

Benefits page 14

Employes at Kimberly-Clark Corp. are recipients of a unique new education benefit plan, which is expected to cost $1.5 million. Annual benefits are calculated on the basis of corporate earnings per share of stock. Even tuition for courses not related to jobs will be fully paid by the employer. Benefits can also be accumulated in a savings fund for use later.

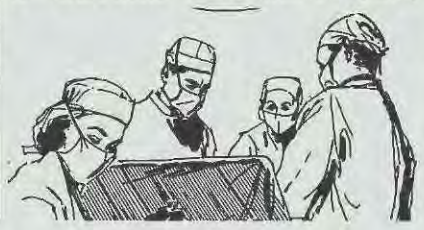


Historic black lung rule page 51

The Supreme Court will soon rule on a lower court decision that coal mine operators are liable for benefits to miners who contracted the disease before the Coal Mine Safety Act was passed in 1969. Full protection will now be provided for older and retired miners.

NY malpractice page 42

After a difficult seven-month search for an underwriter, following Employers of Wausau's decision to drop the client, the New York State Medical Society found Argonaut Insurance Co. to underwrite a malpractice policy.





P/C rates rise page 10

Insureds around the country are experiencing substantial premium rate hikes for work comp, product liability, boiler & machinery and certain fire insurance policies.

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London's $3.3m D&O payout may be record

By SUSAN ALT

NEW YORK—Insurers in the London market agreed to what may be the largest payout yet under a directors' and officers' liability policy with a $3.3 million settlement of suits involving R. Hoe & Co.

Hoe is a producer of printing presses that went into bankruptcy proceedings five years ago, sparking shareholder suits totaling $25 million against officials of the firm.

Coopers & Lybrand, a national CPA firm, agreed to pay out nearly $1.3 million as part of the overall settlement of the case. The accounting firm was charged with negligence in preparing and certifying financial statements for R. Hoe & Co., and subsequently denied liability but agreed to settle to avoid prolonged litigation.

This proposed settlement of $4.5 million is to settle suits filed by Hoe's bankruptcy trustee against the auditors and officials of Hoe.

Coopers and Lybrand, known as Lybrand, Ross Bros. & Montgomery at the time suits were filed, is covered under its professional errors and omissions insurance policy for the settlement, Harris Amhowitz, general counsel for the CPA firm, said.

"INSURANCE will cover the settlement, except for the deductible, and most of that was taken up by legal fees," Mr. Amhowitz noted.

Hoe is thought to have had the D&O coverage for a number of years prior to the bankruptcy proceedings, with Marsh & McLennan as the broker. The coverage included a $1 million primary limit, and $4 million excess coverage, all with London insurers.

John P. Reiner, attorney with Townley, Updike, Carter & Rodgers, counsel for the bankruptcy trustee, said the policy was primarily with Lloyd's of London.

The settlement was negotiated for Lloyd's by attorney Alfred J. Morgan Jr. of Bigham, Englar, Jones & Houston, here.

It is believed to be the largest D&O settlement to date. There is some speculation that directors and officers cases now being argued may involve settlements larger than this one.

The London insurers agreed to pay $3,250,000, after applying the $20,000 deductible and the 5% retention. The money, however, has been invested and will include interest accrued so the total payment will be about $3.5 million.

The compromise was arrived at by the Lloyd's attorneys after much discussion, and after certain unnamed defenses were raised against the claims. Although Mr. Morgan declined to give details of Lloyd's defenses, the arguments most often raised against claims under D&O policies are understood to be exclusions for acts involving insider trading, and losses arising out of dishonest acts of assureds.

Hoe's D&O policy does cover defense and legal costs.

The $3.3 million payout under a D&O policy comes several years after other large insurance settlements by underwriters at Lloyd's involving such major corporations as Four Seasons Nursing Centers of America Inc., Revenue Properties Co. Ltd. and Mill Factors Inc.

IN NOVEMBER, 1972 Four Seasons and Arthur Andersen, its auditor, settled suits for $8.5 million. This amount was covered partially by the CPA firm, under its professional liability policy, with the remainder covered under Four Seasons' SEC form, which includes some D&O coverage, although the amounts of each party's liability is a closely guarded secret.

The Revenue Properties settlement, also under an SEC form, was a joint agreement with its auditor, Touche Ross, to pay $8.75 million to settle suits by shareholders and creditors.

It was nearly four years ago that Lloyd's underwriters paid slightly less than $1 million under a directors' and officers' policy written on executives of Mill Factors, the commercial finance company that went broke.

Ironically, the Mill Factors case also involved Coopers & Lybrand's predecessor company, Lybrand, Ross Bros. & Montgomery for certifying Mill Factors' books when, in fact, the company was insolvent. The large accounting firm, sued for its role in that case, settled for almost $5 million.

Lybrand was fully insured for that loss under a professional liability policy spread among several world insurers, through brokers Corroon & Black Corp.

The policy covering Mill Factors officials had limits of $5 million. Frenkel & Co. Inc., New York, was broker for the policy, through J. H. Minet & Co., Montreal, for Lloyd's. ■

House committee planning to scuttle offshore captives' income tax breaks

By RICHARD L. GORDON

WASHINGTON—Offshore captive insurance companies may be about to lose one of their federal income tax advantages in a House ways and means committee blitz on the treatment of foreign income which began last month.

The committee tentatively agreed to knock out what are known as "subpart F" tax exemptions which affect the tax treatment of the captives' income from insuring U.S. risks.

Before last month's action ended, Rep. Wilbur Mills (D-Ar.) had even proposed setting a minimum tax on the foreign income of U.S.-controlled overseas subsidiaries, a move which apparently would have included captives' income from insuring foreign risks, as well as the income from all other U.S. foreign subsidiaries.

REP. MILLS complained at one point that he was "sick and tired" of hearing about the foreign profits of multinationals who pay little or no federal tax here.

The minimum tax proposal for foreign source income was scuttled, at least temporarily, after some sharp lobbying by multinational firms, and dissention among leading Democrats on the committee.

The decision to change the tax treatment of U.S. income of offshore insurance captives remained intact, however, after the initial round of debate on the question.

"The whole point of the measure is to get at U.S. firms getting income for insuring their U.S. risks by operating through foreign subsidiaries," a staff member close to the House ways and means committee told *Business Insurance*.

"They're going to be stepping on the toes of the Fortune 500," warned one official close to the captive insurance industry. "I'm sure there'll be a scrap before it's over," he further said.

BUT TAX law and tax accounting experts for captive insurers were taking a very cautious approach, in reacting to the proposed tax change.

The ways and means committee had not devised the technical

Continued on page 2

Metals company goes for brokers

Cerro drops risk manager post

NEW YORK—Cerro Corp., a $700 million company, eliminated its internal two-person insurance department and turned over the bulk of its risk and insurance management responsibilities to a relatively small Richmond, Va.-based broker with which it had done only a limited amount of business in the past.

Cerro's rather complex array of insurance policies are estimated to generate about $3 million in annual premiums, business which will now be handled almost exclusively by Bupert & Assoc.

Cerro's asset protection program is basically an insured program. It was formerly handled by Marsh & McLennan, which had the account for many years. Marsh & McLennan will retain Cerro's pension actuarial business.

Buppert & Assoc. started doing business with Cerro slightly over two years ago, "on certain aspects of their business. We've done business with the company on an increasing basis over the last several years," said William I. Buppert, president of the brokerage firm.

Cerro's insurance manager, Donald R. Hilliard, who was with the company for 19 years in various positions, was told he should look elsewhere for work. He has been insurance manager for over ten years. He recently handled property and casualty coverages. Four years ago, the company named a separate manager for group insurance coverages. Hal Sebastian, employe benefits manager is being transferred out of the personnel department of Cerro, which was also eliminated, to a position as personnel manager for the manufacturing group, which employes over 6,000 of Cerro's total of 10,000 employes.

Continued on page 4

Class action suits are hit by high court ruling decree

WASHINGTON—A recent Supreme Court ruling on class action suits may hinder consumer groups that bring large liability cases to court.

But most litigation against companies, and the market for business liability insurance, will probably not be affected by the Supreme Court decision.

The high court ruled that any claimant filing a class action must notify all identifiable class members about the lawsuit, and pay the cost of sending out the information notices. Class members would then be able to bring in their own attorneys, learn about rulings in their favor, or drop out of the case.

This decision, however, may make many large class actions unpursuable due to the potentially prohibitive cost of notifying millions of class members.

ONE SPOKESMAN from Ralph Nader's Public Citizen consumer organization said "it's going to affect a lot of claims against large corporations." Antitrust and securities fraud cases brought to court by consumer groups would be the hardest hit, he noted.

"Shareholder derivative suits will not be affected because they're under a different rule," the spokesman added. Directors and officers liability insurance is designed to cover damages awarded to company stockholders.

Russell Drake, insurance manager for Borden Inc., told *Business Insurance* that the decision "could very well cut down the

Continued on page 12

Last call: Agents and brokers

The deadline for return of listings to appear in the year's special agent broker profiles issue has been extended to June 24.

The third annual Agent/Broker Profiles issue is scheduled for July 22. Those who were not included last year can call *Business Insurance* at 212-986-5050 for the necessary questionaire. To qualify for listing, agents and brokers must have gross revenues of over $150,000 annually, with over half their business with commercial accounts.

Offshore captives . . .

Continued from page 1

wording of the change when the matter was brought before the committee.

"We really don't know what they've got in mind," said one accounting expert. "It's at much too early a stage to know what's being done."

Most tax experts were also reluctant to speculate on the impact of any changes on the growth and stability of the captive insurance field.

"I KNOW OF really few companies that were set up solely for tax motives," said a tax lawyer, an expert in captive insurance matters. "The big sweetener is still control of the cash flow."

"We've not set up two captives for the same set of reasons," said a leading manager in the captive field. "Tax considerations are of varying importance."

While the foreign income of U.S.-controlled offshore companies is normally not taxable until dividends are paid to the American parent, the Congress in 1962 said that certain types of income produced by U.S.-controlled foreign corporations would be included in the income of the U.S. owners on a current basis.

Included in that category was income produced from insurance or reinsurance of U.S. risks—unless the premium income of the captive included 5% or less from U.S. sources.

Such income is known as "subpart F income" and once taxes are paid on it, dividends or distributions back to the parent are tax-exempt.

The exemption the ways and means committee has tentatively voted to remove one that would allow the income to be sheltered if certain minimum distributions of profits are made back to the parent.

The amount of the minimum distributions, which would be taxable, is determined by the effective foreign tax rates.

CAPTIVE INSURANCE companies are normally located in nations where local taxes are low and, if treated by themselves, would probably have high minimum distribution rates.

However, the subpart F exemption allowed a multinational corporation to aggregate the income of the captive collectively with some or all of its other foreign subsidiaries, which may be located in nations with substantially higher tax rates. The aggregate minimum distribution rate, then, could be lower for the group than for the insurance captive taken alone.

The idea behind the minimum distribution and foreign aggregation clauses was to bring the combined U.S. and foreign taxes on the earnings and profits of the foreign corporations to a level approaching the applicable U.S. tax rate if the earnings were generated entirely in this country.

Subpart F income exemptions have resulted in the sheltering of about $70 million in taxes from the federal government, according to rough estimates of tax experts on Capitol Hill.

NOT ALL of that amount would be taxes due on captive insurers' income since other foreign enterprises are included in the exemption. Even rough estimates of the captives' share of the tax burden will not immediately be available, according to Capitol Hill sources.

Elimination of the exemption would mean that subpart F income would no longer be sheltered behind minimum dividend distributions and that the income of foreign subsidiaries with such earnings would be treated on a current basis for each individual subsidiary.

The decision is tentative, however, and like all such preliminary moves can be changed by later action of the committee. ■

Agents push for no-fault bill in '74

WASHINGTON—The National Association of Mutual Insurance Agents (NAMIA), acknowledging that Republican politicians may be in trouble, is pushing for enactment of federal no-fault insurance standards this year.

Charles M. Boteler Jr., NAMIA president, told New York and New Jersey agents this month, "there is every reason to believe the 94th Congress will be far less conservative in its makeup than the 93rd has been. As far as our industry is concerned, it could mean a Congress less sympathetic to business in general and insurance in particular.

"If that happens," he said, "then the kind of no-fault legislation we are likely to get next year would not only be less desirable than S. 354 (the Senate bill passed in May), but it would stand a better chance of passage."

He emphasized that NAMIA is not completely satisfied with the Senate version and hopes to see the eventual bill include NAMIA suggested changes, including one that would preserve the primacy of auto insurance over health insurance. ■

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Was leading underwriter in market

Pacific Indemnity calls it quits with liability on public entities

LOS ANGELES—Pacific Indemnity Co. withdrew from the field of liability insurance coverage for public entities in California, Utah and Arizona because it faces "a virtually unlimited no-fault situation" on governmental liability.

Pacific Indemnity has been the major underwriter of West Coast public entities, in the business for over 20 years.

The liability coverage for public entities includes broad liability policies for counties, states, cities, water districts and such. Pacific Indemnity confirmed that the withdrawal from the market affects "several hundred different policies." Other market sources indicated as many as 1,000 public entity liability policies could be involved, generating an estimated $8 million to $10 million in annual premiums. Pacific Indemnity declined to discuss volume figures.

"WE WILL NOT cancel existing policies," explained David S. Decker, Pacific Coast manager for the Chubb-Pacific Indemnity Group, "but as these policies arrive at their anniversary dates, we will ask to be relieved of liability."

He noted that Pacific Indemnity was a pioneer of many new forms of public entity liability insurance in the past, "and in the face of changing social conditions and adverse loss ratios, maintained a constant market."

Today, however, Mr. Decker went on to say, "governmental agencies at every level are placed in a position of reduced protection by governmental immunities. At the same time such agencies must take on great responsibilities for assumption of an ever increasing degree of care and social duty toward the public."

Specific problems Pacific Indemnity foresees complicating future coverage relate to the "erosion of governmental immunities in such areas as road design and road conditions, law enforcement, recreational activities, even the issuance of licenses and permits," Mr. Decker said.

INSURANCE sources at other companies said losses relating to school districts and counties have become particularly troublesome.

"The time seems to be rapidly approaching when insurance carriers will have a virtually unlimited no-fault situation in governmental liability," Mr. Decker added. "Such trends have made it difficult for Pacific Indemnity to properly assess loss reserve values.

"As a result," he continued, "Pacific Indemnity has found it insuperably difficult to assign realistic premiums to the governmental entity accounts, in the existing environment. We see no prospect for improvement, only increasing deterioration."

BECAUSE OF the uncertainty of risks, "the company has reluctantly decided it can no longer continue to write liability insurance for public entities in California," Mr. Decker stated.

Insurance Co. of the Pacific Coast, a relatively new firm which is a division of Gulf Insurance Co., is one of the underwriters moving into the public entity market Pacific Indemnity is vacating. Gene Leone, senior casualty underwriter for the Newport Beach firm, told *Business Insurance* that "better than 110" public entity policies are already on Insurance Co. of the Pacific Coast's books, all added in only a year of participation in the market.

"We're not aggressively going after the business, because we don't want to be top heavy. We'll just take our proportionate share. We're covering some entities for liability as an accommodation," he said. Many of the principals of the firm were formerly with Pacific Indemnity.

Fireman's Fund American Insurance Co., of San Francisco, is another firm picking up some of the business, although it still has a relatively small share of total public entity premiums (estimated at about $1 million a year or less) Warren Upper, supervising casualty underwriter for the western region, said, "We don't really know who will pick up this business. It will have a big impact on the markets. We write some of the coverage, but want to charge rates we think make it a good business. We've been approached on some of this business but have turned it down."

IT'S THOUGHT that part of the reason Pacific Indemnity pulled out of the markets is that the firm was charging premiums as much as 50% below manual rates and incurred simultaneously large liability losses in the last year.

Other insurance companies known to be eyeing the market with some interest include Central Mutual Insurance Co. of Van Wert, Oh.; Allstate Insurance Co. of Northbrook, Il.; Imperial Insurance Co. of Los Angeles; and Harbor Insurance Co. of Los Angeles

Typically, liability coverages for such public entities as municipalities have included comprehensive general liability covers, statutory coverages for personal injury, civil commotion and riot insurance, defense and punitive damages insurance for agencies and agents, errors and ommission coverage, and malpractice insurance for city-owned hospitals. With more recent jury decisions circumventing traditional governmental immunities, awards in many of these areas have caused sizeable losses against insurance policies. ■

Oregon work comp increased by board

The Oregon workmen's compensation board has announced an increase in workmen's compensation assessments on employers and workers. The increase makes total daily assessment for Oregon employers 6-cents for each worker employed, or $1.32 a month for salaried employes. Each worker's assessment went to 8-cents for each day worked, or $1.76 a month. The additional funds will be used to implement an action on the 1974 special session of the legislature which gave benefit increases retroactively to previously injured workers.

Fees vs. insurance commissions. Up with realism. In with James.

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Cerro cuts risk department . . .

Continued from page 1

"The company says right now that each individual operating unit will administer its own group insurance program," Mr. Sebastian said.

If Cerro is eliminating these jobs as part of a cost-cutting effort following problems in 1973, there is doubt in many minds whether these decisions will actually save any money in the long run.

Paul J. Bennett, controller for Cerro, indicated (although he did not state precisely) that the decision to eliminate the insurance manager's job was part of an overall reorganization of the corporate headquarters in line with a philosophy of decentralization at Cerro. He noted that responsibility for risk recognition and analysis will rest with executives of each operating division, thus, will be decentralized, although the actual decision on how to hedge the risks and what insurance to buy will be made "by the corporate financial staff; myself, to be exact."

MR. BENNETT said Cerro has traditionally had a "very small corporate staff" consisting of only about 100 people, of whom about 50 were clerical workers. "Many of the professionals at headquarters dealt exclusively with matters involving the Peru and Chile operations, and with the loss of those operations, we found many were no longer needed."

Cerro Corp., which chalked up sales of $635 million last year, is involved primarily in production, fabrication, manufacture and refining of nonferrous metals.

In 1971, the Cerro de Pasco division operations in Chile were expropriated, along with mining operations in Peru, causing a major decline in profits for the firm to only 44 cents after extraordinary items last year from $2.10 a share. In the first quarter of this year, however, profits on continuing operations rose to 59 cents from 44 cents per share.

A number of recent acquisitions have helped profits swing upwards again. Cerro is now into the housing manufacturing field with two companies, has a trucking firm in Denver, operates fluoresce mining companies, is in real estate development, and has two plants involved in making equipment for the cable tv industry.

There is some question about whether Cerro will have any centralized insurance administrator in the future. Mr. Buppert, who noted that some coverages he is taking over are on a commission basis (such as aircraft policies) and others (such as business done direct with Liberty Mutual Insurance Co.) aren't, said he understands someone at Cerro will eventually be trained to handle some insurance administration.

MR. BENNETT would say only that Cerro "will continue to have an internal insurance department." He stated that "we constantly are reevaluating the method by which we run the company. With the settlement of our affairs in South America we have done this again, and we put people in spots where we thought they could be most effective. We eliminated certain positions."

Mr. Buppert said he presently has nearly all of his 30 employes working on an overall audit of Cerro's insurance coverages, although he believes that when things revert to normal there will be three or four people on the account full time.

Cerro's policies include workmen's compensation, blanket liability, auto liability, excess liability, blanket crime, manufacturers output, travel accident, property, boiler and machinery, difference in conditions, charters liability, ocean cargo and fidelity bonding.

The firm has first-dollar coverage for liability exposures, and other deductibles range from $5,000 on the MOP all the way up to $250,000 on the Peruvian mining operations.

In addition to dealing direct with Liberty Mutual, Cerro does business direct with the Factory Mutual System.

THE NEWEST policy Cerro bought was a directors and officers liability policy with a $20 million limit, insurance industry sources said.

A brokerage industry official familiar with the Cerro program reacted with this explanation: "It seems to me that the existence of a risk manager in the corporation is somewhat of a duplication of the effort of a broker. He presupposes a need to monitor the brokerage function. In a lot of relationships that might be needed, of course. It is essential that someone inside an organization have responsibility for claims activities and know the internal changes of the corporation.

"But as we see the Cerro situation, it is a more routine program, not changing rapidly. In an organization like Jonathan Logan (*Business Insurance*, April 29), exposures would practically change daily. Cerro is relatively static, without nearly that activity level. What precipitated a major change at Cerro was the expropriation of the South American divisions, because there was a decrease in the activity level of the company, and the changed the nature of the organization."

THE RISK manager for a major multinational corporation offered a critical view of Cerro's action: "I find this incredible. We think this is the time for risk management to become more a part of the management team, not just on the periphery, because it truly contributes to bottom line results."

Carmen Aurecchione, risk manager for Commercial Solvents Corp. and a fellow member of Mr. Hilliard's in the Midtown Insurance Buyers Assn. of Mahattan, believes "Cerro can't expect the broker to do the full job and perform all the functions of a risk manager in the true sense. I don't know why Cerro decided to do this. I think it's wrong. If you cut down your risk management department, you are going to pay for the services elsewhere."

In addition, Cerro is losing the advantage of some savings on group coverages formerly achieved through volume buying, sources cited. ■

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ASIM chapter elects first woman president

The Washington chapter of the American Society of Insurance Management, Seattle, elected Mabel Weiss president for the coming year. Mrs. Weiss is insurance officer of Seattle-First National Bank. Other new officers include vp Robert J. Cotter, insurance supervisor for Simpson Timber Co.; treasurer Cheri J. Hawkins, assistant director of insurance for Weyerhaeuser Co. in Tacoma; and secretary Wm. Lee Elwell, claims agent for the Port of Seattle.

This damaged index finger was recycled into a great thumb.

Some things are a little grim to think about, but industrial accidents can't be ignored just because they're grim.

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Today, John Foster is into a whole new career as an electronic repairman. His case is testimony to surgical skill and the willingness of Employers Insurance to provide service beyond the letter of the insurance contract. It is, above all else, an affirmation of the dignity of the human spirit.

It's a story with a happy ending and we are proud that one of our "good people" helped to make it happen.

John Foster will drink to that!



Come to the source

Employers Insurance of Wausau
Wausau, Wisconsin



States favored to win work comp battle: Speaker

By JOANNE GAMLIN

ANAHEIM, CA.—An unprecedented power struggle is being waged between the federal government and the 50 states for control of workmen's compensation laws. Yet despite the presence of the Williams/Javits bill in the Senate, the states are odds-on favorites to win control, Warren Hanna told the 21st annual Western Safety Congress held here.

Mr. Hanna, an attorney and chairman of the workmen's compensation committee of the California Chamber of Commerce who was influential in creating the state's compensation legislation, in his keynote speech on workmen's compensation set the tone for the huge three-day conference.

He predicted that the William/Javits measure, known as Senate bill 2008, proposing federal control of a sharply enhanced national workmen's compensation system, will not pass "except in a drastically watered-down version."

"SUCH A VERSION might be simply a requirement that the states conform to the 19 'essential' recommendations of the national commission by no sooner than January 1, 1976, and the rest of the 84 recommendations later," he suggested. Nevertheless, he warned that this will not happen unless "unrelenting pressure against the bill is maintained by its opponents."

He named Arthur Larson, Duke University law professor and author of a two-volume text on workmen's compensation, and a "known liberal," as being the catalyst who spawned the now nearly-united business opposition to the labor-supported bill.

The idea of workmen's compensation in crisis laced the 80 symposiums of the congress.

Along with compensation, loss prevention and product liability were premiere topics. Nearly 10,000 people were said to have been attracted to the event and its myriad product and service displays, sponsored by the Greater Los Angeles chapter of the National Safety Council.

