

business insurance

for buyers of employe, property and liability protection

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July 7, 1969

Pay dividend on hospital malpractice

MINNEAPOLIS—The Minnesota Hospital Assn. has been paid a 40% dividend on its malpractice coverage and 10% on the workmen's compensation cover it offers members.

The dividend will be prorated among participating members. The amount of the return is about \$100,000.

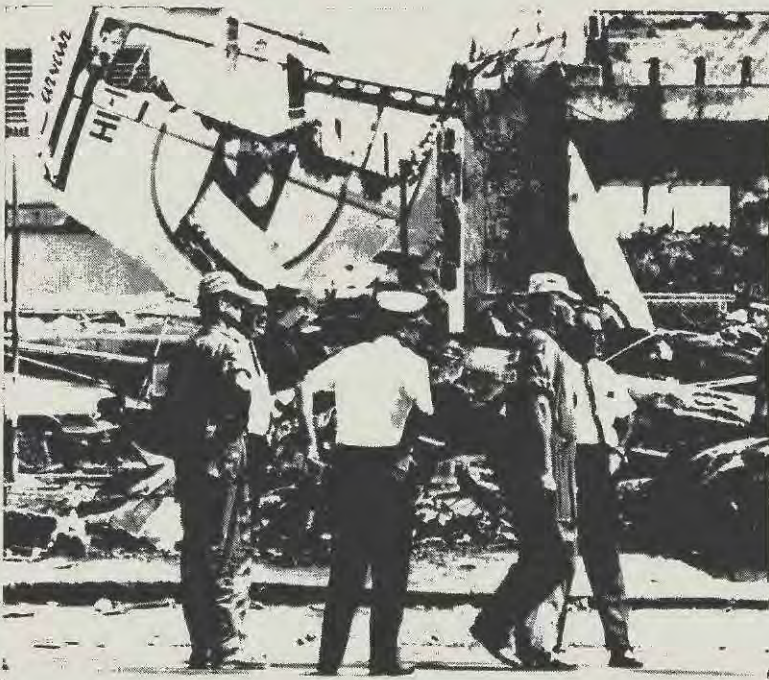
Steven Rogness, executive director of the association, said that locally produced 16mm color films on fire hazards and back injuries and an intensive effort by a safety committee helped improve performance in the last year.

He also paid tribute to the insurer, Argonaut Insurance Co., Menlo Park, Cal. for a safety newsletter it prepared for members as well as the insurer's safety engineering service for members.

Argonaut writes about 13 other state hospital associations. It has also paid rebates to Nebraska (10%) and Michigan (15%) hospital associations as well for their workmen's compensation and malpractice coverage packages.

A spokesman for the insurer said that the rebates are being earned at a time when rates, especially for malpractice cover, are rising nationwide.

The Minnesota group has been with Argonaut since 1959, and although it has won rebates in several other years, the 1969 dividend was by far the largest, Mr. Rogness said.



Federal probers inspect the wreckage of a Dominicana Air Lines cargo plane that crashed while trying to make an emergency landing at Miami, Fla. Ten persons were killed and seventeen others were injured in the accident. —Wide World photo

Lloyd's provides cover of \$12 million for crash

MIAMI—Within a few hours after a DC-4 cargo plane owned by Dominicana Air Lines crashed on the afternoon of June 23 on a busy Miami street agents from Lloyd's of London were winging their way south to the disaster scene.

The holocaust resulted in the loss of ten lives, injuries to more than a dozen persons and property damage that included several

demolished buildings and vehicles.

From an airline spokesman it was learned that the government-owned firm was covered by liability insurance written by Lloyd's in the amount of \$12 million.

The four crew members, Dominican nationals, who perished in the crash, were covered by a separate policy, and it is believed

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Claims on Mill Factors losses mark first test of D&O policy coverage

NEW YORK—Claims against a directors and officers liability policy covering executives of the financially troubled Mill Factors Corp. reportedly total some \$5 million—the policy limit. Coverage was written in the London market.

What's more, creditors and others who did business with Mill Factors are also expected to file claims under their own d&o policies.

Frederick A. Palm, vp of Stewart, Smith & Co., disclosed to a meeting of the financial executives institute in Buffalo this month that his firm carries d&o on several of the largest creditors of Mill.

INSURERS WHICH have loaned money to Mill include New York Life (\$8.4 million), Aetna Life & Casualty (\$2.8 million), Travelers (\$2.5 million), Connecticut General (\$1.25 million), Lincoln National Life (\$800,000) and Hartford Life (\$500,000). Lincoln also holds \$1.125 million worth of Mill preferred stock.

Insurance experts see the claims against the 58-year-old finance company as building perhaps "the first clear-cut" case in which a d&o policy will pay off.

Up until now, claims against executives of other corporations have been ruled out because of such exclusions in the d&o policy as dishonesty; self-dealing or unjust enrichment; or short-swing profit taking.

But none of these exclusions appears to apply in the Mill Factors case. The \$120-million company several months ago uncovered major unsuspected losses in its loan portfolio sustained from companies which proved to be in poor financial condition.

ABOUT \$36 MILLION of the loans are estimated to be currently worth only about 25 cents on the dollar, and Mill Factors' attorneys have conceded that the company is insolvent.

But what makes the d&o claims against the financial concern look as if they may be the first to stick in the history of this type of insurance is that its financial woes were apparently caused by mismanagement—and not by dishonesty or any other factors which would rule out coverage under the d&o policy.

Mill Factors for many years operated successfully as a factoring organization, but in order to expand operations the firm decided to get into commercial loans on the security of receivables, inventory, plant and equipment. These were heavy concentrations of loans to a few large companies.

MILL FACTORS was run under the policy of delegating broad responsibility and authority throughout management. But reportedly neither senior management—nor the board of directors—was kept up to date on developments in its commercial loan operations.

Mr. Palm, in his speech to the Buffalo financial men, said that "apparently management chose not to keep the board well informed, and if a director did try to learn what was going on, it would have required a large amount of work on his part. Such an effort would probably have made him persona non grata with management."

Carrier advises: Get waivers from patients on 'the Pill'

LOS ANGELES—Doctors prescribing birth control pills have been advised by an insurance carrier here to get patients to sign statements acknowledging "awareness of the serious risks involved."

The Nettleship Co., the nation's second largest malpractice insurer, advised this procedure in a "claims prevention letter" sent to its 18,000 physician-clients by John C. Allen, company president.

The letter told doctors of "the increasing awareness of potential complications from contraceptive pills" and said that the firm is "already handling lawsuits dealing with some of those complications."

A form to be signed by the patient was enclosed with the letter. It reads: "The prescription for contraceptive drugs on this date and for every refill thereafter is at my request. In making this request, I am aware that such drugs can cause serious reactions and complications, both known and unknown."

Find Bolton's wife is stockholder in bank that holds claimants' funds

CHICAGO—The wife of former Illinois Insurance Director John F. Bolton Jr. and two of Mr. Bolton's key department aides were original stockholders in the Civic Center Bank, a 3-year-old institution that Mr. Bolton chose as a depository for \$526,000 in claimants' funds.

Mr. Bolton acknowledged to a Business Insurance reporter that his wife purchased 250 shares of stock in the bank at the time of its organization on Jan. 21, 1966. The reporter had found a stockholder listing for "Patricia M. Bolton, 9019 S. Bell Ave., Chicago" in a microfilmed document filed in the Cook County recorder's office in Feb., 1966.

Also listed as original stockholders with 100 shares apiece were Irving Drobny, who served as assistant insurance director under Mr. Bolton, and William J. Dorf, a former special assistant director in charge of the bureau of liquidation, which handles the funds of insolvent companies until

they are distributed to claimants on a pro rata basis.

Discovery of the ownership of the bank stock by Mr. Bolton's wife and his former aides is a new development in a story that appeared in Business Insurance on May 26. After an investigation by this publication, incumbent Illinois Insurance Director James Baylor announced that his department would transfer to larger banks the deposits Mr. Bolton placed in Civic Center Bank and Marina City Bank, which Business Insurance described as "small 'political' banks." Civic Center Bank, with assets of \$22.1 million at the end of 1968, was capitalized at \$1,000,000 in 1966.

IN THE MAY 26 article, attention focused on politicians on Civic Center Bank's board of directors who have been closely identified with Mr. Bolton and his political sponsors. Mr. Bolton replied in a letter published in Business Insurance on June 23 that "none of the directors of Civic Center Bank

and Trust Co. ever solicited funds for that bank."

Mr. Bolton's letter made no mention of his wife's stock.

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Late news

AAA sets up life insurer

WASHINGTON—The American Automobile Assn. is in the process of setting up AAA Life Insurance Co. to offer accident insurance coverage to members, Business Insurance has learned.

Disney World selects carriers

ORLANDO, Fla.—Walt Disney Productions has awarded insurance contracts for its new \$600 million Walt Disney World project here to CNA Insurance for liability and workmen's compensation and to Factory Mutuals for builder's risk, Business Insurance was told, although parties involved declined comment.

ITT offers security savings

NEW YORK—International Telephone & Telegraph Co. is initiating a payroll deduction "security savings program" for employes of its various divisions and subsidiaries.

Court rules city of Newark liable for damages from 1967 rioting

NEWARK—Newark is liable for damages incurred in the 1967 rioting here.

The decision came from Superior Court Judge Samuel A. Lerner, who ruled that an 1864 statute covering riots is applicable in the 1967 riots. It provides that a municipality with a paid police force is responsible for damages that occur within its borders in the event of a riot.

The judge defined a riot as "simply a tumultuous disturbance of the peace by a group of three or more persons, having a common purpose, in concert to accomplish their purpose through forceful violence."

Judge Lerner's ruling rejected Newark's claim that the outbreaks

were part of an insurrection and thus were not covered by state law.

Philip E. Gordon, Newark corporation counsel, said that "the city will definitely appeal."

Another New Jersey decision found the City of Plainfield liable for rioting that occurred July 15 through July 17 of 1967. But in that decision the city was exonerated for disturbances on five other days in July.

THE CITY of Newark had argued that any claimant must show "a specific, identifiable group of rioters with a common objective, directed against a specific company."

But Judge Lerner's ruling held

that it was immaterial whether the riots had a common purpose. He said that a riot had occurred "within a reasonable meaning and intent of the applicable legislation, and that these riots caused untold damage to real and personal property, fires, physical destruction and looting."

The recent decision augmented a December ruling that asserted the city was liable for a riot but did not actually qualify the July, 1967, disturbance as a riot.

Claimants now need only to prove that damages were directly resulting from the July rioting and that whatever precautionary measures available were taken.

At present there are about 450 suits totaling \$7 million pend-

ing against Newark. Many are merged complaints by insurance companies that have had to pay out claims for riot damages.

In the Plainfield case only three of the eight days of disturbances were characterized as riots. Plainfield was held liable for claims arising out of disturbances July 15-17, but Superior Court Judge Milton Feller declared the city, on five other days in July, had duly informed the citizens, adequately armed the police force and attempted to suppress looting, thereby fulfilling its responsibility. ■

London office opens

Towers, Perrin, Forster & Crosby, international management consultants, have appointed Brian A. Herbinson managing director of their new London office. He joined the firm in 1962. The firm specializes in total compensation planning.

RR gets \$160,000 for trucker's negligence

ABILENE, Texas—The Texas Pacific Railroad was awarded a \$160,000 out-of-court settlement for damages in a truck-train collision 18 months ago.

Texas Pacific claimed Pride Refining Co., owner of the truck, was negligent in allowing the driver to remain on duty after driving for an excessive length of time.

The driver, E. W. Middleton, was killed in the crash.

IH appoints Casey to risk post

CHICAGO—International Harvester Co. has appointed Richard L. Casey manager of its corporate insurance department. Mr. Casey had been assistant manager since 1968 and is succeeded by F. R. Milner.

International Harvester has 20 manufacturing operations within the U. S. and 26 sites in foreign countries such as Canada, Argentina, Australia, France, Germany, Great Britain, the Philippines, Mexico and South Africa. They are participants in joint ventures in El Salvador, India, Japan, Tunisia, Turkey and Venezuela.

Mr. Casey told *Business Insurance* that the company is just becoming involved in an international insurance program and is in a stage of re-evaluation. At this time, plans in foreign countries are still handled locally. International Harvester employs 75,530 people in the U. S. and 30,660 outside.

Mr. Casey, a member of the Machinery and Allied Products Institute, joined the company in 1959 after graduation from the University of Notre Dame. ■

FAIR plan drafted

An interim governing committee of 10 insurance company representatives and four producers has drafted a FAIR plan for New Mexico. The plan has been submitted to the insurance commissioner and will become effective on his approval. It will be mandatory and have separate pools for commercial and habitational risks. The Governing Committee will consist of seven company representatives and two producers. The producer members will have no vote. One will be named by the State Agents Assn. and the other by the insurance commissioner.

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Household movers duck ICC and insurer crossfire

By EDWIN BLACK

NEW YORK—Household movers, already under attack from the Interstate Commerce Commission, are now getting fidgety about increased pressures from insurance companies.

"If they keep pushing us," one moving company spokesman exclaimed, "all the small movers will affiliate, and insure ourselves collectively."

On the other hand, an insurance company representative complained, "I'll tell you, insuring household movers is already a prohibitive field for us, and either they comply with our demands, or the premiums will rise sky-high."

THE PROBLEMS between the household moving industry and the insurance community aren't recent. They have been slowly simmering amid a flurry of public protest against the movers that involve charges of outrageous delays, hidden costs and inadequate claims settlement.

Insurance people look upon household movers as among the most unprofitable areas of coverage they can extend. About \$25,000 per truck per move is the average protection an insurer will provide, but some movers have acquired policies in the \$50,000 neighborhood. Trucking terminals usually maintain in excess of \$500,000 coverage.

Regarding liability on goods damaged in transit, the insurance companies report that despite the low minimum liability of 60¢ per pound per item set by the ICC, they cover movers for the full value of the cargo. But the movers charge the shipper extra for assuming any liability in excess of the ICC minimum.

(The ICC warns that its established minimum is hardly sufficient to cover the repair or replacement of most items, and recommends extra protection for most goods.)

The ICC, in a proposed revision of the brochure it requires movers to furnish shippers, sought to cut through the legal mumbo jumbo of present explanatory material.

THE COMMISSION states in the proposed brochure that the shipper has two choices regarding liability of the mover. Under the first choice he is given protection up to 60¢ per pound per article at no extra cost.

But ICC warns that "unless you are being reimbursed for losses by an employer or other party, or your goods are of very nominal value, this will not provide full protection."

To ship at "this low liability," the customer must write the words "sixty cents per pound per article" on the bill of lading and sign it.

The second choice gives shippers the chance to get "full value" for lost or damaged items at a cost of \$5 for \$1,000 of valuation.

If the shipper doesn't declare a value or sign the bill of lading, the mover's maximum liability is automatically set at \$1.25 times the weight of the shipment—which ICC says is the average cost of household goods.

THE SHIPPER may also write in a specific lump sum valuation of not less than \$1.25 per pound, for which he also pays \$5 per \$1,000 of valuation.

The brochure also states that under ICC regulations "movers are prohibited from selling you insurance. The matters discussed above are not insurance; they affect the liability of the mover for loss or damage to your goods."

"Frankly, I don't think anyone wants to insure movers," commented an executive of a New

York-based insurance company. "Every time they make a customer, we're in line to lose one. These people leave their homes and we lose the fire and theft policies on them. We can only hope that they renew with us in their new home—which is often not the case."

Said a source at another major insurance company: "Unless these movers learn to accept their responsibilities and demonstrate to us that the cargoes they ship are safe, premiums will go up, coverage will be reduced, restrictions broadened. We will not stand for truckloads of goods left unattended while the drivers go out for a snack, or vehicles improperly secured, so as to encourage theft."

"WE DEMAND that all household movers maintain alarm sys-

tems, carry two men in a cab, employ the 'caravan' or 'buddy' system of one truck following another on long hauls and train their employees to handle cargoes carefully.

"It's a one way street. Without insurance certification, the ICC won't allow them to operate. With the already great risk of over-turns, collision, fire, and hijacking, we're not going to increase risk by tolerating careless or unsafe handling of cargoes. Premium rates will definitely go up, and since this is an area of no Federal control, there's no telling how high."

Shipper complaints in the area of cargo mishandling and other wrongs have finally aroused the attention of the ICC, which last month issued proposed new regu-

lations for movers covering the areas of weighing practices, shipping delays, underestimating costs and claims and liability. The study of claims was prompted by a flood of complaints charging the movers with misrepresenting liability and not making good on claims after property was damaged or destroyed.

(THE ICC CRACKED down on household movers in 1967, insisting "reasonable dispatch" be a guideline for delivery efforts. An ICC spokesman said the current proposals will not only seek to define "reasonable dispatch," but end the practice of "underestimating a job to get the customer, and then jacking up the price, holding the furnishings as collateral, and using such language so

as to confuse the shipper concerning his rights and the extent of liability the mover will accept in the event of damage.")

However, some movers claim that they are victims of an exaggerating press, a "meddling" insurance industry and a number of "oddballs."

"Do you know how many people the industry moves a year?" asked one moving company president in defense. "Forty million. Yeah, I know, the ICC says six million. But they only know about the interstate moves. What about all the moves we make locally? Now you tell me there were over 6,000 complaints last year. Even if you accept the ICC figure, it's only 1%, and I consider that a damn low figure for any industry."


