisory Responsibility For Safety** is an 8-page booklet offered by the U.S. Printing Office for 10¢. The booklet offers hints on how the supervisor can maintain safe work conditions and promote safe work methods. For a copy write the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• What do professional drivers need to learn about driving? **Deadly Driving Errors** is a 30-minute film series divided into three 10-minute segments dealing with particular professional driving problems: **A Matter of Speed, A Matter of Adjustment**, and **A Matter of Distance**. The films are available in both standard 16mm or the new Super 8 and can be ordered in either color or black and white and either as a series containing all three films or separately under the individual titles. One copy of the series costs $435, color, and $290, black and white. Individual segments for one copy cost $155, color, and $103, black and white. Discounts are available when ordering in quantity. For more information write the National Safety Council, 425 North Michigan Ave., Chicago, Ill. 60611.

• **Notes on Old Age Benefits Under Social Security—Based on 1969 Amendments** ($7800 maximum earnings) can be obtained from the Consulting Actuarial Division, Alexander & Alexander Inc., 2 N. Riverside Plaza, Chicago, Ill. 60606. Tables covering Social Security benefits, and average monthly earnings are also included. The booklet is an updated version of a previous one offered by the firm and is available free of charge when requesting it upon your company letterhead.

• **State Workmen's Compensation Laws**, summarizes the main provisions of the State workmen's compensation acts for quick reference by legislatures, administrators, insurance carriers, labor and employer groups, students, and others. It is based on analysis of the laws and administrative rulings enacted through 1968, and information from the administrative agencies. The 1969 revised publication is available for 40¢ from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• The Wolfe Auto-Surveillance Super-8 is a fully automatic and battery-powered camera system that offers a continuous range of programming from one exposure every second to one exposure every minute for up-to 60 hours of time-lapse photography. The unit is 6"x7"x7½" in size, offers automatic through-the-lens exposure adjustment over a range of 25 to 250 ASA, and the zoom lens may be adjusted from 8.5mm wide-angle to 35mm telephoto. The system is priced at $420 f.o.b. Seattle. More information can be obtained from the company, Wolfe Security Products, Inc., Second Floor, Pier 59, Seattle, Wash. 98101.

ASIM against bid to kill file-and-use

SACRAMENTO—Members of the American Society of Insurance Management announced opposition to legislation that would repeal California's file-and-use insurance rating law.

Introduced by Assemblyman Jess Unruh, the bill was prompted, said Mr. Unruh, "by recent disclosures of major increases in various types of insurance rates in California . . . all without so much as a murmur of protest from the state insurance commissioner." These included an auto rate hike of 18% and a homeowners increase averaging 22%, he said.

If the bill is made law it could have interesting ramifications, as California was the first state to introduce file-and-use on its books. At this time 21 states and the District of Columbia have some form of file-and-use.

The proposed law was labeled "restrictive and a step backward in progressive insurance legislation without adequate benefits to consumers" by James E. Bailey, legislative counsel for ASIM, which has followed the property-liability insurance industry in backing file-and-use laws.

Mr. Unruh said his legislation is based upon the Model Prior Approval Act, drafted more than 20 years ago by the National Assn. of Insurance Commissioners. "Very simply," the assemblyman stated, "the (proposed) act gives to the insurance commissioner prior approval power over any proposed rate increases." He added that the Cali-

Continued on page 10

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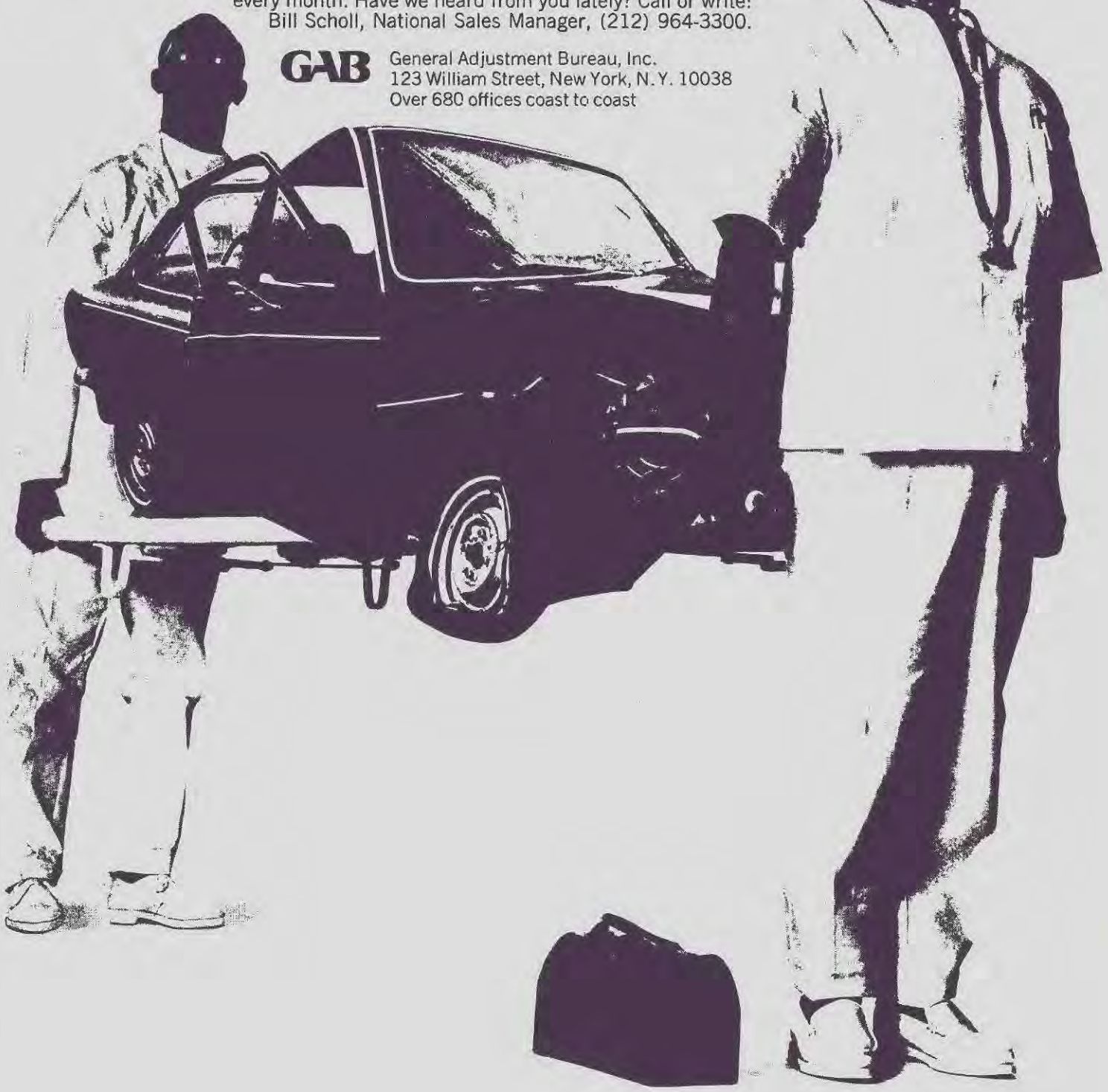
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Hodgson is called an 'innovator' by colleagues at Lockheed Aircraft

LOS ANGELES—James Day Hodgson, President Nixon's nominee for secretary of labor, appears to be the right man for the post, according to former colleagues at Lockheed Aircraft Corp. who discussed the pending appointment with *Business Insurance*.

He is at once a strong management man and admired and respected by union officials. Mr. Hodgson served as corporate vp for industrial relations before being named under secretary of labor.

He joined Lockheed in 1941 as a clerk and was with them until his appointment. During his last six years there he was directly responsible for employe relations with the company's more-than 100,000 aerospace workers, including members of the powerful International Assn. of Machinists.

THROUGH HIS efforts, Lockheed was one of the spearhead companies in the drive to hire and train the hard-core unemployed in the early 1960s.

Variously described by his former associates at Lockheed as "broad," "strong," "a man of great integrity," and consistently referred to as an "innovator," Mr. Hodgson brings many years experience in labor negotiations to the post.

He is responsible for negotiating virtually all of Lockheed's insurance and benefits plans now in effect. In 1965 he negotiated what he called Lockheed's "Every Man a Capitalist" program. The program, in essence, is an employe savings plan in which the company puts up 50¢ for every dollar that workers put into savings or invest in stocks.

The 54-year-old Mr. Hodgson is also identified with Lockheed's worker's fund, "a versatile cushion for retirement or adversity," which totals over $100 million.

LOCKHEED'S "personal security option program," which gives employes long-term disability insurance, accidental death and dismemberment and automobile insurance on the payroll plan, is another of Mr. Hodgson's negotiated plans.

He negotiated Lockheed's "basic benefit plan," which functions much like a savings plan. This plan, in concert with the supplemental unemployment plan, protects senior workers if they are laid off.

His friends at Lockheed felt that if the past was any indication, Mr. Hodgson would be a quiet, effective secretary of labor who would prefer to remain in the background at the prospect of strikes and strike threats. They characterize him as a man who can negotiate wages and benefits equally, with a preference for neither.

The Lockheed officials were not surprised at his nomination and felt that he would function much like his predecessor, outgoing secretary George Shultz ■

Bill would put time limit on liability

OTTAWA, Canada—A section of the government's proposed nuclear liability bill wipes out provincial laws and bars children and those mentally incompetent from claiming damages, a Commons committee was told.

Hyliard Chappell, a lawyer, said the bill limits the period for bringing action for nuclear damage to 10 years. After this time all claims would be automatically barred.

He cited the case of a child whose injuries might not become apparent until he was 10 years old. By the time he was 21 and able to take his case to court, his time limit would have expired. Unless a friend or relative acted for him during the interval he would have no recourse.

PRESENT PROVINCIAL laws enable a person to bring charges for damages inflicted in infancy.

E. R. Olson, of the Justice Department, a witness at the resources committee which is studying the bill, said the law regarding such limitations is ripe for reform. In cases where it is difficult to foresee damage that might not appear for several years, it might be better if the appeal limitation was left to the discretion of the court.

The bill is intended to provide compensation for any injury or property damage sustained as a result of a nuclear mishap. ■

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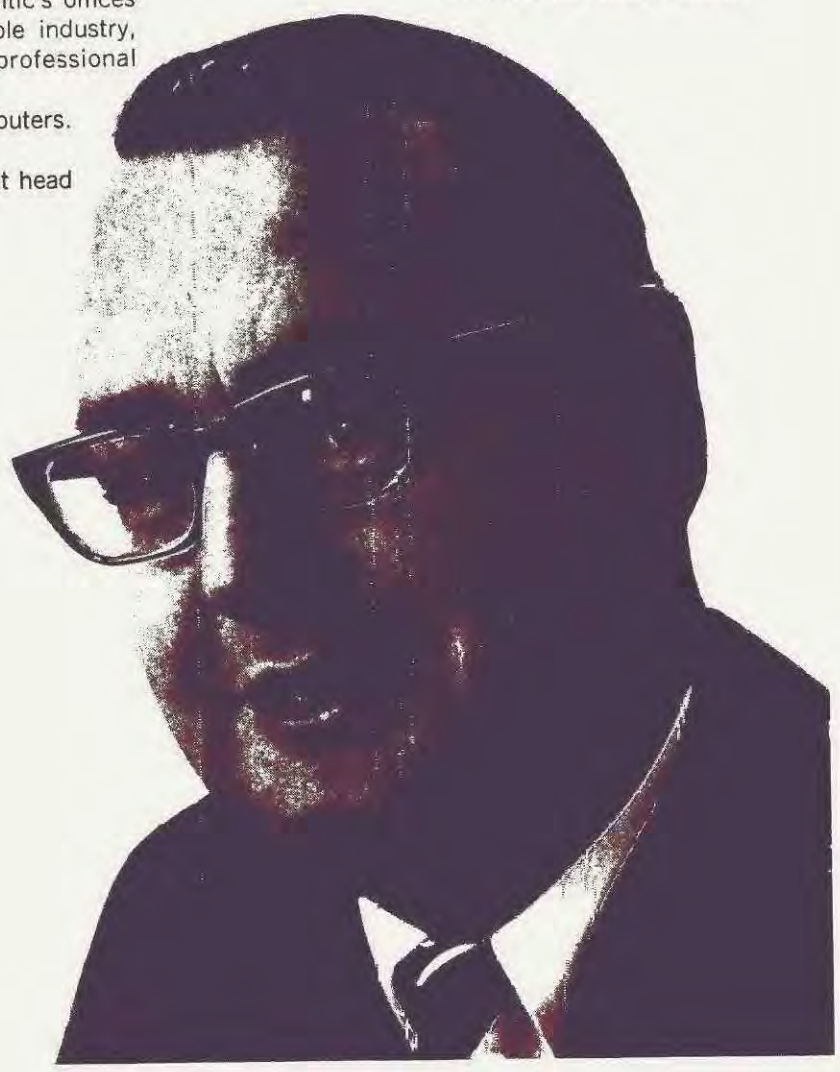
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File-and-use...

Continued from page 9

fornia commissioner presently has such power only in regard to workmen's compensation and credit life insurance rates.

"I BELIEVE that this officer, who is appointed by the governor and should be his chief adviser on matters dealing with the insurance industry and the rates that people have to pay for this protection against loss, should be more than a mere spokesman for the insurance lobby," said Mr. Unruh. "He should be in the forefront of those protesting unwarranted premium increases."

In his protest on behalf of ASIM, Mr. Bailey said, "Under the present insurance rating law California has stable market conditions and healthy competition in the insurance industry, which permits competitive factors to operate on the price of insurance." He also said that the present law assures "prompt and adequate regulatory review procedures" and that file-and-use is not detrimental to the solvency of insurers.

Under Mr. Unruh's proposal insurers would be required to justify to government the rates they propose to charge and filings would be open to public inspection. A filing would be considered approved if not acted on by the commissioner within 15 days.

If the commissioner disapproved of a proposed rate he would be required to send his reasons in writing to the insurer. The proposal also makes provision for public hearings, within 30 days of application, for aggrieved parties.

In emphasizing the consumer protection provided through a prior-approval method, Mr. Unruh said the chief task of the insurance commissioner should be "protection of the public rather than protection of the industry." ■

Cyanamid will put $500,000 of new pension money into Fanny May

WAYNE, N. J.—American Cyanamid Co., a large chemical manufacturer here, has allocated $500,000 of new contributions to its employe pension fund to Federal National Mortgage Assn. (Fanny May) backed mortgage security issues, a move being urged by segments of the Administration as well as several members of Congress.

"We recognize that we have a social responsibility," L. T. Murphy, treasurer of American Cyanamid, told *Business Insurance*. "And this represents our willingness to do our part when possible." The $500,000 will be invested in mortgage securities issued by mortgage bankers and backed up by Fanny May's underwriting of the principal and interest.

Social responsibility has been linked with pension funds in recent months by a number of diverse interests. Most notable, of course, is Sen. Wright Patman (D.-Tex.) who has introduced a bill that would require such investments by private pension funds when the money shortage is deemed to have a critical effect on housing starts in the U. S. HUD Secretary George Romney has also urged pension funds to make such investments.

ALSO, A GROUP of Ralph Nader-inspired consumer advocates (Campaign to Make GM Socially Responsible) recently attempted to persuade pension and other private funds to exercise their voting rights, by virtue of their GM stock holdings, to establish a more consumer-oriented, socially responsive management philosophy on the part of the giant automobile manufacturer.

Mr. Murphy pointed out that it would be impossible to predict what his company pension fund's future commitment to the housing starts crisis would be. "We have to be very pragmatic about this," he said cautiously, although he indicated that the door was being left open for possible future investments.

American Cyanamid maintains a pension fund (1968 reported assets: $167.8 million) that currently supports some 4,000 pensioners and for which some 30,000 current employes of the company are eligible. The fund portfolio is divided among a wide variety of investments, including both fixed obligations (mortgages and other real estate, as well as bonds and Treasury notes) and equities (common stocks). The fund is trusteed by Morgan Guaranty Trust Co. in New York.

Mr. Murphy pointed out that the trustee is responsible for placing all fixed investments and managing fixed obligations of the pension fund. He noted that the trustee had invested in other residential housing in addition to the proposed Fanny May securities. Among these are several apartment houses.

WHILE CONTROL of the fixed investments of the pension fund is left to the trustee, an in-house investment committee appointed by the company's board of directors handles all equity investments. The investment committee is aided in this by an independent outside investment counselor.

The pension fund supports similar benefits to all employes of the chemical manufacturer under one single plan. Two formulas are used in calculating an employe's pension. The first is about 45% of the employe's final pay; also, a career formula of 1.25% of his pay for every year of service after the employe's first two years of employment. The employe's pension is figured on both formulas and the company pays the higher of the two, said C. L. Brandrup, director of personnel services for American Cyanamid.

Recently pension benefits were improved for the retired pensioners, he pointed out. Before 1967 a minimum of 35 years' service was necessary before full retirement benefits were available to an employe. The 35-year service requirement has since been removed.

Additionally, early retirement is possible at age 50 with 15 years of service or any combination of age and service that equals numerically the normal retirement age of 65. The pension benefit is actuarily reduced by 4% for each year less than age 65 a man is when he elects to retire early, Mr. Brandrup explained.

Mr. Brandrup also noted that there were several options available to the employe to provide for his surviving spouse in the event of his death either before or after retirement. ■

House unit okays strong safety bill

WASHINGTON—The House Labor Committee has reported out an extremely strong occupational health and safety bill closely resembling the proposal originally introduced by Rep. Dominick Daniels (D., N.J.), despite numerous attempts by the Administration and Republican legislators to work out a compromise bill.

Most observers feel it is unlikely that the bill will pass the House in its present form, but they point out that the committee's approval of it greatly strengthens the bargaining position of labor Democrats in any later compromise negotiations. In addition, it strengthens the hand of strong labor supporter Sen. Harrison Williams (D., N.J.), whose Senate labor subcommittee will be marking up an occupational health and safety measure for presentation to the full labor committee, chaired by outgoing Sen. Ralph Yarborough (D., Tex.).

The original safety bill introduced by Sen. Williams—with strong support from Sen. Yarborough—is very much like the Daniels proposal.