Other speakers who described new problems arising in the work place included:

• James F. Van Namee, a member of the federal Occupational Safety and Health Review Commission, who asserted that stringent enforcement of OSHA could result in the ruin of many small businesses. As one example, he cited new noise abatement proposals which he labeled "unwarranted."

• Dr. R. R. Merliss, an expert in industrial hygiene, who along with Mr. Van Namee warned that the list of 'hidden killers' is growing. The two men cited asbestos, talc, vinyl chloride, carbon monoxide and heat stress as atmospheric hazards that may soon come under federal regulation. They also agreed that the first three elements are proven carcinogens.

• Roy Bell, administrative director of California's division of industrial accidents, who told a symposium that in California, at least, compensation is being broadened to embrace casual employers.

Mr. Bell made the assertion in a symposium entitled, "Workmen's Compensation at the Crossroads," a phrase which could have been used as a subtitle for the whole congress.

Besides California's reaction to the Williams/Javits bill, Warren Hanna in his keynote address noted that the two problems facing the state's workmen's compensation advisory committee are how to compensate persons with permanent partial disabilities and how to streamline the delivery of compensation benefits.

The 12-member advisory committee, successor to the governor's task force on workmen's compensation, is currently studying the question of whether to compensate permanent partial disabilities on a wage loss basis, he said.

"I foresee a system that will compensate such disabilities only when they produce an actual continuing loss of wages," he said. He added that there also might be some kind of schedule of modest allowances for actual physical impairments, "such as loss of body members and visible disfigurement."

THE CURRENT compensation system, he said, awards what amounts to "damages" for permanent partial disability residuals.

On the other question of dispensation of benefits, the attorney forecast that the advisory committee will propose steps to shrink the current volume of litigation. However, the rights to a hearing in controversies with doctors and raters will not be abridged, he said.

"Rather," he prophesied, "the delivery system will be improved by requiring the parties to exhaust all means of voluntary and informal disposition of their differences with maximum medical and rating bureau assistance."

Mr. Hanna cited as his prime argument against the Williams/Javits bill the fact it would shatter a well-working federal/state relationship irretrievably.

MARSHALLING his arguments against the bill, Mr. Hanna charged that it would violate the tenth amendment to the constitution which he said reserves to the states the power to act upon such matters as employe injuries. Further, he claimed that the bill attemps to establish "federalization by indirection." That is, he explained, it sets up requirements that go beyond those of the national commission and, at the same time, permits the federal government to revise the bill without state approval or Congressional action.

California responded to the Williams/Javits Bill, said the attorney, with the appointment of the governor's task force. It proposed six statutes, three of which became effective in April.

They are:

• an increase in the maximum weekly benefits payable for temporary disability to $119 from $105;

• the same increase for permanent total disability;

• an increase in the rate of indemnity from 65% to 66⅔% of wages or pay.

Three other statutes became effective January 1. Of these, the attorney said the principal one is a measure increasing the death benefit for a widow with dependent children to $45,000 from $28,000 and for widows without dependent offspring to $40,000 from $25,000.

"It is possible that the ad-

Continued on page 7

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Continued from page 6

visory committee will complete its work on the 19 recommendations by August or in time to get a preliminary report to the legislature and have its conclusions incorporated in the 1974 legislation.

"This would make California one of the first states to complete adoption of all essential recommendations."

James F. Van Namee, in his luncheon speech, emphasized the ramifications of strict enforcement of federal OSHA program on small and medium-sized businesses.

"The real costs of enforcement of the safety health rules," he said, "will be staggering." He advised businessmen to be quick to voice their objections to revisions of the federal OSHA program to the Secretary of Labor.

Taking as an example the question of noise abatement, Mr. Van Namee pointed out that the consulting firm of Bolt, Berenick and Newman of Cambridge, Mass., found that compliance with the 90 decible noise limit would cost 19 major industries $13.4 billion. To comply with the stricter 85 dbA noise limit, the firm put the cost to the same industries at a whopping $31 billion.

THE COMMISSIONER predicted, at the same time, that OSHA, when it proposes its revision of the present noise standards, will not attempt to lower permissible levels to 85 dbA from the present 90 dbA.

However, he warned that a review of a final draft of a revision of a present standard disclosed some bad news for industry.

"As presently written in section 1910:95, employers are permitted to choose either administrative or engineering noise controls or a combination of both types," he explained. Yet in its final draft, the Secretary of Labor's standards advisory committee on noise has made engineering noise controls mandatory unless an employer can prove that they are not technically feasible, he pointed out.

The rule change, which he said is buried in a proposed definition of "engineering controls," is an "artful way of transferring to the employer the burden of proving that engineering controls are not feasible," according to the commissioner.

THE OTHER questionable feature of the final draft, he said, is one that would require base line audiograms where employes are subject to noise levels at or above 85 decibels on the A scale of a noise meter.

The proposal is unwarranted, maintained Mr. Van Namee, because records show that people subject to such noise levels do not sustain hearing loss that interferes with everyday speech.

"Statistics show that out of a population of any given size, approximately 75% of the employes tested would not—and I emphasize would not—show any significant hearing loss," he declared.

The commissioner suggested that instead the proposed standard permit employers to do "screening" audiometry. This is a pass-fail test, he said, that can be administered for the sum of $300 for an instrument.

"YET BECAUSE it is a fail-pass test, employes who do not display any significant hearing loss would pass and employers would be subject to the high cost of base line audiograms only for workers for whom subsequent screening tests reveals a sizeable hearing loss at the 4000 cycle band," he proposed.

"It is my feeling that small and medium-sized businesses should have the flexibility to utilize screening audiometry and be required to refer employes to an otologist only for cases of significant hearing loss," he added.

TOUCHING ON the question of control of recondite, atmospheric killers, the commissioner again sounded an alarm. He warned that OSHA is thinking about lowering the threshold limit value of carbon monoxide gas from 50 to 35 parts per million. It is a change, he contended, that could mean problems for industry.

"Heat stress, too, is being studied with the thought of proposing a standard to protect employes," he noted, adding that he does not think the measure will be limited to industries caught in special heat stress problems.

Roy Bell, in his symposium on workmen's compensation at the crossroads, said that in California compensation laws are being applied with a liberal hand. People who hire other persons for such incidental tasks as once-a-week garbage disposal are being counted as employers, he said.

He cited one example of a young Northern California couple who hired a live-in maid who later was injured in an auto belonging to the couple. The couple, naturally, were unaware that under state regulations they were the girl's employers, and thus were required to carry workmen's compensation insurance.

"As a result," said Mr. Bell, "I am now in the process of attaching their home to pay for the maid's medical treatment."

On the question of the classic fight between the states and the federal government over control of workmen's compensation, Mr. Bell placed himself firmly on the side of the former. Like Mr. Hanna, he expressed optimism that states will emerge from the struggle with their state systems nearly intact. ■

Insurers charged with faulty facts on no-fault

PORTLAND—Oregon's insurance commissioner Lester L. Rawls charged insurance company lobbyists with having supplied Congress with "information that misrepresented the effects of passage of the Hart-Magnuson" no-fault auto insurance reform.

"Not since the Tonkin Gulf resolution has the Senate of the U.S. been so misled," Mr. Rawls said here.

Similar legislation now pending in Congress has been considered by practically every state legislature in the past two years.

"Those legislatures," the commissioner said, "have either accepted, rejected or adopted modified programs which they felt best suited their own constituents. The program now being considered by the U.S. Senate is opposed by most of the various state insurance commissioners."

This opposition, Mr. Rawls added, is based on belief that passage of no-fault auto insurance programs by Congress would be "an unwarranted invasion of federal legislation into state affairs.

"Insurance company lobbyists," he said, "were quick to publicize nationally the rate decreases that came in some states with the implementation of no-fault. But these lobbyists have been silent about recent substantial rate increases in those same states." ■

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labor beat

Unions for nonferrous workers seek health benefits, sabbaticals

WASHINGTON—The United Steel Workers of America and 24 other unions representing the 50,000 nonferrous metal workers continued heated negotiation talks last week in Phoenix, Arizona to work out bargaining proposals before contracts expire at the end of this month.

Retirement and medical benefits have been a hot issue in the talks according to a union spokesman, who said many nonferrous workers retire before they are eligible for Social Security benefits and are subsequently left without any medical coverage until they reach 65.

The spokesman stressed the need for major health care improvements to include the retiree's spouse.

NONFERROUS metal workers are also seeking a minimum monthly pension increase similar to the one negotiated by the aluminum and container industries earlier this year (*Business Insurance*, March 18), which would raise the pension to at least $15 a month from the present $7.50.

A cost-of-living provision is also being demanded for retirees to offset the spiralling inflation.

Another important issue raised by the negotiations is life insurance coverage. The workers have demanded an increase of limits to two times their annual earnings, a figure to be maintained until age 65, even if retirement comes before that. When an employe reaches 65, the limit is then reduced to 50% of his original coverage.

This limit would also hold true for accidental death and dismemberment.

IN ITS bargaining proposal, the union stressed that "the full cost of the entire insurance program, without exception, shall be paid by the company."

The union wants all maximum limits on health care services removed, as well as the abolishment of initial deductibles under major medical plans.

New programs for the nonferrous industry are being looked at as well.

The union proposed to institute a comprehensive dental care program that has no initial deductible. It also suggested initiating a mental health plan and an eye and ear care program.

Coverage for abortions sterilization and transplants has also been proposed.

Looking at extended vacations as a necessity for the industry worker, the union has proposed a compulsory ten-week vacation to be offered every five years, with 13 weeks pay.

This sabbatical would provide workers with a "renewal of health and strength that is not possible to achieve in a relatively short annual vacation," the union said.

ANOTHER GROWING concern of the industry's workers is earnings protection in case a plant or department is forced to close due to government regulations regarding air or water pollution and energy shortages. Union workers have asked that they be paid in full for any work time lost due to the closing.

Another major benefit improvement being sought by the industry is an increase in the accident/health plan to include a dollar limit of 32 times the workers average hourly earnings. This amount would be paid to the employe for a period of 104 weeks, unless he becomes eligible for disability benefits. In that case this amount would be paid for only 52 weeks.

A SHORTER work week, with no pay reduction, has also been proposed by the nonferrous workers.

Health and safety conditions are also a hot issue on the agenda.

"Despite the enactment of the Metal and Nonmetallic Mine Safety Act of 1966 and the Occupational Safety and Health Act of 1970, many problems remain," the proposal said.

Therefore, the union has demanded that plant inspections take place at least once a month, that rules be introduced to correct abuses and that safety education courses be instituted.

Like the basic steel industry, nonferrous workers asserted their right to refuse to work in a place that is considered hazardous to their health or safety. They have demanded the freedom to leave a job when the danger becomes apparent, with no loss of pay.

Major copper companies involved declined comment until their negotiations begin later in the month. ■

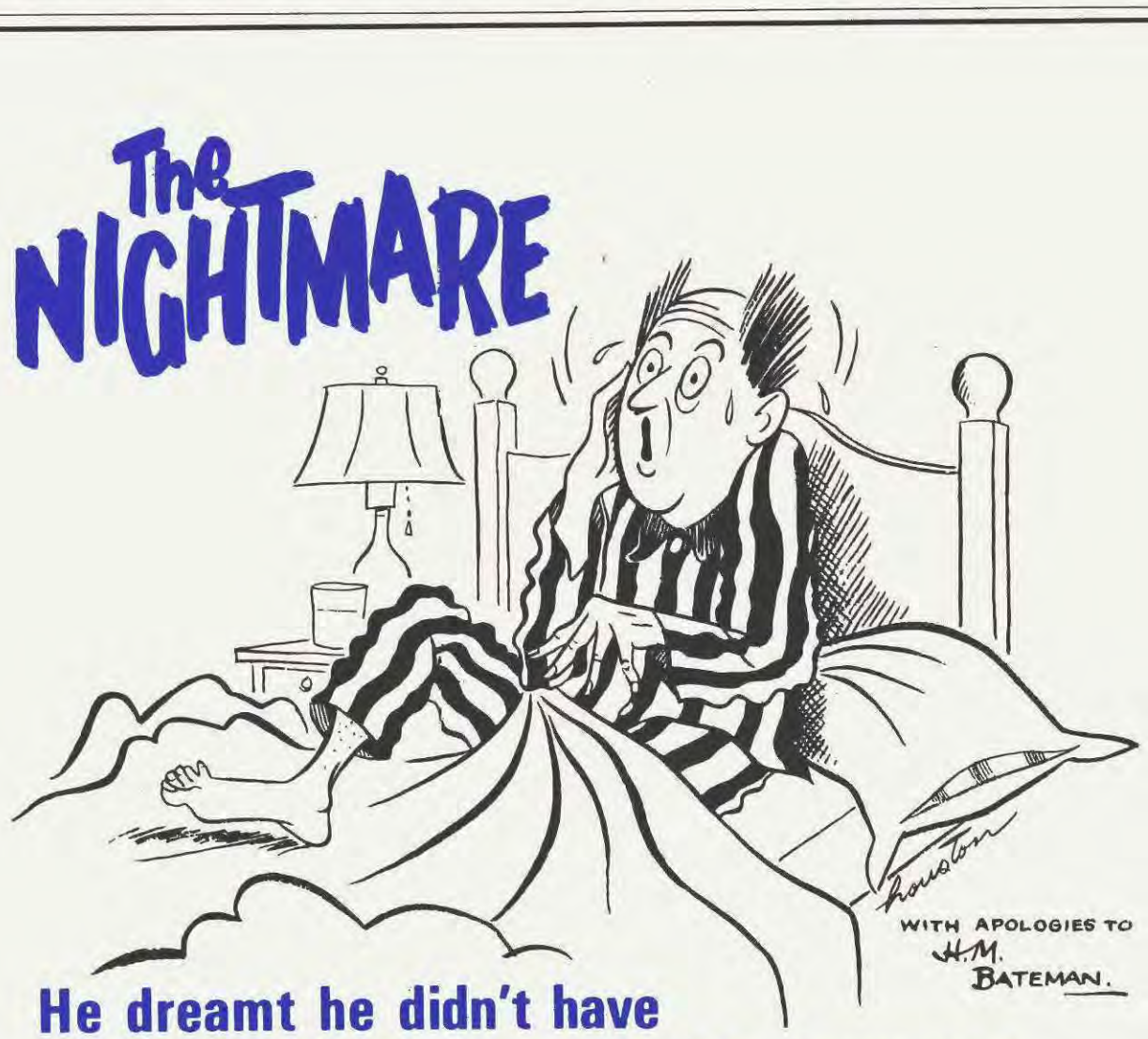
Court rules firm must pay pensions

MINNEAPOLIS—A federal district judge here upheld an arbitrator's ruling that White Motor Corp. must make pension payments to 1,000 employes of two closed farm equipment plants who had their pensions terminated in June, 1972.

White Motor could be forced by the decision to put contributions worth about $3 million into the employes' pension funds. These contributions were withheld after the company announced the two plant closings and pension terminations.

The arbitrator sided with the United Auto Workers' position that pension payments should have continued through May 1, 1974, when the pension contract expired. But White Motor then appealed parts of the arbitrator's ruling in court.

White Motor said it would appeal the district court ruling. But it reportedly has established a reserve of about $6 million to cover payments in case the courts ultimately rule against White Motor. ■



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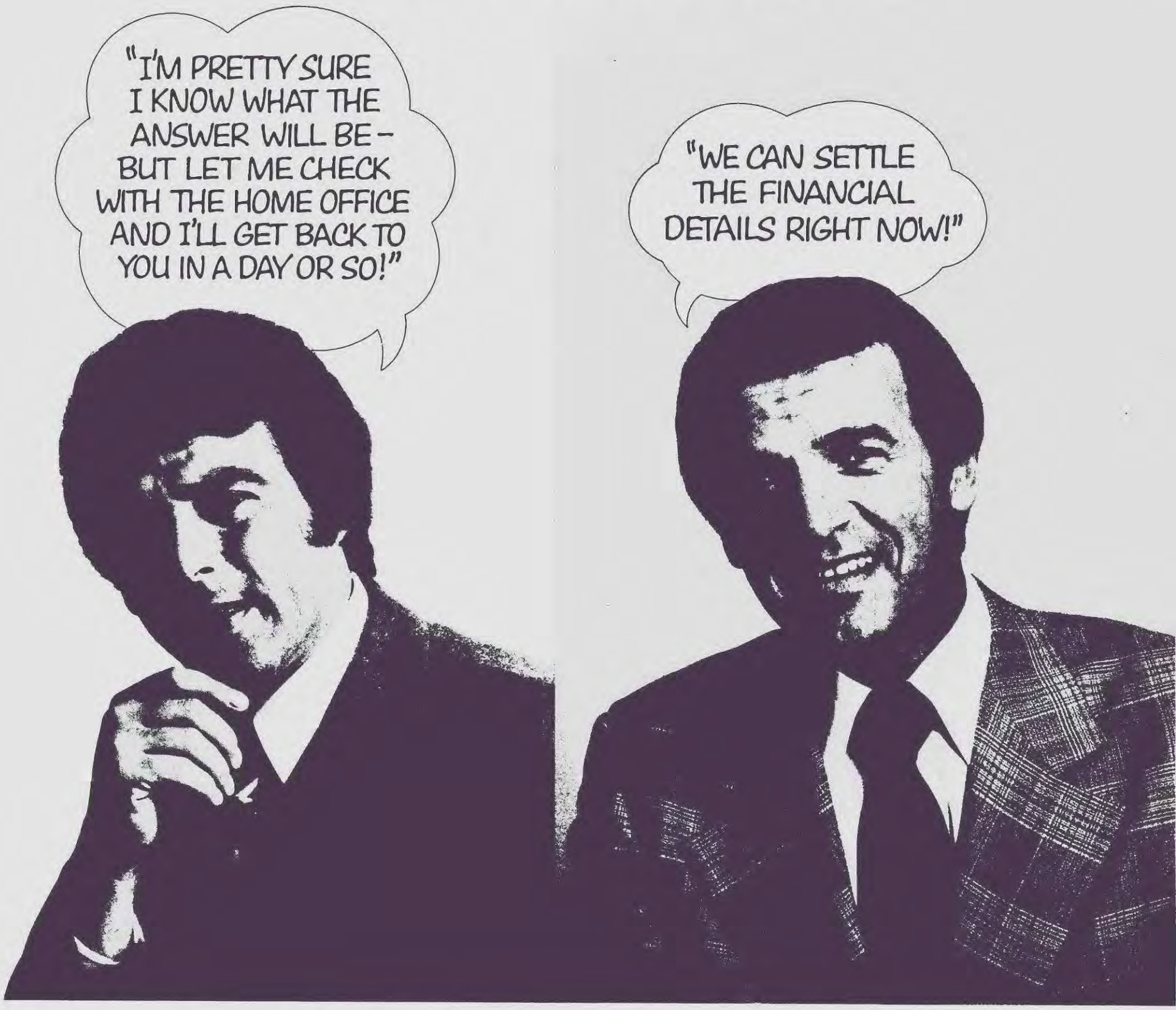
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Property-casualty rates rising 10%, buyers report

By JUDI TALIT

NEW YORK—Major companies across the country are experiencing significant rate changes in their property and casualty insurance premiums, which they attribute to upward spiralling inflation and the growing frequency of claims.

According to a survey by this magazine, significant rate increases are apparent in workmen's compensation, product liability, boiler and machinery insurance and certain fire coverages.

However, it was noted that directors and officers liability premiums are holding steady. Some companies have even noticed a reduction in D&O premiums, insurance managers said.

THE MOST significant rate increase appears to be occurring in workmen's compensation premiums.

Cal Rosenbaum, risk manager at Wometco Enterprises, told *Business Insurance* that he expects "a 40% increase over the next 18 months and I think that's conservative. Workmen's compensation looks like its going to be a never-ending spiral and will end up like Social Security."

Other companies, however, apparently do not expect such a drastic increase in rates. Several risk managers mentioned a lower figure of 10% upward adjustment, reflect rate of inflation.

Product liability rates are steadily increasing, particularly on products with a long life expectancy, sources noted.

Bill Burnham, assistant insurance manager at Textron, noted that "product liability rates and aircraft product liability rates are increasing about 10%."

A few companies surveyed have been told by insurers of upcoming rate increases on their fire insurance, as well.

Farmland Industries, now considering a change in their fire coverage, noticed that some areas have increased as much as 10%, although they said they haven't experienced any other rate increases on other liability coverages.

Although competition has kept down premium increases on boiler and machinery insurance, some companies have found that their rate increase may still be as high as 4%.

DUKE POWER Co. "is in the process of getting new quotes on boiler and machinery insurance. There seems to be some slight price increase," according to

Continued on page 11

State may end support of crime pool

SACRAMENTO, CA.—Legislation which would enable the state to withdraw from its contract with the Crime Insurance Pool was introduced by a state senator.

The legislator said he agrees with a recommendation by a legislative analyst that the state should end financial subsidies to the Crime Insurance Pool.

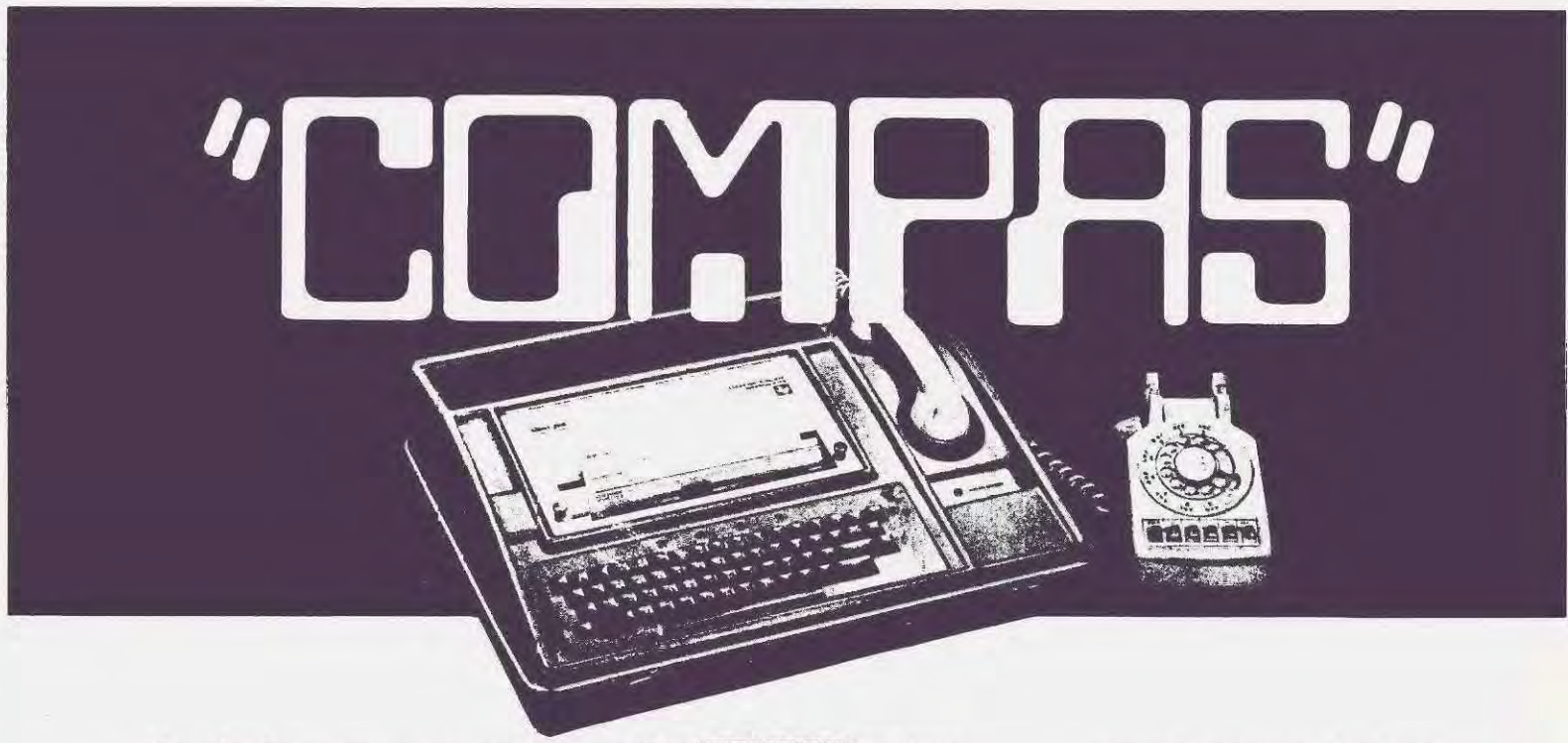
Sub-committees of both the assembly and senate approved the proposal for withdrawal of financial support, as has California insurance commissioner Glesson L. Payne.