Continued on page 28


An honest day's pay isn't always "enough" for some employees.



Unfortunate, but true.

Employee dishonesty and embezzlement are situations that sooner or later most companies have to face—no matter how well they try to satisfy the financial needs of their employees—no matter how well they automate their accounting facilities—no matter how well they establish their internal controls.

Eliminating completely the possibility of losses derived through the dishonest acts of employees is an impossibility. But preventing the necessity of company absorption of those losses isn't. Especially since  offers the Fidelity Bond Capabilities to do just that.

Your local independent  agent or the broker of your choice can tell you exactly how it's done.

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washington watch

Intense insurance needs create threat of government intervention

WASHINGTON—It is a fact of life in the U.S. free enterprise system that if an industry fails to keep up with the need of its market, there will be another enterprise. It is further a fact that once that "other enterprise" enters the market, it seldom settles for anything less than eventually becoming a serious, large-scale competitor.

Examples abound of industries that have sacrificed booming segments of their markets to other

enterprises because they failed to recognize and meet the changing needs of these markets. And, it is sad, but nevertheless true, that the insurance industry is rapidly joining this list of industries.

The steel industry, despite its vast technological lead in the building materials field, let others with far less experience develop the role of aluminum and plastics in the building trade and carve right into the steel market.

The railroads, despite their

long experience in running a national transportation empire, fell in love with their own words that "the railroad is king" and let others develop the now-booming air transport system.

The motion picture producers, once kings in the entertainment field, refused to recognize television as a logical extension of their trade until others had gained a strong foothold in the field.

The list is almost endless. But, it is a healthy list because it

proves how efficiently the American system works in forcing the business community to meet the changing needs and demands of the public.

In the case of the insurance industry, however, the trend is not so healthy for the free enterprise system, because it is the Federal government that is moving in to fill the needs that our nation's insurance industry finds itself not able to fill.

THE GOVERNMENT already writes massive amounts of insurance in areas that the private sector failed, for one reason or another, to develop. To name just a few of our many Federally sponsored insurance programs, we have Social Security, Medicare, Federal Crop Insurance, the Federal Deposit Insurance Corp., and Longshoremen's workmen's compensation.

The Federal government's role

as a competitor with the private sector in the field of insurance is certain to grow and sooner or later extend into lines that the industry has for decades thought were their exclusive property. The reason for this is that the government is inherently responsive to the needs of the public while the insurance industry is reluctant to enter any but the most plush markets.

Our cities' core areas are likely to be the next major insurance market that the Federal government will develop right out from under the private sector.

These areas are virtually without insurance and the insurance industry has ducked rather than tried to develop any kind of program to help fill this need.

A BEGINNING to a totally Federal approach to answering this need has already been offered by Rep. Frank Annunzio (D., Ill.) in the form of a bill that provides for the direct writing of crime insurance to small businesses by the Small Business Administration.

Under the bill the SBA would establish a schedule of insurance premiums based on the needs of the small businessman and the type of risk to be covered. To be eligible for the insurance coverage, a business owner would have to qualify as a small business under the size standards set by the SBA, and, as in the case of the SBA loan program, the small businessman would have to show that he is unable to obtain insurance at reasonable rates and terms.

THE FUNDS for the insurance pool would be obtained with a \$50 million loan from the Treasury Department. In the beginning, the coverage would be limited to losses due to criminal acts. This, according to Rep. Annunzio, would give the insurance industry the opportunity to write other forms of insurance for small businesses and, "hopefully, correct some of their premium inequalities."

However, he added, "I want to make it clear that if the insurance industry does not exercise its responsibility in this area, then I will offer an amendment to the legislation to provide for the direct writing of all small business insurance."

AND HE SAID, "I would add that, based on past experience, I am not optimistic that the insurance industry will cooperate."

Whether the Annunzio bill has a chance of gaining passage in the next few years depends entirely on the insurance industry's reaction—or lack of reaction—to it, a source close to the situation told Washington Watch.

Probably the most decisive factor in the bill's future is the current FAIR plan program, enacted last year as a joint government-industry venture to provide some of the insurance needs of the get-to-businessman and to set the groundwork for eventually providing all of these needs.

The FAIR plan program is currently in deep trouble as far as ever becoming a viable, national program for solving the insurance problems of our cities' core area is concerned. The insurance industry is being held responsible for the program's failing, a government service explained, and if investigation bears this charge out, an all-government insurance approach could easily gain a great deal of headway with Capitol Hill legislators and the industry could find itself facing the Federal government as an unwelcome competitor in yet another area of the insurance business.



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Touchy Question #36

How come more and more men are refusing to be directors of big corporations?

Simple.

Their titles are becoming targets.

Today a man who accepts company responsibility is fair game for any stockholder who doesn't like what's going on. And stockholders are suing company officers for anything and everything. The general areas in which most claims fall are:

Wrongful use of his position, by the director or officer, for special advantage or private gain to himself or others.

Failure to use "good business judgment."

Failure to discover and prevent misconduct by another or others.

Violation of Federal Securities Laws.

Mere failure to attend a director's meeting has been ruled admissible in evidence to show "failure to discover and prevent" an unwise act

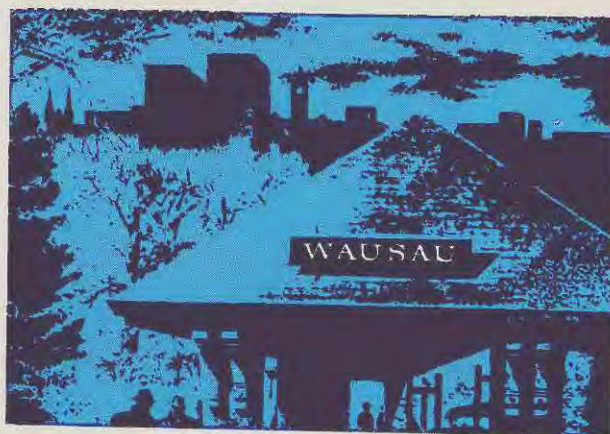
by the rest of the board. So heaven help you if you had the flu that meeting.

Now, what kind of leadership can be expected from men who have to be ducking dangerous suits? You can't look ahead and over your shoulder at the same time.

So Employers offers Director's and Officer's Liability Insurance. Not so much as a rear guard protection against hostile shareholders, but more affirmatively, to free your prize officers to do the jobs you've groomed them so long to do.

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**We think insurance
ought to work
for a living.**

IGA, Marsh Mac revive property, liability plan

By THOMAS LUTZ

CHICAGO—The Independent Grocers' Alliance idea of a nation-wide property and liability insurance program, once all but dead, is on the road to recovery with some careful doctoring from the nation's largest brokerage firm.

"We hope eventually to put together another program," Roger M. Simpson Jr., IGA insurance administrator and legal counsel, told *Business Insurance*. Working with Marsh & McLennan, the IGA has started a far-reaching loss control program that will pave the way for that eventuality.

With some 80 franchise warehouses in the U.S. and about 3,700 food stores franchised by the warehouses, the program could be a substantial adventure.



Roger Simpson Jr.

The IGA already acts as a purchasing agent for franchise members' merchandise, in addition to offering advertising advice and

assistance. It also provides an association group hospitalization plan (underwritten by Federated Mutual Insurance Co.) and a life insurance program (with Minnesota Mutual Life Insurance Co. as the carrier).

A logical extension of IGA service therefore would be the development of a property and liability insurance program. But first attempts at creating such an arrangement came to dismal conclusions.

"The unfortunate fact is many supermarkets are bad risks," Mr. Simpson said. The IGA's first nation-wide property and liability insurance scheme, underwritten by Great Central Insurance Co. of Peoria, Ill., and encompassing about 500 stores, went under after heavy losses. Its second program,

with the Employers' Fire Insurance Co. of Boston as the carrier, came to an end after only a couple of major fire losses.

Last year, according to the IGA, food store fires occurred at the alarming rate of more than 100 a week, with the average loss per fire almost \$5,000. The annual loss from food store fires totals about \$28 million.

NOW, with almost all property and liability coverage handled by local agents and many stores virtually unable to get coverage, the IGA has undertaken a new approach to lessen the insurance headaches of its members.

"About a year-and-a-half ago," Mr. Simpson said, "some Marsh & McLennan representatives came in here and wanted to sell us

insurance." The Marsh Mac reps soon discovered that not all was right with supermarket insurance prospects.

"Instead of trying to sell basically worthless insurance or some piecemeal proposition, they came up with the idea of attacking the cause of our problems," Mr. Simpson said.

It was Marsh Mac's idea to change the mental attitudes of the store owners, rather than demanding that they institute physical changes in their buildings that would make them more desirable risks. Because the IGA insurance administrator had already been working with a loss control engineering firm (Schirmer Engineering, of Chicago) about the physical hazards of supermarkets—with limited success—the Marsh Mac approach seemed a good idea.

"FIRE protection standards and equipment are part, but not all, of the answer. Education of management and employees is the missing part," Mr. Simpson said.

The new IGA-Marsh Mac loss control program is, in Mr. Simpson's words, "aimed at making IGA retailers more aware of hazardous conditions in the store that can result in fires, accidents or crime."

The program consists of a 71-question survey checklist that is used by warehouse supervisors who call on retailers to grade a retail outlet. Questions 1 through 43 deal with fire hazards, 44 through 56 with customer safety or liability and 57 to 71 with crime.

Marsh Mac printed the questionnaires without cost to the IGA, helped train warehouse supervisors and makes calls with the supervisors who conduct the surveys. According to Mr. Simpson, "Marsh Mac has to be given a great deal of credit for the program."

WITH REPORTS now in from three warehouse operations—one in Lexington, Ky., one in St. Louis, Mo., and another in Reading, Pa.—Mr. Simpson said, "What surprises me is that the retailers are now taking a real interest in loss control."

The Lexington warehouse operation, for example, started out with 58% affirmative responses to the 71 questions. As of the last report, that warehouse is now up to 78%—a 20% improvement in its franchise retail outlet risks.

Since the first testing of the program, the IGA has printed the questions in its association magazine. As the program expands and more warehouse operations become involved, the IGA hopes retailers will take their own surveys and initiate improvement before supervisors come in to grade them.

Sonic boom seminars scheduled

PALOS VERDES, Cal.—A series of three-day seminars on the effects of sonic boom have been scheduled by the J. H. Wiggins Co., hazard analysis and evaluation firm, here.

The seminars will be held on Aug. 11-13 in Los Angeles, Aug. 25-27 in New York City and Sept. 15-17 in Chicago.

The program has been designed for insurance personnel and others concerned with "developing an understanding of the sonic boom phenomenon in insurance terms."

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As a professional money manager when you call for action, you expect it fast. But often you ask for it even faster. And that's when we move our fastest.

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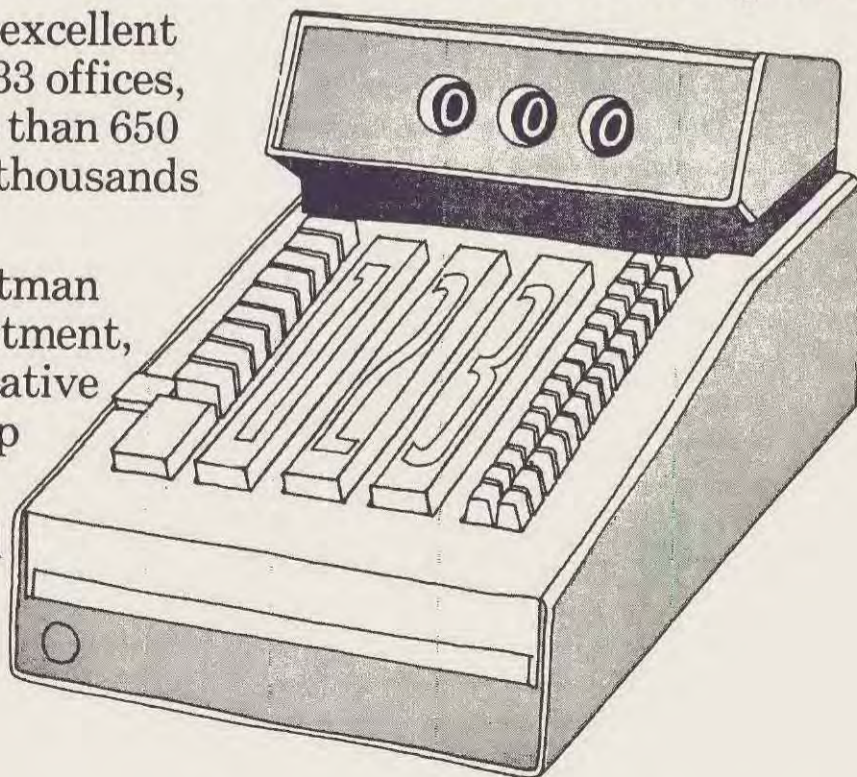
Second, Eastman Dillon has experienced block traders adept at bringing sellers and buyers together as quickly as anyone in the business. Fast.

Third, our block traders include three partners and three vice presidents who have authority to make instant decisions on buy and sell opportunities. And their orders are executed with dispatch.

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Eastman Dillon helps men with money invest intelligently.

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The Lexington Insurance Company in Boston, Massachusetts, declares its independence.

After July the Fourth of this year, Lexington will have its own new management, its own staff.

Lexington Insurance Company, an excess and surplus lines insurer, is

a member of American International Group, Inc.

Which means Lexington has a strong backing. All the support and experience of the American International Group.

Yet Lexington will be independent. It will have separate facilities. Separate underwriting management, separate staff, separate policy.

So Lexington now declares its independence. And wouldn't it be nice if you congratulated them? Send them an Independence Day card.

Lexington Insurance Company. A member of American International Group, Inc. 25 New Chardon Street, Boston, Massachusetts 02114.



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**Columbus may not have
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off the edge of the earth—
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sleepless nights.**

Anyone who has ever committed ships or cargoes to sea, whether monarch or merchant, has had plenty of reasons for being concerned and apprehensive.

Making a daily effort to provide the most complete Ocean Marine insurance protection—for hull, cargo, and liability—has been **keeping us up** for well over a century. **Up-on-top**, that is—as an experienced, dependable Ocean Marine market.

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info for buyers

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

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

• **Social Security and Employee Benefit Plans in Europe** answers questions related to insurance legislation, supervisory authorities, contracts and rules, and tax regulations encountered while establishing multi-national insurance plans. The item is published by the international division of Winterthur Group, associated with the insurance subsidiaries of CNA Financial Corp. For a copy, write Communications Dept., CNA Financial Corp., 310 S. Michigan Ave., Chicago, Ill. 60604.

• When a disaster hits a plant or factory, what is done in the precious few minutes before public assistance arrives makes the difference between life or death and serious loss or preservation of property. **Emergency Organizations for Industry and Commerce** tells how to organize, staff, equip, train and maintain in constant readiness an emergency organization capable of coping with the situation. Free copies of the booklet may be obtained from the Combined Property Dept., Kemper Insurance, 4750 N. Sheridan Rd., Chicago, Ill. 60640.

• **Information Management for Financial Industries** is a 10-panel brochure from Moll Associates that explains how information management techniques can help a firm use all its data to best advantage. All the techniques mentioned are geared toward making data relevant and useful in terms of realizing corporate goals. For a free copy contact Moll at 372 Main St., Watertown, Mass. 02172.

• **Contelco-Guard**, an alarm unit designed by Continental Telephone Supply Co. Inc., 17 W. 46th St., New York, N. Y. 10036, offers three-dimensional protection against fire and break-ins. An optional emergency dialer silently dials the proper authorities with pre-recorded emergency messages. For more information on the device contact the company.

• **Ten Ways to Increase Profits with Concord Video Tape Recorders** is a brief, illustrated brochure covering use of recorders in time-and-motion studies, employee orientation and surveillance systems. It is free by writing Concord Electronics Corp., 1935 Armacost Ave., Los Angeles, Cal. 90025.

• The National Foundation of Health, Welfare & Pension Plans, Inc. has published a collection of statements and opinions on **Trustees' New Responsibility in the Medicare Age**. The comments in the 113-page book are gleaned from seminars held by the foundation and do not necessarily represent the views of the foundation. Copies of the book are \$2.75 for members and \$3.75 for non-members. Write Lee R. Polacheck, president, P.O. Box 898, Elm Grove, Wis. 53122.

• A free 12-page booklet, **FLEXIGUARD—A Breakthrough in Group Ordinary Protection**, is offered by the Michigan Life Insurance Co. Flexi-Guard gives the employer the opportunity to purchase permanent life insurance at rates well below those of privately purchased policies and still enjoy equivalent cash and other permanent values. It also guarantees the employer his cost will never be more than is normally paid for group life insurance coverage. Write to Lawrence Z. Weston, Director of Sales, Michigan Life Insurance Co., Box 391, Royal Oak, Mich. 48068.

• **Property Protection since 1898** is an information kit describing the various services of Central Watch Service Inc. at 214 W. Ohio St., Chicago, Ill. 60610. Literature on surveillance and fire detection equipment is included, as well as facts about the protection, maintenance and investigation departments of the company.

• A new bulletin in the AMA management series, **EDP Risk Management and Insurance**, has been released. The 32-page study was compiled by Leonard J. Silver, CPCU and president of First Insurance Management Cos., and Richard C. Sleeper, CPCU and President of Insurance Buyers Council Inc. It is free to American Management Assn. members enrolled in the insurance division. Those enrolled in other divisions must pay \$2.00. Price to nonmembers is \$3.00. Write the AMA at 135 W. 50th St., New York, N.Y. 10020.