FROM A BUSINESS standpoint, the bill approved by the House Labor Committee is most objectionable because it gives the Secretary of Labor the power to set and enforce standards. The business community generally backs the Administration's proposal to establish a five-member board of experts to set the standards and to set up a special occupational safety and health court to hold hearings on violations.

In addition, the House bill would set a broad policy that employers have a general obligation to provide a safe and healthful work place. Business wants no such vaguely drawn duty, saying there should be standards against which to measure conduct. ■

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1971 ASIM sessions to concentrate on costs

NEW YORK—The 1971 American Society of Insurance Management conference to be held in San Francisco in February will concentrate on analyzing the cost of corporate risk programs in a shaky economy.

"Basically we will talk about bucking a recession psychology in industry," Ed Lalley, ASIM's vp of convention activities, said at a planning luncheon meeting held here the other day. Mr. Lalley is director of insurance at Kraftco Corp. "In a time when management is extremely cost conscious, the risk manager has to look at every penny spent and be able to justify that expense to the company."

ASIM member Ray Severin, director of insurance at American Metal Climax Inc., pointed out that the risk manager had to work doubly hard selling his position to management today and convincing them of his expanding role.

"It's far from being a matter of just buying insurance," Mr. Severin said. "The actual buying of the insurance comes about fifth, sixth or twentieth in the risk manager's duties and he must communicate this to management. He is an analyst, reviewing all phases of company operation."

DAN SULLIVAN, convention program chairman and director of insurance at Northern Electric Co., Montreal, pointed out that speakers and workshop sessions would also look at the world outside the corporation.

"A lot of strange things have been happening out there," Mr. Sullivan said. "Bombing, riots, demonstrations all set the stage on which the risk manager must work. At the convention we'll be looking at the costs of reducing some of these problems. We'll also be looking at the other side, going into exactly what the consumer's obligation is. What is his responsibility as far as product liability goes and what does he want to spend on improving some of the trouble around him?"

The meetings will start February 22 with two days of preconvention seminars on employe benefits, an area ASIM hopes to get into deeper in years to come. The main speakers are scheduled to talk Wednesday, Thursday and Friday. ■

Associations ask better benefits communication

WASHINGTON—In a statement to the general labor subcommittee of the House Committee on Education, three insurance associations have urged that some additions be made to the proposed amendments to the Welfare and Pension Plan Act, especially in the areas of employe communication, and in the amounts of funding and vesting.

The American Life Convention, the Health Insurance Assn. of America and the Life Insurance Assn. of America feel that improved dialogue between management and employes in regard to pension benefits is most important.

"We believe that one reason for criticism of pension plans is that many covered employes do not really understand their rights under their particular plan," the associations said. "More meaningful disclosures can, in many instances, dispel such criticism. The Welfare and Pension Plan Act amendments under consideration are aimed at providing such disclosure as well as providing additional protection for benefit funds, and we urge that they be made the first order of business."

THE GROUPS also felt that the amendment, proposed by Rep. John Dent (D.-Pa.), to establish minimum standards for vesting and funding required further in-depth study.

"We have great reservations as to the proposed program for guaranteeing vested pension benefits," the associations stated. "It should, of course, be absolutely essential that any system of guarantees not come to be regarded as a substitute for adequate funding." They urged a close look at the costs of both vesting and funding legislation.

"While statutory requirements for vesting and funding may improve the operation of a number of pension plans, the resulting cost may also inhibit the establishment of new plans and the liberalizations of existing plans," they pointed out.

The groups said that safeguards were needed to prevent transactions with relatives of people with interests in a pension fund. They noted that pension funds were often a separate account of an insurance firm and it would be hard for the fiduciary in charge to be sure that he wasn't making investments with friends or relatives of the employes.

"The fiduciary would be protected from any such inadvertant and harmless breach of the law by a requirement that the transaction, in order to fall into the prohibited category, must be made with a person 'known' to be a party in interest," they said. ■

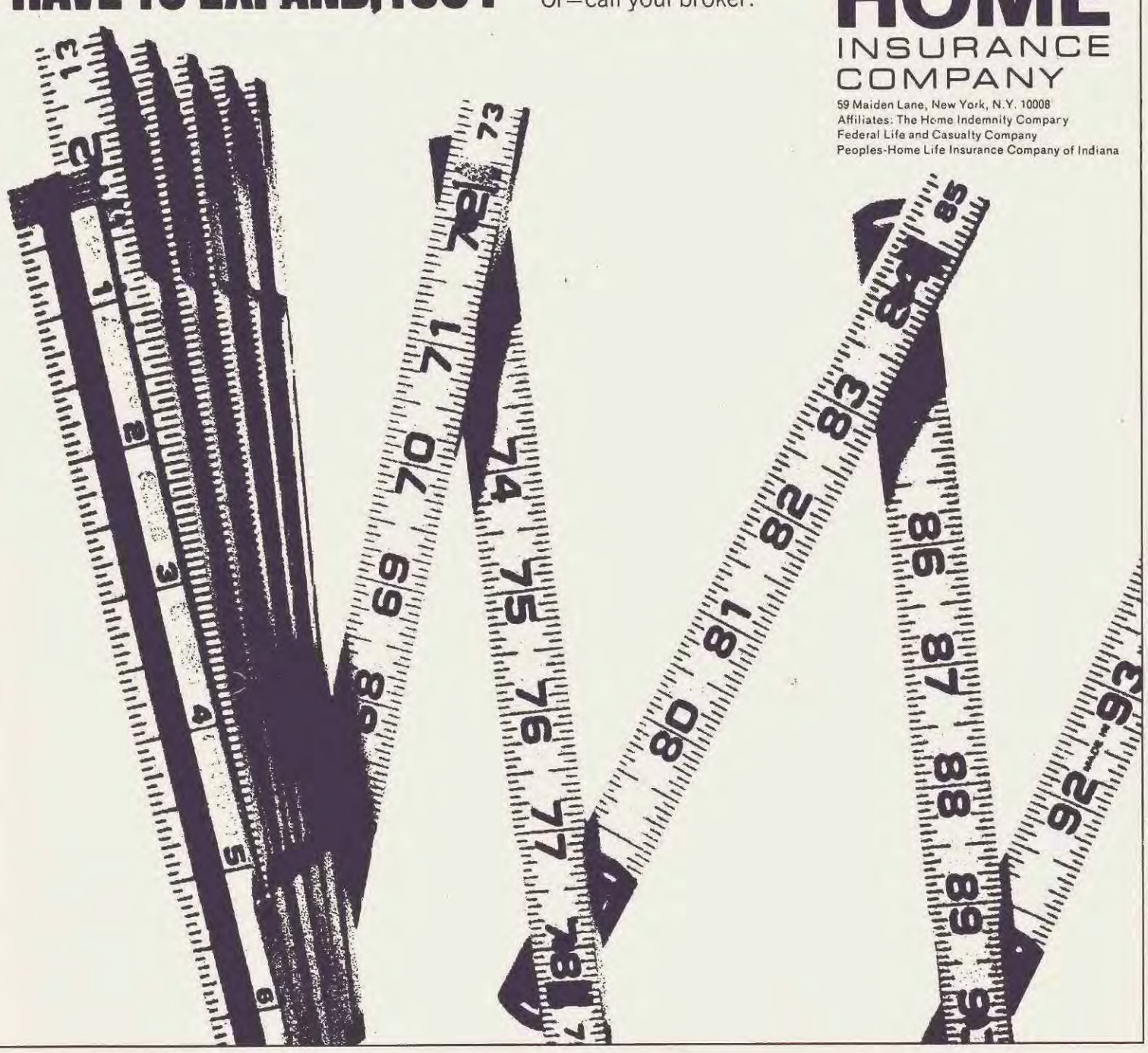
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More suits follow Eagle hijacking

SAN FRANCISCO—Lawsuits asking up to $250,000 each have been filed in superior court here against Columbia Steamship Co. by Leopold Tober and Geoffrey W. Wright, merchant seamen whose ship was hijacked to Cambodia. Columbia is owner of the S. S. Columbia Eagle, the ship which was hijacked to Cambodia from a point off the coast of Vietnam last March 14.

The two seamen filed suit under the Jones Act, which permits injured seamen to sue shipowner if the owners fail to provide a safe place in which to work.

Each suit, filed by attorney Martin J. Jarvis, contends the seaman "was forced to remain aboard the vessel under threat of death, first from armed hijackers aboard and later from imminent capture by a hostile army." In addition, each man "was kept in Cambodia under improper and unclean conditions, against his will and under threat of imminent attack for a period of three weeks."

Mr. Jarvis is also attorney for Curtis T. Ridge, another Eagle crew member, who has filed a $100,000 damage suit. ■

Caterpillar prescription drug plan wins Illinois high court's approval

PEORIA, Ill.—Prescription drug employe benefit plans across the country may breathe a little easier now that the Illinois state supreme court has deflated an attempt by druggists here to have them declared in violation of antitrust statutes.

The ruckus began last October when, under a labor pact negotiated between the United Auto Workers and the Caterpillar Tractor Co., the big construction equipment company began picking up the tab for most costs of prescription drugs for its nearly 18,000 employes and their dependents. The employe pays the first $2 of a prescription and the company pays the rest. In turn, the Metropolitan Life Insurance Co. of New York, underwriter of the plan, reimburses the company for drug expenditures.

A suit was brought against the Caterpillar Tractor Co. and Metropolitan Life by the B & L Pharmacy here. Backed up by nearly 30 other pharmacists in the area, the plaintiff alleged that the drug payment program, in effect, fixed the fee to be paid to pharmacists for each prescription violates Illinois' antitrust laws.

JAMES HATCHER, attorney for the plaintiff explained that Caterpillar Tractor Co. and Metropolitan Life solicited druggists to participate, requiring each participant to charge a flat $2.10 fee for preparing each prescription. The fee would then be added to the actual cost of the chemicals used to make up the prescription. The suit alleged that the defendants "combined and conspired" to fix these fees, thus violating the state's antitrust statutes by forcing employe-patrons to "participating" drugstores and thereby indirectly fostering price-fixing.

A circuit court judge, Robert D. Hunt, then issued a temporary restraining order that effectively stopped the drug plan from operating by barring the Caterpillar Tractor Co. from paying any more of its employes' drug bills.

"In appealing the action," Seth M. Dabney, associate counsel for Caterpillar Tractor Co., told *Business Insurance*, "we were faced first of all with a procedural battle over whether the preliminary injunction was properly granted or not. But in the process we had to defend our drug plan."

The company argued that since Metropolitan Life agreed to reimburse the company for the prescription charges the arrangement was a simple purchase-and-sale agreement. Under the Illinois antitrust statute, Mr. Dabney explained, insurance companies are exempted from its provisions.

"IN ADDITION, the drug plan was the result of a collectively bargained labor contract and was therefore exempt from antitrust laws both by state and Federal law," Mr. Dabney explained. "Actually, we think that the druggists will do better under this plan than without it. The plan should actually create new business since it provides drug care without costing the employe very much. We estimate that about 25% of the market is affected by Caterpillar exployes," Mr. Dabney pointed out.

Late last month the state supreme court voted unanimously to quash the temporary restraining order and to dismiss the suit. "The supreme court said, in effect, that Metropolitan Life as an insuror was acting as such so they were exempt from the provisions of the antitrust law. Also, the drug plan was deemed legitimate because it was part of a negotiated labor contract and was therefore exempt from the antitrust law," Mr. Dabney said, apparently pleased with the court opinion's reiteration of his own arguments.

The plaintiff has some 21 days to appeal the decision or apply for re-hearing. However, the group backing the plaintiff is becoming disgruntled at the necessarily continuous outlay of funds such an array of appeals (also touted to include a run on the U.S. Supreme Court) would entail. "Unless they are able to raise more money I think they'll probably give up," said one Caterpillar spokesman.

At any rate, the construction equipment company's drug plan is still on the shelf. Caterpillar will have to wait out the entire 21 days for the temporary restraining order to be rescinded before the plan can be resumed. ■

Class action measure has a concession

WASHINGTON—A House Commerce subcommittee recommendaion for legislation that would allow class action suits to recover damages from businesses allegedly engaged in unfair selling practices contains a concession to business interests, who have long been worried about "nuisance" lawsuits.

The House panel's measure, which is said to go a good deal farther than the Nixon Administration consumer class action proposal, specifies that the aggregate amount of claims must be over $25,000 and may contain no individual claims below $10 before such an action can be introduced in a Federal court. However, such limitations would not apply to class actions filed in state courts.

The subcommittee's measure is the first legislative step for the bill, although a Senate Commerce committee may act soon on a similar piece of law.

Sponsored by Rep. Eckhardt (D.-Tex.), the House bill would allow groups of consumers to bring suit in either a state or Federal court. If the original plaintiffs won the suit, all other victims of the unfair practices could collect from the seller.

The Nixon Administration, on the other hand, has sought to limit class actions to 11 specific categories of violations. It would also require that suits could not be brought by consumer groups unless "triggered" by a prior, successful court action by the Federal government.

Rep. Eckhardt's measure would also give Federal courts broad discretion to dismiss class action lawsuits, depending on the importance of the lawsuit and the backlog of other cases on a court's calendar. ■

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Proposes extension of benefits

OTTAWA—The Canadian government would assume the entire cost of additional benefits to workers—four to 26 more weeks of benefits—during periods of high national unemployment under a proposal introduced in Commons here by Labor Minister Bryce Mackasey. The proposal would revamp the present system of unemployment insurance.

Under Mr. Mackasey's plan, the government would bear the full cost of unemployment benefits when the national seasonally adjusted unemployment rate exceeded 4% of the labor force. In addition, the same financing formula would apply when the regional unemployment rate climbed over 4% and exceeded the national average by more than 1%.

If adopted, Canada would become the first country to propose such a scheme for unemployment insurance keyed to its national unemployment rate.

MR. MACKASEY said that he feels the plan would serve as an additional incentive to keep the unemployment level below 4%.

"When there is a substantial rate of unemployment as an unintentional result of a government's anti-inflation program or for other valid reasons, then it is logical that the government should want to take responsibility for that abnormal rate," he said.

The Canadian Unemployment Insurance Commission has estimated that on the basis of a national average jobless rate of 5.4% (about what it is now) the annual cost to the government would be about $250 million. At present it is costing the government about $175 million to run the program.

The government now contributes an amount equal to one-fifth of the combined employer and employe contributions to the unemployment insurance fund, plus administrative costs and contributions as an employer of public servants. ■

Mag has libel cover, but not $55 million

NEW YORK—Forbes Inc. has libel insurance, but the amount of its coverage probably wouldn't cover the entire award if a suit brought against Forbes Magazine by Kinney National Service Inc. is lost by the publisher.

A whopping $55 million libel suit was brought in connection with an article on the conglomerate published in Forbes on June 1. The suit alleges that the magazine launched "an incredible attack on Kinney's financial position and integrity."

James W. Michaels, editor of the magazine, said that Forbes' attorneys did not feel that the Kinney suit allegations were valid. He pointed out that Kinney is in disagreement with views contained in the article. But, Mr. Michaels added, "Forbes continues to believe that the views are well-founded, reasonably expressed and comply with all the requirements of responsible financial reporting and opinion."

A source at Forbes confirmed that the magazine carries libel coverage, but said, "We certainly don't have $55 million worth."

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Health plan in works for Arizona city

HARTFORD—Connecticut General Life Insurance Co. has disclosed it is developing a prepaid group practice health plan for Phoenix, Ariz., residents.

As previously announced, CG already has a major prepaid health program in the "new city" of Columbia, Md.

There, a single monthly payment provides preventive as well as acute sickness coverage by physicians of Baltimore's Johns Hopkins Medical Center.

CG, IN ADDITION, has a major financial interest in Columbia's development and is using the town as a field laboratory to develop new ways of providing health insurance coverage.

In prepaid group practice plans, those enrolled use a specific group of physicians, clinics and hospital facilities for all of their care.

By emphasizing prevention and ambulatory care, the group seeks to reduce overall health care costs.

Plans for the Arizona system are still being worked out, a CG spokesman told *Business Insurance*.

Along with other companies in the insurance field and Massachusetts Blue Cross-Blue Shield, Connecticut General is participating in the Harvard Community Health Plan, group practice program being developed by the Harvard School of Medicine for 30,000 Boston residents. ■

Interpol chief seeks precautions

MONTREAL—H. J. Feraud, chief of Interpol, told a meeting of the Civil Aviation Organization that airlines must expect to sacrifice some speed in loading and unloading planes if hijackings and bombings of civilian aircraft are to end.

In a statement delivered to an emergency meeting of the organization, Mr. Feraud said that some efficiency must be sacrificed because "it is on the ground that controls and precautionary measures must be developed, since preventive operations are easier to organize on the ground and involve less risk."

Interpol also suggested installation of bullet-proof doors between passenger cabins and cockpits as well as the use of guards aboard all commercial flights as measures to slow down the rate of attacks on airlines. There have been 114 acts of hijacking, sabotage and armed attacks on aircraft on the ground in the last 18 months.

Canadian delegates to the meeting joined Israel in demanding sanctions against governments that do not abide by safety regulations that are being developed by the International Civil Aviation Organization. Canada's proposal is similar to Cuba's suggestion that extradition arrangements be made on a country-to-country basis.

The International Air Transport Assn., which represents airline management, has advocated that governments set up security committees to handle the problem. These coordinating committees would be comprised of airline, airport, customs, health and concession officials. ■

opinions

Who's in charge here?

CRITICS of the state system of insurance regulation can find substantial ammunition in the text of a press release issued last week to announce the organization that will stage the December meeting in Chicago of the National Assn. of Insurance Commissioners. James Baylor, Illinois insurance director and host for the meeting, appointed two leading Chicago insurance company executives as "general chairmen" of the meeting, which is expected to draw "more than one thousand members of the industry and regulatory staffs."

Other prominent—and worthy—insurance industry men have been named "chairman of the executive committee," "treasurer," "chairman of registration and reception," "finance committee chairmen" and "chairman of reports and publications."

A "press and public information committee" is headed by a paid lobbyist for the Illinois auto insurance industry, who is assisted by two publicists for major insurance companies domiciled in Illinois. Press inquiries about the NAIC meeting are to go to the lobbyist's office until Dec. 13 when they are to be referred to the NAIC press room run by the three industry representatives.