The Crime Insurance Pool would continue to operate as it has in the past, but without state subsidy. The analyst recently recommended that California "initiate participation in the U.S. crime insurance program" to provide urban centers such insurance at "affordable premium rates."

The state law creating the Crime Insurance Pool must be repealed by the legislature in order for California to regain eligibility for participation in the federal program. ■

Manufacturer liable

Ring Bros. Inc., Elizabeth, N.J.-based manufacturer of a hook connecting a truck and trailer, was allotted the greatest liability in a $310,000 settlement to a widow for an accident in which the trailer broke loose and crashed into the side of a car. A state supreme court jury portioned liability in the accident among the manufacturer and the truck's owner and driver following a three week trial. Mrs. Frieda Ciampichini of Kenmore, N.Y. received the settlement. It includes $300,000 for the death of her husband, Emilio, and $10,000 for her own injuries. The family had charged breach of warranty against Ring Bros. for defective manufacture of the connecting hook. They also claimed the truck driver was negligent in hooking the trailer to the truck.



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The COMPAS system is astonishingly simple. Programmed into the central computer is everything about the design of the early warning fire detection system for your hazard, including the type of room (select from the 50 most widely used room types) physical characteristics of the room, and air flow information. *Result:* a reliable detailed, accurate analysis that enables you to precisely evaluate and determine your fire detection requirements.

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Pyr-A-Larm® COMPAS

Job Number 3796
Print Option 2
Occupancy Type 4

– DATA STRING INPUT FORM –

	ROOM NUMBER	ZONE NUMBER	ROOM TYPE	ROOM LENGTH	ROOM WIDTH	ROOM HEIGHT	MIN AIC	CFM	NO. BELLS	NO. MAN	TYPE DET.	RAL	OPTION
1	1	1	95	18	20	9	5	0	0	0	0	0	0
2	2	1	17	14	18	8	8	0	0	0	0	0	0
3	3	2	140	19	19	8	0	0	0	0	0	0	0
4	4	2	170	36	39	11	6	0	0	0	0	0	0
5	5	2	150	36	37	8	8	0	0	0	0	0	0
6	999	0	0	0	0	0	0	0	0	0	0	0	0
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OPTIONS
1. To select the detector type enter a 1 in column 13 and the detector type in column 11.
1 = Ionization
2 = Rate of rise
3 = Fixed temperature
4 = Infrared
2. To specify the number of bells or manual pulls, enter the number required in column 9 or 10.
3. To specify 1 rel for each detection plane a 1 in column 12.
4. To delete all bells, manual pulls or rels, place a 88 in column 9 or 10 or 12.
5. See Instruction Manual for additional options and instructions.

Data Input Sheet. Simple take-off from job data.

ROOM IDENTIFICATION CODE

ROOM TYPE NUMBER	DESCRIPTION
5	BATHROOMS
10	BATTERY STORAGE ROOMS
15	BOILER ROOMS
20	BROOM AND JANITOR CLOSETS
25	CLASSROOMS
30	CEILINGS-FALSE PLENUM AREAS
35	COMPUTER ROOMS-ABOVE CEILING AREAS
40	COMPUTER ROOMS-SUBFLOOR AREAS
45	COMPUTER ROOMS-MAIN AREA
50	CONFERENCE ROOMS
55	CORRIDORS W/O SMOKE DOORS
60	CORRIDORS WITH SMOKE DOORS
65	ELEVATOR EQUIPMENT ROOMS
70	ELECTRICAL DISTRIBUTION ROOMS-PRIMARY
75	ELECTRICAL DISTRIBUTION ROOMS-SECONDARY
80	GYMNASIUMS AND AUDITORIUMS
85	HEATING AND VENTILATION PROTECTION
90	KITCHENS
95	LABORATORY FACILITIES
100	LAUNDRY CHUTES
105	LAUNDRY ROOMS
110	LOUNGES AND SMOKING ROOMS
115	LOCKER ROOMS
	LOBBIES AND ENTRANCES
	LUNCH ROOMS AND

Room Identification Code. Includes over 50 of the most widely used room types.

Continued from page 10

John Fox, in their insurance department.

Despite the increase in other casualty and liability areas, directors and officers liability premiums are going down.

Gillette Co. said that when they recently made a change in their D&O cover, they found that "higher limits were obtainable with no increase in premiums."

Colonial Stores Inc. noted that their D&O premiums haven't changed for a number of years.

Many companies surveyed have decided not to accept the increases. They have solved the problem of rising premium rates by changing carriers or self-insuring their plans.

AMERICAN CAST Iron Pipe Co. decided to drop one of their carriers when they were told premium rates would triple.

Rates on the company's bankruptcy cover were so high it was forced to drop the cover entirely, the company said.

Phillips Petroleum self-insured part of its workmen's compensation plan and its general liability to avoid paying increases.

Other companies noted that rate increases did not affect them because they were loss rated and had an excellent experience.

Wometco's insurance manager said that the loss experience has been so good, "we may even have a reduction." ■

Insurer sues broker over sale of variable annuities

SACRAMENTO—The Hartford Variable Annuity Insurance Co. of St. Louis, Mo. filed a $15 million damage suit against Sacramento insurance broker James G. Freeman, his firm, James G. Freeman & Assoc., and a Freeman executive, Carl Stern, here.

Hartford, formerly ITT Variable Insurance Co., claims it signed a broker-dealer agreement with Mr. Freeman in March, 1972 for the sale of tax-sheltered annuities.

Since then, the Hartford complaint states, Mr. Freeman submitted $10 million in business for which his firm was paid more than $1 million in advanced commissions.

BUT, HARTFORD claims, Mr. Freeman and Mr. Stern later induced clients to cancel policies, telling them Hartford was an unreliable firm compared with other companies.

The company further contends it paid Mr. Freeman $500,000 in commissions on annuity contracts in which clients made false statements as to the amount of money they intended to pay into the contracts.

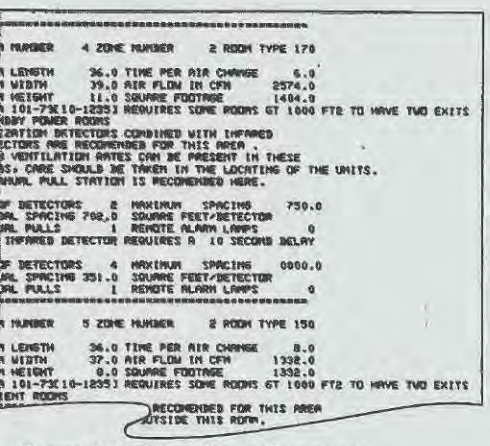
Because of cancellations induced by Mr. Freemans' allegedly false and damaging statements concernings its reliability, Hartford says it was forced to refund more than $100,000 in insurance premiums.

The firm seeks a court injunction to halt the alleged practices. It also seeks $5 million general damages and $10 million punitive damages. ■

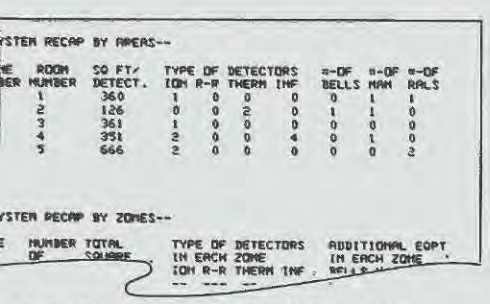
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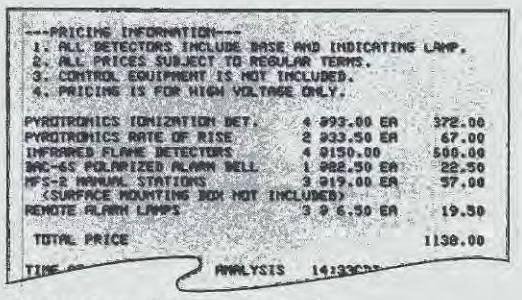
remote alarm lamps or audible signals are normally used in the room, you'll get that information too. In addition, you'll get suggested guidelines for other good fire detection practices (detector locations, remote alarm lamps, possible explosion-proof requirements, ventilation problems, etc.). Plus system summaries that to date have not been provided, such as, recap by areas, and by zones. Consider all the exclusive benefits of COMPAS. Every analysis incorporates the cumulative knowledge and experience of over a quarter century of early warning fire detection throughout the world. The information comes back to you in minutes, rather than days or weeks. And the data you receive is expressed in a variety of ways, ready for immediate use. This Computerized Analysis System virtually eliminates the risk of incorrectly designing your next fire detection system.



Room Print Out From Computer. Includes all input data.



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Ruling favors policyholders in fraud suit

LOS ANGELES—A class action suit against United Insurance Co. of America, contending that 150,000 consumers were defrauded was settled under terms that will give cash payments and premium discounts to certain policyholders.

The suit charged the Chicago-based company and its general agents here used a "fraudulent standard pitch" to convince consumers their policies were noncancellable for life.

But when a disabled policyholder filed a claim, said the suit, the company excluded that particular disability or cancelled the policy at the next renewal date.

The suit was filed in 1970 by 13 policyholders.

Under the agreement approved by superior court judge Jack A. Crickard, United admits no wrongdoing of any kind. However, United will set up a $1 million fund to pay claims up to $10,000 for each policyholder. Also, present policyholders and former ones who allowed their policies to lapse will be allowed to buy guaranteed renewable insurance at premiums reduced up to 50%. These polices may not be canceled until the holder reaches 65.

Claim forms and a summary of the settlement have already been mailed to more than 1,000 persons, who may be entitled to receive the benefits. ■

Brokerage firms merge

Reed Shaw Osler of Toronto merged with Robert G. Bowden & Co. of Portland, Or. and formed a new company called Reed Shaw Stenhouse & Bowden Ltd. This is Reed Shaw's third major acquisition in the last year. The merger with Bowden gives RSO international service capacity, with over 90 offices in 19 countries.

Supreme Court . . .

Continued from page 1

number of large class actions." He added that the Supreme Court made a "sound move" because the ruling would eliminate a lot of "frivolous" class action suits.

"Those class actions that are valid and of magnitude should not be unduly hampered," he commented.

Echoing Mr. Drake, a spokesman for the St. Paul Fire and Marine Insurance Co. said "We view this as a deterrent to frivolous class action suits, while more clearly defining the rules under which such suits may be sought."

SPENCER TRAVER, insurance director for Baxter Laboratories Inc., noted that the Supreme Court decision might help manufacturers by taking the product safety issue away from numerous suit-filing consumer groups.

"It will properly let (the Consumer Product Safety Commission) work like OSHA without being bothered by groups of consumers," Mr. Traver said. "It throws the future burden of regulating products on the government. And if there's going to be any regulation, that's where it belongs."

In another area of liability, one risk manager pointed out that the decision might hamper consumer groups filing pollution suits against companies on behalf of every person affected by an alleged polluter.

A spokesman for the McDonnell Douglas Corp. in St. Louis discounted the importance of the court ruling. He called the new requirement imposed on class action claimants "a little inhibiting."

"I don't think it's going to have too much of an effect at all," the spokesman added.

A spokesman for the American Insurance Assn. said he did not consider the court decision "enormously important." From the insurance industry's point of view, he noted, insurers are "largely not affected" by class action suits. He predicted that marketing trends for property-casualty and D&O insurance would continued unchanged.

A COUNSEL for Consumers Union, the non-profit organization that publishes Consumer Reports Magazine, said the high court ruling would not affect class action suits filed in state courts. In general, he concluded, the decision would have little effect.

But the federal court ruling might soon be felt in state courts if some states continue their practice of adopting federal court decisions.

The case that led to the Supreme Court's ruling involved a group of stock traders who buy less than full blocks of stock. Morton Eisen, the named claimant in the suit, argued that two brokerage houses were charging excessive fees for "odd lot" business. He sued on behalf of about 6 million other stock traders, more than 2.25 million of whom were identifiable from mailing lists.

The court voted 6 to 3 to dismiss the case against the two brokerage houses, Carlisle & Jacquelin and Decoppe & Doremus. Justice William O. Douglas, William J. Brennan, Jr., and Thurgood Marshall held dissenting opinions.

JUSTICE LEWIS F. Powell, Jr. wrote for the majority that "individual notice must be provided to those class members who are identifiable through reasonable effort." And the class action claimant must pay for the notification of class members "as part of the ordinary burden of financing his own suit."

In his dissenting opinion, Justice Douglas said, "The class action is one of the few legal remedies the small claimant has against those who command the status quo. I would strengthen his hand with the view of creating a system of law that dispenses justice to the lowly as well as to those liberally endowed with power and wealth." ■



profile

Arthur L. Owen

When insurance people talk about "the true professional", Arthur L. Owen is the kind of man they have in mind.

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CPA firms covered by E&O in suit

NEW YORK—Touche Ross & Co. and Hertz, Herson & Co. will be covered under their accountants' errors and omissions insurance policies for at least part of the potential damage that could arise from a suit against them by Omega-Alpha Inc.

Omega-Alpha filed a $120 million damage suit here last month in U.S. district court.

The action charges the two certified public accounting firms with improperly preparing and certifying financial statements in connection with Omega-Alpha's 1972 dealings with Transcontinental Investing Corp. in which Omega-Alpha acquired North American Acceptance Corp. and Transcontinental Music Corp., subsidiaries of TIC.

A SPOKESMAN for Touche Ross & Co. confirmed that the firm's E&O coverage is in the London market through J.H. Minet & Co., Montreal.

He said that their policy limits were "at least $1 million."

Another source at Touche Ross said that the firm does not want to divulge details of the professional liability cover because "CPA firms are being lambasted with suits. Omega is after the insurance. They know that CPAs are covered."

Donald Rosenthal, an administrative partner at Hertz, Herson & Co. told *Business Insurance* that "we do carry accountant's liability coverage. Accounting firms generally have some kind of liability coverage. We're not attempting to self-insure."

"The policy is substantial," he noted.

One expert on accountant liability insurance said that companies this large "could have limits as high as $20 million, but the highest I've seen is about $10 million."

HE EXPLAINED that those accounting firms with policies underwritten in London are "rated on the number of people in the office and the assets of the company. Therefore the limits could be pretty high."

Errors and omissions coverage is designed to "cover any negligent act, errors and omissions committed or alleged to be by the insured in the performance of his duties," according to one underwriter.

He added that there is no standard policy for errors and omissions coverage. "It is based on an evaluation of company needs," he said.

One exclusion that appears to be universal, according to underwriters, is "willful dishonesty and fraud."

Defense costs are almost always fully covered, another source added.

"Deductibles are normally used on this kind of coverage," said one expert. "They may range from $1,500 and up, according to company size." ■

Legislation extending OPIC moves to joint Senate-House conference

WASHINGTON—Legislation to extend the authorization of the Overseas Private Investment Corp. (OPIC) moves to a Senate-House conference in June following passage of House OPIC legislation this month.

The House bill (HR 13973), sponsored by John C. Culver (D-Ia.), was passed 225 to 152 and extends OPIC's authority through Dec. 31, 1977.

In recommending passage of the bill, the House foreign affairs committee suggested that OPIC should be permitted to "prudently exercise" its insurance and financing authority to assist in investment in Indochina.

Previously, the committee had called on OPIC not to engage in assistance in Vietnam, Laos, and Indochina.

THE SENATE, in its deliberations on OPIC, began with a much harsher note than that taken in the House. As reported from committee, the orginal Senate bill would have required that OPIC terminate all direct insurance functions by the end of 1980 and set mandatory deadlines for the stagged transfer of its activities to private and multinational institutions.

Amendments on the Senate floor eliminated the mandatory deadlines in favor of advisory dates, provided that OPIC explains to Congress why more time is needed.

The Senate, however, rejected an amendment to delete a requirement that OPIC reinsurance contracts include a 50% deductible formula and that is expected to be a key issue when the Senate and House conferees meet.

The House bill makes several changes in the policies which govern OPIC's insurance activities, including language that requires OPIC to conduct its insurance and reinsurance operations, as well as its financing activities, on a self-sustaining basis.

Senate critics had charged that OPIC had already required $81.2 million in appropriations and was vulnerable to contested expropriation claims of $369 million.

A "SMALL BUSINESS" clause requires OPIC to give preferential treatment to businesses having less than $2.5 million net worth, or less than $7.5 million in total assets.

The House bill writes into a law an existing OPIC policy which denies insurance to projects which cause a reduction in U.S. employment.

The bill establishes a series of target dates for the transfer of OPIC's direct insurance writing to the private sector.

After Jan. 1, 1975, private insurers should hold 25% of liabilities incurred in new inconvertibility expropriation insurance contracts.

After Jan. 1, 1978, 50% of such liabilities should be accepted by private insurers.

For war risk insurance, the bill sets a target figure of 12.5% for private insurance coverage of liabilities incurred after Jan. 1, 1976, and 40% of the liabilities incurred after Jan. 1, 1979.

A long-term goal is established calling on OPIC to be out of direct participation in inconvertibility and expropration insurance after Jan. 1, 1979, and no longer participate directly in war risk insurance after Jan. 1, 1980.

The target dates are just that—target dates—and are not mandatory cut-off dates for those insurance coverages. Should OPIC not be able to meet the targets, it must report it's reason to the Senate foreign relations and House foreign affairs committees and establish new dates.

OPIC is to report no later than Jan. 1, 1976, on the preparedness of the private insurance sector to to undertake the agency's present insurance load.

OPIC LAST month announced plans for the formation of an association of private casualty insurance companies which would participate in the agency's expropriation and incovertibility risk insurance programs on an experimental basis.

The proposed association, OPIC says, would be organized as a combined underwriting and reinsurance pool for coverage of new investment and part of the agency's existing portfolio.

The association would be for a three year trial period, with members committed to a two year trial period and a one year withdrawal notice.

OPIC is considering other arrangements for private sharing of war, revolution, and insurrection risks.

In other areas of the House passed bill, OPIC is authorized to reinsure a maximum of $600 million in contingent liabilities each year. The bill specifies that the aggregate amount of reinsured liabilities may not exceed OPIC's current insurance authority of $7.5 billion.

The reinsurance contracts must require the reinsured party to retain specified portions of liability, whether first loss or otherwise, leaving the precise amount open.

The bill does require OPIC to limit insurance and reinsurance coverage so that insured parties (except small businesses) retain at least 10% of all risks. ■

Connecticut considering group legal

HARTFORD—Group legal insurance may soon be a possibility for middle-income groups in the state of Connecticut with the passage of a bill now before the state legislative joint judiciary committee, awaiting approval by the insurance committee.

"The bill has created quite a bit of interest and has a fairly good chance of passage" without any changes, said a judiciary committee officer.

He explained that the group legal plan would be administered "through a non-profit corporation consisting of not less than seven people."

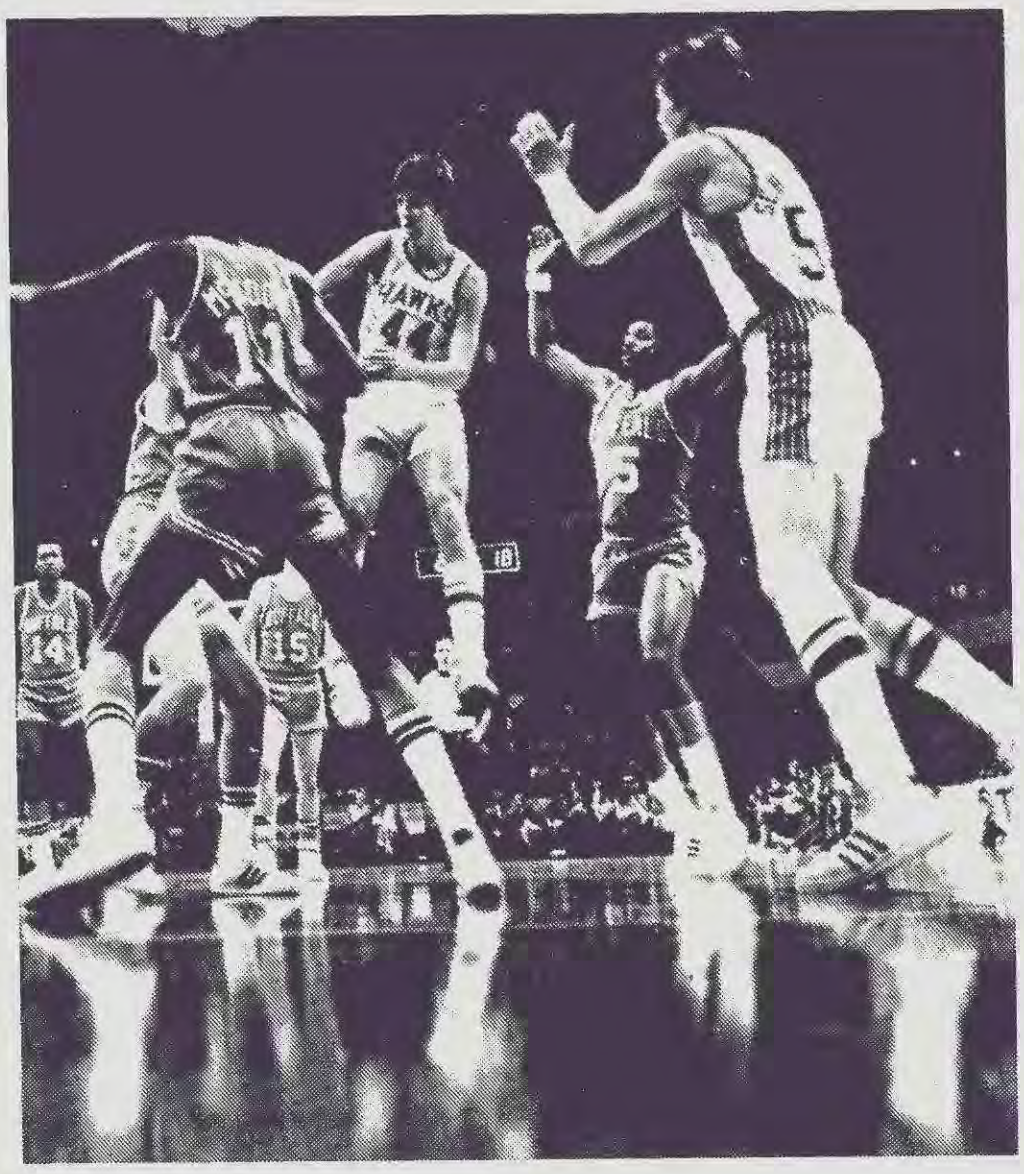
Through this corporation, "we would be able to issue contracts, including, but not limited to, court costs and attorney fees for legal costs, subject to the approval of rates by the insurance commissioner," the committee spokesman said.

Legal fees included under this plan are expected to cover lawyer fees for costs stemming from divorce proceedings, wills, real estate purchases, contracts, motor vehicle violations and minor criminal infractions.