• Pyrotonics Inc. offers two books, **Pyr-A-Larm Fire & Smoke Protection for Air Conditioning and Ventilation Systems** and **Pyr-A-Larm Fire & Smoke Protection for Computers and EDPM Systems**. Illustrated with pictures and diagrams, the books also include listings of organizations presently using the plans. For copies, write Pyrotonics at 2343 Morris Ave., Union, N.J. 07083.

• Single copies of **Rain . . . Snow . . . Floods Hamper Firemen!** are free from S. G. Johnson, Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601. The four-page brochure discusses the fact that floods and fires go hand-in-hand and tells what to do before and during a flood. Precautions for flooded buildings and tips for safety through long-term planning and maintenance are highlighted.

• **Prestressed Concrete Resists Fire!** is a 10-page brochure describing the material's inherent resistance to fire damage and the insurance cost factors involved in its use. Building problems are also covered in the literature and a table illustrates insurance costs for four typical buildings which use prestressed concrete. Write the Prestressed Concrete Institute, 205 W. Wacker Dr., Chicago, Ill. 60606.

• Stewart, Smith has published an **S.E.C. Liability Insurance** brochure to help protect those concerned with the public offerings of securities. It explains the nature and requirements of the Federal Securities Acts of 1933 and 1934, the scope of liability insurance coverage and why it is needed. Supplies of the brochure can be obtained by insurance brokers and agents from any Stewart, Smith office in New York, Chicago, Los Angeles, Philadelphia, Boston or Miami.

The Handbook on Negotiated Multi-employer Pension Plans serves as a basic guide on plans negotiated between employers and trade unions. This 56-page booklet, published by the Institute of Life Insurance, includes legal requirements, plan design, cost analysis, financing, administration and a brief history of the development of such pension plans. For a free copy write Labor Ed., Institute of Life Insurance, 1701 K. St., N.W., Washington, D.C. 20006.

The Council of Profit Sharing Industries has released a 158-page, hard-bound book, **Successful Profit-sharing Plans, Theory and Practice**. Material is presented from the point of view of existing theory and management objectives, and a review of current practices and actual plans of the Council's 1,500 member companies are presented. The book is designed to be used by those concerned with management and operation of profit-sharing plans and for those considering installation of a profit-sharing plan. It sells for \$6.00. Write the Council at 29 W. Wacker Dr., Chicago, Ill. 60606.

A free booklet from Huggins & Co. Inc. incorporates January 1969 Revenue Rulings applicable to tax-qualified pension and profit-sharing plans in convenient form. Summary of **Rules for Integration of Qualified Plans with Social Security** may be obtained from the company at 1401 Walnut St., Philadelphia, Pa. 19102.

Riots—Potential and Preparedness is an illustrated paper released by the Kemper Insurance combined property department. It defines an emergency program as one which will "establish procedures to insure an orderly transition from a state of normality to one of readiness, with a minimum of confusion, when confronting emergency situations." Topics covered include starting points, riot potentials, local emergency plans and drills. For a free copy write Mr. Walter White, commercial lines sales manager at the company, at 4750 N. Sheridan Rd., Chicago, Ill.

A compact, self-contained fire-protection system, about the size of a portable television, is now available from Fenwal Inc. The new **FIREPAC** system is adaptable to the protection of personnel working in confined areas (such as bank vaults, laboratories or libraries) or for use in areas where equipment, documents or furnishings of high value are concentrated. The fire extinguishant Freon FE 1301 does not damage papers, furnishings or electronic equipment. The unit can be used singly or in connection with other units and has its own fire detectors. Each unit can protect 1,500 cubic feet of space. For information write FIREPAC, Fenwal Inc., 400 Main St., Ashland, Mass. 01721.

Combined Insurance Co. of America offers a brochure of special interest to association officers or brokers who deal with associations. It details the company's attitude that high membership participation is achieved by tailoring programs to individual association needs. **Insurance and the Association** includes comments from association officers. Write the company at 5050 N. Broadway, Chicago, Ill. 60640, for a copy.

A concise, 12-page glossary of reinsurance terms is free from J. H. Lea & Co. Inc., 111 W. Jackson Blvd., Chicago, Ill. 60604.

Lawyer sues scores of corporations in behalf of all L.A. county residents

LOS ANGELES—Scores of giant corporations, foundries, oil companies, corporate municipalities and others are preparing defenses for what appears to be a "class" action suit involving over \$100 billion in alleged pollution damages.

The complaint, filed in state superior court by young attorney Robert J. Diamond, claims to represent over 7 million residents of the County of Los Angeles suffering from "shortening of life span; increased chances of suffering heart attack; emphysema; lung cancer; damage to and destruction of body tissue; eye irritation; brain damage; fatigue; and many other injuries" all directly resulting from the ill effects of air pollution.

Fifty auto manufacturers, five foundries, over fifteen oil corporations and sixteen airports in Los Angeles County are named as defendants.

AUTO MANUFACTURERS

from Cord to Ford appear in the 45 page brief, which cites them for building and distributing motor vehicles that were "careless and negligent in design" and that "emit enormous quantities of pollutants, poisons, noxious gases and chemicals, . . . and other harmful substances."

Among oil concerns listed are Atlantic Richfield, Gulf, Shell, and 17 others maintaining gasoline filling stations that allow "unburned gasoline and gasoline

vapors . . . to evaporate into the atmosphere."

The complaint also names five Los Angeles foundries for violating the Civil Code by "injuring the health of the plaintiff" through their pollution.

Also included are several major municipal steam-electric generators, airports, and paving plants in Los Angeles County for "constituting a public nuisance" through continuing pollution.

MR. DIAMOND IS asking for an injunction forcing the immediate halt of all activities he lists as "injurious by means of pollution." He also demands \$5,000 reparations to each person of the class he represents, which, with other general and punitive damages, to-

tals over \$100 billion.

One oil company lawyer commented that "this is an extremely interesting case. But in our opinion the young man in California will have great difficulty with it. Class action suits are the most difficult to initiate, and it's our guess his case won't meet the rigid rules governing such actions as established by the courts."

Another industrial source said, "It's my understanding that an action like this requires at least 50% of the represented people approving a public notice to that effect. He's representing the whole county of Los Angeles," the man said nervously. "You don't think he could get half the county to go along with him, do you?"

ONE CORPORATE lawyer attacked the suit as "ridiculous." This young man is citing not only corporations, but divisions of corporations that aren't really entities."

This Continental Telephone lineman is insured by Pacific Mutual Life.

So are 4,739 other Continental employees.

In only seven years, Continental Telephone has become the third largest independent telephone company in the United States. It now serves 1.2 million phones in 40 states, Canada and the Caribbean; and manufactures more than 50 million dollars worth of telephone equipment per year.

The spirit at Continental Telephone is one of

dynamic, progressive growth in the communications industry. It was natural that Continental would turn to a like-minded leader in the insurance industry. Pacific Mutual Life has been the major supplier of group life, medical, and income protection insurance for Continental employees since 1962.

PML is one of the largest group insurance companies in the nation. We write group life, short and long term disability, medical, and retirement policies for companies large and small. And we're not

a bit reluctant to tackle the special insurance needs of associations and unions.

The advantages of service, cost, and coverage enjoyed by Continental Telephone and other Pacific Mutual Life customers are worth looking into. Whether you employ ten or tens-of-thousands, your insurance broker or a PML Group Insurance representative will give you all the facts.

Pacific Mutual Life
The West's largest mutual life insurance company



london line

British insurance chief has faith in U.S. market

LONDON—British insurance chief Sir Paul Chambers has told his stockholders that he firmly pins faith in his corporation's future in the U.S. underwriting market.

Declaring this fact at the stockholders' meeting of the Royal Insurance Co., he predicted that its business would become more profitable if inflation steadied down.

Regretting that his group had a major loss of \$24 million in its American operations last year, he asserted: "If the end of the Vietnam war is in sight we may see

some lessening of the inflationary pressure from 1970 onwards."

But he fears that his company will still lose money on its American business this year, because in his view there has been no visible progress so far in containing inflation in the United States.

HE EXPLAINS that increased inflation means that by the time claims come to be settled much of the advantage of increased premium rates is lost.

And he comments: "It takes much longer in the U.S. than in

Britain to settle claims."

The Royal Insurance Group has asked American consultants to survey the future of the American insurance industry so that it can turn its business into a profit-making line.

Expecting their report to be ready this fall Sir Chambers said, "I do believe in our future in the U.S. and in our ability to overcome our problems there."

* * *

World problems in reinsurance were reviewed by Mercantile and General Reinsurance Co. chief H. K. Goshen, London, in a report to stockholders.

He said: "Accounts for last year show the severity of the storm we are weathering. But I believe the climate in which international professional reinsurance operates is slowly changing for the better."

"Unless insurance markets come to appreciate fully the problems with which the non-proportional

business is beset, they will find themselves with a market even more reduced than it is already, for no reinsurer can continue to meet losses indefinitely on the present scale.

"Our underwriters have been taking vigorous action to improve our terms of trade, but even now we cannot be confident that current non-proportional terms are yet sufficiently favorable to give reinsurers the prospect of an early return to profitability."

Discussing the marine and aviation market, he said that underwriters were finding it hard to overcome problems. There were signs of "increasing discipline" which would make for sounder rating structures, he added, but there was still a lack of optimism for the future.

* * *

Britain's Royal Insurance Co. has taken up the American idea of selling insurance over store

counters.

A famous London store, Selfridge's, founded by Gordon Selfridge, has been chosen for the experiment after successful trials at four out-of-town shops.

Property magnate Charles Clore, who now runs Selfridge's, has encouraged the scheme after seeing it work in the U.S. during a business trip last year.

Commercial Union Insurance Co., another British group, is also promoting the idea, and Phoenix Assurance, London, has got a sales franchise from Woolworth's in Britain.

Court rules against auto insurers

LITTLE ROCK, Ark.—The Arkansas supreme court, in a precedent-setting decision, has ruled that punitive damages resulting from an automobile accident may be recovered from automobile insurance companies.

The court split 5 to 2 with a vigorous dissent in which it was warned that the opinion could result in higher insurance rates. One of the dissenting justices also contended that the majority decision was inconsistent with other court decisions on punitive damages.

The case, on appeal from Crittenden county circuit court, involved an automobile accident between Larry White and Richard A. Daniel. The jury awarded Mr. Daniel \$7,000 compensatory damages and \$5,000 punitive damages.

MR. WHITE'S insurance company, Southern Farm Bureau Casualty Insurance Co., appealed.

The supreme court's majority opinion said the case appeared to be the first to come before the court. Courts in other states have permitted recovery of punitive damages from the insurance company, the opinion said. It added that there was nothing to prevent an insurer from writing a policy in such a way as to exclude the payment of punitive damages.

It was pointed out that the insurer in the case had agreed to pay "all sums which the insured shall become legally obligated to pay as damages—because of bodily injuries sustained."

Justice John A. Fogleman, one of the dissenters, said the action places the burden of punishment on parties not guilty. He said that while it may be true that the insurance company which pays punitive damages on an automobile liability policy is not really punished, this is so only when these losses can be passed on by the insurance company to its policyholders in the form of increased premiums.

Judge Fogleman also quoted other court decisions, which held that punitive damages were not intended as remuneration to the injured party, but were a penalty the law inflicted on the guilty party for negligence and as a warning or example to others.

It is not in the public interest to permit a delinquent driver to transfer his responsibility for punitive damages to an insurance company, the justice said.

Lonsdale joins broker

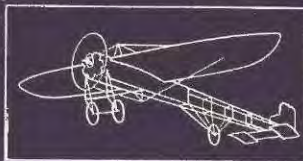
Robert C. Lonsdale has joined Emmett & Chandler New York Inc. as resident vp. Mr. Lonsdale, who will be in charge of expanding East Coast activities of the Los Angeles-based broker, was previously director of sales at Great American Insurance Co.

THE ENGLISH CHANNEL JULY 25, 1909



Louis Blériot, designer of the first monoplane, demonstrated the airplane's potential as a practical transportation vehicle by flying the Channel in 37 minutes.

Commercial airliners soon became a reality and the aviation industry entered a new era of growth. Because insurance services were needed to support this progress, USAIG was formed to provide them. It is the first and most respected name in aviation insurance.



United States Aircraft Insurance Group

USAIG

Spend \$100 million for Apollo safety

By CAROL RATISHER

NEW YORK—National Aeronautics & Space Administration safety officials are going Ivory soap's slogan of "99.44% pure" one step better.

The Apollo 9 earth-orbiting space capsule had 5.6 million moving parts. If they functioned with 99.9% reliability, the manned spacecraft would have suffered 5,600 defective parts. In Apollo 9 there were only five failures—or 99.9999% reliability.

Jerome L. Lederer, NASA's manned space flight safety director, reviewed the intensive and sophisticated approach to safety NASA used to achieve this record and discussed its potential use by private industry at the College of Insurance here.

NASA FORMALLY instituted a program called systems safety following the deaths of astronauts Edward White, Roger Chaffee and Virgil Grissom in a fire in a test space capsule at Cape Kennedy in January 1967, Mr. Lederer said.

More than \$100 million was spent to make corrections in the design of Apollo following the fire, including redesign of the hatch to permit quick exit, changes in the electrical wiring, wider use of non-flammable material and of metal containers for storage of flammable liquids and scores of other changes.

In addition, NASA safety offices in the manned space flight program were upgraded so that the safety director at each center reported directly to the center's director, and the safety staffs were augmented. The focus of the new program was systems safety.

THE SYSTEMS safety approach works to identify and correct hazards of a project from its early conceptual stage through its life cycle, Mr. Lederer explained.

It goes beyond the hardware and engineering into a spectrum of non-technical influences from public sentiment to employe management relations. It includes attitude and motivation of design and production people, attitudes of top management, certification of critical workers, government-industry relations, legal and political considerations and other vital influences, he said.

"An oversimplified definition of systems safety is to put your hindsight where your foresight should be or to organize yourself to do your Monday morning quarterbacking on Friday," Mr. Lederer said.

THE NASA safety program deals with both quality control and human motivation—and both on a mass scale. The Apollo manned space program at its height employed 300,000 workers in 20,000 organizations. There are more than 15 million parts involved in a launch, including 1.5 million operations systems within Apollo itself.

Quality control is a check on craftsmanship, Mr. Lederer said. It encompasses very careful design, planning, testing, inspection and periodic reviews of each major step by scores of competent specialists.

One quality control technique used by NASA is redundancy, like redundant automobile brakes. The proper use of redundancy, he cautioned, is an art. If dual control lines, for example, are placed adjacent to one another, whatever wrecks one will wreck the other.

NASA ALSO uses redundancy of men in critical positions, Mr.

Lederer said. Just as there is a copilot to take over from the captain in an airplane emergency, NASA and its contractors employ one man to check another in such sensitive operations as torquing critical bolts.

Sound motivation is as important to safety as good design and correct procedures, Mr. Lederer said. "Carelessness resulting in poor craftsmanship can negate the best of designers," he observed.

One aspect of safety motivation at NASA is an awareness program designed to show employes how NASA's research works to benefit them as individuals. NASA, for example, has been involved in development of a small camera that can be swallowed to take pictures inside the stomach

for medical diagnosis. It has also developed methods of building country homes cheaply.

COMPLACENCY resulting from past success is one of the greatest enemies of safety, Mr. Lederer said. This can be aggravated by poor morale and an uncertain future. The NASA motivational program, he said, has had to cope with a spectacularly successful past, an uncertain future and poor morale caused by personnel seeing fellow workers laid off by tens of thousands.

One of the strongest points of systems safety is its adaptability to contract form. The Defense Department estimates that the normal cost for contracting for systems safety is 2.5% of the contract

price. This requires the contractor to establish a safety organization because he is being paid to do it, Mr. Lederer said.

While systems safety can be a costly experience for manufacturers competing on the open market, Mr. Lederer said, the filtering down of NASA control techniques into private industry could result in fewer losses, greater product integrity and a defense against products liability.

THE MANUFACTURING vp of one of the largest auto manufacturers has made arrangements to meet with NASA quality motivational people, Mr. Lederer said. The Bureau of Mines through the National Academy of Engineering

Continued on page 19

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SUN LIFE

salutes...

The Group Managers' Consultation Committee

Group Manager J. A. Boland of the British Columbia Group Branch is Sun Life's Group Manager of the year and the new holder of the President's Group Trophy. Mr. Boland now becomes Chairman of the Group Managers' Consultation Committee for 1969; the first time he has served as Chairman and the sixth time as a committee member.

The President's Group Trophy is awarded each year on the basis of product on, service work, costs and training. Our congratulations to Mr. Boland and the other Committee members and their staffs.



J. A. Boland, Vancouver



F. K. Ziegel, Detroit



A. G. S. Arnot, Montreal



D. C. Ferguson, Calgary



T. D. Joiner, Atlanta



SUN LIFE
ASSURANCE COMPANY
OF CANADA
The Insurance People with Ideas

opinions

'Floating insurers' must be identified, controlled

Inadequate state insurance regulation, our expanding economy and the need for greater insurance capacity have conspired to sharply increase the operations of marginal insurance operators who sell worthless coverages under questionable company charters they obtain in some states or on offshore islands.