It appears from Mr. Baylor's press release that the insurance industry is clearly running the NAIC, even down to its registrations and press relations. This situation might be likened to the three major tv networks providing the staff support for a meeting of the Federal Communications Commission or the manufacturers of analgesics managing a meeting of the Federal Trade Commission or the introduction of stock brokers and their press agents into the organization of a meeting of the Securities and Exchange Commission.

Defenders of the practice of using insurance industry personnel to conduct meetings of the NAIC point out that the regulated do not enter into the business of managing the subject matter or agenda of the insurance commissioners' meeting. They add that if the insurance industry did not give its support voluntarily, it would be taxed to meet the added costs of conducting an NAIC meeting managed solely by the insurance commissioners and their staffs.

"I've been going to annual and mid-year NAIC sessions for 27 years," one spokesman told *Business Insurance*, "and the industry has done these things for us at all 54 meetings I've attended. They divide expenses in the same way as if taxes were levied against them to pay for department operations." He added that the idea of assessing costs of administration against the industry arose from similar practices among state industrial commissions and state banking departments.

"The industry's support of NAIC meetings is an example of business taking over from bureaucrats like us, something that President Nixon has called for when he says there are things that business does better than government," the NAIC man said.

President Nixon notwithstanding, it strikes us as wrong that an industry that requires regulation should play a key role in the management of meetings of the regulators. There is strong evidence that insurance regulation will become more complex in years to come. Holding companies, mergers, attempts to convert companies from one form to another and innovations in insurance service impose new challenges on state insurance regulators.

If they are to do their jobs properly, members of the National Assn. of Insurance Commissioners should be able to view regulatory matters with complete objectivity, always placing the public's interest first.

We firmly believe that a totally independent system of organizing NAIC meetings would be much preferable to the long-standing system of relying upon the regulated to provide field services for the regulators.

A table on this page indicates that in 1968, the most recent year of record, states spent only $46.5 million dollars to regulate an industry that paid $1.03 billion in taxes and fees, a scant 4.45% of the funds collected. We have previously pointed out the error in viewing insurance departments as profit centers, a view that has in many instances resulted in lapses of regulation that have taken their toll in insolvencies and undetected chicanery in the insurance industry.

If it cost our 50 great states and the District of Columbia even $120,000 more per year to conduct a completely independent meeting of the National Assn. of Insurance Commissioners, that would be a small price to pay for NAIC's independence from the insurance industry.

We have no reason to question the integrity or the abilities of the men named by Insurance Director Baylor to head the committees that will serve the NAIC's December meeting. All of them do commendable jobs for their companies and for the insurance industry.

The question is whether the regulated should be so close to the regulators that the industry representatives should, for example, control the press and public information function of the insurance commissioners' meeting. Or whether the regulated should be in charge of registration, reports and publications.

Those who are dedicated to state regulation of the insurance industry certainly can take no comfort in the meeting management contract that NAIC has had standing with the insurance industry for too many years. Those who favor Federal regulation of insurance certainly can point to this arrangement as an argument for creating a regulatory agency that does not rely upon the regulated to run its meetings.

INSURANCE REGULATORY COSTS

	Total taxes and fees in 50 states and Dist. of Columbia	Funds spent for insurance departments' operations	Percentage of taxes and fees spent for operations
1964	$759.2 million	$31 million	4.09%
1965	$823.4 million	$33.4 million	4.05%
1966	$884.6 million	$37 million	4.18%
1967	$929.6 million	$40.5 million	4.35%
1968	$1.03 billion	$46.5 million	4.48%

Figures compiled by the Insurance Industry Committee of Ohio indicate that in 1968, for the first time, taxes and fees paid to insurance departments in the U.S. totaled more than $1 billion. Of the funds collected, departments spent $46.5 million on regulatory operations, another record figure. As a percentage of taxes and fees, operational expenditures rose fractionally to 4.48% in 1968.

Source: Insurance Industry Committee of Ohio

Good advice



RHODE Island's department of public works inadvertently gave good advice to everyone when it erected this "Do Not Enter" sign in front of Kent County Memorial Hospital in Warwick, R.I. The hospital's president, Reid T. Westmoreland, jokingly wrote to the director of the state's Blue Cross plan: "While I can appreciate your concern over rising utilization of hospital facilities and the resulting financial problems, it does appear you have over-reacted a little, particularly where this hospital is concerned." There is nothing particularly unusual about Kent County Memorial Hospital, of course, because costs in all hospitals are rising at a rate far ahead of the cost of living. U.S. government figures show that hospital costs stood at an index number of 112.7 in 1960 and at more than twice that—226.6—in 1968. Corporate executives and employe benefits administrators should be in the forefront of those who demand new and less expensive ways to deliver health care. One way, suggested by the Rhode Island sign, is to keep out of hospitals those people who can be effectively treated elsewhere.

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Los Angeles—DENNIS KOCH
Southern representative—WILLIAM B. CARR, 2500 N. E. 48 Lane, Fort Lauderdale, Fla. 33308
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Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion, Marketing Insights.
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Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New York 10017 (YU 6-5050); National Press Bldg., Washington, D.C. 20004 (RE 7-7659); 1018 Fisher Bldg., Detroit 48202 (TR 2-7211); 6404 Wilshire Blvd., Los Angeles 90048 (OLive 1-3710); San Francisco (GR 4-8532); Fort Lauderdale (771-8242)
45 cents a copy, $10 a year in U.S., Canada and Pan America. Elsewhere $4 a year extra. WILLIAM STRONG, circulation director. ROGER DIGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush Street, Chicago, Illinois 60611.

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letters

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

Present both sides

To the Editor: I have read with interest the Perspective article on self-insurance of workmen's compensation on Page 37 of your June 8 issue. I believe Mr. Warren's article is quite well written; however, I believe he has greatly oversimplified his statements on the three principal advantages of self-insurance and has completely overlooked the many distinct disadvantages of a self-insurance program.

I feel rather strong on this subject after our firm having come to the rescue of many of our clients who became quite disenchanted with self-insurance programs and having worked them back into a workmen's compensation insurance program. I would very much like to see you have an article on some of the distinct disadvantages of self-insurance in order to acquaint the insurance buyers with that area of the subject.

Peter T. Pruitt
Parker & Co. of Florida & Co., Coral Gables, Fla.

Editor's note: A future issue of Business Insurance *will carry an article that will discuss the numerous advantages of insurance over self-insurance in covering workmen's compensation.*

Quints requests

To the Editor: May we have permission to reprint your article on the Tenneco benefit program as it relates to William G. Kienast, father of the quintuplets?

We have had several requests for copies and having the reprints on hand would expedite handling.

It is always interesting to note reaction to this type of article—and it would appear from this end that *Business Insurance* has come up with a presentation that is both topical and informative.

William M. Carpenter
Vice President, Tenneco Inc., Houston, Tex.

Editor's note: Permission granted.

Re-evaluate incentive

To the Editor: I have noted with considerable interest the response to N. B. Winstanley's article you published on April 27 by Frederick W. Cook of Towers, Perrin. In my opinion Mr. Cook has missed entirely the meaning of the word "incentive" which Webster defines as "stimulating or having a tendency to incite to determination." All he has shown in his "box" is the responses of "12 randomly selected companies" who are reflecting wishful thinking as they attempt to rationalize the reasons for their management incentive plan. He has given no evidence of one firm that can show how they have obtained any motivational mileage from their executives as a result of the money they spend on an incentive plan.

The fact that Mr. Cook admits that "there is no sure way of knowing (how effective a management incentive plan is) because we are dealing with a complex environment in which cause-and-effect relationships cannot be isolated," should suggest that the simplistic objectives he outlines for management incentive plans in his "summary" are really much like a sales pitch rather than the

Continued on page 22



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compensation trends

Predicts 'time-off' for demonstrating will be fringe benefit of the future

By JOSEPH S. ROBINSON

NEW YORK—With increased political awareness in all segments of society, it may not be long when we can look for "time-off" for political demonstrating and canvassing incorporated and legitimatized in labor contracts.

"Inconceivable?" Not at all, says Lowell Robinson of the University of Wisconsin. He bases his major hypothesis on the "history of the expansion of worker's security response, the desire on the part of the worker to be heard with respect to political feelings, and the recognition by management to find other means to motivate the worker to ensure efficiency and increased output."

Mr. Robinson points out in an industrial relations report that "it has already occurred to a limited extent when New York's construction workers were recently given full-time pay while demonstrating their support for President Nixon's Southeast Asian policies.

WHETHER OR NOT such a "fringe benefit" is actually incorporated in future labor agreements will ultimately depend upon "the direct and indirect needs of workers and the economic scope of their wage demands." The political spectrum in recent years has been dominated by students taking over buildings, destroying property, and having mass rallies—all in an effort to secure change in the paths this country was embarking upon in Vietnam and with respect to Civil Rights legislation.

The absence of counter demonstrations has sparked in the minds of many workers a need to be represented and, what's more, a necessity to become more vocal in attracting national attention to their particular beliefs. Mr. Robinson indicates that this desire on labor's part "to be heard" represents a high-level motivation of all workers. Satisfying this desire will increase the efficiency with which a particular job will be performed.

Investigations by industrial sociologists and psychologists in the past 20 years have shown that there is a hierarchy of needs for each worker; the extent to which these are fulfilled will affect the functioning of the worker in the job experience. The satisfaction of the basic material needs will be accomplished through an adequate and appropriate salary. Broader needs will become satisfied through the worker's perspective of himself being part of a community in which he is able to exercise some control over the political decisions and conditions that affect him.

The "time-off" for political demonstrations therefore, gives the worker a greater allegiance to his job in satisfying part of the higher needs in that the job has provided him with an outlet and an appropriate method for him to channel his political frustrations.

Of course, such an expansion of non-wage payments will depend upon the related economic climate and the individual worker's wage status. If a worker is getting a satisfactory wage, then such fringe benefits will play a more significant role in labor contracts and will be broadened so as to motivate the worker.

But as Mr. Robinson concludes, "If fringe benefits are to be expanded in the future, then a new area will be the yet untapped political motivational spectrum."

ARE PRIVATE pensions on the way out? They could be if the accelerated trend toward providing more Social Security retirement income continues. There's a move in Congress to push for automatic cost-of-living benefits in addition to liberalizing other Social Security "goodies." This can mean more companies may gradually favor other fringes in preference to pensions.

The current Social Security proposal would raise retirement benefits by 5%. Working retirees would be allowed to earn up to $2,000 a year without any reduction in their Social Security check. The benefits would be reduced $1 for every $2 earned between $2,000 and $3,200; $1 for each $1 above $3,200.

Male benefit computation age will drop from 65 to 62 . . . the same as for women. This means that pension plans tied to Social Security can be more flexible since more men will elect to retire at an earlier age than the customary age 65.

Since Social Security benefit hikes must be financed, we can look for a combined tax rate of 10.4 percent on the first $9,000 of salary, such tax to be shared equally between employer and employe. We can anticipate further increases on a periodic basis —perhaps every two years. ■

$6 million suit filed in Kent State death

CLEVELAND—The father of one of the four Kent State University students killed by National Guardsmen on the schools campus May 4 has filed a $6 million wrongful-death suit against three Ohio officials.

Arthur Krause, the father of 19-year-old Allison Krause, filed the suit in District Court here June 11. He named as defendants Ohio Gov. James A. Rhodes, the Ohio National Guard commander, Gen. Sylvester T. Del Corso, and Brig. Gen. Robert H. Canterbury, head of the state's Army National Guard units.

The State of Ohio is immune from such judicial proceedings and thus carries no liability insurance. Similarly, its officials are also uninsured, although they may be sued in court.

Mr. Krause, of Pittsburgh, charged that the defendants ordered the National Guard to the campus and in so doing "intentionally and maliciously disregarded the lives and safety of students, spectators and passersby, including Allison Krause."



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N.Y. eyeing same?

Maryland passes law requiring auto manufacturers to post bond

NEW YORK—Maryland and New York have joined Hawaii and Mississippi in a crack-down on automobile manufacturers in an attempt to provide better consumer service on car warranties. The Maryland legislature has passed a law requiring manufacturers to post a $100,000 bond with the motor vehicle department to back warranties, and the New York attorney general has presented manufacturers here with a set of suggestions for better service.

Louis J. Lefkowitz, attorney general here, met with representatives of the big four automobile corporations on June 19 and outlined his proposals in a two-hour meeting.

"We were encouraged by the talk," a spokesman in the attorney general's office told *Business Insurance*. "The industry officials were very cooperative and said they'd be glad to go along with us."

HE EXPLAINED that Mr. Lefkowitz had asked for a better coordination between dealer and manufacturer on the ordering of parts. He asked that dealers provide a car while the customer's vehicle is under repair and that they provide a new one if the faulty part could not be fixed. Also, Mr. Lefkowitz suggested that dealers have a sign in their showrooms giving the name and telephone of a manufacturer's representative that would answer any questions or complaints.

"These are not laws. We haven't done what Maryland has done," the official said. "We're just asking for some improvements. We've set up no deadlines, but asked them to make changes as quickly as possible." If they don't, Mr. Lefkowitz will seek to pass legislation at the next state legislature meeting in January.

John Johnson, commissioner of the department of motor vehicles in Maryland explained that his state's legislation went into effect July 1.

"Maryland dealers have often had trouble getting reimbursed from manufacturers for warranty repairs," Mr. Johnson said. "I realize there is a constant dispute between dealer and manufacturer about what a warranty covers. I don't want to get into that. The main purpose of the bill is to protect the consumer and assure him warranty service when he goes to a dealer."

HE NOTED THAT the bill requiring a $100,000 bond per franchise from each manufacturer, also requires a $15,000 bond from dealers. He said that Hawaii and Mississippi had already passed similar legislation.

"Copies of the bill and bonding forms have been sent to all manufacturers," he said. "When you talk to automobile manufacturers they will probably say they don't see the necessity of the legislation because they honor their warranties. Well, if they live up to their warranties, then they don't have anything to worry about. The law won't change things for them. But, I think that just by the fact that this law was passed you can see that there has been a problem."

A spokesman at the Automobile Manufacturers Assn. felt that the legislation came more from pressure by dealers than from a problem of warranty breaches.

"Some dealers just aren't as scrupulous as they could be and they try to get reimbursed for repairs that are not at all covered by the warranty," he said. "I think this legislation is for the protection of the dealer more than for the consumer. The consumer can go right to the customer relations department of the company if he has a problem. No respectable, large manufacturer is going to not live up to a warranty."

An official at Johnson & Higgins, the broker securing the bond for American Motors in Detroit, agreed.

"I THINK the Maryland legislature was pressured by a group with private interests," he said. "There's no need to have a go-between in the middle of customers and the company. Government people have enough to do without reviewing petitions against manufacturers."

If the customer or dealer had a complaint, under the Maryland law, they would file the complaint with the motor vehicle department, which would petition the bonding company. He said manufacturers would have no trouble getting the bonds.

"Of course we intend to comply with any legislation passed," said Dan Gaitely, insurance manager for Chrysler. He echoed the cooperative tone of all auto representatives interviewed. "Actually, though, I really don't see the need for the law in the first place. We honor all our warranties."

He, along with representatives from American Motors, General Motors, and Ford said they had not yet seen the bond form or a copy of the law.

"All I saw was a small announcement that didn't have many details," said James Cooper, insurance manager of American Motors. "As far as I know the bond form is not out yet."

The General Motors spokesman said he knew nothing about it either, but that it would be a matter for general counsels of corporations, not insurance managers. ■



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Court rules for J. I. Case

ALBANY—A farmer who lost his left hand in a cornhusking machine five years ago has lost his products liability suit for $1 million against the manufacturer of the machine.

A supreme court judge here has dismissed the suit brought by George Walk, 32, of Knox, N.Y., against the J. I. Case Co., makers of the machine. Mr. Walk lost the hand when he attempted to free jammed rollers in the corn picking machine. His hand was drawn into the machine and mangled.

A sign on the machine warned against attempting to "de-clog" the apparatus while the power source was on. However, Mr. Walk ignored the warning, it was


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Getting back to hurricanes, let's say it's the hurricane season. It's company policy not to write hurricane insurance once the season has started; that's bad business. But what if one of our underwriters comes up with something he thinks is an exceptional situation? He can take it right to the desk of our president for discussion. You see, at the Lexington, "no" never means "absolutely no."

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letters

Continued from page 16

result of well founded investigative research.

I would challenge Mr. Cook to show evidence other than testimonials similar to those for mouthwash of how what he calls an "effectively designed" management incentive plan attracts and holds talented management, encourages proprietary interest in management, communicates the company's goals and standards to management or any of the other "purposes" he outlines.

In summary, Dr. Winstanley has provided us with evidence suggesting that incentive plans are a waste of a company's money and Mr. Cook has based his presentation on historical "me too compensation planning" which suggests that because everyone is doing something, it must be working. His only evidence is a series of slogans about incentive plans lifted from the texts of company's incentive plans. It is obvious that Mr. Cook is spending his time "selling" incentive plans to company presidents while he should be investing some of his time in constructive research determining whether what he is "selling" is of any real value to the people who are paying for it. I would suggest that he review very carefully Dr. Winstanley's paper and use this as a starting point for his research.

Three cheers for Dr. Winstanley and 70 'boos' for Mr. Cook.

Jay R. Schuster

Manager, Compensation & Personnel Planning. System Development Corp., Santa Monica, Cal.

Confusing article

To the Editor: There was an article in the June 8 issue with regard to suspension of unemployment compensation payments when the employer appeals an unfavorable decision on eligibility for benefits. Your reporter attempted to analyze the decision of a Federal court panel, which held such suspensions to be unlawful. In his last sentence, however, the author thoroughly confused the issue by a misstatement.

Your reporter stated that employers usually contend that the employe was dismissed when they undertake such appeals. He should have said that most appeals are undertaken when the employer believes that the local unemployment compensation office has misconstrued statutory and case law with regard to benefit disqualification. In a few appeals, the employe has been dismissed, although most appeals stem from a contention by the employer that the former employe resigned voluntarily without good cause.

The expertise and experience of the state employes who make the preliminary awards are often minimal. Thus, it is sometimes necessary to correct an erroneous award through appeal.