The bill has the backing of the Connecticut State Bar Association.

The proposal is for an open panel plan. ■

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editorial opinions

Be prepared for market changes

A SPECIAL ACTUARIAL committee of the Reinsurance Assn. of America has just released a study of the excess and reinsurance markets, and the conclusions of that study cast a few shadows for corporate consumers of insurance, we believe.

During the six-year period 1968-73, says the association, total ultimate payouts in the bodily injury and property damage liability area, in terms of claims, loss adjustment expenses and operating costs amounted to $642 million against premiums grossing $438 million. The net underwriting loss, then, was 46.7%.

The study also concluded that:

• The impact of inflation has been especially critical for excess casualty insurance and reinsurance.

• The number of large jury verdicts and the size of the awards continue to skyrocket (almost 20 judgments in excess of $1 million were recorded in 1971 and ten were recorded in 1972, which contrasts to one such judgment each in 1965 and 1967 and none in 1966 and 1968.

• For excess insurer and reinsurer, the time lag between the date of an accident, the date a loss is first reported and the date of the ultimate settlement is lengthening, making it extremely difficult for the reinsurance underwriter whose responsibility is to rate excess treaty business, since the soundness of his decisions cannot be determined for long periods of time.

For buyers aware of the real message of such conclusions (prices are going up!) there is little solace in another conclusion of the study: That a review of overall excess reinsurance results in recent years indicates that deteriorating casualty results have been offsest to some extent by relatively favorable results on the property side. However, the study goes on to say, " . . . an upsurge of catastrophic property losses such as the $430 million tornadoes which struck the Midwest in April could result in substantial erosion and/or withdrawal of reinsurance capital."

Buyers and risk managers realize, of course, that a healthy insurance market, at least for those catastrophic losses that amount to more than a mere exchange of dollars, depends in large measure on the soundness of the excess and reinsurance markets.

"There is no better way to assure a stable, orderly excess market with substantial capacity than by using a rate structure that will provide a reasonable opportunity to attain an underwriting profit," concludes the study.

Reports of rising prices and reduced coverages (in short, another capacity crunch like that experienced in the late 1960s) have rippled among buyers and sellers for months. The Reinsurance Assn. of America survey tends to support those rumblings.

Commercial consumers of insurance have been able, for the last few years, to take advantage of "buyers' markets." We've heard frequent stories of buyers who rejected their insurers of many years when faced with premium increases, turning to other markets and coming up with cut rate prices.

Historically, of course, the market has run in cycles. We believe the insurance market is starting to move toward tightness, the upside of the cycle which will possibly cause a lessening in the availability of coverages coupled with higher rates.

Insurance buyers would do well to be prepared, and bone up on alternatives to insurance—captives, pooling arrangements and the like—which are of increasing interest during capacity crunches.

Little room for compromise here

THE MOST ACCORD occurring in Washington these days is on an issue of vital importance to those readers with responsibility for employe benefits management—national health insurance.

Late last month, President Nixon, speaking to the nation via radio, said the issue could be resolved by the executive and legislative branches "in a spirit of statesmanship and compromise." A day later, Sen. Edward M. Kennedy (D-Ma.), sponsor of two bills differing from the Nixon administration's stand on the subject, also spoke of "a new spirit of compromise and progress."

The Nixon administration has made it rather clear, however, that compromise would be difficult in at least two areas: That of the role of private insurance carriers on any national health insurance scheme, and in the areas of deductibles and coinsurance.

We, too, believe these are areas where there is little room for compromise.

There is a place for the private health insurance industry in any national health scheme. Too often when government has become involved in the private sector it has been quick to throw out the baby with the bath water. The private health insurance industry can play an important role in the delivery of health care under a national scheme—and do it more efficiently than a government agency.

On the second point, that of deductibles and co-insurance, administration spokesmen have said that the President is firmly committed to keeping these provisions in any final national health insurance plan.

We must agree that first dollar coverages tend to drive costs up drastically. Indeed, this is true of all coverages in which the insured does not in some way share the initial expense. Deductibles and coinsurance has long served—in the case of individuals, at least—to make the insured aware of his participation in a risk. And it has also deterred some of the abuse that necessarily flows from the nature of insurance.

letters

This column is a reader's forum. Letters are welcome. Address Letters to the Editor, Business Insurance, *708 Third Ave., New York, N.Y. 10017.*

J. Logan defended

To the Editor: As former insurance manager of Jonathan Logan, I read the article in your April 29th issue of *Business Insurance* and came away with certain impressions that need to be corrected.

The article infers to me that the broker, Leonard E. Newman Agency of White Plains, New York, and the consultant, Joseph H. Albert of Needham Heights, Massachusetts, were hired by me during my tenure as risk manager and that they became familiar with the Logan account during this period. This is incorrect. Mr. Albert has been working as a consultant for Jonathan Logan for many years, and the Leonard E. Newman Agency had merged some time ago with the Louis May Brokerage Company, who had been Jonathan Logan's insurance brokers for many, many years.

I had a good personal and professional relationship with the broker and the consultant and wish to correct any implications to the contrary.

Bruce Ebert
New York, N.Y.

J. Logan, cont'd.

To the Editor: I am writing this letter in defense of Jonathan Logan in respect to the articles that appeared in *Business Insurance* on May 13 and May 29 criticizing Jonathan Logan for the elimination of their insurance department.

The articles contained many false statements and stated the situation at Jonathan Logan incorrectly.

The article of April 29, 1974, stated Leonard Newman and Joseph Albert were engaged by Mr. Ebert on a fee basis as consultants to supplement the insurance department as opposed to adding additional people to his staff. This statement is entirely erroneous. Mr. Albert was retained by me while I held the position of corporate risk manager and assistant to Mr. Wulkan, financial vp in 1967. Mr. Albert is a very competent and experienced insurance specialist and was one of the founders of the John Liner Letter, an established and well known insurance trade publication. Mr. Albert is very familiar with the Jonathan Logan account and he was retained to provide technical support and continuity

Continued on page 20

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White House orders new work comp task force

WASHINGTON—The Nixon administration's announcement this month that it wants more time to study federal standards for workmen's compensation programs has further reduced the already slender chances for Congressional action this year.

U. S. Labor secretary Peter J. Brennan, at a White House press conference, said the President has ordered a new federal task force to begin an examination of how the federal government might best encourage the state run workmen's compensation programs to improve benefits.

The announcement came the day before the Senate labor and public welfare committee began hearings in Washington on legislation (S. 2008) that would establish stiff federal standards for the state programs to meet.

The committee has scheduled more hearings in Washington on June 18, 19, and 20.

SECRETARY BRENNAN took pains to indicate the administration was not opposed to S. 2008, sponsored by Sens. Harrison A. Williams Jr. (D-N.J.) and Jacob K. Javits (R-N.Y.), but there is little doubt that the administration and the Senators are operating on different time schedules.

The new federal task force would evaluate the progress of the states in improving workmen's compensation programs at the end of 1975 at which time the administration would make further recommendations on what state, "and possibly federal", actions would seem appropriate.

S. 2008, as presently written, would require states to meet the sweeping proposals of the 1972 report from the National Commission on State Workmen's Compensation Laws by 1975.

Mr. Brennan said he believed a delay in Congressional action until 1976 "would be the best position to take until we have the task force completed.

"However, that is up to Congress. We think that the areas we want to cover haven't been covered and can help bring about the legislation, bring about a better bill that will cover the workers," he said.

THE NEW TASK force is to assist the states in the following areas:

- the extension of coverage to all workers;
- improvement in coverage of occupational diseases and the development of less burdensome evidentiary requirements;
- elimination of unreasonable limits on medical and rehabilitation expenditures; and
- correction of technical or legal limitations which prevent workers from gaining eligibility for workmen's compensations benefits because of varying jurisdictional requirements.

The administration's proposal for more study of the issue was brushed aside by Sen. Williams.

"I vigorously object to the administration's plan to disregard the need for federal action now

Continued on page 19

Health care legislation introduced

SACRAMENTO—Legislation to regulate such pre-paid health care plans as Kaiser Permanente, which provides group coverage to five million Californians, was introduced here by assemblyman John T. Knox.

"This legislation," Mr. Knox said, "hopefully will help to ultimately reduce the cost of health care within California. It also will correct many deficiencies discovered by the senate subcommittee on health needs."

That sub-committee released the results of a study contending that "the lack of adequate state regulations could result in considerable fraud in health care."

"CURRENTLY," Mervyn Dymally, chairman of the sub-committee, said, "regulation of health care plans operating in California is fragmented, even splintered. The Attorney General's office exercises only mild supervision over health care plans.

"In addition," Mr. Dymally continued, "the California Department of Health regulation is not adequate to truly reassure the millions of California residents who are dependent on such agencies for adequate supervision of their health care programs."

The legislation would require state licensing of salesmen for pre-paid health maintenance plans. It also would provide for auditing and evaluation of such plans, treating them as insurance. A new California state agency would be established to supervise medical care programs. ■

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Continued from page 18
by limiting federal involvement to more study and technical assistance now," he said.

"The time to act is now. We cannot afford another two year study—as recommended by the (White House) report—before we begin any further action.

"I welcome the assistance of the interagency group but the hearings and legislative action on S. 2008 will continue," he said.

Hearings on the companion bill to S. 2008, H.R. 8771, have yet to be scheduled and it's expected they won't begin until late this year.

Sen. Javits said he was "gratified" by the President's recognition of the need for reform and pointed out the President's message "clearly contemplates administration support for federal legislation if the states fail to take appropriate action to implement the commission's essential recommendations."

The Senator admitted, however, that "while I continue to believe it would be appropriate to enact legislation now, it probably will be impossible to do so in the balance of this session.

"Nevertheless, the President's message should serve as a clear signal that the doctrine of state's rights will no longer serve as a shield for inadequacies in our workmen's compensation laws, and that federal legislation is quite probable in the next Congress." ■

Litton wins microwave oven product liability suit

SAN FRANCISCO—Litton Industries was sued for $200,000 in damages for alleged damages caused by microwave oven radiation leakage.

The product liability suit was said to be one of the first involving microwave oven damages, and was filed in superior court here by Thomas King, 54, a former freelance photographer turned restaurant owner.

The case was decided in Litton's favor on May 13.

Mr. King claimed that he opened a restaurant in Santa Cruz County and installed a microwave oven built by Litton's Atherton division and sold to him by Kent Trading Co. The distributor was also named as a defendant, as was Johnson Radio & Electronics Co. which serviced the oven. Mr. King claimed that in a year and a half, the radiation leakage from the oven inflamed a small cataract in one eye and started a new cataract on the other eye.

JAMES LANGE, insurance manager for Litton Industries here, told *Business Insurance* that the company now insures all its divisions for product liability under blanket liability policies.

This particular suit, however, had it involved damage payments, would have been covered by a product liability policy, covering the period of time involved, underwritten by Employers Insurance of Wausau. Litton no longer has coverage from Employers, Mr. Lange said.

Litton changed early in 1971 to a partially self-insured product liability program with American Mutual Insurance Co. as the servicing company on the primary layer of risk, and excess insurance in the normal markets, Mr. Lange said. ■



Seek solution to insurance price problem

LAS VEGAS—Gov. Mike O'Callaghan says life insurance pricing studies made last year both at the state and national levels indicate "vast differences of cost in policies that are sometimes quite similar."

Addressing the Southern Nevada Life Underwriters Assn. here the governor said the lack of adequate and accurate information at the time of sale often prevents consumers from performing the basic economic function of making a choice based on knowledge.

"PROSPECTIVE LIFE insurance buyers need the kind of information that will permit them to spend and invest more wisely their limited disposable dollars on life and health insurance and other competing financial security programs," the governor said.

He encouraged the members of the insurance industry to "work closely with the Nevada insurance division to find a solution to this nagging problem."

The governor also asked the insurance industry to help establish short-term disability income insurance for Nevada.

The governor said he feels that "while the exact means of providing such coverage has not been determined, the basic idea is sound.

"All indications are that there is substantial support among the working people of Nevada for insurance coverage of the type that would provide for wage loss on a short-term basis when a person becomes sick or is injured off the job." ■

letters

Continued from page 16

of the insurance function in absence of an in-house insurance department, or vacancy of an insurance manager during an interim basis. There is no question in my mind that Mr. Albert will provide to Jonathan Logan the necessary advice to maintain its credibility as a good insurance risk.

Mr. Newman of the Leonard Newman Agency has been associated with Jonathan Logan for many years and is completely knowledgeable of the risk. The Newman Agency is not a major recognized national broker, however, this agency recently obtained the services of Mr. Louis May and his staff. Mr. May is one of the most respected insurance brokers in the city of New York and was formerly with John C. Paige. He handled the Jonathan Logan account for over fifteen years, is considered a specialist in the apparel industry and has considerable experience in dealing with this type of risk.

The article goes on to state that Mr. Ebert negotiated most of the insurance program through direct insurance carriers and names Allendale Mutual and Allstate as principal insurers. In the seven years I was with Jonathan Logan, Mr. Albert, Mr. May and myself conducted all of the negotiations subject to Mr. Wulkan's approval for the company's insurance program. Mr. Anderson of Allendale was my principal contact and over the years through considerable efforts we established Jonathan Logan as a preferred customer by the Factory Mutuals. On many occasions I personally interfaced with key people at Allendale in Providence to contribute specific knowledge of the industry and to obtain their assistance in establishing a risk program unparalled in the apparel industry. As a result, Jonathan Logan went from a marginal risk to zero losses in the years 1969 through 1973, and Factory Mutual responded with more favorable rates. New concepts were explored and the stigma sc often erroneously attached to the "garment industry" disappeared.

The negotiations with Allstate were conducted exclusively by myself and Mr. Ahern of Allstate, again subsequent to Mr. Wulkan's approval. Later on a close working relationship between Mr. Will Barton, a senior executive of Allstate, and myself developed and Jonathan Logan streamlined their casualty line with Allstate. The employe benefits were folded in to expand Jonathan Logan's relationship with Allstate. The move was beneficial to Jonathan Logan in terms of savings and service and Allstate performed well, as expected.

As to the participation in loss prevention, Mr. Ebert performed no function in this area other than to forward the standard FM reports to the various division heads and to subsequently follow up for performance reports. Mr. Lach Hyatt, a vp with Butte Knitting, the largest division of Jonathan Logan and who has had many years in the building and construction business, personally handled the loss prevention program for over 50% of the total values. Butte's locations are among the cleanest and best protected facilities in the industry. The product material by nature is one of high risk from a fire and smoke exposure and Mr. Hyatt recognized this and took the necessary precautions. He worked closely with the FM loss prevention engineers and gave them his complete cooperation.

Mr. Wulkan is a highly qualified financial executive and recognized the importance of protecting the assets of the corporation. Likewise, he exerts every effort to assure the stockholders that every attempt is being made to maximize profits. I am sure Mr. Wulkan evaluated the overall situation very carefully and the decision was well thought out with all the alternatives examined. There is no question in my mind that the insurance department of Jonathan Logan will appear again at some time in the future, however, under the present circumstances the action taken was appropriate.

I found it necessary to respond to your articles in defense of Jonathan Logan who would probably have preferred to ignore your misleading articles. You have my permission and request to print the facts as I have stated them, and I hope that in the future you will research the case more thoroughly before publishing such an article.

Peter A. Butler
St. Louis, Mo.

Misrepresentations

To the Editor: As a certified clinical audiologist who has been involved exclusively with industrial hearing conservation programs for the past three years, I find it necessary to respond to your article: "OSHA is Impetus for Hearing Loss Test Firm" in your March 18 issue. The article is full of gross misrepresentations.

First of all, it should be clearly understood that a "certified industrial audiometrist" such as Mr. Moberly who is mentioned in your article, is an individual who has completed a 20-hour training course in industrial audiometry. This individual is qualified only to test hearing but is not qualified to interpret the results of the test. The interpretation must be left to a medical doctor (preferably an otologist) and/or a certified audiologist (an individual with a master's degree who is trained in the problems of hearing and deafness and who is certified by the American Speech and Hearing Assn. and/or licensed by the state in which he/she is employed.)

In describing the audiograms (hearing tests), Mr. Moberly states: "With these graphs, we obtain a complete picture of a person's hearing, indicating every weakness and loss." The hearing tests which the industrial audiometric technician is trained to perform are rarely more than a screening-type test to indicate if a problem might be present. If the results are abnormal, then the employe being tested must be referred to another facility for a more detailed evaluation.

The industrial audiometrist is certainly not qualified to conduct training seminars for industrial nurses or for anyone else. While there is no doubt that a reasonably intelligent individual can perform accurate hearing tests after taking a 20-hour training course, this individual could not possibly have the background information necessary to conduct a training program.

Whenever we have a new governmental regulation in industry or in any field, there are always poorly qualified individuals who will "try to get a piece of the action" by attempting to perform consult activities where they are not capable of doing so. Industry should be aware of this as it relates to industrial hearing conservation programs and should thoroughly evaluate the qualification of the individuals purporting to offer complete hearing conservation services.

Rena Glaser
Minneapolis, Mn.

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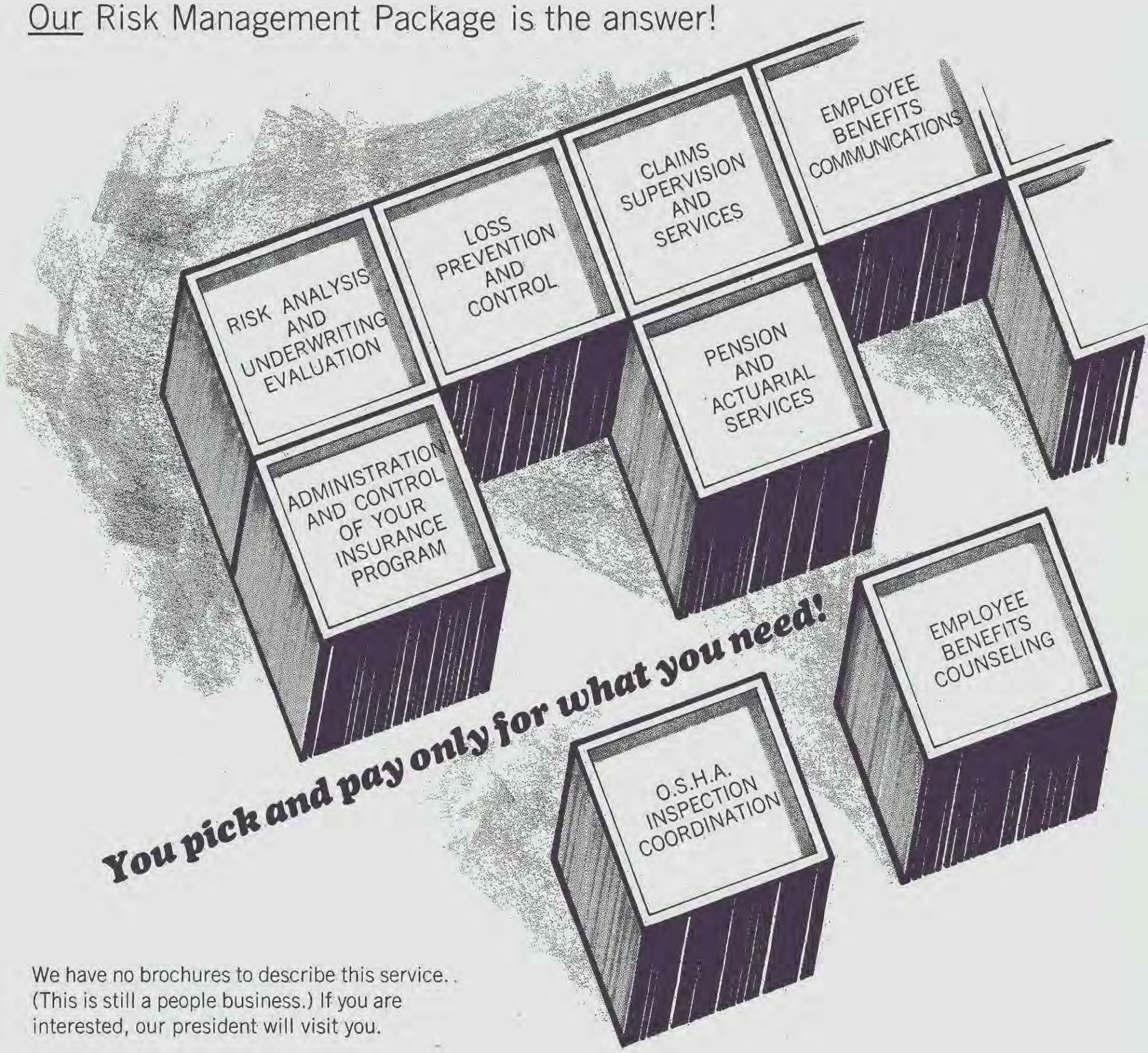
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Ruling expected shortly on N.Y. Blues merger

NEW YORK—The New York state insurance department is expected to issue shortly its ruling on the proposed merger of Blue Cross (Associated Hospital Service of N.Y.) and Blue Shield (United Medical Service, Inc.) in the New York metropolitan area following a hearing May 13.

The department ruling is one of several approvals necessary for adoption of the plan which calls for consolidation of the hospital and medical insurers into a single, 44-member board of directors and a single staff.

The hearing on May 13 also considered Blue Shield's request for an average 20% increase on its community-rated contracts, which account for about one-third of its business. The requested rate hike does not apply to 60% of Blue Shield subscribers who hold experience-rated or Medicare supplementary coverages. Blue Cross rates are not affected either.

THE BLUE-CROSS and Blue Shield merger, which was originally suggested as a means of improving Blue Shield's critical financial problems and correcting its allegedly unfair claims settlement practices, has been approved by directors and voting members of both organizations. All functions of the two corporations would be combined, and all assets and liabilities of the two corporations would be taken over by the new corporation.

In late December, 1973 (*Business Insurance*, Jan. 24), the state insurance department formally cited Blue Shield and its directors with numerous charges of unfair claims settlement practices and directed the insurer to show cause why it should not be fined and its directors removed from office. Hearings on the allegations were held on January 11 and March 11, and were adjourned to June 10.

According to a spokesman at the insurance department, the improvements promised by the merger plan seem to be more practical and realistic than taking disciplinary action which would tie up the issues in a long court battle. "We don't like to take disciplinary action when we don't know what good can come out of it," he added. "We would rather substitute a new direction and deal with the practical realities."

The merger plan presents some good possibilities, including a chance for greater consumer input, he said. The state-established by-laws of Blue Cross only allow one-fourth of its directors to be doctors or hospital administrators, while Blue Shield's board is half controlled by medical professionals. Blue Shield will now have to conform to the Blue Cross limitation. "We'd been trying unsuccessfully to get that doctor limitation provision for Blue Shield through the state legislature for years," he added.

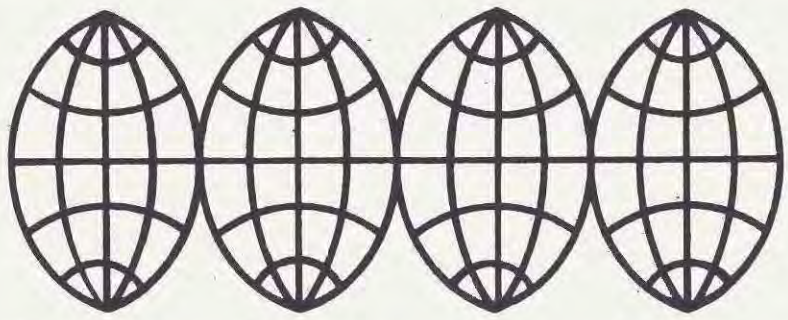
THE MERGER would also eventually encourage the establishment of health maintenance organization-type health care in the metropolitan area. The HMO concept is already being pioneered by Group Health Insurance and the Health Insurance Plan of Greater New York, two of Blue Shield's competitors here.