These conditions have attracted to the insurance business a number of fast-buck operators who subvert state insurance department regulation by floating from city to city or state to state to market specious policies to businessmen and individuals.

Such operations have included:

- Missouri's 'mini-mutuals,' which are farm mutual companies not subject to state regulation. This situation has been spotlighted in *Business Insurance* and is now being corrected by Missouri Atty. Gen. John Danforth.
- Use of "grandfather clauses" in some states which exempt especially old companies from the regulation of insurance departments.
- Reinsurance agreements between marginal U.S. companies and nebulous offshore companies that often change their names and directors from week to week. These agreements have sometimes induced innocent buyers of commercial insurance to spend thousands of dollars for worthless coverage.
- Entrance into the marginal insurance field of crime syndicate figures who intertwine insurance operations with other ostensibly legitimate businesses.

Individual state insurance commissioners have insufficient personnel and expertise to effectively regulate these marginal interstate insurance operations which often take on the character of floating companies that are here one day and gone the next.

Therefore, the National Assn. of Insurance Commissioners has organized a Non-admitted Insurers Information Office headed by the able former Massachusetts Insurance Commissioner Joseph A. Humphreys. Operating out of offices in his home state and New York City, Mr. Humphreys has done yeoman service in finding his way through the labyrinth of nonadmitted insurance carriers.

Mr. Humphreys, however, deems himself the employe of the insurance commissioners' organization and he is, perhaps understandably, reluctant to make public information about marginal insurance operators. His communications to the commissioners are typically confidential and his services are therefore useful only to state regulators.

Because of the seriousness of the problem of marginal insurers and because the profit for such insurers grows with the economy and the capacity crisis, we believe that consideration should be given to making the operations of nonadmitted insurers public within the bounds of discretion and the laws of libel.

Buyers of both business insurance and personal lines coverage should have greater opportunity to know the names of the companies and individuals who operate in the gray area of insurance.

Whether this should be done by a Federal government agency or by an expanded and more effective NAIC information office, we do not know. But the need clearly exists for greater public disclosure of

business insurance

for buyers of employe, property and liability protection.

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Persons Covered by Insured Pension Plan Programs, 1968



More than 9.1 million Americans, active and retired, were covered by insured pension plans at the end of 1968. Benefits paid by the plans to more than 1 million retired workers amounted to more than \$1 billion during the year. Deposit administration plans covered the greatest number of people—5.1 million. Under such plans all contributions go into a single fund, from which an annuity is purchased for each employe when he retires.

Source: Institute of Life Insurance

information on those whose insurance companies are unauthorized or incompetent to sell the coverages they purvey.

Today postal inspectors are the only force operating with effective authority to protect the public from insurance predators. But postal inspectors, despite their admirable record of gaining convictions, can act only in those cases in which the mails have been used to defraud insurance buyers who are wise enough and courageous enough to complain.

A thoughtful statement for gun control laws

Speeches before insurance trade groups often tend to be either tame or insignificant. It was with some interest, therefore, that we read a stimulating speech by American Bar Assn. President William T. Gossett before the Million Dollar Round Table of life insurance agents. Mr. Gossett gave a thoughtful examination of the "social context" in which insurance men practice their profession.

We were especially impressed with his discussion of violence in our society and in particular with these comments on gun control:

"There is a rational step that can be taken to curb violent crimes: It is to enact legislation that will effectively keep guns out of the hands of criminals, juveniles and lunatics.

"The facts are overwhelming. In the five years since President Kennedy was murdered by gunfire, more than 75,000 Americans have been killed with guns. More Americans have died from misuse of guns than have been killed in all our wars. More than 90% of the policemen killed on duty have been killed with guns. Uncontrolled firearms are an integral part of the explosive mixture of violence in America. They serve to transform a sudden passion into an irreversible act.

"Moreover, gun control does work. New York City, for example, is the largest, most pressure-ridden city in America. It has more poverty than any other city and more potential for violent explosion. Yet New York ranks last among the ten largest cities in homicide rate. Why? Because, according to its deputy police commissioner, it has a tough, well-enforced ordinance controlling the use of concealed firearms.

"But London's gun licensing system is even more restrictive. Of every 100 murders in the two cities, 36 die by gunfire in Manhattan as compared to five in London. And although New York has the lowest homicide rate of major American cities, Manhattan island alone suffers more murders each year than all of England and Wales.

"A great majority of the populace, as well as law enforcement officials, favor tighter regulation over the accessibility of firearms. A 1966 Gallup Poll disclosed that 67% of the public favored 'a law that would require a person to obtain a police permit before he or she could buy a gun.' In the same poll, 56% of all owners of firearms who were surveyed agreed that such a law would be desirable."

We disagree

We are sorry to learn from the supreme court of Illinois that victims of police and mob action in Chicago have no statutory or common law remedies against Chicago or Cook County. We do not agree.

One plaintiff was allegedly shot by police suppressing mob action and another was injured when a car was set upon by a mob. More than 200 actions of a similar nature are now pending.

The plaintiffs urged that the imposition of fiscal responsibility upon municipal governments would stimulate community concern for the maintenance of law and order and the alleviation of undesirable social conditions, and thus tend to reduce the likelihood of future riots.

We believe that this is sound. The court says that the plaintiffs have a right against the persons who inflict the injury. What good is a judgment against a policeman whose salary cannot be garnished to pay the amount assessed by the court?

Letters

Point well taken

To the Editor: Jim Bailey and I discussed the editorial in your May 26 issue which you introduce with the lead, "May we introduce . . ."

While we are loath to have to admit it, I think your point is extremely well taken and it may be what we will start achieving now that Jim Bailey is directing our efforts in this area.

Few of us either accepted our public responsibility, or were aware of the ability we had to effect legislation and regulation, until recently. A few pioneers like Dick Bland, George DeWolfe and Charlie Groves blazed a trail, but few followed. The result was that I think possibly (and without any intention to do so) they wound up developing more of a personal reputation than creating a name for ASIM as being a significant repository of expertise in the field of insurance.

I think we are now emerging from our cocoon, and with prodding from people like you, will achieve the stature that should be the responsibility that goes with the professionalism to which we aspire.

Once more, thank you for the great contribution you are making to the field of risk management.

Waller B. Smith

Director of Insurance, United Air Lines, Chicago, Ill.

Suing God not new?

To the Editor: If Betty Penrose and her lawyer think they are breaking new ground in their lawsuit against God (June 9 issue of *Business Insurance*) they are mistaken. God was a named defendant in an action entered in a Florida court, by a rugged individual named George Albricht, over a year ago.

Mr. Albricht's logic was impeccable. He had been refused relief from a more mundane defendant by a jury which decided he owed his injury to "an act of God"—so he sued Him. The trial court judge labeled the suit "frivolous and disrespectful," accused the plaintiff of trying to ridicule the law, and harrumphed Mr. Albricht out of court.

(I pause to contemplate the fact that whenever we refer to an "act of God," we almost invariably mean something unpleasant.)

It is to be hoped that Miss Penrose's lawsuit is treated less cavalierly. Actions of this kind teem with questions, and the courts should not be permitted to escape them by standing on their dignity. For instance:

- How was the defendant served—personally or by delivery of the suit papers to the last known address? It would be interesting to see the sheriff's sworn return (who did he swear by?).

- What about jurisdiction? Has the defendant been advised of His right to counsel, and to a change of venue if Californians are prejudiced against Him?

- Plaintiff's attorney says he will seek a default judgment. How can he establish the non-appearance, in a particular court, of an entity which if it exists at all is—by definition—omnipresent?

Other questions will no doubt suggest themselves as the issues are joined. In the expectation that you will cover the case to its conclusion, I shall watch the columns of your excellent journal even more closely than I have done heretofore.

D. B. Whitman

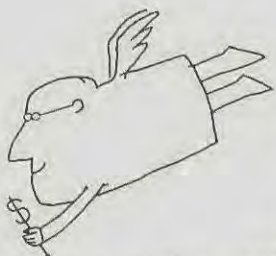
Managing Editor, Marketing Communications, Employers Insurance of Wausau, Wausau, Wis.



And besides the gold watch, Wilson, here's the \$100,000 you won in your employee benefit law suit against us.

It could happen to your firm, you know. The legal precedent was set 5 years ago in a now-famous case where a retired employee's widow was awarded \$73,000. Why? Because the courts said years before his employer had not properly informed him of the benefits available through the company's pension plan.

That's when a St. Paul agent called on us and in a flash of business insight we invented—you guessed it—Employee Benefit Programs Liability Insurance. Obvious invention, maybe, but still comforting. And still the only policy of its kind offered, except as an endorsement to regular liability policies. (Naturally,



we'll also sell it as an endorsement if you wish. We'd hate to let exclusivity stand in the way of a sale.)

Pertinent, Salient and other facts.

Employee benefits now amount to about 25% of most payrolls... a hefty piece of change to be responsible for in any company. Since the \$73,000 precedent-setting case, there have been even bigger claims. And, in this age of acquisitions and mergers, the chances for error are greatly magnified. Yet...

You're liable if you fail to advise an employee as to what benefits are available.

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You're liable for errors in handling records.

You're LUCKY though, because you can protect your company against all these liabilities inexpensively (i.e. cheap) with our Employee Benefit Programs Liability Insurance.

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Survey finds key execs involved with pension, profit-sharing plans

CHICAGO—More than 73% of the executives responding to an exclusive *Business Insurance* survey are involved in decisions regarding adoption of or changes in pension, profit-sharing, employee stock purchase or mutual fund plans for their companies.

They also reported they are involved in the selection of banks, trust companies or insurance companies to administer these retirement and savings plan funds as well as participating in the selection of investment services for these funds, such as brokerage houses and investment counsel.

A random sample of *Business Insurance* readers with administrative, financial and insurance

classifications was asked:

"If your company were to consider the adoption of or changes in existing (retirement or savings) plans or employing the services of banks, trust companies, investment companies and financial brokerage firms, to what extent would you participate in the decision?"

THEY WERE asked to check "recommend or initiate" or "on decision-making committee" in the following categories:

Pension plans; profit-sharing plans; employee savings plans; mutual fund purchases; selection of banks, trust companies, insurance companies to administer

these plans; and other investment services or counsel for plans.

Almost 2,000 questionnaires were mailed with a total response of more than 25%. More than 47% of the financial executives mailed questionnaires responded. The survey classified financial executives as those with titles such as chief financial officer, vp of finance, corporate secretary and corporate treasurer.

In addition, 21% of the administrative executives polled responded to the questionnaire. This classification had titles such as owner, president, vp and general manager. In the insurance buyer classification, a 30.6% response was reported.

"**THE RESULTS** of the survey show that *Business Insurance* readers are very heavily involved in retirement and savings programs," according to Myron A. Hartenfeld, publishing director of the magazine. "It also shows the vital concern U. S. business has in these programs, because *Business Insurance* counts as its readers more than 22,500 executives in the top 12,500 U.S. corporations."

Some of the findings of the survey show that:

- 84.8% of the respondents in the administrative executive category were involved in retirement and savings plans.

- 86.3% of those in the financial executives classification were involved.

- 48% of the insurance managers classification were involved.

- 69.2% of the respondents said they were involved in decisions regarding pension plans.

- 58.3% were involved with

profit-sharing plan decisions.

- 60.5% were involved in the selection of banks, trust companies and insurance companies to administer corporate and employee benefit plans.

- 50.6% were involved in the selection of investment services in connection with benefit funds.

A surprising number of respondents reported that they were involved with what are considered the more "exotic" types of employee benefits. For example, 49.6% said they were involved with employee stock purchase plans, 53.4% with employee savings plans, and 41.3% with mutual fund plans for employees.

"This reflects the enormous growth of these types of plans in the last few years," Mr. Hartenfeld said, "and of the terrific potential growth these types of plans will have in the next few years."

A copy of the complete study is available from Mr. Hartenfeld, 740 Rush St., Chicago, 60611. ■

How to sell funds and influence people

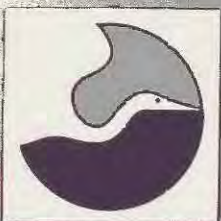
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Why not call us today and find out how we can help brighten your financial picture?



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Jobless bill failure blow to governor

OLYMPIA, Wash.—A major disappointment of the recent 41st legislature for Gov. Dan Evans was the failure to agree on a bill to update the state's unemployment compensation law.

The session-long discussions between both factions wound up the day before adjournment in a bitter political battle with senate Democrats rejecting a house-passed bill that would have raised weekly benefits from \$42 to \$68 at the maximum.

But while unemployment compensation was a victim for another session, labor made progress in other areas that had been denied in previous sessions.

THE 1969 legislature passed a bill to combine and increase pension benefits for firemen and policemen in the first state-wide program.

The single retirement system for fire fighters and law enforcement officers is viewed as a means of upgrading fire and police protection in smaller communities and counties because of increased benefits.

Some legislative leaders viewed the state-wide, police-fire pension system as a landmark accomplishment of the 41st session.

THE LEGISLATION provides for fully funding the system over a number of years and guaranteeing that funds will be available to pay pension benefits.

With talk of another special session, some Democrats said they will not agree to limit such a session to the elections bill unless unemployment compensation is also considered.

The legislators also failed to reach agreement on the supplemental budget, a catch-all bill for claims against the state, interim-committee financing and other financial odds and ends.

So a number of interim committees, including the so-called "supercommittee" set up in the Senate to investigate regulatory agencies (including insurance) and the industries they regulate, will be without funds to operate for at least a year. ■

Thomas is Aetna vp

H. Grant Thomas has been named vp, group division of Aetna Life & Casualty, Hartford. Mr. Thomas will be responsible for Aetna's countrywide group insurance marketing operations.

'Tremendous rise' in liability claims forces rates to record high peaks

CARMEL, Cal.—A "tremendous rise" in liability insurance claims is forcing liability insurance rates to "record high peaks."

C. A. DesChamps, senior vp, Fireman's Fund American Insurance Cos., San Francisco, told the Western regional forum of the Society of Chartered Property and Casualty Underwriters here that the cause is a combination of "impersonal relationships between professional people and their clients, the shortage of trained personnel in professional and service fields, and lack of adequate supervision".

He added that claims under medical malpractice coverage have increased in number and size "so rapidly, that rates have had to go up drastically and many insurance companies are withdrawing from the field."

Mr. DesChamps cited as reasons "the change from the general practitioner to the specialist; the change from the friendly family doctor to the impersonal specialized professional who has little time for human interest and personal relationships.

"ALSO A CAUSE," he added, "is the evolution of medical practice from an art to a science, involving the use of drugs, devices, techniques and procedures unheard of a generation ago . . . and all expensive!

"These things," Mr. DesChamps said, "convince people who make up juries that doctors are most affluent, are becoming more negligent and when a patient suffers as a result, he should be handsomely paid.

"When one reads of certain doctors' incomes rising from \$50,000 to \$400,000 since the incep-

Jewelers fear big rate hike

LONDON—Either London security brokers and jewelers find a way to beat a spate of armed robberies, or they can expect a sharp increase in insurance premiums.

This was the word from the British Jewelers' Assn., which met in famed jewel center Hatton Garden to discuss ways of reducing the number of robberies. Association director-general F. W. Bibb said the problem was "very grave" and added that "something must be done quickly."

The last twelve months have been the most violent for armed robberies, reported one securities firm's investigation team. Arms were used or threatened in practically every case.

Large losses are assumed by firms before the robberies even take place, and couriers approach the situation expecting to be outnumbered at least three to one.

Most companies realize arming the couriers would solve much of the problem, but agree it would be wrong to carry arms, this a result of their own long-standing rule to desist when death or injury is risked.

For this reason, companies are spending large amounts of money and recruiting Scotland Yard senior detectives in an attempt to derive foolproof means of protection.

If the theft of securities and jewels does not diminish, either by its own decrease or the clever countermeasures by the brokers, big robberies will have to be a factor the next time premiums are reviewed, the association was told.

tion of Medicaid," Mr. DesChamps asked, "is it any wonder the public tends to be generous with the doctors' money?"

Mr. DesChamps also said lawyers "get into malpractice troubles . . . with no inhibition against blaming a lawyer for things that go wrong in the conduct of a lawsuit.

"POOR OFFICE administration, sloppy legal research and poor supervision of associates," Mr. DesChamps said, "can bring down the wrath of a neglected or wronged client . . . along with a lawsuit."

The same exposure to lawsuits exists for architects, engineers, accountants, tax advisors and "even insurance agents," Mr. DesChamps added.

"What is needed," he said, "is better training, closer supervision and a return to the drive for excellence."

Products liability litigation, he asserted, "may well surpass all other in volume and expense. From the legal viewpoint, the doctrine of strict liability is becoming an established fact and we will have to cope with it as a way of life.

"The only true way to handle a products insurance claim," he said, "is to prepare for defense before the accident ever happens. It is the ounce of prevention that is worth much to the manufacturer, the distributor and the consumer . . . worth much more than a sizable lawsuit over a defective or faulty product."

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State units source of safety advice for plant expansion: Oregon official

PORTLAND, Ore.—Safety should be one of the key factors in the planning and engineering of any industrial activity, according to Clifford R. Lafferty, area supervisor for the accident prevention division of the Oregon Workmen's Compensation Board here.

"It's easier to build safety into an industrial plant than it is to make modifications and changes later, and it will help head off a lot of problems that may develop if safety wasn't an important consideration from the beginning.