This decision, if upheld, will be unfortunate because benefits paid during the appeal period will rarely be recoverable, and must be paid by employers. It would add further costs to a system which has a worthwhile purpose, but which has become one of the most widely-abused social programs in the United States.

R. W. Stommel

Manager, Compensation and Employe Benefits, Safeco Insurance Cos., Seattle, Wash.

Air captives change requirements

NEW YORK—Air Transport Insurance Ltd., and Air Transport Guarantee Ltd., the industry-backed consortium that is scheduled to go into business Jan. 1, has issued a new prospectus to airlines, and the proposal contains at least one major change in participating requirements.

Originally, ATI and ATG had planned to assume 40% of coverage, up to a maximum of $125 million for both hull and liability per craft. The new proposal calls for the consortium to assume only 20% of coverage, but raises the maximum for hull and liability exposures to $175 million per craft.

"What this means," an airline risk manager told *Business Insurance*, "is that the 40% capitalization costs would have been a horrendous amount for the airlines to come up with initially. There was a possibility the requirement might have kept some airlines out."

THE INCREASE in limits from $125 million to $175 million was likewise characterized as a move to keep the captive competitive and add additional capacity.

"Right now," the source explained, "the world insurance markets will write $140 million per aircraft in hull and liability coverage." Thus, the captive, had it stuck to its original maximum of $125 million, would not have offered the additional capacity the airlines were looking for.

When the captive goes into operation, the major airlines using the new Boeing 747 (TWA, American and Pan Am, for example) will be able to go to the captive and obtain 20% of $175 million in coverage per craft, or $35 million new insurance dollars. The remaining insurance markets, such as U.S. Aviation Insurance Group, Associated Aviation Underwriters and London underwriters are capable of providing $145 million. Total capacity available would thus increase to $175 million per craft.

The additional capacity the captive will provide is expected to make airline risk managers breathe easier—at least those that have the 747s to fret about. The 747 hulls must be insured for about $23 million. The $140 million limits now available in the conventional markets mean that the most coverage the airlines can have for third-party liability is about $117 million. When the captive raises that maximum to $175 million, available third-party liability limits will increase to about $152 million per jumbo craft, a figure with which the industry will be far more comfortable. ■

Officers announced for Mass. ASIM

The Massachusetts Insurance Buyers' Assn., a chapter of the American Society of Insurance Management, has elected Lawrence W. Sullivan, of H. P. Hood & Sons Inc., Boston, as its president for the coming year. Mr. Sullivan takes over from Philip A. Murphy of Howard Johnson Co., Braintree.

At a meeting here recently, the association also elected John F. Keating, Ludlow Corp., Needham Heights, vp; Joseph W. Chevarley, Stone & Webster Engineering Corp., Boston, treasurer; Mrs. Helen F. Heterington, the Mitre Corp., Bedford, secretary.

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Secretary gets comp for emotional trauma

HARTFORD—An admissions secretary at the Institute of Living, mental health facility here, who got so emotionally involved with her job that she had to quit because of failing health, was said to have left for "a good cause" and has been granted Connecticut unemployment compensation.

The Hartford secretary told the unemployment compensation commission that her job required her to answer the phone and talk to people for as long as half an hour about their psychiatric problems.

Harold Strauch, unemployment commissioner, said, "She reacted emotionally to the tales of woe that poured through the telephone to the point that she became exceedingly frustrated, resorted to tears and, in general, became very upset.

"HER JOB BEGAN to have an adverse impact upon her health, and this caused her to quit."

The woman had worked at the Institute 11 months. She left last November, and managed to get a job with a Hartford insurance company in May. Mr. Strauch noted that the woman had "conscientiously looked for a job in the interim."

In another state unemployment situation, a drug store clerk in Hartford, fired after he hit a drunken customer on the head with a bottle of ketchup was denied unemployment compensation. The incident occurred after the customer first tried to strike the claimant with the bottle, it was said.

The clerk, 41, filed for compensation, claiming that he was physically unable to work. But Mr. Strauch found that the man had been fired for willful misconduct and did not make an effort to find work since.

And in a third situation in Connecticut, a 35-year-old employe of the Stanley Works, New Britain hardware manufacturing firm, who retired early because of an "arthritic condition" and turned down a transfer, saying he was reluctant to "bump" another worker, has been denied unemployment compensation. ■

Widow of race driver gets benefit

OLYMPIA—The Washington state supreme court has ruled that the wife of Ronald Musson, hydroplane driver, is entitled to industrial-insurance benefits in his death in a hydroplane accident on the Potomac River June 19, 1966.

The court unanimously upheld a decision by King County Superior Court Judge Robert Elston, who reversed an order of the Board of Industrial Insurance Appeals denying the benefits. Betty L. Musson had appealed to the board from a denial by the state department of labor and industries, it was reported.

The department contended the benefits were not payable because Mr. Musson had not been reported to the department as an employe of the Bardahl Chemical Corp., owner of Miss Bardahl, which he was driving when he was killed.

MR. MUSSON was, however, covered by industrial insurance as public-relations director of the Bardahl International Corp., a distributing firm. Ole Bardahl is the controlling shareholder of both corporations.

"Mr. Musson was sent to Washington, D.C., by Bardahl International Corp., when it knew he would be driving the Miss Bardahl while there, and the advertising program and the sales-promotion efforts of Bardahl International Corp. were particularly directed toward the racing activities of the boat," the court said.

In an opinion written by Justice Walter T. McGovern, the court said Mr. Musson's racing activity was "inseparably intermingled and interwoven and essentially a part" of his duties for the distributing firm. ■

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Giles on the law

Idaho court rules tavern owner not liable for serving intoxicated man

WASHINGTON—Should a widow, in the absence of a dram shop law, recover in negligence for the tavern owner's unlawful sale of liquor to an intoxicated man who later killed her husband—in an automobile accident? The Idaho supreme court says "no."

The court admitted that a minority of the courts had allowed recovery under such facts but said it was convinced that such courts are basically unable to disenthrall themselves of the lurking suspicion that liquor in and of itself is evil. This, in spite of the fact that the Idaho legislature, as in almost every other state, has determined as public policy that liquor is part and parcel of our social scene and may be legitimately sold and consumed. The court here pointed out that it is nearly universally held that it is the consumption of intoxicants that constitutes the proximate cause of damage to third parties resulting from the tortuous or unlawful acts of the consumer, and that the vending is too remote to be considered a proximate cause. The common law holds that it is not actionable negligence to serve intoxicants to an able-bodied man.

The dissenting opinion points out that if the person to whom the liquor was sold or given was in such a state of helplessness or debauchery as to deprive him of his willpower or responsibility for his behavior, an entirely different situation would exist. In such latter situation, the common law has recognized that there is a right of recovery by those injured by the subsequent acts of the intoxicated person.

However, it may still be hard to believe that when a vendor of liquor sells liquor to an intoxicated person, knowing him to be dangerously intoxicated, he should be relieved of liability for acts that were aided and abetted by the seller and that resulted in the death of an innocent person by the negligent acts of the consumer. (Idaho Sup. Ct. *Mead* v. *Freeman* 8/28/69.)

* * *

THERE ARE MANY states that insist that a landowner warn children of a hidden danger on the premises—in order to avoid liability for injury to the children. However, in a Tennessee case a four-year old child was injured when he stepped barefooted on some ashes that covered hot embers. The mishap occurred as he was following a path through a fenced pasture leased to a saddle club.

The boy had safely negotiated the same route, through two entirely fenced pastures to reach the adjacent land of the lessor, and the injury occurred on the return trip. There had been a sawdust fire on the leased premises a few days earlier. The lessor who occupied the abutting land instructed his employes, to scatter the pikes of sawdust so that the fire would die out. When these efforts proved unsuccessful, he then called the fire department, which was also unable to extinguish the fire, apparently because sawdust continues to smolder despite applications of great quantities of water.

The court decided that the fenced pasture was not an attractive nuisance nor was the pasture a playground for boys. The children were trespassers. The general rule in Tennessee and elsewhere restricts the liability of a landowner to a licensee or trespasser on his lands to circumstances of wanton or wilful injury. The tender age of the injured party does not change the rule. The court did not believe that the spreading of the burning embers so that the fire would die out, constituted a trap. There was no duty on the part of the owner of the land to warn trespassers on leased property in the possession of a tenant. There was no proof here that the owner knew of the existence of a trap, so he was not in position to warn anyone of it.

The dissenting opinion stated that the owner here actively and knowingly created a situation that was known to him to have brought about a latent dangerous condition. In spite of this, judgment was for the landowner. (U.S. Court of Appeals-6th Circuit. *Chandler* v. *Massa* 8/26/69.)

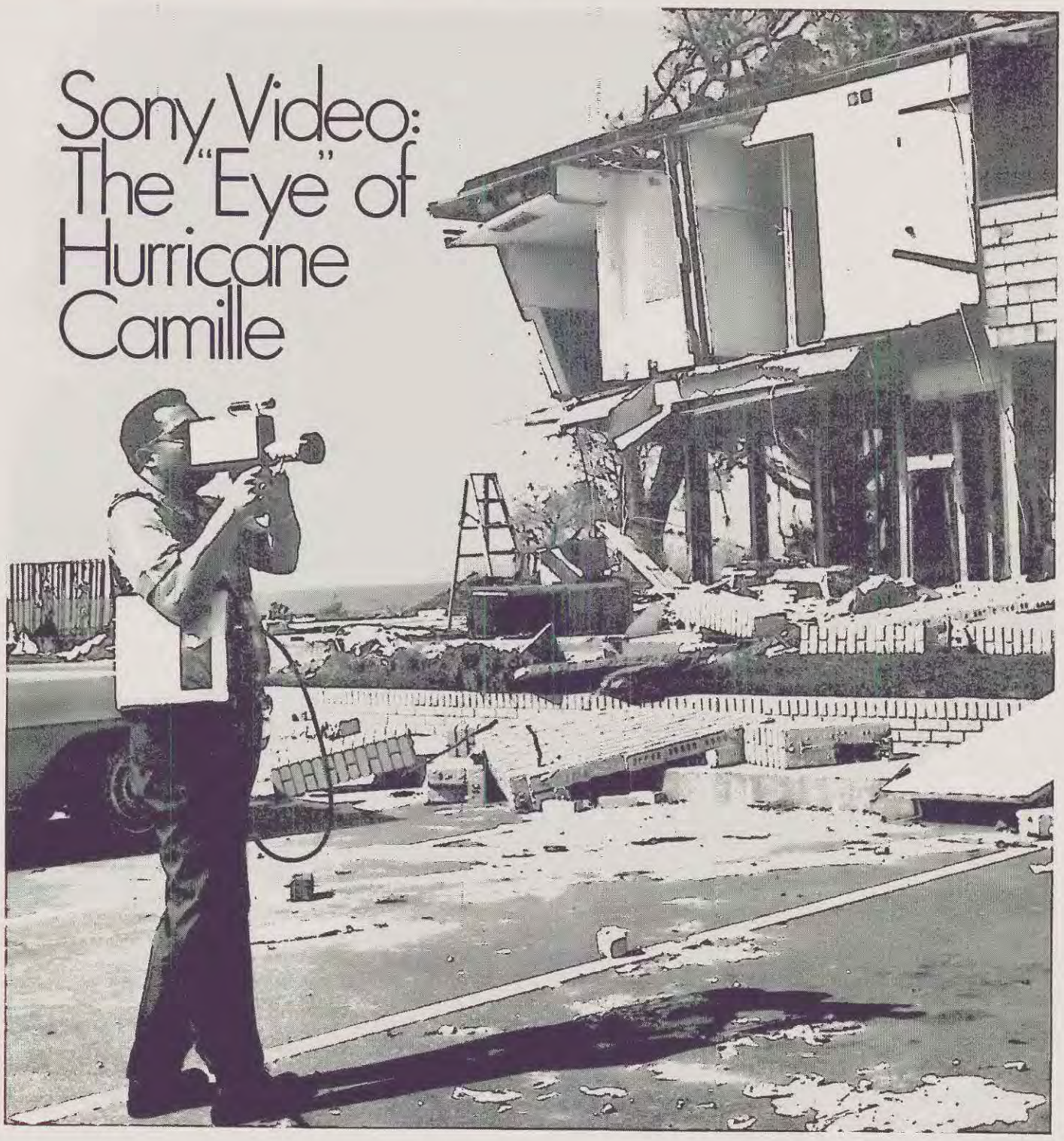
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WHEN YOU LEAVE your office with a package of letters and a package of money, and inadvertently drop the whole thing in a mail box, can you recover for the loss of your money, which disappeared? Was this a "disappearance of the money while it was being conveyed"?

The loss here was $1,500. Your policy only refers to loss of money while it is being conveyed by a messenger. Naturally, the insurance company claimed that "disappearance" did not take place until the unknown time subsequently, when the packet "disappeared from" the depository and the claim was rightfully refused in that the packet was not being conveyed at that time.

But the court held that when the money fell into the depository, thereby denying the messenger sight as well as access, the loss was covered by the policy. Thus the judgment was entered for the insured (*Swindler* v. *St. Paul Fire & Marine Insurance Co.* Tennessee Supreme Ct.—6/9/69.) ■

Sony Video: The "Eye" of Hurricane Camille



In August 1969, Hurricane Camille whipped her 200 mile-per-hour winds through the Gulf Coast with nearly total destruction. She spawned 100 tornados, flooded lowlands with tides 20 feet above normal, and left 136 persons dead and 55 missing.

Covering the claims resulting from such a disaster would normally have required months of note-taking and interviewing by adjusters working 10-12 hours a day, seven days a week.

But Fireman's Fund American Insurance Companies' claims adjusters were able to make an immediate assessment and evaluation of damages through the use of Sony Video tape equipment. According to Thomas Rodgers, supervisor of Fireman's Fund's 25-man team of adjusters, "The video tape recording system provides more complete evidence than we have ever been able to acquire with still film and notes." And an executive in the company's San Francisco headquarters stated, "This is the closest thing to being an eye witness. These tapes provide us with the immediate information needed to make decisions regarding large claims settlements."

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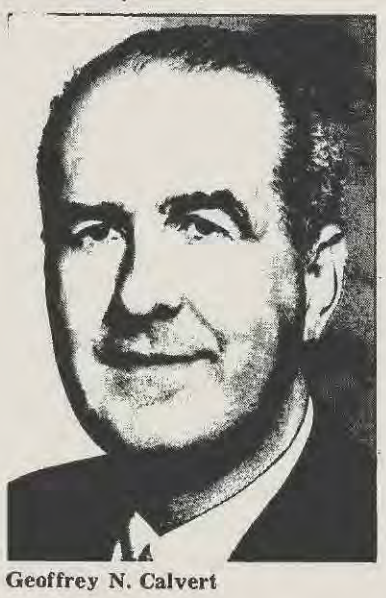
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Benefits: Where they've been and where they're going

by Geoffrey N. Calvert,
Director-Personnel Coverages,
Alexander & Alexander Inc.,
New York, N. Y.



Geoffrey N. Calvert

'Private pension funds . . . help cool inflationary pressures by restraining immediate demand and increasing supply.'

DURING THE past decade, costs of fringe benefits have risen faster than wages and living costs. These benefits now amount to about 28% of payroll and are expected to reach 34% by the mid 1970s.

While all of these expanding benefits are important to employes and their families, it is the retirement income that commands perhaps the major interest and concern to today's worker. People who retired 10 or 15 years ago on fixed pensions have not fared well in an era of rising living standards combined with rising living costs.

To improve his prospects for retirement, the worker looks primarily to his company benefit plan. A worker receives a far greater return from the dollar invested in his company plan than from the dollar paid into Social Security.

What makes this possible to a large extent are the investment earnings of private pension funds, which have become a dynamic and important part of the economic scene. These funds invest the contributions of both companies and employes, providing a major source of capital for the economy. In the past few years, pension funds have become the largest buyers of equities and are a useful stabilizing influence in the stock market.

THE EMPLOYE dollar buys more in private benefit plans because the benefits are funded over many years in advance of payment. Contributions are put to work to earn interest and dividends. Social Security taxes, on the other hand, are paid out almost as they are received.

As assets are built up in private pension plans, it is not unusual to find that the investment earnings of the fund become larger than the amount being contributed each year by the employer and employe. In other words, more than half of the benefit payments are provided by return on fund investments. The effect is a doubling of benefits in relation to actual dollars contributed.

For example, the average time that a dollar stays in a pension fund from the time of pay-in to the time of pay-out is about 25 years. If the fund earns only a conservative 4% annually, this dollar has grown in that period to $2.66, and if the fund earns 5% annually, the dollar has grown to $3.39. In other words, a dollar paid in by (or on behalf of) the average employe will buy $3.39 in benefits. Most pension funds today are earning a good deal more than 5% annually, so that even these figures are conservatively low.

Contrast this with the Social Security system in which a dollar paid in is used at once to provide only one dollar of benefits. Unlike the private pension fund, it contributes nothing to capital formation in the interval between pay-in and pay-out.

PRIVATE PENSION funds perform other highly needed economic services also. By removing purchasing power now, by adding to productive resources over a long period, they help to cool inflationary pressures both by restraining immediate demand and also by increasing supply as a result of capital formation. And they act as a stabilizer in the stock market, tending to buy when the market is down and when individual investors are showing signs of emotional selling. And they maintain a steady stream of purchasing power in the hands of consumers when the economy as a whole is in a downswing, or even increase it more rapidly at those times.

Pensions first reached the bargaining table a little over 20 years ago. The original Ford Motor Co. plan provided a pension of $100 monthly, including Social Security benefits of about $44, after 25 years of service. General Motors' first plan gave $1.50 per month for each year of service.

Since then, many features have been added including vesting, early retirement, revisions of benefits for already-retired employes—in addition to payments which now commonly run more than $6 per month for each year of service.

And with these changes have come a new outlook on pension fund investments. instead of bonds and mortgages, the funds now champion equity investments, variable annuities, mutual funds. Fund yields, once in the 2¾% to 3% area, are now criticized if they fail to average 7% or better. The power of fund yields in cutting costs, once hardly understood, is now widely recognized and is a basic key to future retirement programs.