According to the insurance department spokesman, the reason the rate hike and merger plan were considered at the same hearing is that the rate hike has a bearing on the financial stability of Blue Shield.

Although Blue Cross has said it would not want to absorb Blue Shield's debts, the spokesman explained that Blue Cross's reasons for favoring the merger are, apparently, first of all, its close identification with Blue Shield (there is already a single billing system now), its desire to grow, and also its tendency to favor experiments which would expand health benefits.

Blue Cross and Blue Shield are the largest insurers of doctor and hospital bills in the New York City area. In 1973, they had more than $960 million in premium income and provided insurance coverage for more than 8 million people. Blue Cross and Blue Shield also administer payment of about $650 million in Medicare benefits for the federal government. ■

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Illinois Blues begin using state brokers

CHICAGO—The Chicago-based Blue Cross and Blue Shield plans are beginning to offer their group health care plans through insurance brokers in Illinois.

"We're looking for brokers in all sections of the state," a Blues spokesman said. "Probably the largest benefit of this will be felt in the downstate areas."

Richard A. Sousa, manager of the Blues' new brokerage sales department, said he is still selecting brokers who will offer the group health care programs. He noted that the Chicago-based plans are the first to offer their coverage through brokers.

Initially, the brokers will be permitted to sell policies to groups of 22 or more persons. They will market plans for employers, as well as coverage for associations, welfare funds and multiple employer trust accounts.

LIFE, ACCIDENT and disability coverage from the Fort Dearborn Life Insurance Co., an affiliate of the Blues, will also be sold through the brokers.

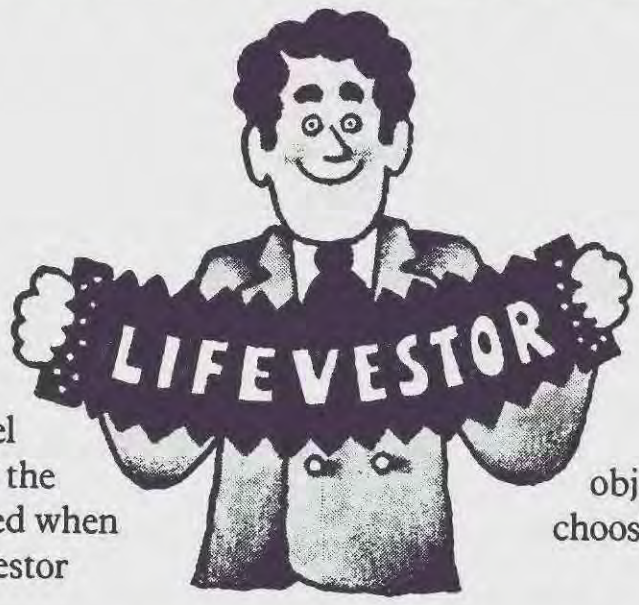
In the past, the Blues used their own insurance salesmen. None of these salesmen will be laid off, the Blues spokesman noted. He denied that either of the plans were dissatisfied with the sales staff. "We have enjoyed a very happy relationship with our salesmen," he asserted.

The Chicago-based Blue Cross plan has 3.2 million members in Illinois, an enrollment increase of 8% between 1972 and 1973. Blue Shield members number 2.9 million, up 9% in the same year. "Naturally we'd like to have a lot more," the spokesman pointed out, especially from the areas outside Chicago. ■

RBH division expands

Rollins Burdick Hunter Co., Chicago, said Rolibec Inc., an international broker jointly owned with C. E. Heath and Co. Ltd. of London, agreed with Heath Langeveldt Ltd. to combine their insurance brokerage operations in Hong Kong, Malaysia, Singapore and Thailand.

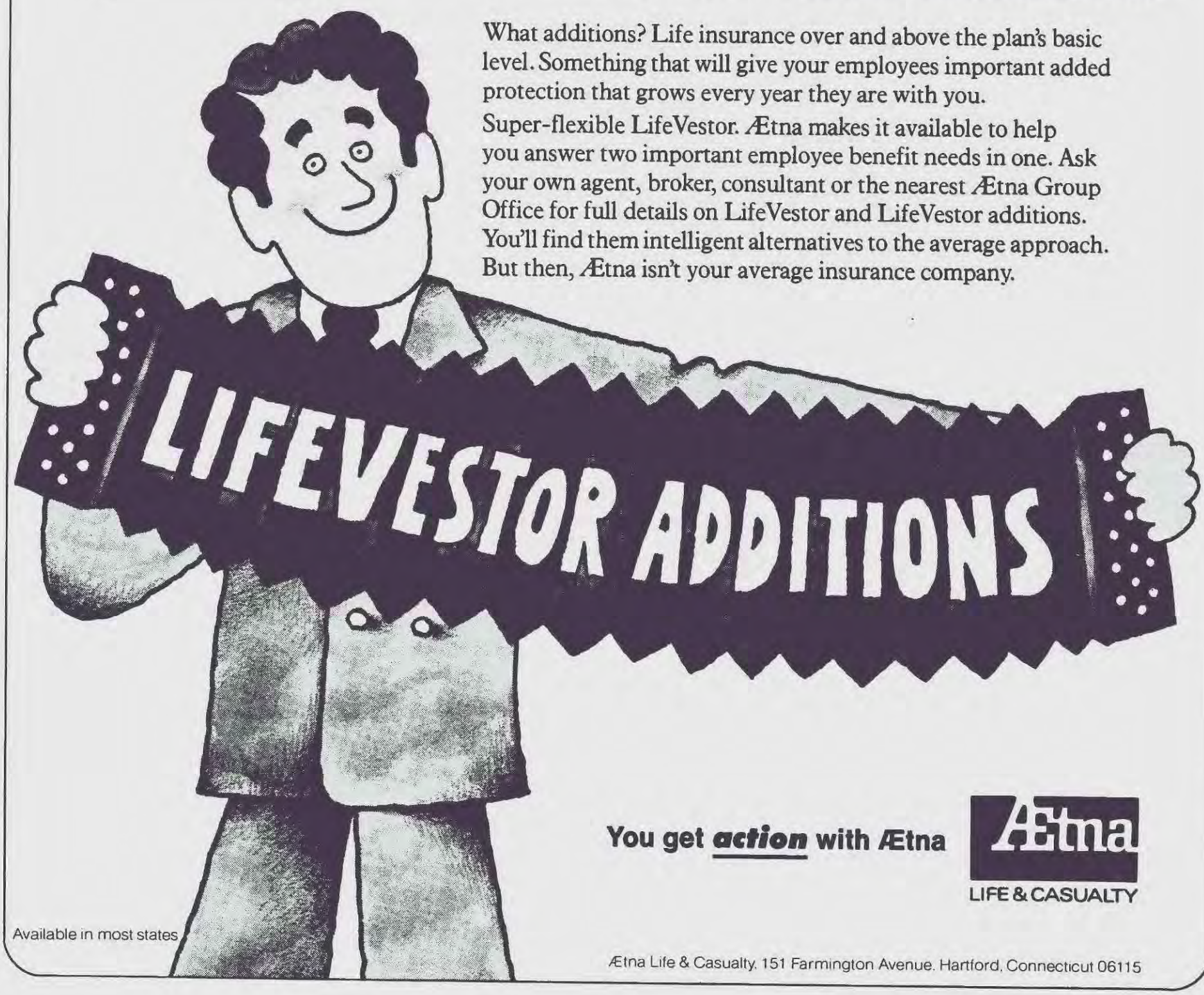
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Question low bid awards

TORONTO—The low bid method for awarding construction jobs was challenged by a segment of the insurance industry.

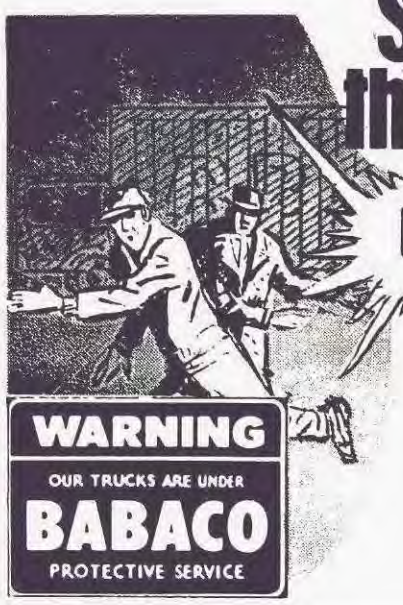
A spokesman for the surety industry charged that government agencies awarding construction contracts on a low bid basis are not able to accurately assess a builder's financial ability to complete a project.

Surety companies are insurance-related companies that provide a bonding service for a premium charge guaranteeing completion of a construction project. Because of this guarantee surety firms generally stress their role as a "prequalifying" judge of a contractor's financial strength.

WILLIAM LAWLER, manager of the surety department, Travelers Indemnity Co. of Canada, Montreal, said the low bid system only works if bidders are required to prove responsibility.

"Some government departments and public bodies have instituted their own prequalification formulas, and others are considering doing so," he told the surety conference held by the industry-wide Insurance Bureau of Canada.

These formulas, he said, are generally based upon an assessment of the equipment that the contractor has available and the ability to meet certain criteria. ■



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• **Kidnap and Ransom Insurance** is a new brochure released by Lowndes Lambert (U.S.A.) Inc. A schedule of recent ransom cases involving underwriters in the London market is included as are copies of the policy form in current use, proposal forms for use by both firms and individuals and personal accident extensions. For a free copy write Lowndes Lambert, 15 Broad St., Boston, Ma. 02109.

• The third edition of **Retrospective Rating** is now available. The book, by John R. Stafford, is about retro fundamentals and construction and includes many illustrated step by step plan D calculations. The edition has been expanded 30% and costs $6.75. Write J&M Publications, Dept. F, P.O. Box 338, Palatine, Il. 60067.

• **Practical Risk Management,** written by the principals of Warren McVeigh, Griffin & Huntington, is a loose-leaf monthly guide for the active risk manager. Each issue treats one topic in depth. Practical and innovative ideas are offered and its purpose is to serve as a basic permanent reference. Annual subscription is $75 or $20 quarterly. Contact Practical Risk Management, P.O. Box 3998, I, San Francisco, Ca. 94119.

• Marsh & McLennan International Services has recently released **Employe Benefits in France and the French System.** The situation is unusually complicated in France because coverages often have limited applications. Reference terms, retirement pensions and other benefit areas are discussed. For a free copy write Marsh & McLennan, William D. Welsford, 7 King St. E, Toronto, M5C 1A2, Canada.

• **Alpha 3000** describes Honeywell Commercial Division's new system for protecting physical assets from loss by fire, instrusion, burglary vandalism and equipment breakdown. For a copy write Honeywell Commercial Division, 2707 S. Fourth Ave., Minneapolis, Mn. 55408.

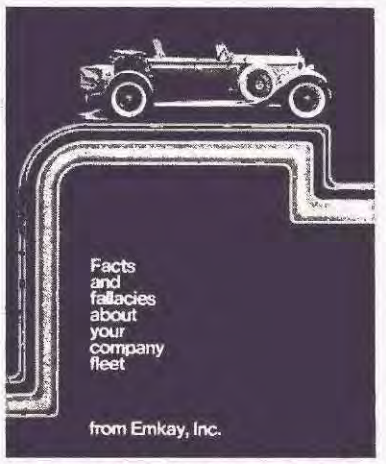
• Friskem Magnetic Detection Devices, a division of Infinetics Inc., has made available a folder of material describing the company's hand-held, walk-thru and intrusion detectors. The literature includes descriptions, applications, specifications, and price information. For copies write Infinetics Inc., 1601 Jessup St., Wilmington, De. 19802.

• **Burned Out Shopping Centers Lose Customers and Profits,** an Improved Risk Mutuals shopping center information sheet, is free to *Business Insurance* readers. This eight-page brochure contains suggestions on protecting shopping centers from fires and other perils. For your free copy write to the advertising manager, Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601.

• **The Hewitt Associates Benefit Index** is a composite value of salaried benefit programs of 20 leading companies. Large employers can use the index values to see how various parts of their benefit program stack up against a representative standard. For a brochure describing this new service write Kenneth A. Shelton, Hewitt Assoc., 102 Wilmot Rd., Deerfield, Il. 60015

• **The Mobile Boiler Rental Primer** answers the 28 questions most frequently asked by plant engineers and insurance carriers about emergency mobile rental boilers. The book also includes a listing of boiler sizes and boiler hook-up procedures. For free copy write Richard K. Bliss, Nationwide Boiler Rentals Inc., 175 S. San Antonio Rd., Los Altos, Ca. 94002.

• **Facts and Fallacies About Your Company Fleet** is a 12-page illustrated brochure available from Emkay Inc. All major factors of a fleet operation are covered, including initial purchase,



maintenance, licenses and taxes, cost predictability and hidden costs such as insurance and claims administration. For a free copy write the company, 6850 S. Cottage Grove Ave., Chicago, Il. 60637.

• **Safety for People, Property and Profit** is a packet designed with practicality in mind. It contains a set of 12 dividers that can be used as file or notebook dividers for safety materials or records. The packet and dividers give a brief resume of loss control assistance available from Allstate. For a free copy write Q. C. Anderson, Allstate Insurance Co., Allstate Plaza D-1, Northbrook, Il. 60062.

• Johnson & Higgins has recently made available a bulletin entitled **How a Flexible Investment Attitude Can Increase Your Total ROI** (return on investment.) This bulletin examines the importance of flexibility in corporate investments at a time when guaranteed long term returns are most attractive. For your free copy write Jay B. Lesiger, Communications Division, Johnson & Higgins, 95 Wall Street, New York, N.Y. 10005.

• **Nutshell—A Monthly Digest of Employe Benefit Publications,** is published by Deferred Compensation Administration Inc. This monthly service contains digests of articles, from more than 75 publications, dealing with employe benefits. For a free sample copy write Nutshell, 1645 Cargill Bldg., Minneapolis, Mn. 55402.

• The General Adjustment Bureau offers a **Comparative Analysis of Unfair Claim Settlement Practices and Regulations.** It has been updated to include changes in statutes effective in 1973 in 12 states. Unfair practices range from misrepresentation of pertinent facts or policy provisions to failure to acknowledge and act promptly upon communications. For a copy write GAB, Management Services, 123 William St., New York, N.Y. 10038

• **Hi-Ex Foam** is a 12-page pamphlet by the Walter Kiddie & Co. on high-expansion foam fire extinguishers. Details on how the foam works, how it is used, and the variety of systems available are accompanied by charts and illustrations. For a free copy write Advertising Manager, Walter Kidde & Co. Inc., 675 Main St., Belleville, N.J. 07109

• **How to Insure Trust Departments Properly,** a reprint of an article by Bernard J. Daenzer, president of Wohlreich & Anderson Ltd., has been made available by the company. The article discuss errors and omissions coverage for trust departments and includes several examples of recent large losses along with the results of a bank trust department survey. For a free copy write Anthony Bova, Wohlreich & Anderson Ltd., 55 John St., New York, N.Y. 10038.

• Closed-circuit television equipment for audio-visual security systems are featured in the Sony Corp. of America's **AV Products Catalogue** and **Video Cassette Catalogue.** Also included are video tape system descriptions. For free copies write Literature Request, Sony Corp. of America, Video Products Division, 9 W. 57th St., New York, N.Y. 10019.

• **The 1973-1974 List of ASTM Publications,** issued by the American Society for Testing and Materials, lists more than 600 ASTM publications dealing with standardization test methods and specifications for materials, the knowledge of materials and materials evaluation. For a free copy write ASTM, 1916 Race St., Philadelphia, Pa. 19103.

• **Advanced Security Techniques,** a booklet available from Advanced Computer Techniques Corp. describes the company's services for assessing the internal and external vulnerability of automatic data processing systems and facilities. Information on developing individually designed practical and cost-effective corrective measures for security is also presented. For a copy write the company, 437 Madison Ave., New York, N.Y. 10022.

• **Specialists in Excess Lines Coverage,** published by Shand, Morahan & Co., is a brochure outlining the company's services. The brochure gives a background of the company and its staff, distinguishes between the standard and surplus lines markets and touches briefly on the company's role in the field of reinsurance placement. For a free copy write the company, 636 Church St., Evanston, Il. 60201.

• **Project Health,** a new program advertised as the fifth fringe benefit, is being offered by Searle Educational Systems Inc. The booklet is designed to instruct employes about common health problems such as heart disease, cancer, alcoholism, drug abuse, and respiratory illness. For a copy write Ron Valentine, at the company, Searle Pkwy. Skokie, Il. 60676.

• **Restore** is a CNA Insurance program to return persons with permanent physical disabilities to their fullest usefulness: physically, mentally, socially and vocationally. The program is described in an eight-page pamphlet available from George Hamilton, 310 S. Michigan, CNA Plaza, Chicago Il. 60685.

• **A Group Income Protection Plan** for employers with 10 to 40 employes is a new pamphlet available from Combined Insurance Co. of America. This booklet describes IMAGE 10/40, an easy to install plan that can help avoid loss of income due to disabilities from sickness and accident. For your free copy write Harold Lawrence, Director of Marketing Services, Agency Division-Group Insurance, Combined Insurance Co. of America, 5050 N. Broadway, Chicago, Il. 60640.

• **Signs of the Times** is an American Credit Indemnity Co. booklet showing credit usage trends in chart and statistical form. The book discusses credit problems and the advantages of having credit insurance. For a free copy write Ms. Lenza Wright, American Credit Indemnity Co., 300 St. Paul Place, Baltimore, Md. 21202.

• **Rain Rain Go Away,** a new booklet on precipitation insurance, is available from American Home Assurance Co. They can't stop it from raining (snowing, sleeting or hailing) on your parade or other outdoor event, but they can tell you how to insure against it. For a free copy write the company, Dept. 12, 102 Maiden Lane, New York, N.Y. 10038.

• **Big Talk,** a brochure prepared by State Mutual of America, discusses the company's group major medical plans called the Big Ben program. The program provides medical coverage which is payable either in or out of the hospital and has no overall maximum payment limit. A copy of the brochure may be obtained by writing Public Relations, State Mutual of America, 440 Lincoln St., Worcester, Ma. 01605.

• **Self-Insurance, What's it all About?** a booklet prepared by Stoner-Eastwood Inc., contains questions and answers about self-insurance and a summary of the self-insurance concept. Copies can be obtained by writing David G. McDonough, Stoner-Eastwood, 98 Cutter Mill Rd., Great Neck, N.Y. 11021.

• General Adjustment Bureau has made available a free brochure outlining its new **Watchcare** rehabilitation service, designed to aid insurance companies in providing expanded services to the seriously disabled. Copies may be obtained by writing Management Services, General Adjustment Bureau Inc., 123 William St., New York, N.Y. 10038.

• Commerce Clearing House Inc. has issued a **Guidebook to Occupational Safety and Health—1973 Edition.** This book clearly explains inspections, citations and penalties. How inspections are conducted, how to select employers for inspection, employe safety complaints, enforcement, record-keeping and the role of the states are also discussed. The book costs $6 and can be obtained by writing the company, 4020 Peterson Ave., Chicago, Il. 60646.

• Liberty Mutual Insurance Co. has made available **Medical and Rehabilitation Services.** The booklet describes the rehabilitative services available to injured workers who are covered under the company's workmen's compensation insurance. Write the company, Public Relations Dept., 175 Berkeley St., Boston, Ma. 02117.





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Factory Mutual System

Liberalized education benefits plan begun by Kimberly-Clark

By STEPHEN GOOD

NEENAH, WI.—A wage-earning machine operator who takes a night school course in painting nudes can have his employer pay the full tuition under a new education benefit plan unveiled by Kimberly-Clark Corp.

The unique program also allows an employe to accumulate his education benefits in a savings fund for use later when his children are ready for college.

And employes who "have shown high-level performance and ability," may now be granted up to one year's paid leave from Kimberly-Clark to conduct research, pursue job-related investigations or "obtain educational experiences that could not otherwise be obtained."

"We're plowing some new ground here," a Kimberly-Clark spokeswoman said. But the billion-dollar paper products company instituted the new employe benefits program "because the employes need and want this sort of thing.

"EVERY COUPLE of years we have an employe benefits survey among our employes," she explained. "The last time we did it, in 1972, there was a considerable interest shown in education."

Many of the surveyed employes said they needed help in putting their children through college. Others expressed a desire to take more school courses for their own self-improvement. A commonly-provided education program had been available at Kimberly-Clark since 1931, but it only provided the firm's 16,000 employes with tuition money for job-related schooling.

Harry J. Sherrin, Kimberly-Clark's president, noted that in response to the survey results, the company's new benefits plan was devised to support "any type of approved education programming whether job-related or not.

"This is a significant departure from other education assistance programs," he added. "The effective person, the person whose contribution is most valuable to the corporation . . . tends to be a whole person, the involved and aware and self-renewing person.

"We want to encourage and make it possible for all of our employes to be that kind of person."

THE COST TO Kimberly-Clark, expected to reach $1.5 million a year, will increase gradually because "it's going to take a few years to work up to the full cost as interest in the program grows," said the spokeswoman.

Each year Kimberly-Clark will determine how much money an employe can use for educational purposes by calculating the increase in earnings per share of company stock compared to earnings for the previous three years.

If earnings are up 12% or more, non-exempt salaried employes will receive $480 for educational uses. For earnings up between 5% and 12%, the annual benefit allotment will be $385. If earnings increase between zero and 5%, the allotment would amount to $320. And if the company has an earnings decline, the benefit may range between $255 and nothing.

Annual allotments are calculated somewhat differently for exempt salaried employes, the spokeswoman noted, using work performance ratings as well as corporate earnings.

So far, the benefits plan is only available to non-union employes in the U.S. About 15,000 of Kimberly-Clark's total workforce resides in this country, and about half of them are non-union. But there is a "good possibility," she said, that the unions will put this program in their future labor contracts. "By law that has to be collectively bargained."

THE ANNUAL allotment is given to the employes in a "bank account" fashion, Mr. Sheerin said. "All or any part of the money will be available to the employe for education activities during the year . . . It arouses a sense of ownership of the money which causes employes to think about and more carefully plan their education activities."

If an employe wishes to take a course during the year, he requests approval from the employe benefits section of the employe relations department. The request may be turned down if two levels of management decide against it. And courses are approved only if they are offered by an accredited school, a National Home Study Council-certified correspondence school or a company-endorsed organization.

Once a program is okayed, money can be used to pay for registration costs, travel and living expenses, books and resource materials, and tuition. If money from the allotment is left over at the end of the year, it is absorbed by the company and a new full allotment is made.



Even courses that are not job-related come under the new plan.

In a family education savings feature of the new program, Kimberly-Clark puts an amount equal to 25% of the an-

Continued on page 27



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Continued from page 26

nual allotment into an employe's savings account. The employe also deposits a certain amount each year, which is then 25% matched by the company as a savings incentive. The employe's own savings are deposited in a company trust fund earning 6% a year.

SO AN EMPLOYE who has 25% of his $385 annual allotment, or $96.25, put into a savings plan along with $200 of his own money and another $40 incentive money, will gain one year's accumulation of $336.25. If the employe keeps this up for 15 years, and adds the 6% interest, he will have more than $8,000 to use for his children's college expenses.

While the family education savings build up, the employe can still use his annual allotments for year-by-year education endeavors.

"We predict the employes will be using the family education feature the most," the company spokeswoman said. Kimberly-Clark "expects quite wide use" of the annual allotments as well, she added. But the extended leave program "would have to be more job-related. A relatively small number of people will do it."