"All states have public agencies that will provide advice and consultation on these matters and are glad to do so regardless of the size or location of the industry involved. I think this is particularly important for medium and smaller size plants because it can save them money both at the start of a project and in the long run," said Mr. Lafferty.

OREGON WAS one of the first states to have a factory safety law and a workmen's compensation law. The state is recognized nationally for its accident prevention programs and is one of the leading states on a per capita basis for expenditures for this purpose. During the past 20 years, Oregon's industrial accident rate has dropped from about 80 to 35, per million man hours worked.

"The general attitude toward safety has changed a great deal in Oregon during my 25 years of experience. Back in the 1940s, very few industrial concerns were really strong for safety and many resented efforts to enforce safety regulations. The situation is just the opposite now. We don't run across too many who take this attitude today.

"Of course, we do have the legal authority to enforce our regulations, but this is only one of the reasons for this change. I think the big factor is society's demand for safety in all areas of life, brought about largely by the safety promotion efforts of public and private organizations over the past 25 years," he continued.

MR. LAFFERTY thinks it is difficult to lay down hard and fast safety rules that will apply to all industry because of the wide variety of industrial organizations and the particular problems that

each type may have.

"The employe should feel the safety program is for his benefit and identify himself with it. It's much easier to develop a good program in a plant where employe morale is high than in one where this may not be the case. A good safety program will tend to improve the employe's image of his company. It's both a cause and an effect at the same time."

Mr. Lafferty believes it is better to have one person who has a direct responsibility for safety than to have the job diffused among many people. He feels many production managers simply have too many problems on their minds to devote the neces-

sary time to safety planning.

"IT'S RELATIVELY easy for a very large industry to maintain a safety department but this is not always the case with a smaller organization. In any event, one individual should be directly concerned with safety and responsible for it even if it's necessary to combine the safety job with another.

"The safety director should consult with state authorities in advance on matters regarding the safety code. This is very important when a company plans to purchase new equipment. The requirements of the state safety code should be included in the job

specifications. I've had manufacturers in New York call me up and ask questions about the Oregon safety code. This matter could have been resolved at the local level if the party who purchased the equipment had bothered to check with us first. In this instance, the manufacturer made the necessary changes but the buyer had to pay extra because they were not included in the original job order. This can lead to serious difficulties if the equipment is very complex and expensive.

"State safety inspectors are familiar with other public and private agencies that provide services for industry, such as industrial health and hygiene, and can be very helpful. The main thing is to stay in front of your safety program; to think ahead.

"WE HAVE A large building under construction here that presented some special problems be-

cause of the unusual method of erection. In this case, the scaffolding needed wasn't included in the plans. Our inspector, working with the contractor, came up with a prefabricated scaffold that could be moved from floor to floor in a few minutes. It worked fine but it would have been much better if this safety need was recognized sooner."

The safe, clean, well lighted, uncluttered plant is the best for both the employer and the employe, according to Mr. Lafferty.

"Those are the kind of plants we like to see in Oregon and I think safety people in other states feel the same way. The plant manager has many sources of advice and help available to him and would do well to take advantage of them. Many private insurance companies and public agencies have highly qualified safety consultants who can be of real help to the plant manager," Mr. Lafferty said. ■

AT THIS MOMENT YOU MAY KNOW MORE ABOUT THE SURFACE OF THE MOON...

than you do about workmen's compensation coverage in Texas. Not a highly publicized subject, maybe, but it could have important implications for your company. May we tell you what they are?



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benefit tax slants

Raytheon sets up formal bonus plan besides stock option, pension plans

By JOSEPH S. ROBINSON

NEW YORK—Apart from its employe stock option and pension plans, Raytheon has set up a formal bonus plan for selected company personnel.

The avowed purpose of the plan is to assist Raytheon to attract, retain and motivate persons of outstanding competence whose efforts contribute significantly to the success of the company.

To be eligible for the bonus plan, an employe must be at least 40 years old with annual base pay of \$30,000 or more.

UNDER THE PLAN, bonuses are awarded on the basis of accomplishment and merit. One feature requires that a portion of each such bonus be "earned out" in four equal annual installments. If a participant voluntarily resigns or is asked to leave for cause, he may lose the right to "earn out" the balance of his bonus awards.

There is an option to defer payment of either all or half of each bonus (including the portion to be "earned out") for a five-year period. However the option must be made before the bonus is actually

awarded to be deferred.

It is interesting to note that of a total annual payroll of Raytheon and its subsidiaries of some \$450 million, roughly \$450,000, or one-tenth of one per cent, was awarded under the bonus plan.

THE SINGER CO. has an executive incentive compensation plan (effective in 1968) that grants awards to selected executives and key employees. The awards may be either in cash and/or common stock, restricted as to use as defined by the plan.

As of the first of the year,

400,000 shares of common stock were set aside for issuance under the incentive compensation plan.

Singer also has several pension plans covering substantially all of its employees who meet eligibility requirements. The company's annual cost (which includes amounts for current service and amortization of prior services) runs to about \$8 million a year.

Under the employe stock purchase plan, employees are granted options to purchase Singer common stock at 80% of market value. Singer set aside for options, as of the first of the year, more than 600,000 shares.

COMPARING the figures of the respective pension plans of St. Regis Paper with that of Allis-Chalmers, the cost of St. Regis plans totalled \$2.5 million last year, and \$20 million for Allis-Chalmers.

In each case, the company's policy is to fund pension cost ac-

rued. Yet, based on latest actuarial computations, vested benefits are fully funded in the case of St. Regis; not so with Allis-Chalmers.

There, the actuarially computed value of vested benefits exceeded the total of the pension funds and balance sheet accruals by approximately \$79 million.

War risks cargo pool wound up

LONDON—Although its last claim was paid in 1942, War Risks Cargo Pool Management Ltd. has announced that its war risk cargo pool, set up in 1939, will disband.

The pool was made up of 86 marine underwriting companies, which provided half of the coverage, and 157 Lloyd's syndicates, which provided the other half of the coverage. It was formed to reinsure all insurance (including open covers) against war risks of cargoes destined for discharge in, or shipped from, the United Kingdom and/or from one port in the U.K. to another port in the U.K.

With the declaration of World War II and the opening of the Government War Risks Insurance Office, the function of the pool ceased. There were, however, many vessels still at sea with cargoes covered on "Pool Conditions" and claims continued to be submitted regularly until the middle of 1940.

THE TOTAL claims paid amounted to nearly \$11.24 million and the bulk of this figure was recovered from the government under the reinsurance agreement covering King's enemy risks, finally made law by the War Risks Insurance Act.

"Although the losses were high," a spokesman for the pool said, "it had been anticipated that the sinkings in the early days of the war would be on a large scale."

The directors of the pool, numbering 12, were nominated equally by the committee of Lloyd's and the Institute of London Underwriters.



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we figured
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offices in North America. And we'll see that you get that service when you need it—for all our offices are tied together in one instantaneous communications network. We'll also give you more men in the field than other marine underwriters—men who can bind the larger risks faster, and settle claims with the same kind of speed.

And, equally important, we'll give you more marine engineers and surveyors—men who can analyze exposures, anticipate what

may happen, and do something about it before it does.

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speaking of safety

Theft losses termed avoidable with effective burglar alarm systems

By WILBUR CHARLES

FORT WAYNE, Ind.—American businessmen lose more than \$250 million a year in money, equipment, and merchandise from burglaries. Their losses from damage and destruction of property often run much higher than from the actual thefts. Much of this loss can be avoided by the use of efficient burglar alarms.

There are many categories of burglar alarms on the market today, ranging from extra-simple to ultra-sophisticated. A few types, suitable for the small businessman in his store, office, and home are described below.

For many years, expensive motion detector burglar alarms, using ultrasonic waves, have been used to protect banks, government properties, and large industrial plants.

A TYPICAL MOTION detector

consists of a transmitter and a receiver. The transmitter projects an ultrasonic beam into the space being guarded, which fills the area with a standing-wave pattern of invisible, inaudible sound waves.

As long as there is no motion in the area to distort the sound wave pattern, the receiver picks up the same frequency that the transmitter sends out, reflected from the objects and walls of the room.

But any moving object within range of the unit disturbs that pattern and causes a change in the frequency of the sound waves received. The receiver detects this change and triggers an alarm.

Ultrasonic wave patterns can be set up to provide the exact coverage desired—from single "zone" or "spot" protection within an area to total protection of the complete area.

The sensitivity of the motion detector can be such that the re-

ceiver will pick up any motion, no matter how slight. Too much sensitivity, however, would make the system "trigger happy" or overly susceptible to false alarms.

To guard against this danger, most systems provide a range adjustment that permits the user to avoid nuisance alarms caused by minor disturbances, such as swaying drapes or a falling piece of paper. External influences, such as thunder, backfiring trucks, etc. can also be ignored.

Two motion detector systems, developed by the Euphonics Co. of Miami Springs, Fla., provide reliable ultrasonic burglar alarms for offices, stores, homes, and apartments. They can be installed by the purchaser and are "annunciator" alarms and "intrusion" alarms.

The simplest form of motion detector is the annunciator. It is used primarily to detect and announce the presence of a customer or any other moving person within its range. In industry, it announces the entry of a person into unattended reception areas. In homes, it automatically turns on driveway, carport or other lights, or turns on any electrically-operated equipment such as garage door openers.

THIS UNIT represents the first major breakthrough in annunciator system design in decades. It is possible to install it in minutes, without cables and without wiring. Just plug it into any 115-volt outlet and position it so that the front is "aimed" at the entrance or area to be "watched."

Then plug a chime, or bell, or lamp—or any combination into the receptacle on the rear panel of the unit. Any moving person or object within range will be instantly detected, and announced by the device connected to the rear panel.

This annunciator has two modes of operation, "short" and "long." Setting the timer control switch to short will provide a momentary ring of the bell or chime, or flash of light. After 15 seconds, the annunciator will reset itself to announce the next person.

AN ADDED feature that makes this unit unique is its nighttime function as a warning device to frighten away intruders. By switching the timer control to the second position, long instead of short, and plugging a loud bell into the rear panel receptacle, it will provide 45 seconds of alarm instead of the short pulse when set to short. Thus the annunciator can be used to protect the premises when the shop is closed.

The range of the annunciator is between four and fifteen feet. It costs less than \$65.

This unit can also be used as a "counter" in stores, on production lines, etc. The normal reset time of the short pulse is 15 seconds, but this can be easily reduced to meet special requirements, either at the factory or by an electronics technician.

THE INTRUSION alarm is a low cost protector of shops, offices, homes, apartments, stores and thousands of other commercial and industrial establishments against thieves, prowlers and vandals. This protection unit operates on the same ultrasonic beam principle as the annunciator. Any person moving within its range will trigger it.

Continued on page 29

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LIFE AND ACCIDENT

Giles on the law

Employee waives rights for policy if he converts it to individual cover

By JOHN W. GILES
Attorney-at-law

WASHINGTON—Read what you sign, or take the consequences.

This is no news to you, but it was to a Tennessee employe insured under a group life and disability policy, which he later converted after his retirement. The plaintiff accidentally sustained personal injuries while he was employed by a corporation which carried a group life and disability policy with the defendant insurance company.

A year later, when he terminated his employment with the corporation, he exercised his right of conversion, and converted his group policy to an individual policy. Five years passed, and he filed suit, alleging that the injuries which he had sustained rendered him permanently disabled.

He now sought to recover the benefits provided in his original group policy. He had, when he converted his policy, relinquished all benefits under the original group policy. His excuse was that he had not read these words. He said that his rights under the group policy had become vested.

But "no," said the court, the plaintiff has waived all his rights under the original group policy when he accepted the individual policy. (Haynes v. Travellers Ins. Co. Tennessee Court of Appeals Eastern Section—Mar. 4, 1969.)

of the rule of *res ipsa loquitur* in the law of negligence. It literally means, "the thing speaks for itself." When a person is injured under circumstances in which the defendant exclusively controls the instrumentality causing the injury, and the injury would not ordinarily have occurred without the negligence of someone, this rule of *res ipsa loquitur* permits an inference of negligence to be drawn.

But if the plaintiff has some actual proof of the defendant's negligence, and presents this evidence, will he be precluded from the benefit of the *res ipsa loquitur*?

It appears the answer is "no." In the case, a director of civil defense chartered a helicopter from Page Airways to fly over the area and observe street rioting. While flying low over Syracuse the helicopter, piloted by an employe of Page Airways, crashed killing four people, including the director of civil defense.

The executrix of the director sued Page. At the trial the plaintiff introduced various specific acts of negligence on the part of the pilot of the helicopter: (1) Just before the accident, he waved to someone on the ground; (2) in violation of regulations, he flew too low and at too slow a speed; (3) he had several drinks just before the flight.

THE TRIAL JUDGE ruled that "the jury could infer negligence from the happenings of the flight." The court of appeals held that the ruling of the trial judge was cor-

rect. The court said, "The mere fact that the plaintiff seeks to better his case by introducing specific evidence of the defendant's negligence should not compel the plaintiff to forego reliance on the rule of *res ipsa loquitur*." (Abbott v. Page Airways, Inc. N. Y. Court of Appeals—Jan. 16, 1969.)

IF YOU REPAIR your own brakes, you impliedly warrant that they are all right and you are strictly liable if the brakes fail. So says a New Jersey court.

The language is interesting: "If it be too early to say that one who takes a motor vehicle upon the highway impliedly warrants that it is equipped with proper brakes in working order, as well as with whatever is essential to prevent the vehicle from becoming a menace to others within its range, it is not too early to say that when one

YOU HAVE PROBABLY heard

Apollo . . .

Continued from page 11

has asked NASA to help solve the safety problems in the coal mining industry.

There are companies that have offered to take on NASA contracts below cost to learn the quality control techniques that NASA requires, Mr. Lederer said. These companies found they were losing new business to competitors who have learned the techniques and produce a better product.

SYSTEMS SAFETY also requires that the acceptance of any safety hazard which can not be eliminated be completely documented and defended. This can provide important legal protection in products liability suits, Mr. Lederer said.

The systems safety files can then be presented in court as evidence that all foreseeable hazards had been identified and treated in a rational manner, Mr. Lederer said.

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A Claimant tells his story:



■ Mr. and Mrs. Harvey Klafke and Charles Nicoud, Zurich claim superintendent in the Milwaukee branch office.



■ Harvey Klafke on north woods canoe trip with Boy Scouts.

A 1,500-pound metal door I was installing fell on me, leaving me a paraplegic.

In a hospital far from home, all I could think of was what would happen to my family. I knew there was workmen's compensation, but friends kept telling me to watch out for the insurance company and not to sign anything. They didn't even know the name of the company.

I remember giving a claim man a statement to get compensation started, and the next thing I was transferred to a hospital close to home. The branch claim superintendent for Zurich (by now I knew what company it was) came around to see how I was doing. My wife says the compensation checks not only started promptly, but always came on time. In fact, they were early during the Christmas holidays.

Then the Zurich people started working on me to go to a rehabilitation center. They didn't have to send me there; all they had to do was make compensation payments. But they wanted me to go. When a man is in the shape I was, he doesn't want to go anywhere, and particularly doesn't want to leave his family. But they talked me into it.

You can imagine my wife's surprise, about three months later, when I got out of a car and walked into the house with my braces and crutches.

Thanks to Zurich, I can now do everything I ever did except walk normally. I'm district activities chairman and a merit badge counsellor for the Boy Scouts, and served as an assistant scoutmaster. With the Scouts, I've made canoe trips along the Canadian border 500 miles from home. When they hike, I cook, but in a canoe I paddle with the best.

We're happy the way things turned out. It's been a long, hard road, but I've met lots of fine people. Now when someone says he got a rough time from an insurance company, I tell him it couldn't be Zurich. Look at how they helped me.

Harvey Klafke
HARVEY KLAFKE

NOTE: Like most people, the Klafkes had had little experience with the operation of insurance. They now have a profound understanding and appreciation of the significant part it can play in human lives. If you want to represent Z-A—the companies which demonstrate that insurance is not an impersonal business of dollars and paperwork, but of people and problems—call or write to your nearest Z-A office.



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business insurance/perspective

Automobile insurance proposals: Attempts to compromise between incompatible principles

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



William H. Rodda

The controversy about automobile accidents and insurance arises largely from a desire for immediate payment of claims but without losing the right to sue for huge amounts of damages when the circumstances justify. This discussion of the public's reaction to automobile insurance will consider the inconsistencies that occur when the right to sue is set opposite the desire for immediate payment of claims where liability is questionable or injury is slight.

People are irritated at automobile insurance companies for several reasons. Increasing costs as well as delays in settlement of claims are cited by opponents of the present system as justification for changes. An attempt is made here to separate any question of insurance rates from the more basic problem of how claims for injuries should be settled. The question of insurance rates is another subject which will not be treated here.

Injuries caused by one person to another in the United States are adjudicated according to the law of negligence. This is a principle that has come down to us from the common law of England. The common law is generally unwritten law, and is based upon court decisions and custom as distinct from statute law. Judicial decisions are made according to the principles of right and decency where there is no statute covering the question. Decisions which have been rendered over a period of several hundred years form the basis for the common law of the United States.

THE LIABILITY of one person to another in a case of negligence arises from what is known as a tort. A tort is a wrong for which a person can maintain an action in a civil court against someone else. The injury in a tort generally arises from negligence rather than from intent. When there is intent to injure, the action is a crime.