FORMS OF BENEFITS that were once considered uninsurable, or strictly the personal responsibility of the employe, have entered the picture on a broad scale. Recent years have seen the inclusion of major medical, supplementary unemployment benefits, long-term disability, dental, optical and psychiatric care, drugs and medicines, and even automobile and homeowner insurance protection.

Social Security, too, has expanded its coverage. It has added new forms of benefits, provided retirement incomes at an earlier age, and increased the amount of income that can be earned while receiving benefits. What was once about a $44 monthly benefit has quadrupled over the years. Payments have been liberalized and disability, Medicare, and Medicaid benefits have been added.

These Social Security improvements, of course, have had to be financed by increases in contributions from both employers and employes. Without any adequate actuarial reserve funds earning yields to share the costs, future benefits will have to be paid for in full by future generations, who will have to bear a heavier burden in relation to benefits paid out than if the same benefits had been provided from private plans.

Continued on following page

High-rise protection is no mystery

by William H. Rodda,
President, Marine Insurance
Handbook, Inc.,
Chicago, Ill.



William H. Rodda

APARTMENT AND office buildings of 50 to 100 stories in height present personal injury property, loss and liability exposures to occupants, owners and designers. Deaths and injuries have occurred in fires because of the length of time it took fire fighters to reach the burning area. Power failures have resulted in hysteria and injuries when elevators were stopped. In addition to the personal hazards which affect people who live and work in these high-rise structures, there is a substantial liability exposure to the owners of the buildings, as well as to the architects who design them and the contractors who build them.

The worst loss of life in a high-rise blaze occurred in a tenth story restaurant fire in Montgomery, Ala., where 25 people died in February of 1967. This ten-story apartment house might not be called a high rise in these days of 100-story buildings, yet the fire illustrates the potential life hazard in any fire that occurs above the normal operating limits of a fire department. The only exits from the restaurant were the elevators and one stairway, all of which adjoined the cloak room where the fire started. The elevators jammed during the early stages of the fire, and the stairway was impassable because of fire and smoke. It was a tragic error of construction that a second stairway in the building ended at the floor below the restaurant. An elementary requirement in any area where people may congregate is the installation of two exits at locations remote from each other. Elevators are not safe as emergency exits. A fire almost always puts the elevators out of commission. People who have entered the elevators in an effort to escape a fire may be caught and burned to death inside the elevators.

Fire on the 36th floor of a 40-story apartment building in Chicago took three lives by fire and another due to a heart attack from the excitement and effort of escaping from the building. Two of the

Continued on following page

Benefits

Continued from preceding page

As we move into the 1970s, what trends and new directions can we expect? These seem most probable:

Broad studies of the entire spectrum of compensation and benefits will largely replace the practice of adding or revising one benefit at a time. Benefits will become better coordinated.

Retirement ages will continue to move downward, bringing longer periods of life in retirement.

Social Security benefits in full from age 62 will probably be sought, and the benefits and tax base will continue to be adjusted in line with general pay levels.

Post-retirement adjustments in pensions will become more widespread, keeping the purchasing power of pensions at a more constant level in the face of inflation.

Rehabilitation of disabled employes will receive greater emphasis.

Medical costs will meet strong public demands for more reasonable charges. There will be a faster transfer of patients from high-cost hospitals to convalescent and nursing homes. Preventive medical care for employes and their families, and the use of company doctors and group practice methods will expand.

Thrift plans will become more popular as a supplement to pension plans. Also combined profit-sharing and thrift plans, with company contributions being made in the form of company stock, will enable ownership of company stock by employes to become more widespread.

Widows and orphans, who are not well provided for in the current benefit patterns, will receive more recognition. Decreasing term insurance, low in cost, but highly effective for this purpose, will become widely used.

New forms of benefits will be offered, including estate planning services for key executives, group buying power for automobile and homeowners insurance, travel facilities and vacation bonuses, educational assistance, company sponsored housing, mass purchasing of goods and services, legal and tax advice, sabbatical leaves, and other types of benefits not yet seen.

Employe choice of benefit packages will become available. The married man with young children will be able to emphasize family protection while the older or single employe will be able to divert more into savings, travel or retirement.

Variable annuities, cost-of-living pensions, and the so-called staircase pensions will all become more widely used. Many modified forms of these will appear, such as adjusting the pension after five years of retirement on a flat pension, with a 3% ceiling on year-to-year increases commencing from the 5-year point.

Fund assets will be invested even more heavily in equities, broadening in scope to include real estate, convertible debentures, convertible preferred stocks, mortgages with equity kickers or participation in gross rentals, and modified forms of bonds.

Performance studies of fund investments will become commonplace. The concept and real nature of risk as it applies in a pension fund investment will become better understood. There is a great deal of highly technical nonsense presently in circulation in this field.

Actuarial procedures will emphasize long-term projections of inflows and outflows, and of fund growth. Realistic actuarial assumptions, including inflation allowances, will be more widely used.

Communication of all forms of benefits on an individual basis to each employe will become an almost universal practice, through the distribution of clearly presented individual summaries properly arranged and prepared annually by computer.

Foreign employe benefits, now somewhat neglected, will command more attention as U.S. companies expand abroad.

Tax deductibility of employe contributions: This is one other highly important area which could have a profound effect on benefit plans in the '70s. It is the question of income tax deductions for employe contributions to pension and similar funds, which is provided for in virtually every other country in the world. Deductibility of contributions for income tax purposes would have a strong bearing on how the costs of all these benefits will be shared in the future. ■

High-rise

Continued from preceding page

victims were occupants of the apartment where the fire started, and the third fire victim was a neighbor who lived on the same floor. It was fortunate in this case that the fire started in an apartment which was located at the far end of the corridor from the elevators. They continued to operate and permitted occupants to escape and firemen to reach the floor.

Both of these fires occurred in fire resistive structures, yet the property damage and the loss of life were severe. A fire resistive building is no guarantee against property damage and loss of life where the interior is covered with combustible finish and filled with combustible furniture; where exits are adequate, and where there is no automatic fire protection such as automatic sprinklers.

FEW PEOPLE who die in fires are literally burned to death. Most fire deaths are from other effects than actual burning. Superheated air even at remote distances from the actual flames can sear the lungs so that death is almost instantaneous. Hypoxia, or lack of oxygen, is a second common cause of death from fire. The flames use up the oxygen in the building and death results from this inadequate supply of oxygen to the body. The third, and perhaps the most frequent cause of fire deaths consists of the poisonous gases in the smoke, of which the most lethal is carbon monoxide. This is the same gas that forms part of automobile exhausts and which causes death to persons who operate an automobile in a confined space. Carbon monoxide combines with the red blood cells in the blood and destroys their ability to carry oxygen. This can occur even when there is sufficient oxygen in the atmosphere to sustain life. The human body is not able to use the oxygen when carbon monoxide is present in the air in lethal amounts. It is incredible how quickly the products of combustion can cause death. Superheated air, lack of oxygen, and the poisonous gases in smoke can kill within seconds.

It is worthwhile to examine the potential obligations of an apartment house or office building operator in this age of consumerism. An injury or death today is almost always followed by an effort to pin the blame on someone. An injury or death in a high-rise building fire, or from being stuck in an elevator for hours, or from a fall in a darkened stairway, could bring charges against the owner or operator of the building, as well as against the architect or designer who failed to provide for emergency electrical power. This possibility has been ignored by most of the designers and operators of high-rise buildings. Few of them have emergency power to keep even a portion of the elevators operational under emergency conditions. Neither are there provisions for emergency lighting for exit stairways. During the New York blackout in 1965 guests were climbing up and down completely dark hotel stairways with lighted candles. Emergency lighting was confined to the lobby areas and a few meeting rooms and dining rooms. New York City municipal regulations had no requirement for emergency lighting of stairways in the event that normal power was lost.

Acceptable protection methods for high-rise buildings are no mystery, yet few designers have incorporated these protective measures. Continuous vertical shafts for stairways, elevators and utilities are characteristic, and these provide flues for a fire to spread from basement to roof, or anywhere in between. Stairways are not adequate to evacuate an entire high-rise building. Designers assume that only one or two floors would be involved in a fire, but heavy smoke could make it necessary to evacuate an entire structure.

The idea of using stairways to evacuate a 50 to 100 story building is silly. Yet a typical construction puts all of the elevators adjoining each other. An emergency that stops one set of elevators would stop all of them. Heavy smoke is very likely to block the electric eye light beam at the elevator on a fire floor, and hold the elevator there with the door open. Soot deposits from smoke at the top of elevator shafts may put the relays out of commission so that all the elevators are out.

TECHNIQUES ARE available to building designers to make such buildings relatively safe. Pressurization of stairways, elevator and other shafts, and hallways would help to keep them clear of smoke and heat from a fire. Manual controls on elevator doors would permit them to be closed if the electric eyes were blocked by smoke. More than one set of elevators and stairways should be installed at remote locations from each other. Tenants should be instructed regarding emergency evacuation. Basic to all emergency protection is emergency power and light. Our dependence upon the public utilities has become so complete that emergency generating plants are almost unknown, with the exception of a few hospitals. Diesel-electric power plants are available in many sizes to fit buildings of various heights and areas. A well designed and equipped building would have emergency power that would light all exit facilities such as stairways and public areas; continue the operation of essential elevators; continue the operation of water supplies for fire fighting, and continue the operation of air pressurization for essential areas.

Insurance coverage for designers and operators of high-rise buildings takes on new dimensions as the result of the hazards to life and property in these structures. The dangers to life and property are greatly increased by the remote location of the upper floors from fire departments and other emergency services. The very design of the structure introduces new hazards.

The low fire insurance rates that have applied to fire resistive buildings for many years undoubtedly will have to be revised upwards as the experience develops on the new high-rise type of building. Structural damage has not yet occurred to a high-rise building because of fire, but there have been complete burnouts of one or more floors. Damage is fantastic when the entire interior of a floor is burned out, even if the structure itself is not impaired.

Tenants in a high-rise building need to have enough insurance to cover the full value of their own property. Fire in a high-rise apartment building is seldom confined to the apartment of origin. Even though a tenant is careful and takes every precaution against fire, he has no assurance that his next door neighbor will be equally careful. Doors and corridors, as well as partitions, in newly constructed buildings are of light weight construction in contrast to the six inch hollow tile partitions that were characteristic of buildings that were put up forty years ago.

'The greatest need for review of insurance is in the liability coverage for architects, contractors and operators.'

THE GREATEST need for review of insurance coverage is in the liability coverage for architects, contractors and high-rise building operators. The owner or operator of a high-rise office or apartment building normally would buy a comprehensive general liability policy or its equivalent for liability coverage. This would cover his loss due to liability for injury or death of tenants and others who may be visiting tenants. Liability may be affected by alleged violation of municipal ordinances. A recent hotel fire in a fire resistive and generally well run hotel resulted in the death of some students who were staying there overnight. The fire department's report indicated that the fire started in furniture which had been stored in an elevator hallway contrary to municipal ordinance. Plaintiffs' attorneys are certain to cite this condition if a suit ever reached the trial stage. The point to be remembered is that liability insurance should be carried in sufficient limits to cover multiple deaths and injuries from a catastrophe for which the insured might be considered guilty of negligence. Coverage in the millions of dollars would seem to be indicated.

Architects, engineers, contractors and others who may design or assist in the design of buildings may have problems in securing adequate insurance coverage. The exposure may be tremendous. A hypothetical case will illustrate the potentials. Suppose an architect designs a 75-story building. He fails to recommend any emergency source of power. Five years later during a power blackout a fire occurs on the 70th floor. Firemen are unable to climb 70 stories with their heavy equipment, water is exhausted from the building standpipes because of the blackout, and the result is numerous deaths and injuries. The architect, along with the building owner, and the contractor are all sued for several millions of dollars on the basis that an emergency power supply would have permitted the firemen to reach the fire in time to save the lives and prevent injuries. There are two problems here to the architect in getting satisfactory insurance. One is that of limits of liability. Insurance companies may be reluctant to expose themselves to millions of dollars of liability on the many projects which an architect may design. The other problem is that architects' liability policies often are written to cover only those cases for which a claim is made during the policy term. The architect may be sued following a lapse of many years after he actually designed the building. The atmosphere of consumerism today demands much more protection for the supposed innocent tenant or purchaser than was true even five years ago. It is impossible to predict what demands may be made of an architect in another five years if he fails to recommend something that would allegedly have saved a life.

One thing does seem to be certain. The tenant in a high-rise building and his guests cannot be said to assume any risk that may attach to such occupancy. The assumption of risk theory in liability cases has been abandoned for all practical purposes. If someone is hurt, the present climate is to make somebody pay. It behooves every architect, engineer, building owner and operator who is involved in a high-rise building design or operation to have the best and highest liability coverage that he can get. ■



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following the funds

ITT's pension fund management is termed 'on conservative side'

By GEORGE LANGWORTH

NEW YORK—Running a pension fund at a normal company that grew up from one set of self-germinating roots is a far more conventional and perhaps easier job than its counterpart at International Telephone and Telegraph Corp.

Conglomerates traditionally grow like banyan trees—the top part of the company stretches out and extends itself until its bent end sends it down to sink in a new set of roots in some new territory or business. And each time a new acquisition takes place, there is a similar need to mollify the insecurities and fears of the new subsidiary's employes and/or management. And obviously, the retirement plan is one of the more important concerns. "Am I going to lose that pension I've worked the last 18 years for?" is probably foremost in the minds of many as the conglomerate's vast shadow approaches.

So what do you do? Well, the most pragmatic thing ITT has found to do is as little as possible. Consequently, ITT's top management, touted internationally for its fiscal efficiency and streamlined centralization, must chafe somewhat at a myriad of trustees strewn all over the country (and organized not unlike a banyan tree) that together exercise primary fiduciary responsibility for the ITT pension fund, which was estimated at nearly a billion dollars at the close of last year.

MORGAN GUARANTY Trust Co., First National City Bank and Irving Trust of New York; National Bank of Chicago, Crocker Citizen's Bank in San Francisco, St. Louis Union Trust Co. in Missouri and National Shaumut of Boston are all ITT fiduciaries. Such diversified financial ties through its pension fund provide a fitting complimentary monetary structure to the industrial diversification that is said to have lifted ITT to ninth in the world in terms of available prime credit the company can muster.

ITT, however, does not content itself merely with the old-line money managers. Although officials there like to refer to their pension fund management operation as "on the conservative side," several different forms of money management are actually being used.

Following similar pension fund money placement practices of other companies, ITT tends to place new contributions to the pension fund with new money managers, rather than taking money away from other trustees or money managers.

Actual selection decisions on new money managers are made by Harold S. Geneen, president of the company and other members of the board of directors—just as are all other significant management decisions throughout the entire international complex. However, top management relies on an executive who doubles as both a "staff consultant" on other money managers and as a money manager in his own right who runs a portion of the pension funds himself.

"I HAVE PRETTY much full operating authority within a reporting system," William A. Hayes was saying the other day. He's filling this ITT slot now under the title "Director of pension fund investments." With ITT now for over a year, Mr. Hayes came from Marcus & Co., one of the handful of specialty brokers on the Big Board that runs a limited portfolio of about 40 stocks. While there, he did research.

"I don't really recommend a new money manager. Usually, I will offer my general comments on a money manager's professional reputation. We get quarterly reports on their performance from those money managers we now use, and these reports are charted and compared with one another. But these reports cover much too little time to be able to make a meaningful judgment on them," Mr. Hayes explained. He believes that it's necessary to watch them over a two to three year period before any really meaningful evaluation or comparison can be made.

"Gunslingers" and winners of Chase Manhattan 18-month paper portfolio races hardly fit into the management of pension funds. Mr. Hayes emphasized that in looking at new money managers pension funds, they are essentially interested in forming a long-term relationship. "This is first of all fiduciary money. You have to come back from the market with your assets largely intact," he pointed out.

Mr. Hayes noted that the vast majority of ITT's pension funds have been run traditionally by banks. "A small portion is placed with independent investment counselors from time to time. This is a safe way of seeing if they can provide a better alternative to our present management," he said. Mr. Hayes explained that not only a money manager's past statistical performance was important in the selection process, but his reputation in the financial community as well. "It's important for a money manager to have a good and solid reputation that you pay attention to just as you would in choosing a lawyer or a doctor."

TSAI INVESTMENT Services Inc., a CNA-owned investment management company, handles a portion of the ITT pension funds.

Mr. Hayes sat down behind a wide, comfortable desk after lunch the other day in his office here. He punched a few buttons on the console of a televised print-out of a computer's running account of the stock market's ruminations that day. The numbers changed occasionally—it was one of those rare days when the stock market was going up—and he stopped to look at them and gauge their effect before continuing the conversation.

Continued on page 36



Mass insurance plans for Gamble-Skogmo, IDS

ST. PAUL, Minn.—Lower premium rates for subscribers to two mass-marketed programs of personal insurance—one for Gamble-Skogmo, Inc. employes and the other for Investors Diversified Services customers—should be the end result of simplified administrative procedures.

According to a spokesman for the St. Paul Insurance Cos., underwriters of the IDS program, "you can reach more people faster through a direct-mail program and, consequently, simplify administrative procedures."

St. Paul Guardian, a new subsidiary of the St. Paul Insurance Cos., will handle the marketing of auto insurance to some 20,000 Minnesota customers of IDS. The initial contact will be made through a letter from the president of IDS; after that all follow-ups will be made by the insurance carrier. The IDS Agency, an independent agency, will undersign all the policies.

ACCORDING TO the St. Paul spokesman, "with this and all other mass-marketing programs we may start, we plan to work through the independent agents. We will ask them to supply us with sponsored lists of customers such as IDS has done."

Enclosed in each letter will be an inquiry card asking the party to indicate if he is interested, and if so, to fill out the remainder of the card. On this card, "we ask for the normal underwriting information to determine if the party is an insurable risk," the spokesman said. If the customer is accepted he is then sent a "quote-apt" form that lists the 20 different options and amount of premium. "In effect he can more or less design his own policy as to limits and deductibles," the insurer explained.

St. Paul will arrange a policyholder's new coverage so that it will go into effect as soon as his current auto coverage expires. "This way a person can act now without having to wait until his current coverage runs out," the spokesman explained.

BILLING WILL be done directly to the policyholder from St. Paul Guardian.