According to Mr. Sheerin, the leave plan "provides a chance for a limited number of employes who have demonstrated a high level of performance—no strings attached—extended leaves with pay and at company expense for the purpose of pursuing 'special educational programs' which clearly relate to our corporate objectives."

When asked whether the educational plan was a prototype of a new employe benefits package, the Kimberly-Clark spokeswoman replied, "we certainly hope so. We think it's a pretty good program and it should be adopted by others." ■

Employers fight inflation without automatic escalators on benefits

CHICAGO—Despite a steady erosion of the dollar's buying power, most employers have chosen to eschew automatic adjustments in the value of employe benefit plans.

But many companies are busy bolstering their inflation-ravaged programs this year in order to replace what the economy has taken away.

Some firms have instituted new benefits, like Kimberly-Clark's unique education plan (see p. 26). Other companies have taken surveys among their employes to find out where inflation might necessitate changes in the traditional benefit programs.

Of all the employe benefits, pensions have received the most attention from employers. While pension payments are sometimes raised two or three times a year to keep pace with the cost of living, automatic pension escalators are seldom used.

"IN A RECENT survey we asked whether anyone was switching to (inflation) indexed pensions," said Mitchell Meyer, a specialist in compensation research for the Conference Board. "The result was a clear and emphatic 'no.' Very few companies indicated that their pension plan is formally tied to the cost of living index."

Companies are often wary of putting an automatic adjustment clause into their benefit plans, Mr. Meyer explained. "It can be a very costly thing. Employers are really afraid it'll get out of hand."

In recent labor contracts with the aluminum and steel industry, cost of living provisions were made for pensions, Mr. Meyer pointed out. "But the pension plans were not changed," he added. During the two-year contract period, cost of living adjustments will be made. "But after the next two years, all bets are off."

The Conference Board's survey of pension plans showed that only 4% of 1,335 companies had automatic cost of living escalators built into their plans. "Most changes in pension plans still come about in the old ad hoc way," Mr. Meyer said.

MARIO LEO, vp of research for the management consulting firm of Towers, Perrin, Forster & Crosby, noted that much of the pressure to raise pension benefits is coming from retired employes and not from active workers. "I think there's a tendency to overreact," he said, because inflation has been more rapid in the last year.

"There's a certain amount of purchasing power people can afford without getting upset," Mr. Leo commented. "But 8-10% all at once is very noticeable."

Benefits other than pensions are affected in various ways by inflation and cause lesser degrees of concern among employes, Mr. Leo said. For example, all medical insurance covering "reasonable and customary fees" will grow along with the costs, making it basically inflation-proof. Profit-sharing also defies inflaton's crunch.

But employes who find their overall buying power diminished may look to employers for necessities and luxuries they once could afford themselves. As a result some companies are granting more perquisites—especially to high-salaried executives—to keep employes happy.

"IT'S TRUE, particularly in the executive area that the stock option thing has not worked out well," said Hewitt Assoc. consultant Al Schlachtmeyer. "So we're getting into the area of perquisites."

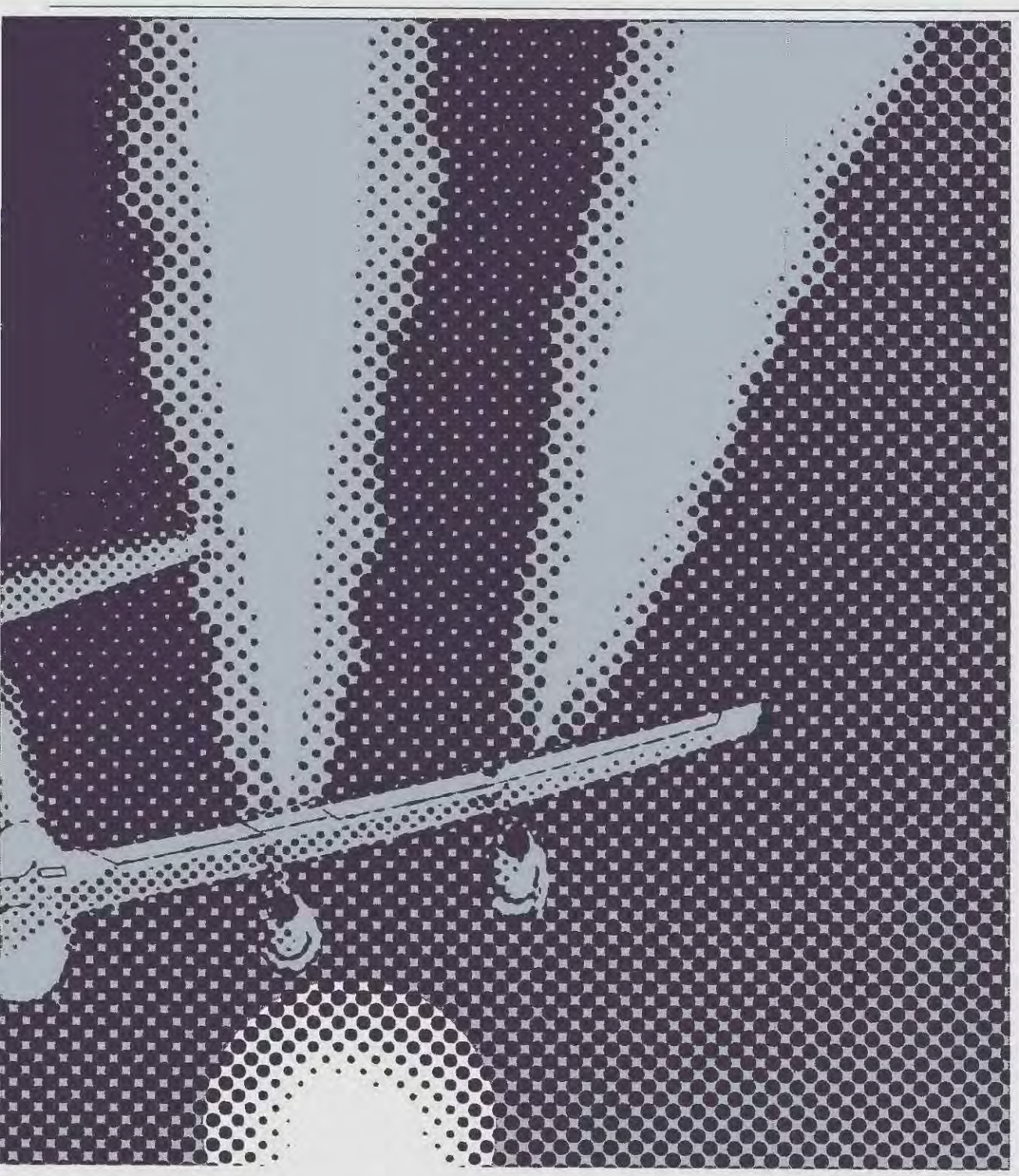
The use of company cars, club memberships, in-house recreational facilities and housing are some of the perquisites offered by companies, Mr. Schlactmeyer noted. "Strange and creative" perquisites are sometimes given because the company wants to keep its employes happy. But inventiveness may occassionally mean the employer is not sure about what the employes want or need.

"In the employe benefit area, there is market research being done into what the employes really do want," Mr. Schlactmeyer pointed out. "Some (employers) are saying 'gee, we really don't know any more.'"

MR. LEO commented that "there's a lot of talk about perquisites, but I haven't seen that much adopted. I don't see it as a large movement."

There are two main reasons why perquisities are shunned by most companies, he explained. They are usually hard to extend to employes beneath executive rank, and they may be considered taxable by Internal Revenue Service if they cannot be justified as

Continued on page 28



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Inflation . . .

Continued from page 27

ordinary business expenses or compensation.

"The lines get pretty hard to draw after awhile" between what is taxable and what is not, Mr. Leo said.

Some businesses are offering new benefits to their employes because they believe extra attractions are needed to keep workers on the job—let alone keep them happy.

"We have apartment buildings on our grounds, and anybody who works full-time is eligible to use them," said a spokesman for the community hospital in Lake Forest, Il. "We built the apartments for the use of our employes, and to attract employes to our hospital. There are not too many apartments in this area."

The spokesman noted however, the hospital charges "a fair amount for rent."

In order to learn what employes are concerned about in today's inflationary economy, numerous companies have carefully surveyed their workers. A Kimberly-Clark source told *Business Insurance* that his company learned of workers' concerns about college costs from the write-in comments on a survey of existing benefits.

"Another area of high interest was health insurance, including dental insurance, which we have instituted," he said.

A spokesman for Sears Roebuck & Co. noted that "we have an employe attitude survey taken regularly where we evaluate what they think of our present benefit program."

Sears is not as concerned with the value of the dollar as it is in the quality of the benefits, he added. "We go more by coverage than by financial offsetting. You have to look not only at what you spend, but at what the benefits are worth. You also look at what you're spending in relation to corporate profits."

Sears is still offering its employes stock options, and has no intention of changing the plan, the spokesman said. "This happens to be a time when the market is depressed, but it's still part of the company's practice."

More important than the issue of benefits in this inflation-wracked period has been the concern over wages and buying power. As one union representative put it, "the pat on the head doesn't make it when you're hungry. Little goodies aren't going to make it—no way."

Some companies are giving their non-union employes across-the-board pay hikes to keep salary levels abreast of inflation. One sign of a new trend may be the Mobil Oil Corp.'s recent dispensing of an extra month's salary, which it called a "special one-time payment." ■

Oppose state bill to end pension abuses

SACRAMENTO — Legislative efforts here to curb "abuses" in California's $20 billion private pension industry have been delayed by vigorous opposition from business organizations and labor unions.

Opponents of senate bill 1800, introduced as an Employee Benefit Protection Law, charge that the proposal would result in reduction of pension payments to retired workers.

Spokesmen for business organizations contend that "the entire problem of pension industry abuses should be left to Congress" rather than to the states.

An amendment measure before the senate committee on business and professions would require partial vesting after three years participation and full vesting after ten years.

The original bill also would compel all pension plans to "inform fully" all beneficiaries on how a specific plan works.

SPOKESMEN for the California Federation of Labor, AFL-CIO argued that the bill would "increase the costs of pension plans by as much as 30 to 50%."

"If worker and employer contributions were not increased," Richard Mansfield of the union said, "then there would have to be a reduction of retirement benefits paid."

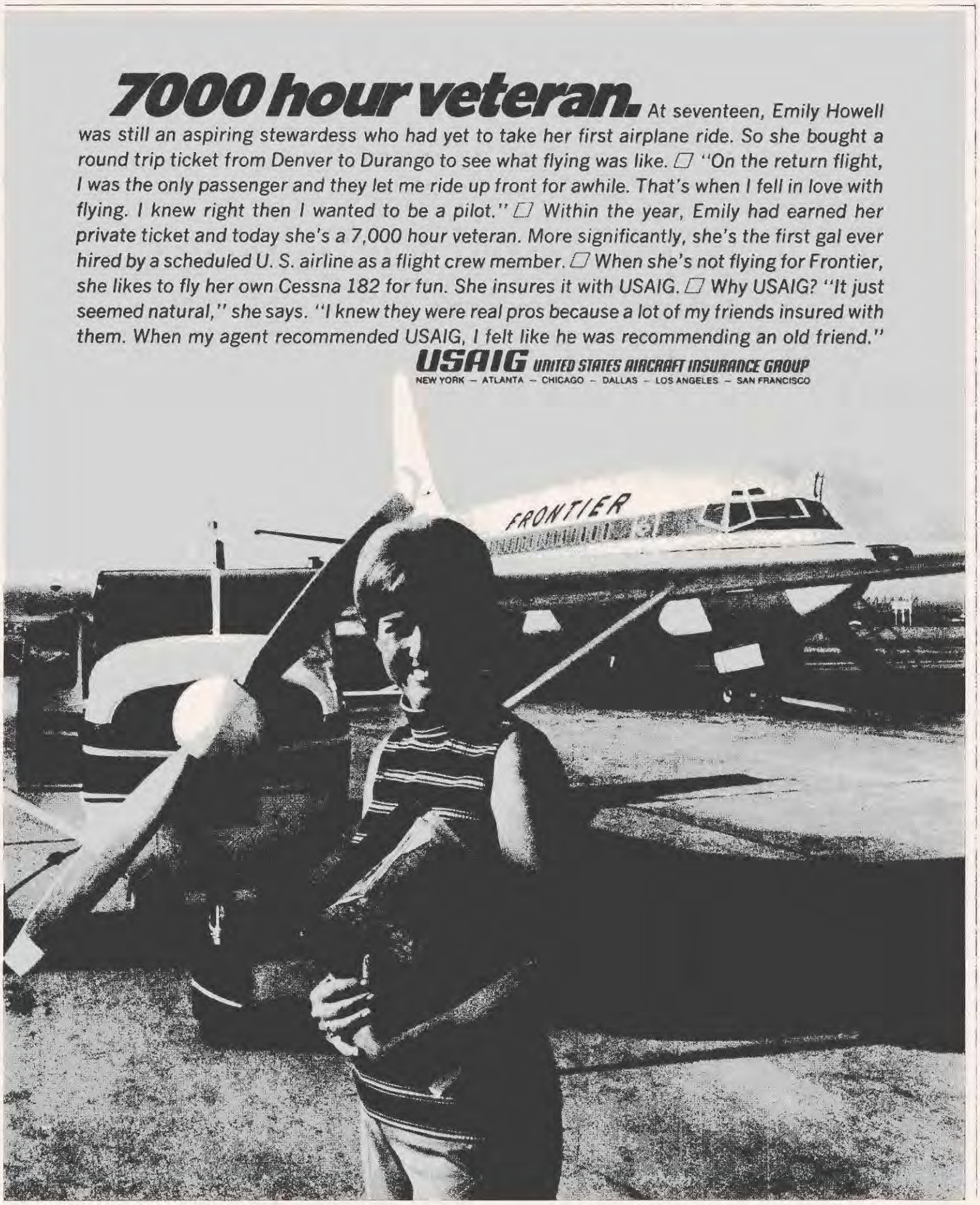
Opposition also has come from the California Bankers Assn., California Builders Council, Pacific Telephone Co. and unions representing painters and carpenters.

The United Auto Workers have supported the reform effort as have the California Rural Legal Assistance Group, the Western Center on Law and Poverty, and the National Senior Citizens Law Center of Los Angeles. ■

7000 hour veteran. *At seventeen, Emily Howell was still an aspiring stewardess who had yet to take her first airplane ride. So she bought a round trip ticket from Denver to Durango to see what flying was like. ☐ "On the return flight, I was the only passenger and they let me ride up front for awhile. That's when I fell in love with flying. I knew right then I wanted to be a pilot." ☐ Within the year, Emily had earned her private ticket and today she's a 7,000 hour veteran. More significantly, she's the first gal ever hired by a scheduled U. S. airline as a flight crew member. ☐ When she's not flying for Frontier, she likes to fly her own Cessna 182 for fun. She insures it with USAIG. ☐ Why USAIG? "It just seemed natural," she says. "I knew they were real pros because a lot of my friends insured with them. When my agent recommended USAIG, I felt like he was recommending an old friend."*

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Readable policies are urged in Pa.

HARRISBURG, PA.—The Pennsylvania Insurance Dept. made new recommendations to auto insurers in the state on how they can print more readable insurance policies.

And if the carriers do not make their own policy draft changes, the insurance department has threatened to impose mandatory requirements on the printing of coverage policies.

"We believe that the consumer is entitled to an insurance policy which he or she can read and understand," commissioner William J. Sheppard said. The recommendations would change the confusing legal document usually used now into an easy-to-read book on coverage terms.

THE STATE recommendations propose that policies be written in type larger than the print used in average newspapers. Page sizes, column widths and even the size of margins are also suggested in the official recommendations.

"Of course, format and type size is only one part of readability," the commissioner noted. "The language in the policy must also be substantially improved."

If insurers do not make attempts soon to improve the readability of their policies, the state may step in with mandatory requirements instead of simple suggestions, Mr. Sheppard warned.

"If the companies drag their feet in getting the job done, they can expect the department to offer its own suggestions for change. Our present stand assumes industry cooperation. As long as we get that cooperation, we are certain that changes can be made jointly.

"Without the cooperation," he added, "the department will be forced to consider mandatory changes."

The insurance companies have until the end of June to file their own policy format changes with the state insurance department. ■

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Texas work comp laws result in more cases

DALLAS—Of 300,000 cases of injury reported to the Texas Industrial Accident Board, one-third are processed as compensatory injuries (those involving in excess of seven days of lost time or severe injuries) Bill Tracy, assistant executive director of the board, said here.

Speaking on the subject of Texas workmen's compensation at a joint meeting of the Dallas-Fort Worth chapter of the American Society of Insurance, each of those 100,000 cases is reviewed on its merits. The other two-thirds are handled at review level and never go to a pre-hearing conference, he added.

The agency's work load of cases is currently running 15% higher than a year ago and is expected to expand to a 25% increase by September. "I honestly believe employers have better safety programs now, but there are more people in the work force. If it were not for improved safety programs, the rate of injuries would be sky high," he declared.

AS IT IS, the workload "is straining our agency to the limit," Mr. Tracy said. He pointed out that there has been no increase in staff, and the agency is self-supporting. Funds do not come out of general revenue. The agency budget runs less than $2,000,000 annually.

Before 1969, workmen's compensation cases were static in Texas, but since then "there have been rapid and dramatic changes," he said. Texas senate bill 283, which became effective last September, brought 13 significant changes in Texas laws to bring the state in line with the federal manadate as delineated by the commission formed by President Nixon in 1971.

The impact of the law was to add to the workload of the board. "We've been trying to catch up, but it is a losing game," Mr. Tracy commented.

Currently the average weekly wage in Texas is $143, with $63 as maximum weekly compensation. "We will see an increase in the rates in September to a maximum of $70 weekly," he said. There will also be a reduction in the number of days before compensation is payable. Now it is seven days.

Commenting on the prospect of federal workmen's comp legislation under senate bill 2008. Mr. Tracy said, "While I agree that some of the changes are needed, such as lifetime compensation for permanent disability and compulsory coverage, some of the recommendations are totally unfeasible."

Among the latter he cited the proposal to resurrect claims processed under prior laws. This would entail reopening and reprocessing cases, "and I don't know where the money will come from to do that," Mr. Tracy commented. ■

Agencies merge

Insurance Consultants Inc., one of the largest insurance agencies in the country, merged with Case Thomas & Marsh Inc., St. Louis. Case Thomas & Marsh, the oldest general agency in the city, will keep its identity. ICI is the major U.S. operating subsidiary of Toronto-based Reed Shaw Osler Ltd.

Standards up for Florida self-insurers

TALLAHASSEE, FL.—Employers in Florida with self-insured workmen's compensation plans will be faced with tougher minimum financial requirements beginning July 1.

Besides higher financial standards for self-insured employers, the new state provisions will include more stringent controls over the filing of financial reports and the funding of group self-insurance arrangements.

Allen Norris, self-insurance administrator for the Florida Bureau of Workmen's Compensation, noted that "changes were designed with prospective self-insurers in mind, to protect employes from the possibility that their employer may be unable to meet the requirements of the workmen's compensation act."

INDIVIDUAL self-insurers will need to have a minimum net worth of $250,000 after total assets are subtracted from total liabilities. Up to now the minimum net worth was set at $150,000. And the minimum ratio of current assets to current liabilities must be at least one to one.

"Each self-insurer must demonstrate to the Florida Department of Commerce that its organization, facilities and personnel are sufficient to service its own program in underwriting, claims adjustment and industrial safety engineering," a department spokesman noted, "or it must agree to contract with an approved service organization to render these services."

For group self-insurers, their net worth requirement is still $500,000. But annual gross premiums for each group self-insurance fund has been raised from a minimum of $50,000 to $100,000. The employers must also be able to prove they have each placed cash premiums of at least $50,000 into a common claims fund, double the previous requirement.

UNLESS THE state decides it is unnecessary, a self-insurer must have excess insurance approved by the commerce department.

Both individual and group self-insurers must file annual statements of financial condition with the commerce department. The state may require daily reports if they are deemed necessary. And failure to submit any reports may result in a $100 fine, which if left unpaid could lead to revocation of the self-insurance privilege.

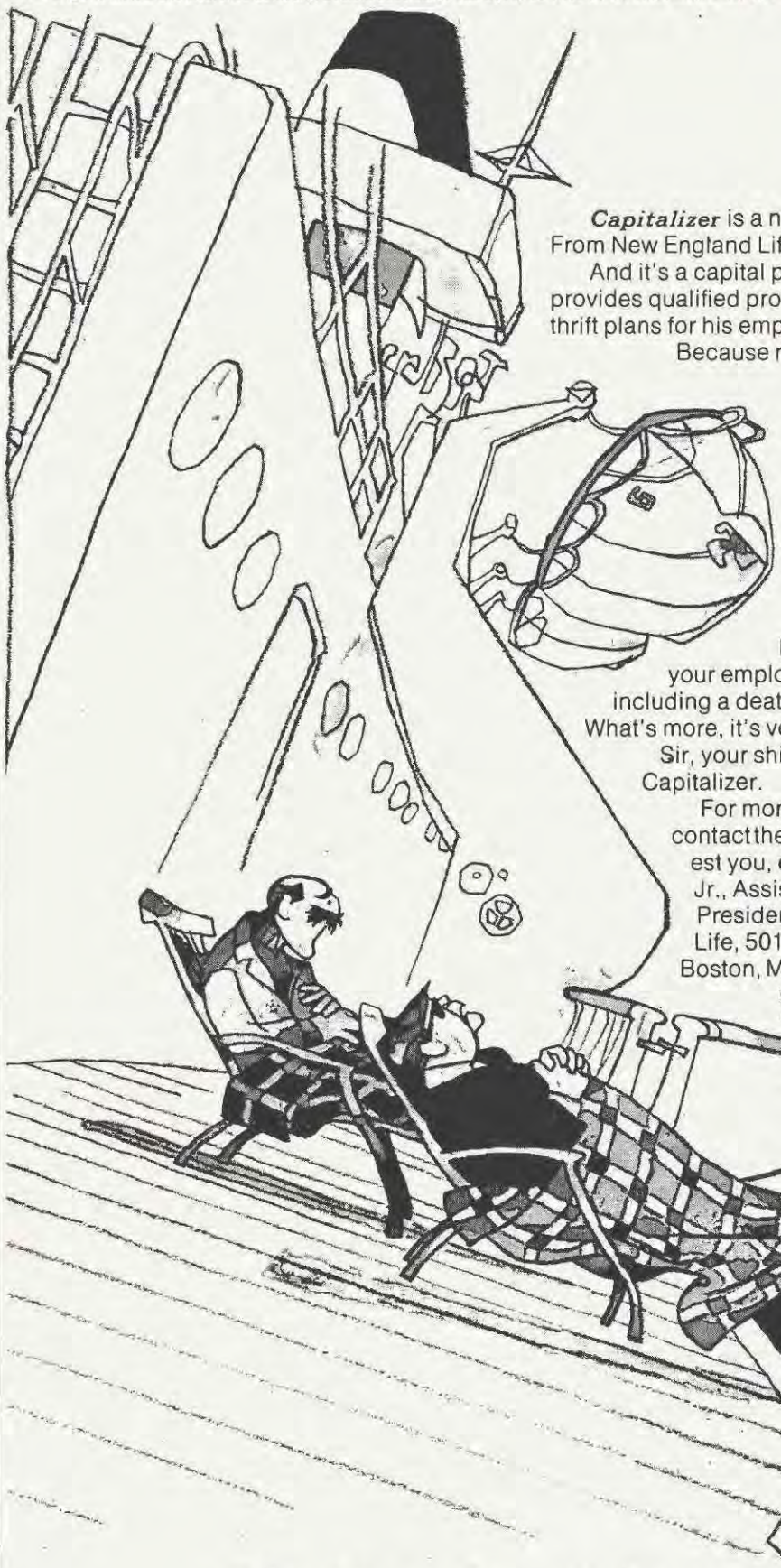
According to the commerce department spokesmen, about 10% of Florida's work force is now employed by self-insured employers. Nearly 80% of the individual self-insurance applications submitted each year are approved by the state. ■

Mortician's contract includes funeral plan

Sunnyslope Sunnyside Mortuary, 614 E. Townley, Phoenix, has become the first funeral home in Arizona to sign a labor contract with a union, Teamsters Local 274 has disclosed.