A person has a legal duty to use reasonable care in any actions which may affect other people. Reasonable care has been defined as that degree of care which a prudent man would exercise under the circumstances. It is not required that a person take every possible precaution to prevent an accident or to prevent injury to another. It is only required that he do what could reasonably have been expected.

The doctrine of contributory negligence has become important in the determination of liability in automobile accidents. The common law rule is that any negligence on the part of the injured party will preclude him from recovering from the other party. A strict application of this rule would prevent a person from recovering if he were only slightly negligent even though the other party was almost entirely responsible for the injury.

Juries, judges and legislatures have tried to alleviate the harsh effect of the contributory negligence doctrine. They have sought ways of providing relief to the party whose negligence was only minor in degree. This has given rise to a doctrine of comparative negligence. Under this rule

the damages are prorated according to the degree of negligence of the parties involved in the accident. This has been enacted into law in some states and has been established in other states by judicial decrees or by the practices of courts and juries.

THE COMMON LAW principle is that he who acts must accept and be responsible for the consequences of his act. The tort system or the fault or negligence system, as it is variously called, places the responsibility for injury on the person who negligently causes the injury. The person who drives an automobile or who owns and is responsible for the operation of the vehicle must pay an injured person when the automobile is operated negligently and causes an injury. Automobile liability insurance is merely a device by which the insurance company defends the insured in order to determine if he was negligent and then to pay for the injury if the insured is liable.

The principle is simple but many practical problems have arisen. Many automobile accidents involve some degree of negligence on the part of both drivers. The doctrine of contributory negligence when strictly applied prevents either driver from collecting for his injuries. Another problem is that accidents happen so quickly that it is often difficult for anyone to say just what did happen. Witnesses are vague or contradictory in their accounts of the accident. Insurance companies as the

representatives of their policyholders are reluctant to pay for an injury unless there is clear evidence that their insured was negligent and that there was no contributory negligence on the part of the other person. The result is that many accidents occur in which no resolution of liability is made and from which no one collects from the other party.

The automobile accident has become a leading cause of death and injury in the United States. There are 55,000 deaths each year and millions of injuries. There is a growing belief of many people that every accident victim should be compensated for his injuries. The difficulties in establishing whether there was a tortfeasor, as the person causing the injury is called, whether there was contributory negligence, and in determining how much the injuries are worth in dollars, have all contributed to a dissatisfaction with the present system. The question is raised with increasing frequency why some sort of compensation system could not be established under which all accident victims would be paid according to some scale without the trouble of proving who was wrong.

'There is a growing belief that every accident victim should be compensated for his injuries.'

A comparable problem was handled by the people through their legislatures two generations ago. Industrial accidents had become so numerous by the early years of this century that people wanted some method by which accident victims would be reimbursed with some degree of certainty. The answer was workmen's compensation insurance. The question now is whether a compensation system or some variation of it would satisfy the automobile driving public and be more workable than the present tort or so-called adversary system.

THE DEVELOPMENT of steam power and subsequently electrical power brought about the machine age in American industry. Industrial accidents not only increased in number but also in severity. The injured worker collected from his employer only if it were determined that the employer was negligently responsible for the accident. It came about that the employer had to provide reasonably safe working conditions, he had to supervise the operations, and he had to hire fellow employes who would be expected to act with reasonable care.

The employer could avoid liability if he could prove that the accident was the result of negligence by a fellow employe, or if the injured employe was himself guilty of contributory negligence. The situation was in many ways comparable to that which the public faces today with automobile accidents. Accidents and inju-

ries were increasing in number and severity, many injured persons were unable to collect for their injuries. The function of insurance was to defend the policyholder and to indemnify him if he was found to be guilty of negligence.

The theory of workmen's compensation is that industrial accidents are an inherent and unavoidable part of American industry. It is believed that the cost of such accidents should be borne by those who use the products of industry and not by those who are the unfortunate victims of accidents. Thus the cost of accidents is built into the cost of the product by means of the compensation system. Negligence is ignored except in the very rare case where the negligence is so gross that it becomes practically a deliberate act. This is a "no-fault" theory in which fault or negligence is ignored in the payment for the injury.

THE COMPENSATION laws contain schedules of benefits which are paid for various degrees of injury and disability. The employer's negligence liability is eliminated. For all practical purposes the possible recovery by the injured employe is limited to what the law prescribes. He has practically no chance of going into court and collecting a huge sum. The employe has traded his uncertain chances of collecting a large sum for the certainty of payment in an amount which society through its legislatures has decided is proper.

The question has been debated for several recent years as to whether a compensation system should be adopted for automobile accidents. Automobile accidents are becoming more and more an integral part of transportation in America. Negligence is difficult to determine in many accidents. Certainty of payment has an appeal to many people even though the amount might be less than could be secured by lengthy court trial. Unfortunately there is no simple answer to the question of compensation for automobile accidents. Some of the problems are almost mountainous even compared with the problems that were met two generations ago when workmen's compensation laws finally were adopted.

One of the first practical difficulties is that of establishing a basis for payment. There is no wage base such as is used for workmen's compensation. All of the compensation plans use the wage of the employe as the basis for payment, subject to minimums, maximums and special awards for death or dismemberment. An automobile compensation system would have to include an arbitrary scale of benefits which might be largely unrelated to the injured person's actual income or financial worth.

It is difficult to imagine that a legislature in today's society would establish a substantially higher benefit for the millionaire whose income depends upon his investments than for the poor inhabitant of the inner city whose income is low. No

Continued on following page

perspective

Continued from preceding page

matter what scale of benefits was established there would be many people who would consider it to be unfair or inadequate.

THE BIGGEST HURDLE that an automobile compensation system would face is that of eliminating the tort liability of the person who caused the accident. The employee under a workmen's compensation law is considered to have waived his right to sue his employer when he accepts the job which is subject to the compensation law. This is considered by many people to be a legal fiction. The employee makes no actual agreement to waive his common law right of recovery against the employer. This implied waiver has been upheld so that the employee has effectively waived this right when he accepts the job.

No one has yet developed any acceptable way by which an injured party can be considered to have waived his right to sue a tortfeasor. The most likely method by which this might be accomplished is by the theory of implied waiver. Just as the employee is considered to have waived his right to sue his employer, it might be considered that an automobile driver has waived his right to sue another driver when he accepts his driver's license or when he uses the highway. It would not be much of an extension of this theory to consider that a passenger in an automobile implies a waiver of his right to sue when he uses the highway by being a passenger in an automobile.

The pedestrian might be considered to have waived his right to sue when he uses the sidewalk or crosses the street. This may seem far-fetched but automobile drivers are considered to have given implied

consent to a blood test for alcohol content when they drive a car. The point to be remembered is that when society agrees that some system is desirable, a way will be found to justify the system. It may take some legal fiction such as the implied waiver by the employee of his legal rights against the employer, but this will be effective when society decides that this is what it wants.

THE COMMON LAW theory was accepted for hundreds of years that the person who injures another because of his negligence should pay for the injury. The person who is at fault must pay for the results of his fault. Public dissatisfaction with this theory today in connection with automobile insurance arises principally because it is often difficult to determine who was at fault, or indeed if anyone was at fault. There is a feeling that accidents are as inevitable in today's traffic as industrial accidents are in today's factories. A reliance upon the tort system to decide who was at fault in an accident often results in everyone being denied payment. Questionable cases may drag on for years before a court decision is reached. Public reaction to automobile compensation is somewhat comparable to that of two generations ago with industrial accident compensation.

There are several proposals currently before the public for a change in our handling of automobile liability cases. All of the proposals that have organizational support are attempts to compromise between the negligence theory and the compensation theory. They are attempts to make immediate payment of small amounts according to some schedule but without surrender of the right to sue if the

injured party feels that a big recovery is possible. Society does not seem to have reached a point where certainty of payment can be traded for loss of the right to sue.

NO ATTEMPT IS MADE here to analyze the current proposals. Some of them are accident insurance for the driver of the car and his passengers, with a medical payments provision to cover pedestrians and others who do not have comparable coverage. Other schemes are attempts to pay claims promptly in the hope that suits can be avoided in all but the most flagrant cases. These are efforts to compromise between the tort or negligence system and the compensation system. They all avoid the elimination of the right to sue. It is impossible to predict what the future will bring.

Can the public eat its cake in the way of having immediate payment where injury is small or liability is doubtful, and at the same time retain its cake in those cases where the claimant believes that a large settlement will be secured in court? Experience with workmen's compensation seems to indicate that the public would have to give up its right to sue if it wants the certainty of payment, but history does not always repeat itself. Some compromise may be developed.

IT WILL BE interesting as well as helpful in trying to foresee the future to analyze who supports and who opposes the proposed changes. Associations of insurance companies have proposed several methods of paying small claims promptly or of providing accident insurance to cover the small injuries. All of these proposals would retain for the claimant the right to

sue when he wants to take the chance of making a big recovery. It appears that all of these proposals are sincere attempts to solve the intolerable situation in which the insurance business finds itself. Any predictions of these associations regarding the savings to be made by their schemes are pure speculation. Nobody knows what the effect will be of some proposal that has no precedent in use.

Agents of insurance companies are wary of all the proposals, although some agents' organizations have supported some of them. The agents naturally wonder if the changes will follow the workmen's compensation route under which commissions are low and in many cases where coverage is difficult to place.

Organizations of lawyers have opposed any change from the tort system. This is true not only of the plaintiffs' attorneys who obviously have a financial interest in the preservation of the current system, but also of the defense attorneys. Workmen's compensation insurance has evolved through the years into a routine operation in which most claims are settled automatically without recourse to legal action.

IT WOULD GREATLY reduce legal activity both from the standpoint of the claimants' attorneys and that of the defense attorneys if automobile injuries were handled as routinely. The big question is whether the public, whether society as a body, is willing to give up its right to sue for large amounts in return for a certainty of payment for all injuries. The question will be settled by what the public wants, not by the desires of insurance companies or the desires of attorneys. Change comes from the needs and desires of the people, and that will be the case here. ■

Telling the Benefit Story Who's your audience?

by Howard L. Peck,
partner,
Hewitt Associates, Libertyville, Ill.

When we say our audience consists of employees, we may think we've said it all. But there are two kinds of complication to this simple answer.

The first is the size and complexity of the typical business organization. Not only are benefit plans more numerous and more complex than yesterday, but workforces are large, heterogeneous and scattered. We have divisions of divisions and subsidiaries of subsidiaries, with layer upon layer of management. Increasingly rare is the company with a homogeneous workforce under one roof.

The other kind of complication is that, even in the small, well-defined employee group, there is wide diversity of interests and needs.

It is true that we have recognized the variations in benefits among different groups of employees. We know we have to communicate separately with union people and with nonunion; we have to consider differences between salaried and hourly benefits, exempt and nonexempt.

But how often do we recognize and try to meet the varying needs of people we can categorize in other ways? There are many breakdowns that could be used. Let's look at just three of them.

1. By Age:

In terms of their interest in benefits the young employee and the employee approaching retirement are poles apart. The young married fellow wants to know how soon he's eligible for a maternity benefit, a subject in which his older co-worker has long since lost interest. On the other hand, the senior employee wants to know about retirement and Social Security and Medicare, subjects of little concern to the youngster.

How do we deal with these variations of interest? One way is to organize commu-

nication materials so that the reader or viewer can be selective, can find easily those things he wants to know about. A communication device that provides this selectivity is the split-page booklet. The casual reader can skim the tops of the pages, but it also meets the needs of one who is interested in detail.

Another way of dealing with the problem is to make available special materials of interest to special groups, such as detailed explanations of retirement options

offices, small subsidiaries and divisions.

There is a strong tendency for the headquarters communications staff to think in terms of the needs of the people near at hand. Victims of this home-office syndrome forget how easy it is for people at headquarters to pick up a telephone or to go and visit the benefit authority. Yet in many companies employees who lack this capability make up a substantial part of the workforce. How can we deal with this problem?

'Do we recognize and try to meet the varying needs of people?'

and the effect of early retirement for the older employee.

Many companies prepare annual computerized status reports for employees, usually giving them all the same kinds of data. It seems reasonable to consider having at least two versions of these status reports, one for the younger employee that concentrates on the here-and-now benefits, and another for the older that gives him detail on what he will receive and the choices open to him.

2. By Location:

Some of the major sins of benefit communication are committed because we ignore the different problems that arise because of the locations of people.

This is particularly true of the larger, multiplant companies with major concentrations of people in the headquarters city. They tend to ignore the problems of the outlying people who do not have ready access to trained personnel staffs, the isolated individuals in remote sales

self-contained audio-visual equipment makes possible special presentations geared to the local situation.

3. By Levels of Communication Skill:

Here is one of the biggest communication problems we face in today's growing companies, not only in the field of benefits, but in all areas. Never before have we had so wide a range of communication skills within our workforces. And by "skills," in this case, I mean the ability to read, and the ability to hear and understand the spoken word.

At one end of the scale, we have the highly-educated professional and technical people who are multiplying in numbers. From there we grade down through the people who read only the simplest material, the subvocal readers, the semiliterates and, today, increasing numbers of functional illiterates.

Yet, we go on trying to communicate benefits through media and methods noted mainly for stuffiness, obscure language, and a style calculated to meet the president's requirements for "dignity." Much of our audience simply is not equipped to receive us.

HOW DO WE deal with this problem?

Certainly, we must use a variety of media, depending heavily on audio-visual, making liberal use of illustration in printed material—not just illustration to "pretty up" the piece, but functional illustration to support and explain the text.

We need to recognize the language problem by developing special foreign language versions of printed and audio-visual materials. We need to test our communication materials before we produce and distribute them, to find out whether we're reaching our audiences.

To summarize: the benefit communicator has a difficult job today and it's not getting easier. If we are to measure up, we must stop making glib assumptions about the nature, the needs, and the capability of our audience. We must analyze our markets, identify them, research them, learn their needs, and then design our communication to meet those needs.

I suggest that when we do this we'll achieve a much greater degree of penetration, understanding and acceptance per benefit communication dollar. ■



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Attractive employee benefits that cost your corporation little or nothing.

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like Auto and Homeowners for your employees. And we will continue to develop more. Lots more.

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Michigan food dealers provide package A&H

LANSING, Mich.—Retail food market employes of more than 1,000 food retailers in this state are receiving accident and health coverage under a package developed by the Michigan Food Dealers Assn.

Don Taylor, exec vp of the association, said the plan was developed by Pension and Group Services, a Kalamazoo consulting firm. The program is underwritten by Independent Liberty Insurance Co., located in Grand

Rapids, Mich.

The program is available only to members of the association, and premiums are based on the number of employes retained on a permanent basis by the retailer.

STORE EMPLOYEES covered by the joint policy have \$3,000 of life insurance and an additional, similar amount for accidental death and dismemberment.

The policy provides hospital benefits of up to 31 days in semi-private rooms, plus \$500 in hospital special charges, \$500 for outpatient accident services and \$500 for outpatient surgery.

Pregnancy benefits of \$300 for normal delivery, \$300 for miscarriage and \$450 for a caesarean delivery or ectopic pregnancy are allowed.

While these benefits are fairly standard in accident and health policies, the food dealers policy also has a substantial major medical benefit that provides a lifetime maximum of \$10,000 for all illnesses with a \$100 deductible. The benefit pays 80% of the excess charges after allowance for the deductible amount.

FULL-TIME employes working at least 30 hours a week are eligible and may include dependents as well. Employment by a store for 30 days qualifies the employe for coverage.

The group insurance contract is actually made between the Michigan Food Dealers Assn., rather than the individual store members, and the insurance company.

Certificates of insurance, in the

form of booklets showing coverage with the name of the individual inserted in the front, are issued through the stores to the individuals covered under the plan.

The booklet-certificates are distributed by the association, but administration of the claims payments is handled by Independent Liberty Life.

MR. TAYLOR told *Business Insurance* that the group has also added loss of time benefits (short term disability) of \$100 a month for 26 weeks as part of the insurance package. He explained that because the association has a duplication of benefits provision, experience has been good, and Independent Liberty was able to offer the loss of time cover for a small additional premium. ■



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EQUIPMENT MALFUNCTION — SPRINKLER
WATCHMEN — GUARDS — PATROLS — CUSTODIANS



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Pacific Plant Protection
LOS ANGELES, CALIFORNIA
American Fire Dispatch, Inc.
NEWARK, NEW JERSEY
N.D.T. Security Systems, Inc.
NEW YORK, NEW YORK
Central Station Signals, Inc.
PHILADELPHIA & READING, PA.
Sentinel Alarm Corp.
SAN JOSE, CALIFORNIA
Associated Alarm Service, Inc.
WASHINGTON, D. C.
Federal Protective Services, Inc.

Giles . . .

Continued from page 19

knows that his brakes are defective, their proper repair is a non-delegable duty, and if the defendant himself makes the repairs, he impliedly warrants their sufficiency and is strictly liable if the brakes then fail." (N. J. Super. Ct. App. Div. Hacker v. Statman—Apr. 24, 1969.)

IF YOU WALK on dark steps, you must exercise ordinary care for your own safety. What constitutes ordinary care depends on all the circumstances of the case.

Some of the most important factors bearing on the question of contributory negligence are: (1) the necessity for the injured person's entering or leaving the place to or from which the dark outside steps led; (2) the availability of another, safer route; (3) his familiarity or lack of familiarity with the steps; (4) the lack of warning from a bystander familiar with the steps; (5) the availability to the injured person of means of illuminating the steps; (6) whether the steps were partially or temporarily lighted; and (7) his precaution in proceeding on the dark steps.