With Gamble's marketing program, in existence for the past 11 months, premium charges will be made through payroll deductions. This program, which offers auto, homeowners and personal excess liability coverages, is underwritten by Pacific Employers Insurance Co., a subsidiary of the Insurance Co. of North America.

According to Doug Malecki, insurance counselor for the Gamble-Alden Agency Inc., a subsidiary of Gambles, "because we are handling the administration of the program should cut costs at INA and hopefully be reflected in lower premium rates." The insurer will handle the settlement of claims.

The Gamble's program also offers to employes personal counseling on their insurance needs. "We counsel employes as to what they presently have, what type limits they should have and explain the terms of the policies to them," Mr. Malecki said.

INITIAL CONTACT with the employes is made by the various department heads and with the use of flyers, letters and other materials. The program is available to Gamble's 22,000 U.S. employes. So far, according to Mr. Malecki, "we have had very good response to our program. The personal counseling and payroll deductions are two big drawing cards."

The auto policy offers liability limits from $10,000 up to $1 million, medical coverage, physical damage coverage based on the actual cash value of the car, uninsured motorist protection, personal effects coverage and towing and labor charges up to $25.

The personal catastrophe plan pays up to $1 million each occurrence "over and above" the limits of regular basic liability policies including auto, homeowners, watercraft and aircraft. It provides for full defense coverage from the first dollar if not provided by basic insurance and also includes loss of earnings up to $100 a day with a maximum of $5,000.

The plan also features a $25,000 catastrophe family medical expense paying 80% of eligible expenses "over and above" other medical coverage or $10,000 whichever is greater. ■

A&A buys marine agency in Boston

NEW YORK—Alexander & Alexander Inc. has acquired the R. G. Patch Insurance Agency Inc., Boston, one of the largest marine insurance agencies in that city.

According to Frank R. Wiecynski, secretary of A&A, the firm will consolidate its offices with those now occupied by Alexander & Alexander in Boston. Patch has seven employes. Alexander & Alexander has 15 in its Boston office.

R.B. Jones plans issuance of 100,000 shares of stock

KANSAS CITY, Mo.—The R. B. Jones Corp., an insurance brokerage and agency based here, has announced plans to go public.

The firm has filed a registration statement with the Securities and Exchange Commission for the issuance of 100,000 shares of Common stock at $1 par value. Stern Brothers & Co. are the principle underwriters.

The shares are being offered by 57 of the firms' stockholders. R. B. Jones will not receive any of the proceeds from the sale.

PRIOR TO THE sale of the shares offered, 300,530 or 63.1% of the outstanding shares of common stock of the company were owned by its directors and officers as a group. The employes owned the remaining outstanding shares. After the sale of the shares offered, the officers and directors will beneficially own 225,057 shares or 47.3%, with no one person owning 10% or more of the company's common stock.

THE COMPANY, founded in 1889, has offices located in Chicago, New York City, Wichita, Kas., Joplin, North Kansas City and St. Louis, Mo., and Tulsa, Okla.

During a five-year period ending Oct. 31, 1969, R. B. Jones has acquired 16 brokerage and agency businesses. During January of this year the firm acquired Benedict & Benedict based in New York City. ■

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Sperry and Hutchinson moves to buy John C. Paige & Co., Boston broker

NEW YORK—The Sperry and Hutchinson Co. has agreed in principle to acquire John C. Paige & Co., its Boston-based insurance broker, for an undisclosed amount of cash.

The deal, if consummated, would mark the second time a major diversified company has bought out a large "going" commercial insurance brokerage firm. Swift & Co. has made brokerage acquisitions in the past, the most recent and largest of these last fall when the meat packing firm bought out Youngberg-Carlson Co. Inc., a general insurance agency in Chicago.

Paige, a partnership, is considered to be one of the ten largest insurance brokerages in the country—somewhere between seventh and eighth, to be more precise, although those figures may be open to dispute. The firm last year had gross revenues of about $9 million from its ten offices in this country. It employs about 470 and serves approximately 60,000 clients. In February of this year it parted company with Obrion Russell & Co., another Boston brokerage partnership, after a relationship of less than 20 months (*Business Insurance*, March 16).

Sperry and Hutchinson is known principally for its S&H green stamps. In recent years the firm has been diversifying into the business services and interior furnishing fields. However, many in the business community believe, as one put it last week, that "the green stamp thing is on the way down the drain," and the move into the brokerage field is seen as "a natural for a company that may have financial services on its mind."

OFFICIALS AT both companies emphasized that the purchase is subject to the execution of a definitive agreement between the parties and approval by the S&H board of directors and Paige & Co. partners.

According to several sources on both sides of the merger, Sperry and Hutchinson has given the Paige partners "assurances" that the firm will not become an S&H captive. ■

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Offers new class action pollution bill

WASHINGTON—Sen. Howard Cannon (D., Nev.) has introduced legislation that would allow citizens to bring class action suits in Federal courts against companies and individuals who pollute the environment.

The language of the bill is quite broad. It states that "any person who is engaged in any activity that affects interstate commerce and who is responsible for any pollution of air or water or for the creation of any unreasonable mechanical noise shall be subject to liability in monetary damages, injunction, declaratory judgment, or other appropriate relief in a class action brought by any person representing the interest of a group or class of persons whose lives, safety, health, property, or welfare has been endangered or may be adversely affected in any way by such pollution or noise."

Every citizen could ask a court to determine whether pollution shall be abated, what penalties shall be paid, if any, and what period of time shall be allowed. ■

Penn Central

Continued from page 1

said, referring to the exposures directly connected to the operation of the line (cars, track and liability exposures, for instance), "are not insured from the ground up. The first layer is self-insured and it varies according to the exposure," he explained.

IT IS "highly unlikely" that the Penn Central will want to take on an even bigger slice of self-insurance, another source told this magazine. He echoed the words of another when he said, "the fact that they are in bankruptcy seems to make insurance all the more important at this time. They'll want to protect the assets they do have."

It is assumed, although it will not become official until a bankruptcy court holds a hearing July 15 and appoints new trustees to administer the Penn Central, that wages and salaries (including the cost of fringes) will take precedence over all other obligations of the company.

"Claims against the railroad, such as liability settlements, would probably come next," an informed source said, adding that he would also expect that insurance costs would be included in the road's "operating expenses," along with salaries and wages.

WHATEVER OCCURS, there is the possibility that the Penn Central may be at this moment working on revisions of its insurance program, such as cut-backs in some of its huge catastrophe covers.

A spokesman in the Penn Central's insurance department at the company's headquarters here, asked what the company was doing in anticipation of the reorganization, said, "I can't answer that right now. I'm working on it."

Another big question facing the bankruptcy court handling the reorganization is whether or not to honor the pension awards that had been promised by Penn Central's directors to its former senior officers. (The rank-and-file's pensions are not affected by the line's financial crisis since they are protected and administered under the Railroad Retirement System.)

At least three of the company's executives who resigned or retired under the pressure of impending reorganization, had rather healthy pensions coming to them had they reached retirement age. However, their status is very much in doubt right now.

STUART T. Saunders, who was ousted June 8 as chairman of the board and chief executive officer, is 61 years old. His salary was $236,972 a year and had he continued with the company until his 65th birthday, he would have received a pension amounting to $114,445 a year.

The vice chairman of finance for the Penn Central, David C. Bevan, is 63 years old. He "retired" shortly after the company filed for reorganization and was to have collected a pension of $88,112. His salary was $131,984.

Another Penn Central executive, Alfred E. Perlman, who was vice chairman and president until relieved of his duties, would have retired in November. He was the only one of the three senior executives with a contract and under it his salary was fixed at $170,000 until retirement. Thereafter, he was to have received annual payments of $50,000 for 10 years and eight months and his pension was to have been $94,141 a year. ■


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CHATTANOOGA

Company matches disability patients and shares long-term hospital bills

NEW YORK—"Match and Share," a program developed and implemented earlier this year by Security Mutual Casualty Co. of Chicago, is saving carriers' dollars on long-term disability cases, according to Harold P. Lyon M.D., medical director of the insurance company. Moreover, the potential of the cooperative venture is great if the insurance industry can get together on the program..

Essentially, "Match and Share" (Security Mutual refers to the "Share" part as "$hare") attempts to locate long-term patients who need private rooms, private nurses and other special equipment together. Additionally, the patients must be suitably located geographically, of the same sex (if conscious) and physically and mentally compatible.

When such a pair is located, approval is sought from the patient, doctor, hospital administrator, family, lawyer and insurance carrier. If approval is granted the patients then, in effect, move in with one another and their insurance carriers, or whoever else may be paying the bill, share the expenses for room, nursing, special equipment and other treatment.

THE PROGRAM, according to Dr. Lyon, can result in savings of 40% to 50% while the same quality health care is maintained.

The team that is overseeing the administration of the program for Security Mutual is called Rehabilitation Team for Health and Work. So far, at least two matches have been made between long-term disability patients. Security Mutual is now sending out regular bulletins listing potential match patients, a description of their illness and location of confinement. The carrier is also working with other insurers who may want to attempt a match.

According to Dr. Lyon, there are numerous side benefits to such a program. The patient benefits, he said, because it offers him companionship during his disability. The family of the dependent also benefits because money received from major medical, long-term disability policies and settlements lasts twice as long as it normally would. In addition, Dr. Lyon noted, workmen's compensation premiums are favorably affected by such a program. And, in the case of self-insureds, there is a direct saving to the company self-insuring its workmen's compensation.

Dr. Lyon, who described the program for an American Management Assn. employe benefits session here, said that candidates include any patient who requires special attendant care, especially if in a private room with specialized equipment. The patient's condition may be the result of an injury or illness that has caused serious damage to the brain, the spinal cord or extremities.

"FOR EXAMPLE," he said, "we have one brain damage case who has been unconscious for eight years. He is costing $50,000 a year and to date has cost almost $500,000." Another example cited is a high quadriplegic who has been totally dependent for ten years at a cost of $42,000 a year. Both, he said, are excellent candidates for match and share programs, as are stroke patients.

The cases Security Mutual is now attempting to match are scattered in a number of cities throughout the U.S. Many of them are policyholders of other insurance companies. Security Mutual sends out periodic bulletins to about 50 insurance carriers—from Aetna to Employers of Wausau—listing potential matches. The response so far has been encouraging, Dr. Lyon said.

"We see our function as an information collection and reporting center," the doctor said of the Security Mutual team. Information useful for determining the matching potential includes state, city, facility, private room and nursing, sex, year of birth, type of injury and residual of the injury.

"If we find two patients that we think have a matching potential, we will inform each of the reporting parties so they can discuss the sharing potential of the cases with each other.

"We naturally hope that somewhere along the line we will find a match for one or more of our cases. However," he said, "this service is designed to match all reported cases whether or not they are ours." ■

Verdict left standing for mine firms

WASHINGTON—The Supreme Court has refused to hear and thus left standing a lower court decision that holds the United Mine Workers liable to two Tennessee coal mine operators for damages totaling $257,300, which resulted from labor violence in 1959.

The damage suits were brought some time ago against the UMW by Dean Coal Co. and Parton Coal Co. after incidents at both companies over 10 years ago.

One suit alleged that a UMW representative early in 1959 urged Dean employes to join the union and the membership drive led to the closing of the mine. Dean, however, reopened with nonstriking employes and various acts of violence followed, including the burning of a railroad trestle leading to the mine and of a car occupied by nonstrikers.

In the same year, it was alleged in the lower court suit, another UMW representative participated in motorcades demonstrating aginst the Parton Coal Co. The Parton mine was also closed, but later reopened. However, following the reopening, certain miners threatened to halt the firm's operations.

In its defense, the United Mine Workers asserted there wasn't "clear proof" that it had authorized or had prior knowledge of the violence and threats of violence. Nevertheless, a Federal district court awarded damages of $127,500 to Dean and $129,800 to Parton. The decision was affirmed by the Federal appeals court in Cincinnati and the UMW then appealed to the Supreme Court. ■

New vp at Travelers

Homer G. Anderson has been named second vp, group pensions division, Travelers Insurance Cos., Hartford. He joined the firm in 1944.



london line

Mance visit to U.S. may include stop at international marine meet

LONDON—Plans for the visit of Lloyd's chairman Henry S. Mance to the U.S. this fall (*Business Insurance*, June 8) are now being completed. It is expected that he will be in San Francisco when the International Union of Marine Insurance conference is being held. It is believed he will also visit Houston and New Orleans, but details of his tour to other parts of the American insurance market are not yet settled.

* * *

STIFFER PENALTIES for pollution are being urged by the British government, which means to ratify the convention under which tanker owners will be strictly responsible for a much greater proportion of damage caused by an oil spill. It is felt in Britain that supersonic flights that could cause a boom to be heard on the ground should be banned.

* * *

ADEQUATE RATING for super-tankers is urged by John Boyd Carpenter, chairman of Orion Insurance Co., in his annual report.

He declared: "They are still to some extent in an experimental stage. The incidence of claims may well continue, and the market must secure adequate rating of these enormous and costly ships to provide a fund sufficient to meet the potentially heavy burden."

He also warned that rising ship repair costs must lead to revised terms in the marine hull market.

R. E. Fleming, chairman of Sun-Alliance and London insurance group, has also drawn attention to the "runaway inflation" of costs in ship repair yards.

* * *

SCIENTISTS in Manchester are probing a fire that broke out on the Manchester Ship Canal and killed four people in ferryboats crossing at the time. It is feared the water got so polluted by chemicals from industrial plants on its banks that it burst into flames from accidental ignition while the ferries were trapped midstream. More than a mile of the canal, which is used by American merchant ships to take cargoes inland to northern England, blazed up before the ferryboats could escape. Canalside dwellers had warned police that there was a fierce vapor smell, but the ferrymen decided to cross in spite of it.

* * *

FLIGHT TESTS on the new Concorde supersonic airliner have gone so well that it will begin its "sonic bang" research runs along an 800-mile corridor along the west coast of Britain soon. The world's biggest dossier on the ground-level effects of supersonic flight will be built up by experts in environmental problems for the British government.

First reactions are expected by the fall, but the whole range of test runs, totalling 50 separate flights, will spread over the next three years.

Fears that historic cathedrals and other buildings may be affected by the shock-waves are being studied for the benefit of any countries that might be interested.

Insurance companies throughout the world will be watching the effect of the high-speed tests, although the British government is to meet any initial claims and will take every possible step to limit damage during the research flights.

The environmental committee that will gather evidence about the tests will include medical, scientific, and architectural experts.

Noise from ordinary aircraft landings and departures is to be cut back at British airports next January under new government regulations. ■

Dublin damage award

Record damages of $240,000 from an Irish court have been awarded to Dublin miner Thomas McGeehan, 32, who was paralyzed from the waist down after a fall at work in 1967



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N.Y. printers get dental plan, increased pension

NEW YORK—Typographers here have won an increase in pension and welfare fund contributions and a new dental care plan from New York metropolitan newspapers in a settlement that also includes a 41.69% wage increase over three years.

The New York Times, New York Daily News, New York Post and the Long Island Press have entered into tentative settlements, according to Bertram A. Powers, president of the printers' International Typographical Local No. 6 here.

"Our welfare contribution from the company is 5% of our gross payroll," Mr. Powers told *Business Insurance*. "Because of the increase in contributions caused by our wage increase, we will institute a new dental care program, effective Aug. 1," he said.

THE NEW DENTAL care plan will provide a schedule of benefits (relying in most cases on partial payment) for dental care for both the employe and his dependents. The dental care plan joins a visual care plan and a prescription drug plan that are already in effect and are financed by the union's welfare fund. The visual care plan provides employes and their dependents with one pair of eyeglasses per year. The prescription drug plan has a 75¢ deductible but pays the full cost of the drug after the first 75¢ has been paid by the employe. In addition, the welfare fund provides each employe with $5,000 life insurance coverage.

The union welfare fund also provides a disability benefit payment for 26 weeks that is over and above the $65 a week authorized by state law. It amounts to an additional $35 a week. The New York Times and the New York Daily News, however, provide a disability benefit up to full salary depending on the number of years of service of the employe.

In addition to the increase in contributions to the union pension fund brought about by the wage increase, the company's pension fund contribution will be increased from 4% of the gross payroll to 5% of the gross payroll. It has not been calculated as yet what this will mean in the way of higher pension benefits.

Union employes of the New York Times and New York Daily News have always had a company pension in addition to the contract pension. However, the company deducted $40 from the union printers' company pension in a kind of "coordination of benefits" strategy. This $40 "deductible" has been discontinued by this new contract so that a union employe now gets the full company pension benefit for which he is qualified. In addition, a company pension benefit, in excess of the union pension, has been instituted for union printers at the New York Post, based on their years of service.

Wage increases during the three-year contract will jump 15% the first year and 11% in each of the succeeding years. The average wage is the night shift wages. Under the old contract the weekly night wages came to $193 while the new contract calls for $221 a week. ■

Back injuries involved in 42% of rehab cases

SAN FRANCISCO—A midpoint review of a California Division of Industrial Accidents study of insurance sponsored rehabilitation efforts discloses that back injuries are those which most frequently necessitate rehabilitation.

At least 42% of the cases studied to date indicate the back injury domination, followed, in order, by 9% where the rehabilitation is necessary due to hand injuries, and 8% due to leg injuries.

So far the study has involved 2,090 instances of rehabilitation activities, only 2% of which are included in the statutory program for voluntary rehabilitation under provisions of California's State Labor Code.

ADDITIONALLY, the study reveals that only 18% of the rehabilitation activities have been handled by the California Department of Rehabilitation.

The study reveals that 37% of the rehabilitated workers have been able to return to their jobs with the same employer at the same job with only modified duties; 12% continued with the same employer but on a new job with new duties.

A total of 14% were able to secure jobs with a new employer and new job duties without retraining; 27% found such jobs with retraining.

Only 5% of those rehabilitated received cash payment for investment in a business of their own and 5% received a cash payment for investment. ■

Assistant vp

Harry J. Wolf, a bonding specialist, has joined Corroon & Black Co. as assistant vp in the bond department.

MARKS OF SERVICE

Value of Mark Twain

From the cry of the Mississippi riverboat navigator—indicating safe water of two fathoms' depth—came American literature's most famous pseudonym: "Mark Twain."