The wage contract includes a provision for a complete funeral family plan for the mortuary's union members, said John Blake, secretary/treasurer of Local 274.

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Demand skyrockets for product liability coverage

ANAHEIM, CA.—The 1972 Consumer Product Safety Act will have an impact in the future equal to that of OSHA today, it was forecast at a products liability symposium at the 21st annual Western Safety Congress.

And if product liability cases are to be kept from growing faster than even auto liability, everyone who markets a product will have to recognize the threat of liability litigation and pressure original producers to design products that are fail safe, and that remain defect-free after ten years or more on the market.

This may be a tall order, but it was the consensus of the four panelists in a symposium sponsored by the Los Angeles office of The Travelers Insurance Cos.

Indeed, the demand for product liability insurance is expanding almost faster than the insurance industry can create capacity, indicated Joseph H. Femia, district manager of commercial lines for the local property/casualty department of Travelers. He said that while product liability insurance premiums produced about $45 million in 1960, they spawned over four times that amount or $299 million last year.

THE RESULT? A disaster for those who need reasonably priced protection. he said.

Mr. Femia said that companies needing this type of protection must be prepared to accept a sizeable proportion of the financial burden in the form of high deductibles or retrospective rating programs.

"Product recall liability insurance, an extension of product liability coverage, is nearly always written with a low, $10,000 deductible and participation by the insured in 10% of the excess," he illustrated. He added that product recall liability insurance has been around since the mid 1960s and is sold mostly to specialty manufacturers.

He went on to note that a no-fault concept will eventually have to dominate product liability litigation. There will be no let-up in the Topsy-like growth of products vunerable to liability lawsuits, he added, "even though there will be a steady improvement in product quality."

AT THE HEART of the explosive need for product liability insurance, the four panelists agreed, is the spreading acceptance of the doctrine of strict liability. Not only manufacturers, but everyone with a role in marketing—including renters, importers, distributors, and retailers—are liable under the doctrine, they said.

Underlying the espousal of the strict liability concept are two basic changes in the thinking of society, theorized Mr. Femia. They are:

- The idea that a producer or seller is better able economically than a consumer to bear the brunt of the cost of bringing products up to a zero-defect status;
- A person who enters a specialized field is, in effect proclaiming his expertise in that arena and therefore it is assumed that he should be able to produce a perfect product.

However, according to the court interpretation of the strict liability concept a perfect product is one that has had all potential misuse designed out of it from its very beginnings, according to Robert J. Jefferys, engineering manager in the casualty/property department at Travelers, Los Angeles.

In his presentation on product liability loss prevention, Mr. Jefferys predicted that manufacturers, distributors, retailers and importers will soon grow as conscious of the Consumer Product Safety Act as employers are now of OSHA.

"Although many products, other than consumer products, have not been covered by specific legislation, it is only prudent to expect that they will be in the near future," he said.

To keep a lid on the need for insurance protection, Mr. Jefferys urged producers to begin to think about product misuse when the product is only a gleam in the eye of its designer.

To illustrate, he recounted the experience of a lawn mower manufacturer who spent $1.5 million to "design out" and retool his machines after a consumer had attempted to use the mower as a hedge trimmer and had chopped off a part of a finger.

"This was a blatant misuse of a product and was so recognized by the court," said Mr. Jefferys. "But even so, the manufacturer recognized its vulnerability and made the decision to retool."

A NEW JERSEY soup company which did not make the effort to market a defects-free product went bankrupt in a botulism scare, he pointed out.

Product labels too, he said, must be scrupulously examined to make sure they relate an honest story. Mr. Jefferys pointed to the case of a bottle of cleaning compound that bore a label reading, 'This Is Safe.' Yet buried on the back of the bottle was the warning: Poison.

"It is possible to have a safe poison?" he asked rhetorically.

Even product recall operations must be organized to prevent accidents. He said a candy manufacturer was forced to recall his entire production of candy bars because one batch had been contaminated with salmonella.

"Traceability, quality control and testing would have certainly assisted in reducing the potential of this occurrence," said Mr. Jefferys. "But once it did happen, good recall procedures, done quickly might have reaped good benefits in cost control."

He said liability suits can be directed against products that have been in the marketplace for a long time and that producers should be aware of this when they conceive a new product.

To impress on manufacturers the fact that product misuse sparks liability litigation, he said Travelers has created a credo that affirms the concept. It reads:

"WE WILL produce a product for a substance of excellence for a profit. One that will perform successfully and usefully for the intended life cycle of that product with a minimum of hazard both in its manufacture and its use by the public, and most assuredly one which is designed not only for its intended use but one which has addressed foreseeable misuses."

Todd Tegler, another panelist, predicted flatly that in the future service professionals such as engineers and plumbers will be exposed more to product liability lawsuits—and in need of insurance protection. ■

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Urge multinationals: Think global coverage for business interruption

LONDON—Business interruption fire risks for multinational corporations ought to be covered by global policies, in the opinion of Roderick I. Clews, a director of the international brokerage firm of Glanvill Enthoven & Co.

But fire damage for individual plants in separate countries can usually be placed locally without any adverse effect on the firm's operations, he added.

Explaining the vital difference at an international fire and security conference in London, Mr. Clews noted:

"National boundaries have to be transcended by interruption insurance, for a fire in one country can well affect production and sales demands in another country. For example, the supply of components from the basic plant in one center may be halted and so cut short production in another country.

"BUT NORMALLY the actual damage to the plant itself by any fire will remain in one country, and so fire damage cover can usually be satisfactorily transacted on a domestic basis, provided there is a suitable difference-in-conditions policy.

"It is often better to do it this way as property laws may vary, and perils can be different. Avalanche perils need to be covered in Switzerland, but this is hardly so in Holland."

Attempts by U.S. companies to solve global problems include the use of captive insurance companies, usually domiciled in Bermuda, he told the conference.

But other courses, such as issuing global policies and deliberately ignoring local legislation, or issuing local policies on which cover was passed by reinsurance to a global plan, are becoming increasingly hazardous, and in some cases involve criminal actions, he warned.

European fire risk protection is different and sometimes more effective or practicable than in the HPR (highly protected risk) market in the U.S.

Generally U.K. standards must be adopted to be effective, controlled through good brokers with an effective fire engineering, and usually a separate sprinkler department, he said.

Rates on sprinklered buildings generally compare favorably with U.S. HPR rates, or, are even lower, Mr. Clews contended.

Charles Lee, assistant vp of Insurance Co. of North America, told the conference that the present trend toward insisting on strict compliance with safety regulations, the rapid development of inspection programs, and the cooperation of management of both large and small risks, have helped the insurance industry demonstrate its concern for preventing losses, instead of merely paying for them when they occur.

The practice of packaging risks, use of risk instead of class underwriting, and improvements in writing excess or high-deductible business has enabled insurers to realize more profit and has given customers better coverages and rates, Mr. Lee added.

* * *

SHARP REACTION has been expressed in Britain over the *Business Insurance* Risk Management Report No. 1 on Europe and the U.K.

Suggestions that the report may be unfair to the present state of risk management in domestic corporate enterprises and insurance groups are made in a survey by a new magazine, Insurance, published by the London Financial Times.

The magazine, which credits *Business Insurance* with compiling the report, attacks it with the comment: "The overall picture drawn by the report is one of the U.K. and Europe being virtually ignorant of the principles of risk management, merely waiting for the U.S. experts to show them the way. Now nobody will deny that risk management, as a separate management function, first originated in America.

This is not surprising when one considers the size of the larger corporations and the amount of money allotted to insurance premiums. But British management was not slow to follow."

Defending the efforts of the U.K.-based Assn. of Insurance Managers in Industry and Commerce, which is trying to form a European Federation of Insurance Buyers to "spread the gospel" of risk management, the magazine says: "As international competition increases, the British insurance industry is being shaken out of its former complaisance. As premiums become more

Continued on page 35

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Continued from page 34

expensive, industrial and commercial management is turning to risk control as a means of lightening the load.

"Perhaps a swarm of eager American risk managers descending on their U.K. and European subsidiaries will provide an additional stimulus."

The magazine commends Risk Management Reports for its detailed approach to the subject of international markets, so that management executives ought to study it carefully.

"The report is provided to assist risk managers on how to handle the risk management function of their international operations. A large amount of it is concerned with just that, dealing with special European risks/exposures, legal tax and regulatory considerations, etc.

"Ignoring for a moment any pro-American bias that may exist, the report should give serious food for thought to U.K. management," the publication concluded.

* * *

HOPES FOR world cooperation on airworthiness standards were extended by Alexander P. Butterfield, F.A.A. administrator, at an air transport conference organized by the London Financial Times.

He told delegates, who included key figures in the aviation industry: "Aircraft manufacturers in the U.S., the U.K. and other European countries have been delivering increasingly sophisticated and large-capacity jet transports to airlines of over seventy countries since 1959.

"Advancing technology and broadening international markets challenge us all to maintain the highest standards in the interests of travel safety.

"The U.S. regards the European program for joint airworthiness regulations as most desirable, and we are counting on the active participation of U.K. industry and government, as well as other countries concerned, and their manufacturers, at our first F.A.A. review conference at Washington in December.

Pledging full support of the F.A.A. towards common procedures for airworthiness standards, Mr. Butterfield said: "Air transport security is also of continuing concern, and in an effort to be of service to other nations in their programs to foil hijackers, the F.A.A. has made the facilities of its Safety Institute at Oklahoma City available to the international community. We are gratified at the community interest in our air transport security programs."

* * *

INSURANCE COMPANIES are studying a move by the new Labor government, within ten weeks of coming into power, to scrap the big pensions deal which their predecessors got on the British law books last year.

Social Services secretary Barbara Castle has suddenly told Parliament she will halt the national introduction of the scheme, already set for next April, because in her political opinion it does not go far enough.

Rapid steps are being taken by insurance companies to reappraise the effects of this decision, since they were all set for millions of dollars in new funds to flow their way from managements anxious to initiate new pension schemes as part of employe benefits.

They hope that enlightened corporate managements will still go ahead with plans to start new schemes. But everyone in the industry admits it is a set-back to the concept, pushed by the Conservative government through Parliament last year, to provide a "two-tier" pensions scheme for every corporate employe as soon as possible.

The idea was that Social Security funds would provide the first tier, in the form of traditional old-age pensions, for every citizen, and that new pension schemes, backed either by management or the state, would supplement this for working people when they retire.

The Conservative government wanted private employers to start their own schemes, if none existed, or improve them, if need be. Otherwise pensions for employes would come by law out of a state reserve scheme.

Minimum standards, based on annual pensions of roughly 20% of final year's salary, were laid down, but most employers were ready to hike this to the level of 60% which is now accepted in Britain as being proper after forty years of service.

Major industrial groups, like Imperial Chemical Industries and other large corporations, already run large schemes, covering millions of employes.

Between seven million and ten million extra workers were expected to come within the pensions "net," adding more than $700 million to the funds managed by insurance companies or finance houses.

Government minister Barbara Castle now feels that too little is being done for women in the proposed scheme, and wants them to get equal pensions with men, even though actuaries point out they tend to live longer. She also condemns the minimum standards as being too low.

* * *

PROSPECTS FOR 1974 were outlined by leading U.K. insurance companies in their annual returns to stockholders.

The big Commercial Union group, which made only $1.45 million profit on its U.S. business last year compared with $12 million in 1972, has decided that competition is becoming too intensive for growth factors.

Chairman Francis Sandilands declared: "We have refused to meet competition, particularly for industrial business, in cases where we judged the rates for risks were not adequate. Liability business has been pruned and continues to be most unprofitable, and auto business has moved from profit to loss. But fire has produced good profits, and workmen's compensation experience shows substantial improvement."

However, Eagle Star group reports satisfactory profit in the U.S., where it has interests centered on the East Coast, and feels that it can keep its position in the worldwide market without resorting to unacceptable rate reductions in the face of overcapacity.

General Accident, which said its U.S. results were favorable last year, believes that underwriting profits of the level of the past two years may be unattainable in 1974 on overall operations throughout the world.

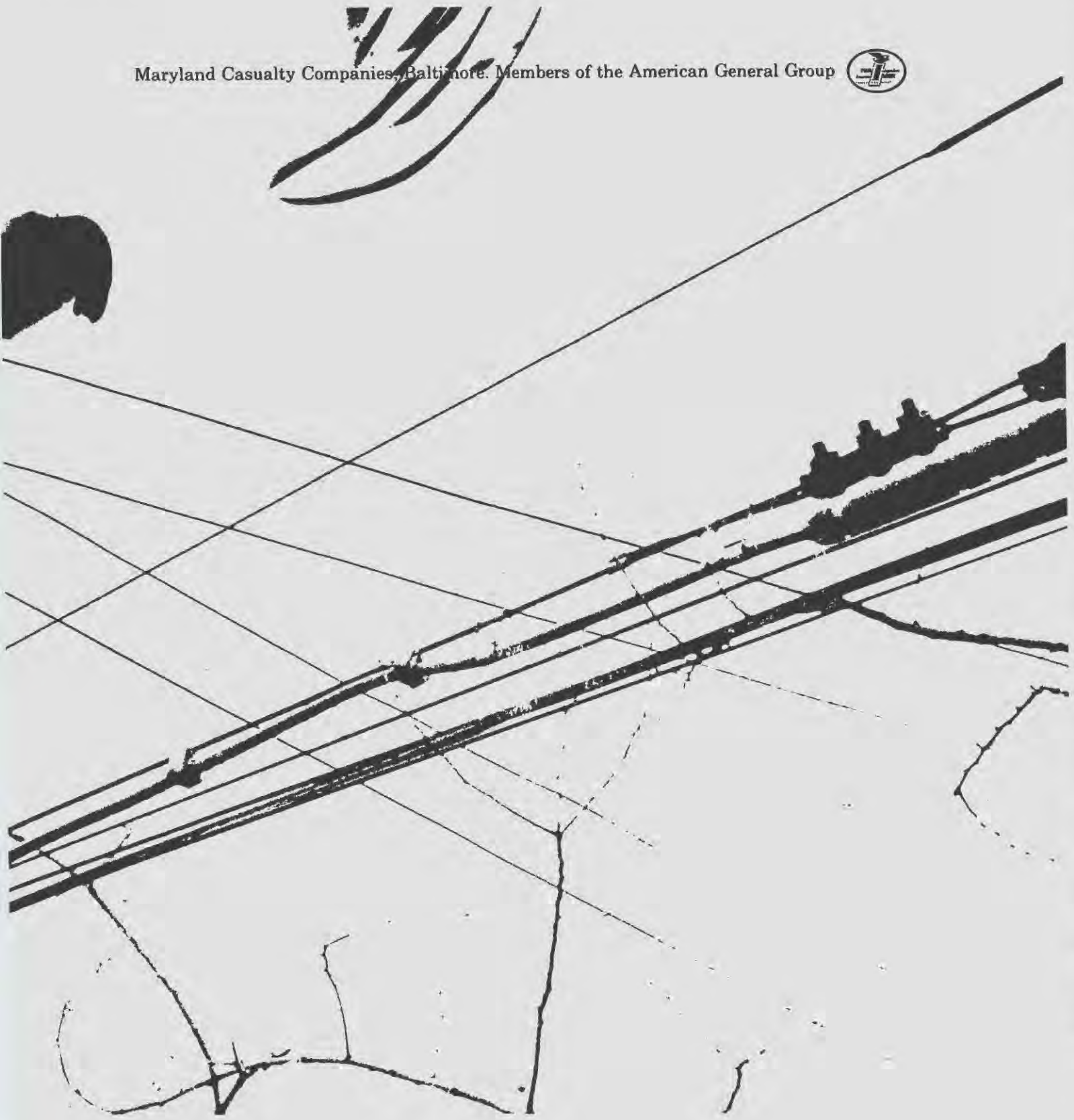
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THE REINSURANCE Offices Assn., based in London, which represents many reinsurance groups in various countries, has set up a special committee to study the best methods of developing expertise in underwriting earthquake cover. It will try to standardize information about earthquake business needed by reinsurers from ceding companies. ■

Merger talks ended

Life Insurance Co. of Georgia and American Agency Financial Corp. terminated merger discussions which had been carried on since March 1. No reason was given for the action.

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OSHA proposes vinyl chloride fumes be kept at less-than detectable level

WASHINGTON—The Occupational Safety and Health Administration (OSHA) proposed a permanent vinyl chloride standard last month which would reduce workplace exposure to levels lower than currently can be detected. Measuring devices now used in plants can only detect vinyl chloride levels down to one part per million (ppm) in the air.

An emergency temporary standard of 50 ppm was set in April and earlier vinyl chloride standards limited exposure to 500 ppm.

Vinyl chloride is the parent compound of a series of thermoplastic resin polymers and copolymers widely used in the plastics industry for containers, wrapping film, electrical insulation, pipes and a variety of other plastic products.

Before the emergency standard was set there was no indication that a 50 ppm exposure level was hazardous. Reports during an OSHA February 15 fact-finding hearing stated that laboratory animals exposed to 250 ppm developed tumors but no tumors were observed in animals exposed to 50 ppm.

AFTER THE emergency standard was issued additional information was presented to OSHA by Industrial Bio-Test Laboratories, sponsored by the Manufacturing Chemists Assn. Although preliminary in nature, the results of their tests revealed that two mice out of two hundred developed angiosarcoma of the liver when exposed to vinyl chloride at 50 ppm.

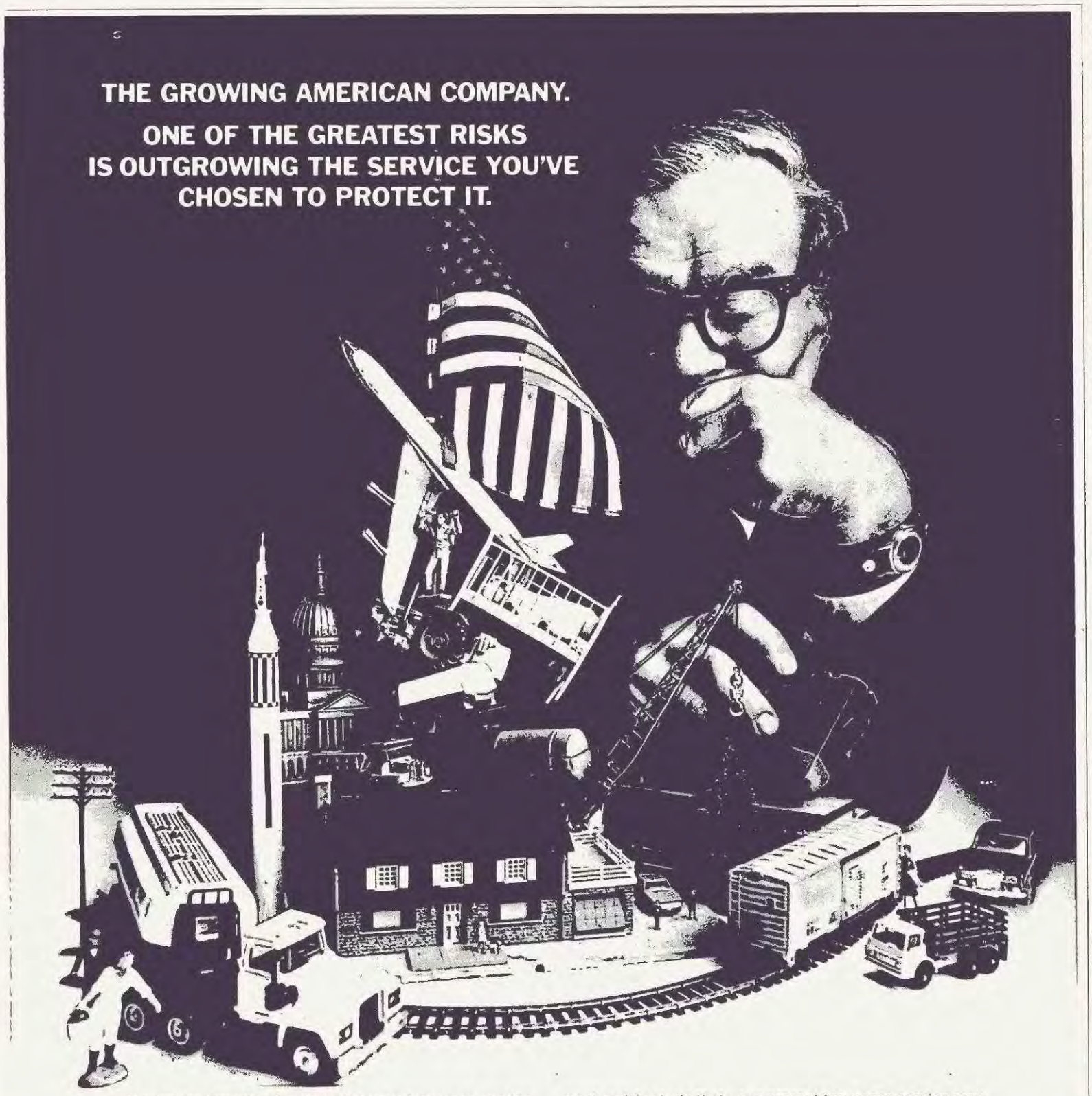
This information was clearly enough to indicate to assistant secretary of Labor John H. Stender "that 50 ppm may well constitute a serious health hazard to employes. We therefore conclude that it is now necessary to propose to change the 50 ppm level established in the ETS (emergency temporary standard) to as low a level as can be detected."

Provisions of the proposed vinyl chloride permanent standard include:

- setting exposure at no detectable level;
- limiting use or handling of vinyl chloride to regulated areas where it is manufactured, reacted, stored, handled, released, repackaged or used;
- monitoring the regulated area atmosphere to detect measurable levels (1 ppm) and to determine individual employe exposure;
- allowing employes or their designated representatives to observe monitoring;
- initiating an engineering and work practice program to help with standard compliance;
- protecting employes with respirators in areas where detectable levels of vinyl chloride are monitored;
- providing protective clothing for employes working in regulated areas;
- prohibiting food, beverages, and like products in regulated areas;
- requiring written operational and emergency plans with employe training in routine and emergency duties;
- providing initial and subsequent annual medical examinations at no expense to the employe;
- keeping records of the monitoring, entries into regulated areas and medical examinations and making records available to appropriate officials;
- reporting to OSHA within 24 hours any incident that results in the excess release of vinyl chloride, followed by a written report in 15 days.

THIS PROPOSED permanent standard also applies to polyvinyl chloride when it is capable of releasing detectable levels of vinyl chloride. Containers of polyvinyl chloride will have to be opened only under local exhaust ventilation which reduces concentration below detectable levels.

OSHA is still collecting all information on vinyl chloride and a public hearing on the proposed permanent standard will be held. By law, OSHA is required to issue a permanent standard within six months of setting a temporary standard. ■



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Occupational injury ruled in shipyard case

SEATTLE—Judge Edwin S. Bernstein ruled in favor of Forest Hilton that exposure to toxic dusts and fumes while working at the Todd Shipyards Corp. caused a lung condition that left the worker permanently and totally disabled.

Mr. Hilton worked for the shipyard as a cleanup man from 1957 until March 21, 1973.