If all this still leaves you in the dark, perhaps a recent California case will enlighten you. The plaintiff sued to recover for personal injuries sustained when she fell down outside steps leading from the defendant's apartment building into a courtyard, which steps were the only means of access to the apartment which the plaintiff was visiting.

THE EVIDENCE showed that the area was pitch black when the plaintiff fell while attempting to descend the steps. It also showed that the plaintiff was familiar with the steps and area, having visited the premises some 100 times over a two-year period. The evidence also showed that the plaintiff had successfully negotiated these same steps on prior occasions when the area had been dimly lighted.

The trial court instructed the jury that walking through an unlighted, unfamiliar area in the dark constitutes "negligent conduct" and judgment was entered for the defendant.

On appeal, the court held: (1) The rule barring recovery because of contributory negligence where an invitee, being unfamiliar with the premises, proceeded into a place of impenetrable darkness and fell, was not applicable where

the invitee was familiar with the premises; (2) the question of the plaintiff's contributory negligence in the case was one for the jury under the evidence; and (3) the trial court's instruction constituted reversible error since the uncontradicted evidence showed that the plaintiff was very familiar with the area.

The judgment was reversed and the case sent back for a new trial. The court thought that although it was "pitch black," the plaintiff because of her familiarity with the stairs was not negligent in attempting to descend the stairs. (See Russo v. Burch—224 Cal. App. 2nd, 403.)

IN OKLAHOMA seat belts must be installed in automobiles, but does that mean that if a passenger does not fasten his seat belt that he is guilty of contributory negligence if injured?

No says the U.S. district court. Prior to this recent decision, there was no ruling on the point in Oklahoma, but the district court saw fit to follow the decisions in Oregon, North Carolina and Florida. The district court said that failure to use a seat belt cannot be presented as evidence of contributory negligence or in mitigation of damages.

There must be some indication that the plaintiff was under a duty to use a seat belt to provide for his own safety and that failure to use it was a cause of plaintiff's injury, said the court, before the court is required to submit the issue to the jury. As a matter of law, there is no such duty.

If seat belts are recommended by law, they must be recommended for a sensible and reasonable purpose. If this is true, why isn't a person negligent who wilfully refuses to avail himself of this safety factor? Does it make sense to you? (U.S.D.C.N. Fla. Woods v. Smith. 2/28/69.)

AN ILLINOIS VILLAGE recently made a sincere effort to reduce accidents on its streets—but the appellate court said it was going too far.

The village enacted an ordinance wherein it declared it to be a nuisance for any person to ride horses on the streets, sidewalks, alleys, or parkways of the village.

The court agreed that the village had the delegated power to enact such an ordinance, but such an ordinance was not reasonably designed to promote the general welfare of the public—all this to the great relief of the horse-loving fraternity. (Ill. App. Ct. 1st District. Rocking H. Stables, Inc. v. Village of Norridge 2/17/69.) ■

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Heavy in cash, fund managers start to move after blue chip stocks

By RANCE CRAIN

NEW YORK—Corporate pension fund managers are generally heavy in cash in these days of a sagging stock market and tight money situation, but they indicate that now might be a good time to start moving into blue chips on a selective basis.

One pension fund administrator said the trustees of the firm's various plans are running higher in cash "than almost ever before," but he cautioned against staying out of the market for too long a time.

"Most money was made by the funds in a two-week period last year," said the corporate money man. "If you weren't invested, you missed it."

THE FUND executive foresees no big swing to bonds. "The bulk of the pension funds already have a tremendous block of fixed equity on hand" through the portion of funds administered by insurance companies.

About the best thing to do in the current tight money market, in which the squeeze on corporate prices is having an affect on stock prices, is to "ride it out and hope you can catch the turn in the market," he advised.

Another corporate money man said that his company, because of a change in investment policy, also found itself "heavily in cash."

The company's philosophy had been to invest in "a variety of special situations" that were somewhat speculative. They represented, in other words, "unusual prospects for capital growth."

BUT SEVERAL months ago, with the advent of a new portfolio manager for the corporate portion of the account, the emphasis shifted to blue chip stocks.

The change was "a happy accident" because of the current stock market decline.

The pension fund is now starting to buy into such blue chips as IBM, Bristol-Myers, Schering Drugs, Honeywell, some land stocks and in companies with "earnings visibility and consistent earnings growth." This, the fund manager believes, "is where the action will be at year-end."

The administrator of one big pension fund said that the tight money market presents a "wonderful time" to put any available cash into long term investments—whether stocks, bonds, tanker loans, lease banks, oil royalties or whatever.

HE IMAGINED that pension funds which invested any loose cash last year must "sort of be grinding their teeth."

The money manager added that some blue chip stocks are good buys because "there's less risk on the downside—especially since so many people are looking for instant performance." Too many investors, he said, are "buying movement, not value."

In the current market, "with everybody clamoring for funds, you can get more for your money," he explained. With bonds at a "record low," for instance, bond sellers are willing to give additional warrants to clinch the deal.

of \$3.659 billion in 1968. The total assets of the top 15 are more than \$9 billion, according to the Fortune article.

THE FORD FOUNDATION accounts for nearly 18% of the \$20.5 billion in assets of an estimated 30,000 foundations in the U.S. Fewer than 7% of the foundations control 90% of the assets, the report said.

It is interesting to compare the assets of these foundations with the assets of 15 leading pension funds and 10 leading profit-sharing funds as listed in the April 14,

1969, issue of *Business Insurance*.

Total assets of the leading pension funds were \$15.9 billion and the 10 profit-sharing funds totaled \$4.3 billion. The 15 foundations spent \$420 million in grants and projects, and the 15 pension funds paid out \$687 million in benefits; the profit-sharing funds paid \$242 million.

All foundations, according to Fortune, spend about \$1.5 billion a year for projects; according to government estimates, private pension and retirement payments total more than \$4.5 billion.

THE GIST OF the Fortune article is "Don't fence in the foundations" with some of the bills pending before Congress, including one that calls for a tax on gross income. The private pension system is also currently undergoing legislative review in Washington.

The Fortune report cites what it calls some "lapses of judgement" by even the most reputable of foundations. *Business Insurance* has carried reports on lapses in the private pension system.

Many observers cite foundations as a source of initiative and experiment for the social good. Others say that there can be little argument that the retirement payments made by the private pension system are for the social good as well.

D. W. McLean, head of McLean, Budden Ltd., Montreal, warned a meeting of the Canadian Pension Conference last month

that pension fund managers—after holding to conservative ways for too long a time—may be swinging too far in the opposite direction.

MR. McLEAN cautioned that while a 10% to 12% annual growth rate, including capital appreciation and dividend income, is realistic, the objective shouldn't be set higher.

"Our belief is that an objective of more than 12% long-term average compound growth from the equity portfolio carries with it risks greater than those which should be assumed by a fiduciary," he told the Canadian Pension Conference.

"We might add that we know of no Canadian managers of major funds (and this includes mutual funds) that have been able to exceed this figure at all consistently over a ten-year span," Mr. McLean said.

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Of interest

The June issue of Fortune magazine lists the 15 richest foundations in the U. S., headed by the Ford Foundation with assets

Bolton . . .

Continued from page 1

He said, "(Funds) were prudently invested, quickly and with the overriding motivation only, that the poor, unfortunate claimants in these defunct companies would eventually receive a large proportion of payment on their claims."

Asked about his wife's holdings in Civic Center Bank, Mr. Bolton said, "I do not see that there is any conflict of interest. The stock was bought as an investment by my wife and we hold stock in several other Chicago banks."

"SINCE I HAD a duty to invest the funds of liquidated insurers, is it incumbent upon me to avoid placing these funds in banks in which my family or I may hold stock? I don't think so. And, furthermore, the greatest

portior of the liquidated insurers' funds was put into larger banks in Chicago.

"Funds were invested at no financial gain to me personally," Mr. Bolton maintained.

Mr. Bolton said he had no knowledge of the Civic Center Bank stockholdings of his assistants, Mr. Drobny and Mr. Dorf.

Mr. Drobny, the former assistant director, told *Business Insurance* that he bought the stock as an investment for his father, who sold the stock two months after it was acquired because he didn't think it was a good investment. "I didn't know the insurance department had any money invested in Civic Center Bank," Mr. Drobny said, "because liquidation of insolvent insurers was not part of my responsibility but rather the responsibility of the director and a separate bureau of liquidation."

MR. DORF, WHO was dismissed by Mr. Bolton from his job

as head of the liquidation bureau, said, "I love you for asking about the stock and the investments in Civic Center Bank because I had nothing to do with the decisions on how to invest funds. We at the bureau would show Mr. Bolton a monthly sheet of lapsing investments and he would tell us where to place the funds."

The former liquidation bureau official related that it was Mr. Bolton who suggested he buy Civic Center Bank stock as a "good investment." Mr. Dorf said he retains the 100 shares he bought in 1966.

Since the appearance of *Business Insurance's* article on Mr. Bolton's use of Civic Center Bank as a depository for claimants' funds, the institution has become a storm center of charges involving two Illinois supreme court justices because of information made public by a downstate Illinois newspaper. An Illinois legislative

investigating committee is looking into allegations that the justices received free or cut-rate bank stock as a consideration for dismissing a conflict-of-interest indictment of Theodore J. Isaacs, former Illinois revenue director who is now a director and general counsel of Civic Center Bank and Trust Co.

ONE OF the allegations is that Mr. Isaacs in 1966 "turned over" 300 shares of Civic Center Bank stock to former Illinois Gov. Otto Kerner, now a judge of the U.S. court of appeals in Chicago. Mr. Bolton was appointed to his post as insurance director by Gov. Kerner on April 3, 1965, and he held the post during the Kerner administration and under former Gov. Samuel Shapiro, who was defeated last November. Mr. Baylor succeeded Mr. Bolton as insurance director on Jan. 19 of this year.

In a letter to *Business Insurance* dated June 25, Mr. Bolton asserted that he holds a cancelled check dated Jan. 17, 1966, in the amount of \$5,000 in payment for 250 shares of Civic Center Bank stock in his wife's name. The stock is now estimated to be worth about \$27 a share or \$6,750. ■

Storms cost Southwest \$40 million

DALLAS—Hail, wind-driven rain and tornadoes ravaged the Southwest this May and June leaving an estimated \$40 million in destruction.

Damage in May totaled \$10 million and swept southern Texas and parts of Kansas with hail, wind and rain. Hutchinson, Kansas, suffered \$5 million damages in one catastrophe.

Seven states were involved in the \$30 million damage in June. Half that figure resulted from a two-day wind, rain and hail storm in Amarillo, Texas, where 1,000 additional adjusters moved into the area.

Haag Engineering Co., in cooperation with the American Insurance Assn., last weekend conducted a seminar based on a seven-year study of roof vulnerability to hail. The seminar will feature displays and be accompanied by a tour of present ruins here and a special conference to discuss ways of protecting homes during such storms. Engineers from such firms as DuPont, Johns-Mansville Co. and others were invited to the conference.

THE AMARILLO catastrophe was the worst southwest storm in four years, ranking behind hurricane Beulah, which wrought \$34 million destruction in late 1967. A Kansas storm of even greater proportions left \$57 million damage to the Topeka, and Manhattan, Kansas, vicinity in 1966.

Other June carnage included a five-state storm that hit the southwest causing \$5.6 million in damages in two days. Plainview, Texas, was the worst scene of that storm, where a tornado, large hail and wind-driven rain wrecked a shopping center, drive-in theater, numerous homes and automobiles.

The same storm damaged 2,000 autos in parking lots at IBM and Beechcraft aviation plants in Colorado. The storm also required the presence of additional adjusters and the opening of a temporary office to handle claims. ■

Crash . . .

Continued from page 1

that the amounts would be sufficient to satisfy claims to next of kin. Details as to the amounts were unavailable.

IT WAS ALSO learned that telegrams were sent the day after the crash to next of kin informing them that Lloyd's was willing to discuss a settlement "at your convenience."

Peter McBreen & Associates of Chicago, international aviation claim adjusters, have been assigned by Lloyd's to handle the Miami claims. Although the firm has a Miami office and staff, Mr. McBreen himself arrived the day after the crash to supervise the anticipated mountain of adjustment paperwork.

Attempts to reach Mr. McBreen were unsuccessful. He was said to be in conference with lawyers. An aide said that the firm had been retained by Lloyd's. ■

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AFL-CIO: Savings sure with Federal safety law

WASHINGTON—The AFL-CIO continued to press for a strong Federal job-safety law, charging that insurance companies, which would save on claims payments if such a measure were passed, won't join the fight for enforcement and penalty features because "they are afraid they might alienate policyholders."

Jacob Clayman, administrative director of the AFL-CIO's industrial union department, told *Business Insurance* that "the point I'm trying to make is that employers and everyone will save money by doing more in the area of safety and industrial hygiene." A strong Federal safety law would force this saving, according to Mr. Clayman.

The union official contended that companies that have done effective safety and industrial hygiene work can show vast savings in workmen's compensation and other insurance costs.

"THE ECONOMIC cost to the country, to everybody, of accidents and injuries on the job, is more than \$7 billion a year," Mr. Clayman observed. These accidents and injuries, he added, result in more lost man-days than "all the strikes and work stoppages rolled together."

States have failed to adopt and enforce effective industrial health and safety programs, making "Federal standards and a strong Federal hand in whatever stand-

Stephens joins Reserve

CHICAGO—Philip Stephens, 36, formerly with Safeco Insurance Group, has joined Reserve Insurance Co., here, as corporate personnel director. Robert Wolf, former personnel director at Reserve, has opened a franchise office of Perspectives, a professional placement service, in Chicago.

In his new position, Mr. Ste-



Philip Stephens

phens is responsible for benefits administration for 765 employees as well as personnel policy and employment. During his 11 years with Safeco he worked extensively in insurance operations.

Connecticut General handles the company's major medical, group life and group disability coverages.

Reserve Insurance Co. is the major subsidiary of American Reserve Corp., holding company headquartered in Chicago. The diversified property and liability underwriter has offices in Los Angeles, San Francisco, Chicago, Detroit, Boston, Atlanta and Orlando, Fla.

Hall to bond post

Alan D. Hall has been promoted to manager of the corporate fidelity and surety bonds at Glens Falls Insurance Co., Glens Falls, N.Y.

Mom worth \$8,320 per year: Hartford

HARTFORD—The average American mother with two children devotes at least 100 hours weekly to her family—thus being worth approximately \$8,320 per year to the family budget, says the Hartford Life Insurance Co.

The firm bases these figures on the usual minimum legal wage of \$1.60 an hour.

Shultz. "They know he's a reasonable man," Mr. Clayman said.

"Public opinion is creeping up on this situation," the union official said. The AFL-CIO is hopeful of the passage of a strong measure and it, along with the entire trade union movement, plans to see the measure through, Mr. Clayman said.

Nurse gets medical expenses for infection incurred on the job

HAVERHILL, Mass. — The state industrial accident board, in a decision that could have state-wide implications, has awarded a nurse payment under state workmen's compensation law for medical expenses resulting from an infection she contracted on the job.

The board awarded Mrs. Dorothy E. Morrow of Haverhill the maximum compensation of \$58 a week, according to the notice her lawyer, George Karelitz, said he had received from board member Eugene Giroux.

The total award was for \$1,309.14, plus interest.

Mr. Karelitz said that Mrs. Morrow contracted a staphylococcus infection from a patient, while working as a nurse at the

Hale Hospital on Dec. 2, 1966.

Her salary at the time was \$108.40 a week.

Mr. Karelitz said that Mrs. Morrow was unable to work between Dec. 8, 1966, and May 17, 1967.

He added that municipal workers "who do menial, laborious and manual work" are eligible for workman's compensation benefits under state law.

AUL ups Schmitt

Leland E. Schmitt has been named director of group and pension sales at American United Life Insurance Co., Indianapolis. Mr. Schmitt, who joined AUL in 1963, was formerly manager of pensions.

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Movers . . .

Continued from page 3

"We have ten letters of recommendation for every complaint we receive. The problem is that in this business we're dealing with nearly every level of the public—the whole cross-section. And in that mess we're bound to come up with a number of 'oddballs.'"

"You know, you're handling their precious furniture and belongings, and frankly, they don't trust anyone, no matter how hard you try. And somewhere along the way, like in any business, you're gonna have the oddball that tries to ship a damaged desk and then claim that we did it."

ONE MOVING company executive gave this excuse for frequent shipment damages: "We can't get any decent help. We're a very seasonal industry, with most of

our work concentrated in the summer, and because of that we can't keep a man for long. And there are just too many operations involved in the business. There's packing, wrapping, crating, loading, transit, unloading, and the whole procedure. The whole thing can't go flawless, and especially with the frequency that we perform these operations, and like I say, the fact that we can't get any decent workers."

A manager with a large national mover had criticism for the insurance companies. "They're the ones that are more to blame than anyone," he claimed. "We had a case just last month where we shipped a statue to England and the owner complained that it was cracked. So he goes to some claim office over there and they write him out a check for \$3,000, without ever even consulting us, to find our side of the story—because what they don't know is

that we put it in the crate cracked already! And that's how we have such a high incidence of damage claims."

But according to sources at the ICC, shippers are going directly to the insurance companies only when they get no satisfaction from the moving agents.