Nautical marks are still used today in sounding relatively shallow water. In a simple form, a weighted line is divided at intervals of two or three fathoms with easily visible "marks."

Another mark of service—providing soundings of current values—is the M mark of Marshall and Stevens.



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Aetna vp says Nixon proposal understates the cost of health

NEW YORK—The group division vp of Aetna Life & Casualty Insurance Co. said here the other day that he was somewhat "amused" by the actuarial considerations of President Nixon's proposed Family Assistance Plan, which would protect low income families under a compulsory health insurance program.

Daniel W. Pettengill told an American Management Assn. meeting on financing and controlling employe benefit costs that the President's plan grossly understates the costs of financing health care for a family.

President Nixon's proposal came in the outline of a revised and expanded welfare program that he hopes may prove more acceptable to Congress than the bill held up in the Senate two months ago. The President said that the most important part of the revision was the proposed family health insurance plan. If approved by Congress, it would become the first compulsory medical insurance program ever attempted on a national basis.

THE PROPOSAL is contained in the Administration's new minimum income program and, if made law, would make ineligible for Medicaid all beneficiaries of that program. Instead, they would be covered under a health insurance policy written privately that would provide comparable services.

Under the plan, however, most welfare recipients would have to pay for the cost of the insurance. The Administration said that, under a hypothetical plan, the coverage would be free for those families with incomes of $1,600 or less. Families with an income of $3,000 a year would pay $70 for the coverage. Thereafter, coverage costs would range upward to the full $500 for a family with an income of $5,620.

It was this figure that Mr. Pettengill took issue with, although he did admit he was not fully informed on the proposal, nor on the possibility of additional financing by the Federal government.

The Aetna vp noted that most health insurers consider that it costs $150 a year for medical care for a child and $300 a year for an adult. Considering a family of four—two adults and two children—average cost for care per year is $900.

"I'M A LITTLE amused by the President's press release," Mr. Pettengill said the morning after the proposal was announced. "It said it would only cost $500 a year for a family. That means he is only going to be buying 55% of the total health care for a family. It would be interesting to find out which 55% he is going to buy."

Mr. Pettengill did say, however, that it is "encouraging that the President says he would like to 'buy' health care for the poor," but added, "what is discouraging is that he's also cutting government expenditures for health programs."

During the session at the Americana Hotel here, the Aetna vp also reiterated his—and presumably Aetna's—solution to the problem of providing health care for the nation's indigent.

Under the plan, which he first proposed last fall, a reinsurance pool would be established in each of the 50 states and consist of the companies licensed to write health coverage in those states.

THE FEDERAL government would then buy health coverage for the poor through the reinsurance pool in the separate states. "Admittedly," the vp said, "the rate is going to be higher (for the indigent) because they are poorer insurance risks. No one carrier could afford to step up and take these risks, thus the reason for the pool," he added. In addition, Mr. Pettengill believes that such rates should be adjustable on an annual basis.

As far as the balance of the U.S. population goes, that 80% to 85% that now have some form of health coverage, Mr. Pettengill said he feels the government should set some "standards" of coverage, whether or not a family is covered under its own policy or one provided by an employer.

There should, also, he said, be some standards set with regard to the continuation of such a benefit if an insured leaves the employe of a company. Such standards, however, should be voluntary on the part of employer contributors, he said, adding that to provide an incentive for employers perhaps the Federal government could allow a 100% tax deduction to those employers who do meet the standards and something less than that—50% perhaps —for those who fail to come up to government standards.

Mr. Pettengill did emphasize, however, that he feels the actual insuring of such health care should remain with the private sector.

"WITH 85% of the population covered under private insurance plans you have a $60 billion health care bill every year. If you add the 15% who are indigent you'll bring that figure up to $90 billion and, with inflation, it will go even beyond that.

"I seriously question whether you should give any one government agency, such as Health, Education and Welfare, the clout of $90 billion a year to say who has to get what, when and where," he said.

Speaking on the same program was Howard Ennes, second vp of the Equitable Life Assurance Society of the U. S.

Mr. Ennes told employe benefits men attending that "business and industry would be well advised to get involved in the restructuring of the health care delivery system. It's your dollars they're going to be spending," he said. ■

Offers mass payroll plan

HARTFORD—Kaman Corp., a multi-line industrial firm based in suburban Bloomfield, Conn., will make mass-marketed auto and homeowners insurance available to its employes.

The company is one of the first major industrial firms in the state to adopt the mass-marketing plan, which permits premium savings for many employes.

The insurance program will be underwritten by Century Indemnity Co., an affiliate of Aetna Insurance Co., subsidiary of Connecticut General Insurance Corp.

It was written through Morrison & Cheney Inc., of Hartford. ■



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Malpractice judgment is set at $500,000

ROSLYN, N.Y.—A $500,000 settlement was absorbed by 10 insurance companies covering St. Francis Hospital and three doctors as the result of a malpractice suit in this Long Island city.

The suit was brought by Mrs. Charles Calleja, 34, of Bayport, who contended that she could no longer take care of herself and would be hospitalized the rest of her life as the result of an open heart operation in August, 1968.

One half of the amount, believed to be one of the largest tax-free settlements in the history of Nassau County, was paid by Royal-Globe Insurance Co., which insures St. Francis Hospital and its resident physicians for malpractice. The two residents named in the suit were Dr. Maganiel K. Sutaria and Dr. Jalal-Addin Najfai. The attending physician, who was covered by his own malpractice policy, was Dr. Herbert Gianfrancesco.

Under Dr. Gianfrancesco's policy, written in several layers, $50,000 of coverage was held by Citizen's Casualty Co. of New York. However, Citizen's Casualty is currently going through insolvency hearings here and its share of the claim may be picked up by Crum and Forster, which held an excess of coverage on the doctor.

The second layer of Dr. Gianfrancesco's cover amounted to $50,000 and was split among seven smaller insurance companies. Crum and Forster's share amounted to the remaining $150,000 under the court settlement. However, as noted, the Crum and Forster group is likely to pay Citizen's Casualty's $50,000 share under its excess policy. A source at Crum and Forster told *Business Insurance* that he "would guess" this is the way the final settlement would be worked out.

Mrs. Calleja's lawyer, Max Toberoff of New York City, told the court that a tear was made in her arterial system when a heart-lung machine was connected during an operation for the replacement of an aortic valve. As a result, blood spilled into the abdominal cavity instead of being circulated to the brain. Irreparable brain damage was caused when her brain received no substantial blood supply for a period of approximately six minutes. ■

Ebasco adds Widtmann; promotes Brockmeier

CHICAGO—Ebasco Services Inc. has named Warren G. Brockmeier as director of the Western region, risk management department. Mr. Brockmeier has been Chicago manager of risk management consulting for EBS Management Consultants, which recently transferred operations to Ebasco Services, an engineering and consulting firm.



Warren G. Brockmeier

In his new capacity he will be responsible for consulting activities relative to corporate insurance programs, insurance administration, safety and loss prevention and other matters dealing with risk management. Mr. Brockmeier is chairman of the educational committee of the Society of Chartered Property and Casualty Underwriters.

Arthur A. Widtmann, formerly corporate insurance manager of A. O. Smith Corp., Milwaukee, Wis., has joined the Chicago office of Ebasco as risk management consultant. In his new position Mr. Widtmann will analyze and review insurance coverage and programs and confer with clients, insurance agents and insurance companies on problems concerning corporate, institutional, or governmental risk management programs.

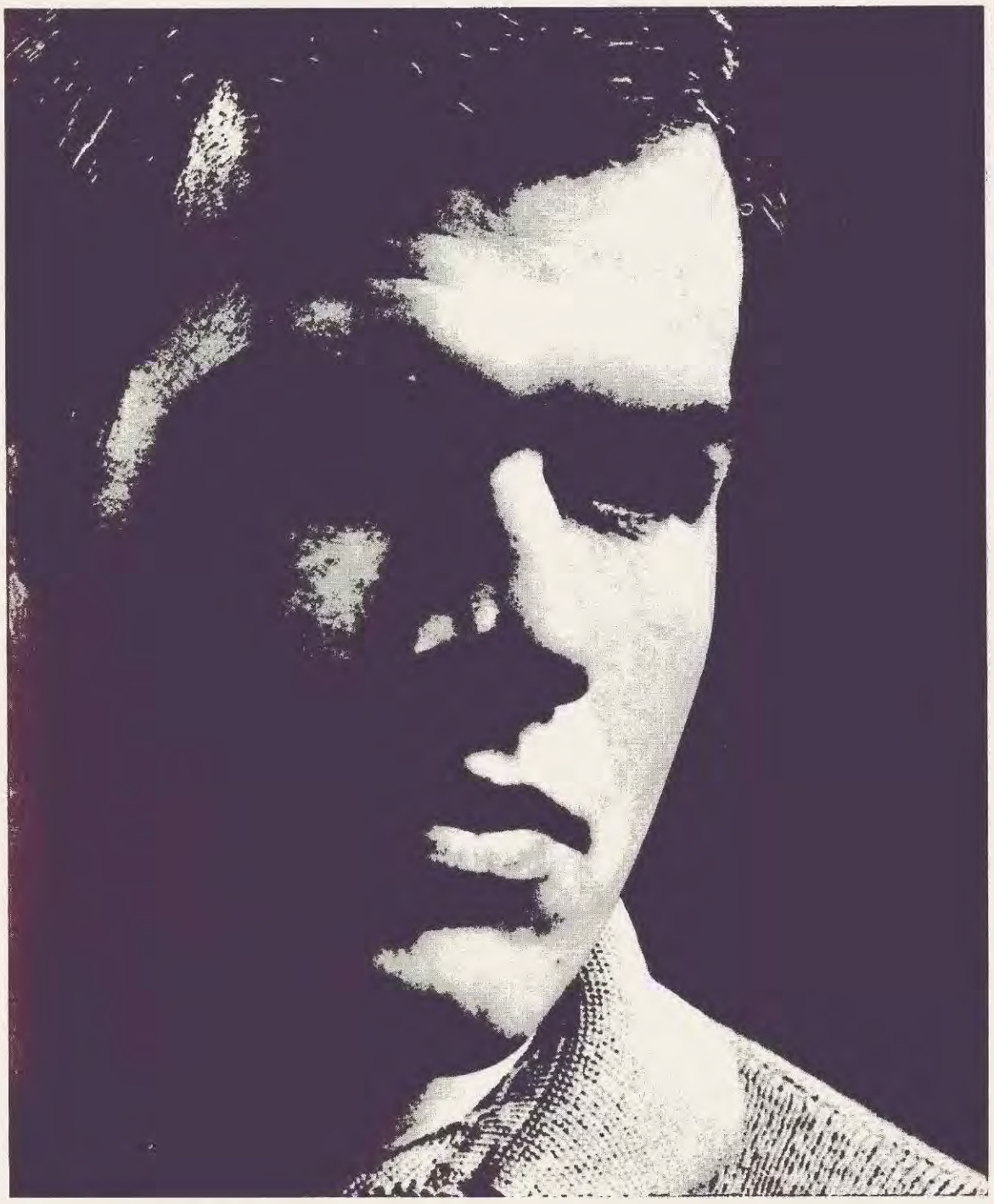


Arthur A. Widtmann

A. O. Smith has not named Mr. Widtmann's successor. ■

Oregon ASIM

The Oregon chapter of the American Society of Insurance Management has elected Charles P. Gallo of Pacific Supply Cooperative as president for 1970-1971. Other officers voted in were E. Everett Downing Jr., Hanna Industries, vp; R. Donald Coster, Publishers Paper Co., secretary-treasurer; Robert E. Engel, United States National Bank of Oregon, national director. The Oregon chapter will host the West Coast Seminar in May of 1971.



10 to 20 years from now, will he be your competitor's president?

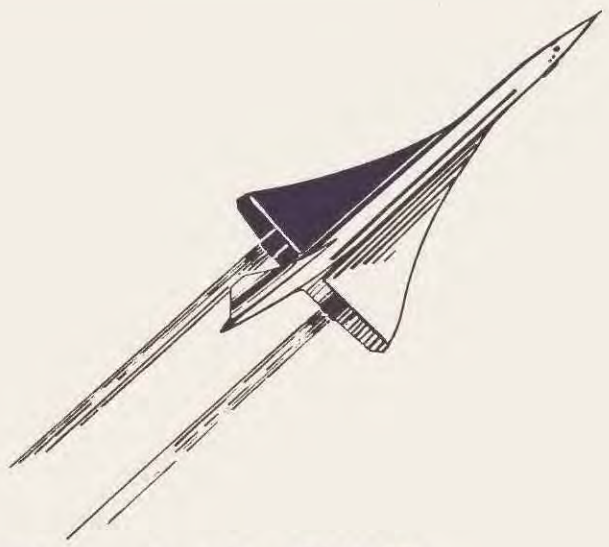
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Ohio union launches its own auto insurer

COLUMBUS, O.—The Ohio AFL-CIO is launching a $5 million union-operated auto insurance company for its 900,000 state members. W. J. Smith, Ohio secretary-treasurer, told *Business Insurance* that stock in the yet-nameless company will be sold to local and international unions.

"It will be a direct-sell, mass-merchandising operation," Mr. Smith said. "We will advertise through our monthly state magazine, Focus, which is received by about 760,000 AFL-CIO members."

The coverage will be written on an individual basis, the union officer said, perhaps with a deduction on a group basis.

Cost-saving techniques of the company will include "computer processing of policies, plowback of investment income into company operation, elimination of expensive advertising programs and operation on a nonprofit basis," he said. At the present time the union is comparing computer services offered by various companies.

Officers of the new auto company will be selected by the board of directors, *Business Insurance* learned, and will probably come from within the state organization. "As far as salaries are concerned," Mr. Smith said, "those above the rank of general manager will, most likely, not be salaried." ■

Priest accused of stealing $200,000

PHILADELPHIA—Authorities here have charged a Catholic priest with stealing $200,000 from church funds, after a warrant was signed by a member of his former parish.

Msgr. Louis A. Rasha, now assistant pastor at Our Lady of Lebanon Catholic Church in Brooklyn Heights, N.Y., is accused of fraudulently converting the money for his own use during his service with St. Maron's Church in South Philadelphia. Both churches are of the Maronite sect.

The Catholic church does not buy fidelity bonds on its priests.

N.J. 'cancellations' are called no big thing

TRENTON, N.J.—Four of the 21 insurance companies providing New Jersey's state buildings with a total of $443 million in fire coverage declined to renew their policies July 1, but the state's broker, Frank Gauvry, said he found replacements for them almost immediately and wishes the press would stop flapping about a problem that isn't there.

"I've read a lot of scare stories about our so-called 'insurance cancellation,'" Mr. Gauvry told *Business Insurance*. "They just aren't true. First of all, there were no cancellations. Four companies merely declined to renew their policies, which terminate according to normal business procedure on July 1. They gave the usual reasons, such as stating that their underwriting practices preclude writing the business again. But I had no trouble finding new coverage. I didn't run wildly to the foreign market. Lloyd's is not involved in this. I just quietly asked some good, old-fashioned domestic stock companies and that was it."

He explained that the state's 2,800 facilities are insured according to a master schedule, with every company insuring a percentage of the whole rather than a specific building.

THE POLICIES have a $1,000 deductible with premiums running about 32¢ per $100. They last for three years and are scattered so that about one third of them, or $147 million in coverage, is up for renewal each year.

"New Jersey has had an excellent fire record," Mr. Gauvry said. "I don't think anyone's ever been arrested for setting fire to a state building. We are not covered for riot and malicious mischief, but New Jersey has been fortunate in that area too."

Last month during a prison disturbance at New Jersey State Reformatory in Annandale, $75,000 in damage was done to a cannery. Also, a suspected arson fire caused $105,000 in damages to Trenton State College classrooms and another at Paterson State College caused $20,000 damage to one building

"When the fire marshal says it is suspected arson, that means he doesn't know what caused the fire," Mr. Gauvry said. "It might be arson. It might not. But people like to read things into the facts." ■

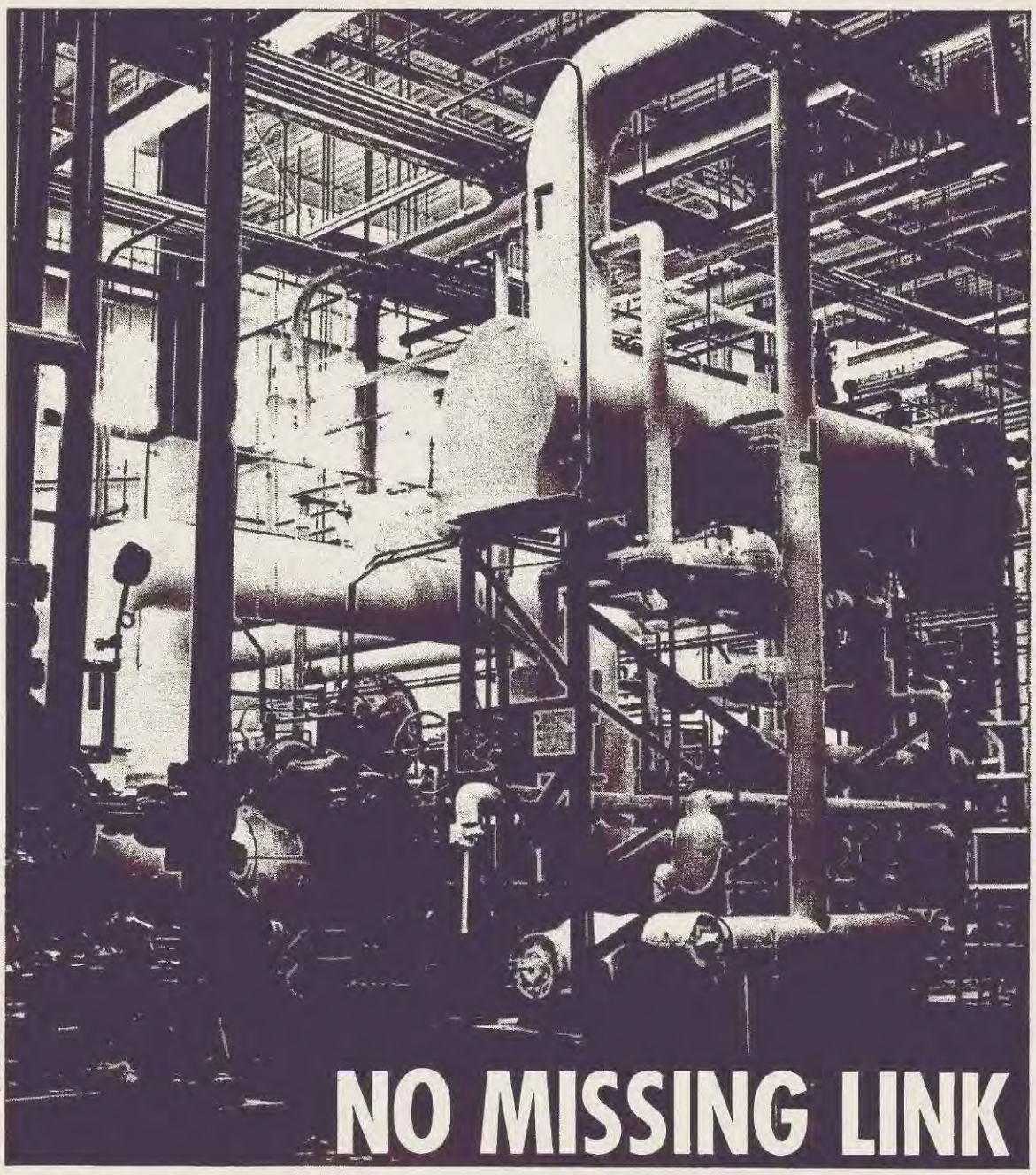
ITT's fund . . .