"If the carrier will not voluntarily pay such claims, the shipper may contact the Interstate Commerce Commission for the name of the insurance company providing the required cargo insurance." This statement appeared in a public notice issued by the ICC in 1966 just prior to its 1967 crackdown on household mover irregularities.

It continues, "The insurance company may be willing to settle a claim even if the carrier is not."

A LEADING MOVING company underwriter maintained, "We're the company that writes

the policy, not the movers. Therefore, the claim is with us and not the moving companies. Quite frankly our experience has not been good with these claims. Almost always, our inquiries show the fault to be with the carrier.

In one outrageous case we had several years ago, our investigation showed that the cause of a truckload of ruined furniture was the drivers' getting drunk on the job, unloading the furniture in their drunkenness and leaving it there until it began to rain and the cargo was destroyed. Of course, we dropped the company immediately, and they had difficulty getting insurance with anybody for quite some time after that, no matter how many safety features they offered."

A former claims officer for the Army, now an insurance man, had his own view. "I was at Fort Hunter in Savannah, Ga., last year. Believe me, the U.S. Government only deals with the largest companies when they move their personnel. Now Fort Hunter has a mighty small claims office, and in that office alone, I processed 900 claims, totaling over \$300,000 that the government made the different moving companies pay."

Regarding liability limits, the ICC is "cleaning up" rather than revising existing provisions. "The state of liability was in chaos before," noted one ICC official. "In previous years the shipper really didn't know what he was getting into. He would be told he was getting a savings or that the liability was something other than what it actually was."

"**WE ARE** going to make sure that now all companies have a filed certificate of insurance," the official continued. "A Brooklyn mover, Joseph M. Lieberman, recently received a sentence of five months in jail for carrying inadequate insurance. Others have really been hit with stiff fines. It'll make more sense for them to pay premiums than fines."

"What's more, we're going to clean up the language between the shipper and the mover. For instance, we distinguish between a common carrier and a household mover. Furthermore, the exact amount of liability will be understood at the outset of the job," he said.

"The Commission can't make legal judgments as to the validity of claims. However, it can help collect those claims. It's not so much the collecting, as understanding how to collect. The shipper should know that if he doesn't

Despite tv report, 'Teacher, Teacher' had cast cover

LOS ANGELES—"Teacher, Teacher" the NBC Hallmark Hall of Fame production that won this year's Emmy as tv's best dramatic program of the season, was covered by a cast insurance policy, written by Fireman's Fund American Insurance Cos. of San Francisco.

During the Emmy awards presentation, producer George Lefferts erroneously told a nationwide tv audience that the show had been unable to obtain cast insurance from any insurance firm.

The policy, written by Fireman's Fund, included full coverage on 14-year-old Billy Schulman, the retarded youngster around whom the show was built.

Young Schulman received a special award from the National Academy of Television Arts and Sciences for his performance.

The San Francisco company, which writes more cast insurance for movies and tv than any other U. S. insurance firm, also wrote coverage on eight other shows that figured in Emmy awards.

valuate his goods properly at the beginning of the shipment, he will be very sorry in the event of any damage. And they should be told that if they sign their goods away at 60¢ per pound per item, they aren't getting much protection."

Now that the shipper will have a clearer idea of what the liability picture actually is, the incidence of claims will be even greater, and as one underwriter noted, "This will mean more loss, and of course a greater premium."

But optimistic moving concerns doubt the proposals will be adopted for a long time. One smaller company spokesman commented, "We're not gonna worry about it. It'll take two years to get those proposals through. Let the insurance companies do whatever they want."

"If they keep pushing . . . all the small movers will affiliate, and we'll insure ourselves. . . . You know, just like the biggest national outfits do. We've got the time to organize. And then we'll control the premiums, and the paying out of claims." ■

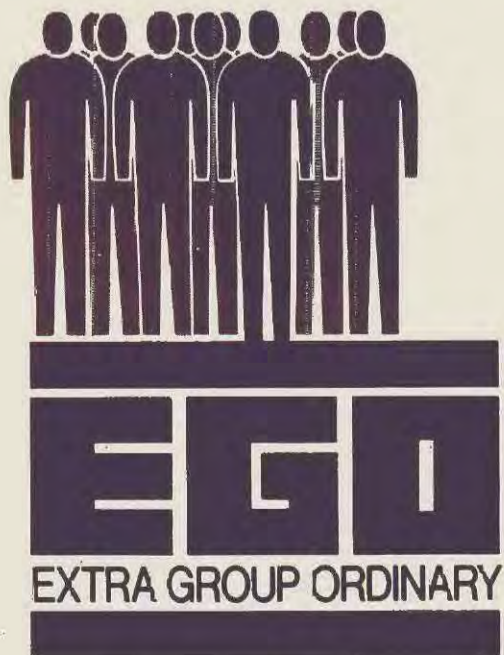
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Nationalized health care scheme gets boost as groups give support

WASHINGTON—The move to create a system of national health insurance is gathering momentum as top political, labor, and business leaders and groups line up in support of health protection at the Federal level.

National health insurance has been actively supported by organized labor since the late 1930's. The labor movement has now enlisted some powerful allies in its fight to win legislative approval for a program of universal health care.

Sen. Jacob K. Javits (R., N.Y.) has said he will introduce a bill later in the session proposing a program of national health insurance financed by employers, employees and units of government.

The Committee of 100 for National Health Insurance, chaired by United Auto Workers Union President Walter Reuther and joined recently by Sen. Edward M. Kennedy (D., Mass.) is now drafting a legislative proposal.

THE AFL-CIO national staff is also at work on a proposal and an increasing number of institutions and organizations are proposing or endorsing schemes for national health insurance.

Gov. Nelson Rockefeller backed such a scheme before and during the last presidential campaign, but President Nixon at that time rejected a compulsory health insurance plan.

"In Great Britain, where they have compulsory health insurance, doctors are leaving to come to the U.S.," Mr. Nixon noted.

Alarms . . .

Continued from page 18

Used properly, it will detect the presence of any intruder and sound an alarm to frighten him away, and will alert you, or the other occupants of your building, neighborhood and police.

Its range is up to 20 or 30 feet. The unit should be placed in the room to be protected on a table or desktop, or it can be mounted under shelves, tables, door frames, porches, roofs, etc. Either vertical or horizontal mounting can be used, and the beam can be directed at any angle. It can even be set upright between other objects. Under certain circumstances, it can be used in outdoor locations such as carports or porches, but cannot be in the direct rain or snow.

THE INTRUDER will invariably move about in a room, and is therefore bound to trigger the system, so accurate aiming is not required. He cannot step over or walk under the beam as can be done with some detection systems.

This intrusion alarm offers complete flexibility of operation. It can be used in a number of ways with lights and alarm bells. The alarm can be instantaneous, delayed, in short bursts then reset or continuous.

Other detection systems available to the business community today are photoelectric devices—infrared beam systems—audio detectors that cancel out external noises and "listen" for the stealthy sounds of a burglar—vibration detectors that react only to vibrations caused by touching or moving the protected object—capacitive detectors, that sense disturbances within an electrostatic field—and various "panic" buttons and switches that are hidden in floor mats, wall mats, under-counter rails, etc.

"What we do need is a massive program to provide new doctors, more health facilities."

Sen. Javits told an AFL-CIO conference on community services here that his proposed system would bring comprehensive health care to all persons—the working population, dependents and the unemployed.

The program would be financed by employer and employee contributions, and for the indigent, by contributions from Federal, state and local units of government.

PARTICIPATION IN the plan would be compulsory. There would be freedom of choice between competing plans, and plans would be subject to cost controls overseen

by state and Federal health agencies, the senator said.

The program would also provide for Federal financing of the construction of hospitals and other facilities so that adequate medical care is made available to persons in all areas. This would include neighborhood family-care clinics, expanded out-patient departments and other facilities for ambulatory care.

The Committee of 100 for National Health Insurance, organized in November by Walter Reuther, is also at work on a legislative proposal. Vice-chairmen are Dr. Michael E. DeBakey, Baylor University heart surgeon, Whitney M. Young Jr., executive director of the Urban League and philan-

thropist Mary Lasker.

COMMITTEE MEMBERS include Sen. Edward M. Kennedy (D., Mass.), Sen. John Sherman Cooper (R., Ky.), Sen. Ralph Yarborough (D., Texas), the Rev. Ralph Abernathy, along with a cross-section of labor, business, civil rights, education, hospital administration and religious leaders.

The AFL-CIO is also at work on a proposal, under the direction of Bert Seidman, director of the AFL-CIO social security department.

In an article in the AFL-CIO American Federationist, Mr. Seidman discussed the need for a comprehensive national health insurance program covering hospitalization, physicians' fees, preventive medicine and extended and outpatient care for all persons—the working population, dependents, the unemployed and those on public assistance.

The national health system pro-

posed by the unions would also put some controls on costs. "We would not tolerate sky's-the-limit doctor's fees and we would insist on both controls and incentives for moderating hospital charges," Mr. Seidman said.

THE PROGRAM would be organized under Social Security and financed on a tripartite basis with the employer, the employee and the government each contributing one-third of the cost.

He estimated the cost of the program at \$33 billion annually, or about \$11 billion each by employees, employers and government. He noted that in fiscal 1967 total expenditures by Federal, state and local units of government for health services came to \$12.6 billion.

Harvard Medical Economist Dr. Rashi Fein proposed national health insurance as a means of meeting the medical problems of the ghetto.

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Risk management concept changes broker-buyer relationship: Warren

SAN FRANCISCO—The "triangle" of risk manager, broker and underwriter was presented to the regular monthly meeting of the Northern California chapter, American Society of Insurance Management Inc. held here.

Participants were David Warren, CPCU and member of Warren, McVeigh & Associates, San Francisco risk management consultants; George Bingham, CPCU and partner in Erlanger, Reed, Dinner & Meyer; and Fred B. Gillette, CPCU and ass't insurance manager, Kaiser Aluminum & Chemical Corp. of Oakland.

Conclusion was that "the traditional hands-off attitude of agency companies toward the risk managers" tends to inhibit "the close cooperation which is essential for mutual survival in today's insurance market."

"Risk managers," Mr. Warren contended, "urgently need all of the market expertise of brokers. In spite of this, direct writers, who do not use a middleman, are generally producing higher profits than agency companies."

AL TRIMBLE, FMC Corp., San Jose chapter president, who conducted the meeting, also reported plans for a questionnaire to be

mailed to all U. S. members of ASIM on "how the risk manager analyzes his insurance needs and chooses his insurance carrier."

"Relations between the insurance buyer, the underwriter and the broker," Mr. Warren added, "have always been delicate and complex. Today they are more so, because of the rapid changes occurring in all aspects of the insurance business."

SOME OF these changes Mr. Warren listed as restricted markets, holding company operations, mass merchandising, lowering of commissions, government intrusions.

"All of these," he said, "affect the situation but the two trends of particular significance are the concept of risk management and the growing sophistication of the risk manager."

Bond in 'state of flux' at Houston's airport

HOUSTON—Losses on a Firemen's Fund Insurance Co. performance bond for the construction of this city's new airport—the first major field built in the U.S. in seven years—are described as "in a state of flux."

According to Thomas McCann Sr., head of the construction company that took over the building of the airport, "we feel \$6 million in losses is reasonably close." McCann Construction Co. Inc. took over when R. F. Ball, of R. F. Ball Construction Co., died.

A spokesman for Firemen's Fund, however, said he didn't have any idea what the final loss would be and "we don't know whether there will be any litigation involved."

THE AIRPORT—which was to be completed in April, 1967—had the first plane fly off its runways on June 6. Flooding, labor difficulties, misplaced concrete walls and falling ceilings caused the delays.

The mayor of Houston, Louie Welch, and the city fathers—who were criticized for the delays—gave the construction company some relief when they pushed up the original cost of the airport from \$18.1 million to \$19.5 million

"The buyer and the underwriter usually are at the two ends of our triangle, with the broker in the middle. Today the buyer, not satisfied with being removed from his market, wants a more direct dialogue and is more critical of broker services."

"The buyer," Mr. Warren continued, "is not willing to pay for all the broker's fire protection, safety, adjusting, policy auditing and other services, if he does not use all of these services. The buyer today is more inclined to pick and choose the services desired."

Mr. Warren warned his ASIM audience that "the risk manager just cannot substitute for the broker's managing skills. Only the broker who deals with the underwriters almost daily, can adequately select and present programs in the manner most apt to bring desirable results."

because of city-ordered changes.

An aide to the mayor said "there is no way of knowing what the contractor's losses are," although one report quoted the mayor in general agreement on Mr. McCann's \$6 million figure.

Originally, a \$2,000 penalty was to be charged for each day the airport was not ready after the April, 1967, deadline. But part of that loss was wiped out when the city council removed nearly \$1 million in penalty charges.

"We have requested another extension of time," Mr. McCann told *Business Insurance*. He is now asking that penalty charges be dropped for the job up to and beyond the opening day of the airport.

According to another aide for the mayor, the city council has taken the request under advisement.

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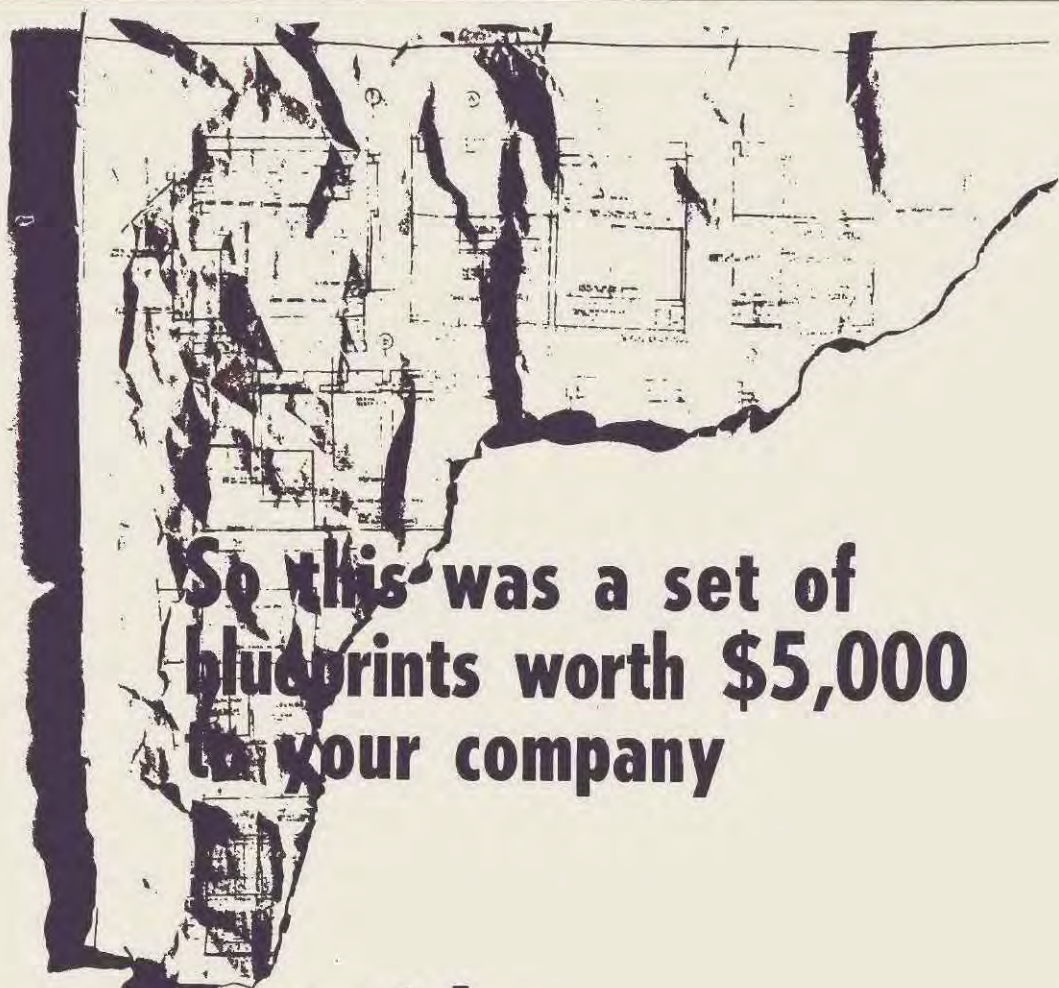
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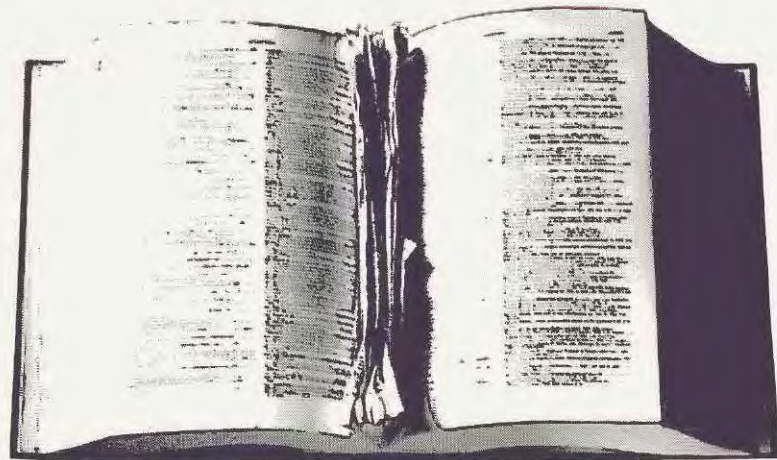
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