Continued from page 28

"Extreme ups and down in the Dow Industrials average have traditionally signified the end of a bear market," he said, glancing at the screen of initials and numbers. He smiled, saying, "But, you know, past history isn't really very effective in predicting who is the good or the right money managers in the future. Who's to say that the next bull market will be like the last one? The market factors are always changing. Those who did well in the last bull market won't necessarily be the money managers who will be right in the next one."

Mr. Hayes sees two major trends in pension fund investments in the '70s—more bonds in pension fund portfolios and much more selectivity in common stocks. "I think that bonds will be relied upon to provide the income to meet obligations. Stocks will be looked to more to provide a hedge against inflation," he said.

Abruptly he turned back to his viewer that told us the market had just jumped up two points. Shaking his head, Mr. Hayes suggested that he wouldn't be an aggressive trend-player in this market. "A very dangerous, a treacherous market for the short-term trader—but it's a good market for the long term investor. There are some real bargains to be had." He ponted out that he bought or sold on the basis of the stock rather than trying to play the trends of the market. ■



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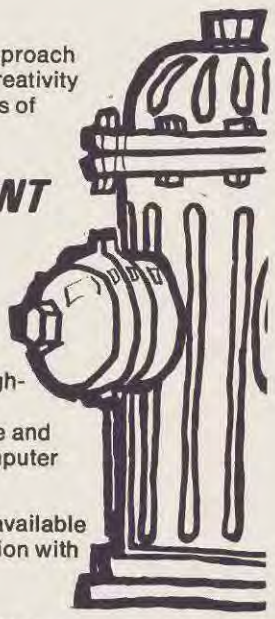
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Hartford Fire Co. stockholders give merger blessing, but Nader persists

By ALLEN M. WIDEM

HARTFORD—Hartford Fire Insurance Co. stockholders have given their blessing to the ITT (International Telephone and Telegraph Corp.) merger. ITT has announced that its offer to acquire Hartford Fire stock had been overwhelmingly accepted.

The merger was effective June 18 and ITT said that more than 95% of Hartford Fire's some 18,000 stockholders had tendered their 22 million shares to take advantage of the attractive stock exchange offer.

Securities industry spokesmen in Hartford said that the ITT offer's success had exceeded the fondest expectations. It had been considered a remote possibility that the figure would pass the 90% bracket—the amount regarded as "minimal" for the merger to be acceptable.

HOWEVER, one major crisis remains: The U.S. Justice Department has an antitrust suit seeking to break up the long-sought merger. The department attempted to hold the merger off last fall, pending a hearing, but the U.S. district court at New Haven turned down the petition.

How serious is the antitrust action?

There are observers on the Hartford insurance scene who rationalize that the merger, certainly typical of modern-day conglomerate takeovers, cannot fail, since the Justice Department doesn't seem to have many sound ingredients of a valid antitrust case.

Existing antitrust laws do not provide for blocking of conglomerate expansion, if one looks at recent court opinions.

ITT and Hartford Fire still must take care of a motion that would find the two corporations in contempt of court. The action was filed by Hartford attorney Dwight Owen Schweitzer for consumer protectionist Ralph Nader, who contends the merger amounts to damaging the public interest.

This is tied to alleged uncertainties over the still-to-be tested Connecticut Public Act 444—passed by the 1969 legislative session—to guard against so-called unfavorable takeover of Connecticut-based insurance companies by interests not in the field.

Mr. Nader has already filed two appeals—under provisions of Public Act 444—in Hartford County superior court. One names himself and law associate Reuben Robertson as plaintiffs against defendant Insurance Commissioner William R. Cotter, who consented to let ITT make the offer.

The merger, says Mr. Nader, will stifle competition.

THIS PARTICULAR appeal faces probable oblivion. A counter suit, brought by attorney William Schatz on behalf of his wife and daughter, will see to that. Mr. Schatz holds (on behalf of his family, Hartford stockholders) that Mr. Nader and Mr. Robertson are not "aggrieved persons" as required under 444.

Mr. Robertson has written Harold S. Geneen, ITT board chairman, remarking that the latter's campaign through a stock exchange "provides a lucid example of your company's renowned disregard for corporate law and order."

The letter was made public here.

A May 23 decision by Mr. Cotter came under appeal and Connecticut law provides that no exchange offers can be made without Mr. Cotter's approval.

"Yet, ITT is openly proceeding with its quest for Hartford shares," Mr. Robertson continued.

Mr. Robertson urged publication of ITT attorneys' opinions in the situation, along with a list of all attorneys in Connecticut "employed or remunerated in any capacity" in connection with the continuing exchange offer. He said, too:

"THE PUBLIC and investors also have a right to know the facts and motives behind the numerous extraneous and questionable representations made by ITT during the offering.

"For example, we would appreciate full public disclosure and explanation of the covert meeting held (week of June 8) with certain selected Hartford investors and investment advisers . . ."

Named as participants in the meeting were representatives of the Dreyfus Fund, Massachusetts Investment Trust, Connecticut Bank & Trust Co., and Hartford National Bank.

Mr. Robertson added:

"At this meeting, ITT officials made confidential but distorted 'projections' about performances for many years in the future. Such predictions are most unusual and of questionable ethics."

In a second action, which follows the Schatz countersuit, Mr Nader, Mr. Robertson and their Hartford legal counsel, Dwight Owen Schweitzer and Bruce Mayor, have included as plaintiffs a stockholder for each of the two merging firms. The pitch here, local sources said, is to convince the court that the stockholders indeed meet the definition of "aggrieved persons."

Something else in the situation defies definition: One provision of 444 holds for a stay of execution in the event an appeal is brought against a merger decision. (Theoretically, ITT should have ceased all efforts tied to encouragement of the pending stock swapping.)

An ITT spokesman, however, noted that Connecticut legal counsel has assured the corporation it can continue to collect Hartford stock.

Meanwhile, Mr. Cotter has his eye on the August Democratic primary in Hartford for the coveted nomination for 1st Congressional District (Hartford County) Representative.

Mr. Cotter, 42, was appointed State Insurance Commissioner six years ago.

"I've had other industry offers," he told *Business Insurance,* "but I'd like a crack at the Congressional niche." ■

McDonnell Douglas ups study allowance

ST. LOUIS—The McDonnell Douglas Corp. has improved its educational reimbursement expense allowance program for employes and made the same program effective thoughout the corporation. Previously, two similar but separately administered programs were in effect for employes of different divisions of the company, which was created by the merger of McDonnell and Douglas in 1967.

The Employe College Study Plan, as it is now called, is presently providing reimbursement of 60% tuition while an undergraduate is studying, with an additional 15% reimbursed after study has been completed. Previous allowance was 50% and 10%, or a total of 60%. The total is now 75%.

Graduate students, on the other hand, are now allowed a 60% reimbursement while studying, and, after completion, are given the remaining 40%. Allowances for both undergraduate and graduate study are limited to tuition and required lab fees for a maximum of two classroom courses and one lab course per semester or quarter. However, there is no limit to the number of credit hours included within each of the courses. In addition, the company also reimburses students up to $10 per course for textbook materials.

ACCORDING TO Theodore Allison, a McDonnell Douglas Corp. training executive, about 3,300 company employes are taking advantage of the study reimbursement program this year. That figure fluctuates continually, however, he added.

"At the present time," Mr. Allison told *Business Insurance,* "we have about 900 people studying for master's degrees and about 250 working on their doctorates." The balance, or approximately 2,000 other employes, are working toward bachelor's degrees or are taking a variety of courses with no particular degree in mind.

According to the McDonnell Douglas executive, there are no restrictions on the study program for company employes. ■

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Insurers sue Scotland Yard for $600,000

LONDON—Insurers have lodged a $600,000 claim against Scotland Yard for failing to stop a major robbery at a British bank four months ago. It is rather like the FBI or state police being brought before a civil court after hijackers have got away with their loot.

The claim has been lodged by Security Express, a private protection company. Its employes were attacked as they delivered cash to Barclay's Bank in London's notorious East End district.

It was meant to be made up into pay packets for local factory workers. But raiders got there first, seized the money as it was being carried into the bank, and escaped with $600,000 in Britain's biggest-ever bank robbery.

The haul was less than the $5 million seized in the Great Train Robbery several years ago.

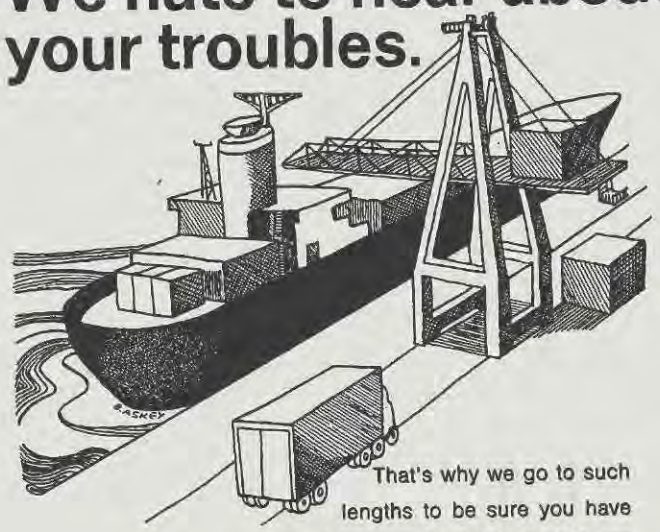
BUT THE security firm, after conferring with underwriters, decided to invoke an 80-year-old English riot law in a bid to get the police to pay for the lost money.

For the law says that police can be sued for damage caused by "preventable riot."

The security firm claims that the robbery, for which six men have now been arrested, was like a riot because it caused terror and alarm among bystanders. Now their point will be argued in court.

If the police, even though they had no tip-off that the robbery was going to happen, lose the case, the taxpayer will have to meet the bill through public funds. ■

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Auto racers lean heavily on safety and insurance

BRAINERD, Minn.—Racing safety at Donnybrooke International Speedway has become a full time job.

With so many possible dangers involved, all conceivable steps have to be taken to protect both driver and spectator, according to Jerry Johnson, operations manager for the track.

The Sports Car Club of America (SCCA), and other racing associations are attempting to establish stricter safety standards in the wake of rising insurance rates. Mr. Johnson noted the tripling of rates felt in the past year by race track operators.

All SCCA events held at Donnybrooke must be covered under the SCCA's master insurance policy written through Lloyd's of London. Lester Seasongood of St. Louis provides the coverage, which has a minimum $1 million liability limit. Track operators must cover each race individually and rates are based on the number of entrants in a race, which for a national event could range between 150 and 200.

DRAG RACES are also insured under a master policy through the National Hot Rod Assn. Providing the coverage are the Equity Insurance Co. of California and the Agriculture Insurance Co.

The SCCA policy, according to Mr. Johnson, is all inclusive; it's like an auto policy covering everything from medical to liability protection. Drivers sign a release of liability to spectators because they are completely covered under the master plan.

In its two years of existence, Donnybrooke has had only one minor claim under the SCCA master coverage. "We have taken just about every safety measure to protect spectators and drivers. Besides we have a well-defined safety rescue program so that every man knows what to do, without a second's delay, in case of an emergency. When need arises, it is unexpected and immediate and our people have to respond immediately," Mr. Johnson emphasized.

Donnybrooke, considered by drivers the fastest and best designed track in the nation, maintains a fleet of three fire rigs, wreckers and three ambulances plus the crews to man the vehicles. The track hires professional firemen and rescue workers; all other help during a race is on a volunteer basis.

WHEN AN EMERGENCY occurs on the track, a series of color coded flags tell the drivers what to expect. Good communications is vital in letting drivers know what to expect up ahead so they can adjust the speed and position of their cars with the needs of rescue workers. A coded flag also tells them when the track is clear.

The driver himself is the key to the safe completion of a race. It is his perfect timing, judgment and skill that keeps a race progressing unblemished. According to Mr. Johnson, the SCCA requires that drivers pass two schools and upon completion of the second, they can enter regional competition. Here national drivers help them to polish their skills and become ready for the big races.



With cars racing around the Donnybrooke track at 180 mph, everyone—from spectator to driver—wants to be assured that all possible precautions have been taken before the first cars ever leave the starting gate. At Donnybrooke, to keep the cars in the turns all curves have bumpers. The spectator section is separated from the track by guard rails, fences and earthen barriers.

The basic safety protection for a driver and his car is set forth in the SCCA official handbook and must be followed strictly. Prior to each race a complete safety inspection is made of all cars entering a race. The race class defines the type of car entered and the specifics of its mechanical makeup, but the basic safety regulations remain the same. Standard safety equipment includes seat belts, padded seats, roll bars and a safety fuel cell.

The seat belts and shoulder harness are designed so that a driver is held firmly in place yet has enough room to handle his car efficiently. An emergency button on the seat belt allows instant release.

ACCORDING TO Mr. Johnson, "a driver's greatest fear is not being able to get out of a burning car."

The roll bars form a protective cage around the driver so that his position won't change in case the car rolls out of control.

A new safety feature just introduced and not yet mandatory is an on-board fire system that releases freon gas to extinguish a fire with the push of a button.

The driver himself is protected from head to toe by specially designed equipment. His crash helmet with an opening for the eyes is made so that the entire face is protected. Goggles are worn over the eye opening for eye protection. His racing suit is made of an aluminum-type material and worn under it is a garment similar to long underwear, made of a fire-resistant material. A fire-proof bootie is worn over the top of the driver's shoe's.

ALL PERSONAL equipment must be provided by the driver and must be worn during all races. Failure to do so could mean suspension from a race.

Spectator protection is of equal importance at Donnybrooke, according to Mr. Johnson. The race track is designed with ten curves and a straight-away and because spectators are allowed to wander along the track, they must be separated from the entire area. By using chainlink fencing and guard rails, this spectator area is separated from the track by a 100 yards at the straight-away and 300 yards at the corners. Earthen barriers provide extra protection between the fence or guard rails and the track so that a car spinning out of control would be stopped by the earthen barriers before it could ever reach the fencing.

Although a security force is used to make sure the crowds don't get out of hand, this is of little trouble at professional races, Mr. Johnson contended.

At each corner are five to ten workers who keep the center station informed of conditions at their areas. This, again, is part of of the effective communications maintained between track and drivers. One thing drivers must be alerted to immediately is oil spill on the track so that a crew can get on the track and dry up the spill.

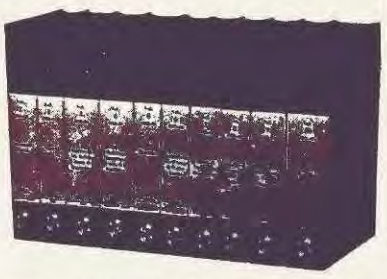
THE THREE-MILE race track was designed by a former racer making it what "we think an ideal race course should be," Mr. Johnson said. The back portions are 30' wide and the straight-away is 60' with 10' paved aprons on either side of the track.

Constant care of the track is handled by a maintainence crew. Many drivers will walk a track before a race to get the feel of the track and to check for any unsafe conditions such as debris on the road or bad surface.

This concern for safety, said Mr. Johnson, must go on continuously because once a race begins it's too late to begin wondering whether something had been done.

"A driver wants to be sure of his car and equipment; the spectator wants to be assured of watching a race without fear of injury," Mr. Johnson said. "And the track operators want to know that a race will be run with the utmost concern for safety." ■

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Lloyd's working to cut premium-receipt delay

LONDON—Efforts to shorten the delay in the receipt of premiums by underwriters are now taking shape within Lloyd's business administration. This was revealed in the mid-year administrative report presented by its executive committee of 16 leading insurance representatives.

They report that first steps have been taken by obtaining agreement from the various Lloyd's market associations to introduce a standard slip, and to separate accounting processes from policy signing procedures.

Lloyd's chairman Henry S. Mance told members of Lloyd's, "Terms of trade for this purpose are now being agreed on by the committees of the associations, and with the agreement of the brokers' association a form of surcharge is to be introduced for late payment of premiums.

"UNDOUBTEDLY there is still quite a way to go before the rate and conditions structure in all markets regains the proper level in relation to the inflationary world in which we live."

Value of Lloyd's American Trust Fund was hiked by nearly $200 million last year to $795 million, representing an increase of 32% over 1968, the report shows. At the end of last year its letters of credit outstanding totalled $114 million, compared with $86 million for 1968.

LLOYD'S underwriters are also benefiting from a new taxation agreement with American authorities under which they will get more than $5 million by back-dated refunds on excise tax.

World underwriting results are not given in the report, as they are the subject of a special survey presented towards the end of the year. But the mid-year report shows that in the international field the establishment in Australia of a Lloyd's underwriting acceptance facility is being explored, and talks have begun in Sweden in the hope of changing its insurance laws so that Lloyd's underwriters can become approved insurers there. ■

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