Under the Longshoremen's and Harbor Workers' Compensation Act, Mr. Hilton is entitled to two-thirds of his wages, or $116.24 a week.

The shipyard was ordered to give Mr. Hilton back pay to March 21, 1973, in a lump sum, to pay all medical and hospital bills, attorney fees and to continue payment of the weekly salary.

TODD AND its insurer, Travelers Insurance Co., contended the lung injuries were not job-related.

Although Mr. Hilton complained of bronchitis, asthma and pulmonary insufficiency before 1973, the judge said, lung weaknesses were aggravated by his exposure to toxic elements such as silica and asbestos during his 17 years at the shipyards.

"These toxic elements constituted a major cause, if not the cause, of the development of bullae in both of the claimant's lungs," he ruled.

A pre-existing disease does not disqualify a claim if the disease is aggravated, he added.

Even though the claimant usually wore protective hoods and masks while cleaning up ship boilers by scraping or sandblasting, he still inhaled dust and various types of fumes, the judge stated.

While sandblasting in March, he felt a pain in his chest and experienced breathlessness and dizziness. A month later he had surgery on his right lung.

The judge said Mr. Hilton last year developed bullous emphysema of both lungs.

Mr. Hilton also will have to have surgery on his left lung.

The judge placed the burden on the employer to establish that a worker who cannot continue on his job because of injury has opportunities to obtain other work. ■

City report urges shift in benefits handling

HARTFORD—City manager Edward M. Curtin Jr. submitted to the city council a 55-page report on administration of employe fringe benefits and insurance, prepared by the Hartford Urban Research Committee (HURC).

Mr. Curtin said he has already started to implement the report's chief recommendation, that the administration of fringe benefits be shifted from the purchasing to personnel department.

FRINGE BENEFITS for Connecticut's capital city covered by the recommendations include life, medical and hospital coverage.

The HURC report said the insurance benefits division's transfer from personnel to purchasing in 1961 "contributed to a fractionalized program and confused lines of communication."

It would be more logical, the report continued, to place administration of fringe benefits under the personnel department, which is charged with responsibility for negotiating new fringe benefit provisions with employe unions.

The city manager accepted the recommendation and included it in his proposed 1974-75 city budget, approved by the city council several weeks ago.

A wide range of employe benefits may be offered in the future, the report notes in a brief section captioned, "Projections for the Future." These possible future benefits include free financial consultation, educational counseling, tax preparation service, auto insurance while at work, dental coverage, flexible work schedules and job assignments, improved work areas, time off for professional or union activity, deferred compensation plans, prepaid legal insurance and psychiatric insurance.

AT THE SAME time, the report remarked: "Hartford's employe safety record is not favorable in comparison with national municipal experience. The city has a higher frequency of accidents in all categories."

The HURC report contained a 1971 chart, pointing up Hartford's accident frequency rate at 79.1 per 1,000 employes, compared with a national average of 31.2.

The city's accident severity rate, it was noted, was 1,328, compared to 1,095, nationally. ■

Polio vaccine victim sues government for $3 million

PORTLAND, OR.—The federal government was named in a $3 million suit under the federal tort claims act by Paul O. Richter, who claims he became a polio victim after taking a polio vaccine.

The suit was filed in U.S. district court here by Mr. Richter, who said he purchased a sugar cube impregnated with Sabin oral polio vaccine in Corvallis, Or., in June, 1972.

The complaint says the vaccine was manufactured by Charles Pfizer & Co. and that the United States government was negligent in allowing the vaccine to be distributed.

The federal government allegedly was negligent for failure to properly supervise the manufacture of lot 48 of the vaccine and failing to take all necessary measures to insure its safety and purity.

THE SUIT charged the federal government was in direct violation of regulations promulgated in regard to safety, purity and potency of Sabin vaccine and failing to inform the pubilc that various lots of the vaccine did not meet applicable governmental regulations.

As a result of taking the vaccine, the plaintiff said he sustained serious and permanent disabling injuries which resulted in loss of earnings and have prevented him from performing usual duties, occupations and avocations. ■

OSHA starts on-the-spot citation plan

WASHINGTON—Inspectors from the federal Occupational Safety and Health Administration (OSHA) will be able to issue on-the-spot citations under a new plan by OSHA chief John H. Stender designed to "streamline" inspection procedures.

The jobsite inspectors have been given authority to issue immediate citations under certain circumstances in order to assure "that protection is offered to employes in the shortest possible time," Mr. Stender said.

He noted that his instructions for handing out citations are "clear and specific enough to preclude possible abuse of authority."

INSPECTORS must still confer with their area director before issuing a citation, but the old practice of writing all citations in the area director's office has been eliminated.

Penalties cannot be proposed by the inspector at the jobsite, Mr. Stender explained. The area director must propose them himself.

On-the-spot citations may not be issued under some conditions, the OSHA chief added. These include situations where:

- the advice of a legal staff is required;
- questions are rasied concerning OSHA's jurisdiction in enforcing job safety compliance;
- laboratory analysis is needed to determine whether or not there is a violation;
- expert technical advice from an outside source is needed to determine whether there is a violation;
- documents are needed but not available at the jobsite for the preparation of a citation. ■

New western quarters

The consolidated San Francisco regional office of Aetna Insurance Co. and Cravens, Dargan & Co., Pacific Coast, has opened in new quarters at the Bank of America Center. The office employs some 200 persons and serves as headquarters for the Aetna-Cravens, Dargan insurance operations in eight western states. It is located on portions of the 28th and 29th floors of the new World Headquarters Office Building of the Bank of America at 555 California Street.

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Computer security task force is best method of managing the risk

"Security managers . . . have not acquired the detailed knowledge required to adequately address all the security problems associated with computing systems."

By LINDSAY L. BAIRD, JR.
General Manager
Advanced Computer Techniques
New York, N.Y.

COMPUTER SECURITY has become a topic that is frequently discussed in the board rooms of industry. In the past, computer security was like the weather—often discussed but viewed as something no one could do anything about. This attitude is changing, as management becomes more concerned about the security of vital data received, processed, stored or transmitted by data processing systems.

This article is not going to address the same subject matter that has appeared in countless trade publications. There has been enough written on physical security measures, computer and terminal access, operational procedures, personnel selection and reliability, and a host of related topics. If all the shortcomings that existed in these areas of interest were corrected, there would be no assurance that sensitive data was not compromised, lost or stolen.

First of all, let us briefly review how various individuals in industry and government frequently view the subject of ADP security. Security managers, as a professional group, have not acquired the detailed knowledge required to adequately address all the security problems associated with computing systems. They experience no problem addressing physical security, personnel identification, access control, and other related nontechnical functions. However, when the security staff is asked to address a hardware or software security feature, they are often bewildered by the electronic marvel confronting them —spinning tapes and disk drives, flashing lights and printers spewing forth reams of paper—an electronic black box that somehow converts holes in cards into sensitive information. Confronted with this situation, the tendency is to throw up one's hands, lock everything up, mark all media as sensitive and require the system be operated in a dedicated mode.

ADP MANAGERS, on the other hand, have had a tendency to view security as a problem not requiring a great deal of concern and effort. They have a natural tendency to resist the requirements imposed by the security officer, viewing them as hamstring operations and impacting on equipment efficiency. The ADP community often cannot see why the security manager is concerned when he cannot fully express exactly what the security problem is or may be. Besides, the vast majority of the files processed in any given application do not contain sensitive data—so why all the fuss and bother?

Several years ago, while in the U.S. Army, I concluded that we were addressing our ADP security problems in the wrong manner. We were output oriented then, and today we continue down that path. We were looking at reams of printed matter and applying security markings because somewhere therein a secret might be found. Just what line or lines of output were sensitive was exceedingly hard to determine.

I AM CERTAIN that we all know what security is and means, but do we really know what we are developing or employing protection against? Have we defined, identified and isolated the specific threats to our computer systems? The answer to this question in most instances is an unqualified NO. It is logical that the threats to and vulnerability of a computer facility or system must be determined before appropriate safeguards and counter measures can be developed and then employed.

Computer security is not a one man task as no one human being has the multitude of technical and functional skills required to properly address the problem. The skills required include, but are not limited to, the following: systems analysis, programming, hardware specialist, security, auditing, finance, communications, operations, supply or inventory, marketing, personnel, research and development, engineering, and above all management.

The formation of a computer security group may be the most cost effective method of assessing the internal and external vulnerability of computing systems/



Lindsay L. Baird Jr.

facilities. This group should be headed by a senior member of management that has decision-making authority to resolve conflict on the spot. Full time members would, as a minimum, include that security officer, internal audit and the best systems analyst and programmer from the ADP department. Each functional area, such as accounting, personnel, operations, marketing, shipping and receiving, etc., would provide appropriate representation as required. The tasks of this computer security group would be threefold:

- Develop secure automatic data processing facilities and systems that will dependably prevent deliberate or inadvertent access to material by unauthorized use of computers, associated peripheral devices, systems and data.
- Develop standards and procedures for the analysis, design, testing and evaluation of the security features for the computing systems.
- Develop procedures for the physical protection of automatic data processing facilities, systems and data.

To achieve these goals. the computer security group must conduct an in-depth analysis and evaluation of their company's asset value, data criticality, system security, threat level and vulnerability.

MOST COMPTROLLERS and ADP managers can quote the dollar value their organizations have invested in facilities, computers, media and peripheral devices. However, quotations become hazy when one tries to determine capital investment in data base development, programs and documentation for major applications.

The first step in developing a computer security program is to determine the value of the assets requiring protection and the degree to which they are covered by insurance. This is best accomplished by listing each piece of equipment, its cost, replacement value and then determining the amount of replacement costs that insurance provides. Not all insurance policies are all-inclusive. and many have restrictive clauses that require a firm to perform certain functions or provide specific protective features if a claim is to be honored. A detailed review and evaluation by the insurance, safety, security and ADP departments will often discover noncompliance with insurance requirements and a potential for significant financial loss.

A second step is to determine which pieces of equipment were absolutely essential to daily operations of the data center. Once identified the availability of replacement equipment must be determined Can your firm wait three to six months for a replacement main frame? If not, have they developed an alternate

Continued on following page

Disclosure of risk plans seems to hinge on 'influence' it could have

"The risk management function is not just to prevent loss, but to assure assets and earnings availability for furthering the corporation's objective of making profit and preserving the ability to produce goods or services."

BY EDGAR S. CLARK
Vice president
Risk Planning Group Inc.
San Francisco, Ca.

BUSINESS INSURANCE'S April 29th issue contains three articles and one editorial on "disclosure." Like it or not, most risk managers of publicly-held firms will have to become more familiar with this concept. What little was written on this subject in the past discussed disclosure of "corporate risk and insurance management programs." That does not appear to be the real issue. The entire program is not necessarily a topic for disclosure, but certain aspects of risk and insurance manment should be.

The accounting profession, as well as various governmental bodies, require that material facts be disclosed by management. The object is to provide "relevant" information to users, for the purpose of making economic decisions relative to the reporting enterprise. Accountants feel that relevance is the primary objective and matters are relevant when they: (1) assist in evaluations for the extension of credit; (2) aid in investment decision-making; (3) enable tax assessments; (4) judge the quality of management's past efforts.

THE TYPE OF information to be presented is primarily dependent on critical assessment of the informational needs of a specific set of users and their purposes in using the information. If a matter is relevant, it then must be material. Materiality has been defined as a fact which might influence the judgment of an informed reader. Basically, information that is relevant, material and timely must be disclosed by management.

IF THE OBJECTIVE of risk management is the effective planning of resources needed to recover financial balance and operating effectiveness after a fortuitous loss, in order to obtain short term cost-of-risk stability and long term risk minimization, then anything adversely affecting that objective would be material. Despite careful planning and the use of a risk management program coupled with proper loss control devices, a disaster can occur. If one expects the risk and/or insurance management function to make a contribution to a company's over-all profitability, at least to the extent that the department can minimize costs, then the activities may become relevant. To the extent the relevant activity is material, then the argument would follow that disclosure must be made.

In many cases, risk, insurance and employe benefit management costs account for between 10% and 20% of operating expenses and could affect earnings by as much as 15-20%. The ability to

Continued on following page

business insurance PERSPECTIVE

Security . . .

Continued from preceding page

source of required computing power and peripheral devices. In answering these and other obvious questions, the computer security group will be in a better position to evaluate and determine the cost implications of the unavailability of facilities, computers and peripheral equipment.

Hardware can be replaced with relative ease; however, the loss or destruction of the data base or application programs and documentation can be catastrophic. The cost and effort devoted to data base development and application documentation are significant and frequently exceed the value of the hardware several times over. It is not a simple task to determine direct costs, replacement cost and financial loss a firm may suffer if these vital assets are lost or destroyed. Yet it is important to conduct such an analysis and then equate the adequacy of insurance coverage.

LET US NOW insert a third party: the comptroller. He has a requirement to conduct a one time dollar value analysis of selected items in the inventory. The data processing division is asked for help—which they willingly supply. The comptroller asks for a report by end items with narrative description, storage location, and the value of the inventory at each location. As a second thought summary totals and the unit price is asked for "in order that his people can get some feel for the volume." The results in this case—a secret report which was composed of unclassified (while standing alone) data elements. Were we to go back to the originators of the basic data elements, they would rightfully state that they did not cause a security violation. The comptroller could also state that his people were faultless—the inputs were unclassified and they were not aware that the combination would result in a classified output. The data processing people also claimed innocence as they were machine drivers that were processing two unclassified file segments.

Where was the security officer? In his office, most likely, as no one had any indication that they were heading into troubled waters. Even had the security officer been called in for assistance, it is doubtful that he would have known that a security violation was in the offing. Let us now compound the problem a little further by hanging some remote terminals on a system. The buzz words "dial-up", "real time" and "management information" should send security shock waves up and down the spines of man. If you are currently unable to identify which line(s) of data within a print out or what combinations of data elements or file segments are classified, then you have another major security problem.

AN EXAMPLE using world-wide asset data again: A remote terminal could perhaps legitimately inquire as to what storage facilities had a particular item in stock. Once a list of storage locations was generated, the terminal operator could request the quantities on hand—location by location. Each individual response is unclassified; however, the sum of the individual totals is classified at the secret level.

Let us assume that our remote terminals are in secure areas and all operators are properly cleared. Unless all data trasmitted to or from remote terminls is treated as classified information, the potential for a security violation will exist. There are very few computing systems and related software that either notify terinals that the content of data transmitted is classified or generate an audit log reflecting the creation of an accountable document at a particular terminal. It would be a gross error to rely on a terminal operator to determine what hard copy documentation required protection.

How then are we to provide an acceptable level of protection for data resident in our computing systems? The first step is to require functional personnel to identify general categories of information that are critical to the operations of the organization. Governmental agencies would include such things as world wide asset data or pre-procurement information as sensitive.

INDUSTRY, ON THE other hand, might include trade secrets or marketing data as information critical to their operation. Vital or critical data is best defined as: "That information which, were it disclosed to an unauthorized person or competitor, would cause embarrassment, benefit competitors, hinder contract negotiation, etc., or which, if lost, could lead to either financial loss or an adverse impact upon operations."

We must determine a computing system vulnerability before adequate safeguards can be designed and applied. A comprehensive review of current systems and applications that utilize vital data and files or produces sensitive reports is the next task for the computer security group. This review should evaluate:

- disaster prevention to include backup data and files, adequacy of program documentation, fallback equipment and established recovery procedures;
- safeguards to prevent accidental or malicious alteration or destruction of data;
- potential for unauthorized use of the system;
- potential for manipulation of systems and data to perpetuate fraud, embezzlement or other crimes;
- control of access to vital data, files and reports;
- operation controls;
- adequacy, appropriateness and enforcement of current security measures;
- safety programs and equipment;
- personnel security programs.

Never lose sight of the fact that there is no such thing as a totally secure automatic data processing system. Once security and audit weaknesses have been identified, corrective measures developed and installed, a feeling of confidence and well being will frequently prevail.

The steps you have taken to provide a secure environment for your computer system only become a new challenge for the curious, dishonest or disgruntled employe. The computer security groups should be given the responsibility of constantly testing and evaluating the security features of both the automatic data processing sysem itself and its external facilities. The technique should be to find if there are additional methods of penetrating the system and to attempt under controlled conditions thefts of material, vital informaion or dollars assets. A few areas that are deserving of such attention include: administrative and security control procedures; operating systems; software—each major application; remote terminals; data base, file and report protection and auditing. ■

Mr. Baird recently completed over 20 years of service in the U.S. Army's military police corps. His background includes diversified experience in law enforcement, industrial security, physical security, and contact administration including 11 years in data processing and nine years in intelligence and classification management.

Disclosure . . .

Continued from preceding page

control these costs, to manage finances, is an important factor in deciding whether or not materiality has been reached. The risk management function is not just to prevent loss, but to assure assets and earnings availability for furthering the corporation's objective of making profit and preserving the ability to produce goods or services. This helps to maximize the productive efficiency of the enterprise and that is why the question is material.

IN GENERAL, the single most important criterion of the risk management function is the effect a loss, or an accumulation of losses, would have on the solvency, liquidity and income stability of the firm. Any loss or losses which would cause enough fluctuation in a corporation's net income to interfere markedly with its long-range planning or seriously affect its cost of capital is an important loss. Whether or not the loss is insured is not the question, for as most risk management theory holds, in the long run you pay on a cost plus basis for insurance.

Another intangible has a considerable effect on materiality. The rise of outside pressures on the corporation means that things which were once not material have become material. Consumerism, OSHA, the Consumer Product Safety Act etc., all may require disclosure of risk management areas which heretofore were considered internal in the firm. If a firm is not prepared for governmental or regulatory change, this also is material.

One of the most significant guides to materiality would be any loss or combination of losses which would make a significant impact on the profit and loss statement. Anything which could affect dividends per share sufficiently to cause the stockholders or the investment community to take notice would be material.

How does this affect the risk manager? Consider, if you will, the situation of a risk manager who is aware that an accumulation of product (liability, recall, etc.) losses could conceivably exist and that such accumulation might affect earnings per share by a substantial amount. In such a case, the item would be material and should be disclosed.

WHO DETERMINES whether or not the item should be disclosed? Generally, top management of the organization acting in concert with their auditing firm and, perhaps, their attorneys. But how do these people become aware of the potential effect? Only by the risk manager bringing such awareness into existence.

We question the ability of most accounting firms to determine, on their own, whether certain risk management situations must be disclosed. S. L. Buzby in the April 1974 Journal of Accounting states " . . . Accountants should give careful consideration as to whether or not their training is approriate to the nature of some of the proposed disclosures." Most accounting firms do not have this training. Risk managers do.

If, as we have implied previously, the objectives of risk management are to minimize the sum of all risk management costs over a period of time and to prevent sudden and catastrophic losses, then anything which effects the achievement of those goals could be material. If all catastrophic losses caused by fortuitous risk are not protected, then this also would be material.

Questions concerning a firm's policy toward risk-handling techniques must be evaluated as carefully as the changes in the risks faced by the firm themselves. Therefore, we believe risk managers must address themselves to this question of disclosure and not hide behind a shield of secrecy or insurance. ■

Mr. Clark is vp and director of Risk Planning Group Inc., a risk, insurance and benefit management consulting and research firm. He is a graduate of the Wharton School of Finance and has an LLB from Georgetown University. Mr. Clark is a specialist in international risk management and "captive" insurance companies and the use of operations research techniques for conglomerates and financial institutions.

RISK MANAGEMENT NOTES

Subrogation is the area to watch

By WARREN, McVEIGH, GRIFFIN & HUNTINGTON
risk management consultants
San Francisco—Newport Beach

SUBROGATION IS THE PRESSING by an insurer of claims he has paid to you against a third party who may be responsible. It is a major concern of the risk manager, even though it may seem to benefit only the insurer. Many in the industry believe that subrogation claims are not pursued as vigorously as they might be and recoveries are too low. One reason is that establishing a successful subrogation case requires alertness and initiative on the part of the adjuster who must make many decisions in the early stages—decisions as to what witness statements to take, what evidence to preserve, whether an expert in some particular line should be immediately notified, etc. Most important, the exact cause of the loss must be pinpointed, which is not always an easy matter. Contracts, such as lease agreements, bills of lading, storage receipts, sidetrack agreements, etc., also may bear on subrogation possibilities. Thus, the complexities and difficulties of subrogation often deter those not strongly motivated to follow it.

A SECOND FACTOR, which may be less tangible, is the matter of motivation. Certainly, insurers usually want to subrogate but their failure to do so does not always have serious consequences, particularly under retrospective rating plans where losses and expenses are charged back to the insured with a loading, or even under prospective rating plans where the account may in effect be experience rated. Under some conditions, then, subrogation benefits the insured more than the insurer. You therefore have a strong interest in seeing that insurers do put their best efforts into making recoveries.

In important claims, you may even want to use your own people or retain your own independent adjuster.

In the order of their return in subrogation recoveries, the most significant lines are ocean cargo and other transportation risks, auto physical damage, public liability, and workmen's compensation insurance.

Under a self-insured program, subrogation may not be the right term but the pressing of claims offers even more direct benefits. Strong claims adjusting techniques should be developed in order to be certain that no possibilities are overlooked and that well-defined procedures are in effect for making early follow throughs for all worthwhile cases. ■

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Argonaut takes over malpractice account after seven-month search

NEW YORK—The New York State Medical Society, after a seven-month search through its brokers, H. F. Wanvig and Marsh & McLennan, has attracted Argonaut Insurance Co. as underwriter for its malpractice insurance account.

The coverage is for the largest medical group in the nation, covering 21,000 doctors in the state.

Argonaut's entry on July 1 will mean an across-the-board 93.5% hike in annual premiums, which will rise to $14,329 for $1 million —$3 million coverage in the most risky class, orthopedic surgeons and neurosurgeons in the New York metropolitan area. Psychiatrists and hematologists in the metropolitan area will pay $766 for the same malpractice coverage, with doctors upstate paying slightly lower premiums, a Wanvig spokesman said.

"The rise was expected and Argonaut is well within range of other carriers' bids," he added. Actually, Argonaut was the low bidder, according to one source, while other bids ranged from 200% to 350% in proposed rate increases.

EMPLOYERS Mutual Casualty Insurance Co. of Wausau, which had been the society's carrier for 25 years, announced last fall it planned to withdraw on June 30 "because it (the New York state account) was such a large book of business and it is getting disproportionate to our total business," according to president Clyde Schlueter (*Business Insurance*, Jan. 24). Employers indicated it might be willing to lead a pool of primary carriers for the account but the Wanvig spokesman said that the bid would have meant a 200% premium hike. Employers had already raised premiums 65% in the last five years.

Faced with unprecedented numbers of malpractice suits, (note: see $2 million malpractice claim story in this issue) high court awards and inflation, doctors throughout the country have found it increasingly difficult to attract insurers to malpractice risks. When it appeared that the New York doctors might end up without coverage July 1, the state insurance department considered setting up an assigned risk pool of all liability carriers in the state. However, the estimated premium was 300% to 350% of the prevailing rates under the Employers' policy, the Wanvig spokesman noted.

BECAUSE THE New York account is the nation's largest, Argonaut as the 100% lead carrier is setting up a reinsurance pool. Nearly-finalized negotiations would make Prudential Reinsurance Co. a leading reinsurer of the policy, while Lumbermen's Casualty Co. will have a small participation. According to a Prudential Reinsurance spokesman, the venture, if finalized, would be the first large malpractice account for Prudential.

A unique feature of the Argonaut coverage is a special emphasis on loss prevention, according to Eli Bernzweig, vp-health, who heads a new Medical Alert Communications program, a monthly information bulletin on problems and issues of medical management. Under the direction of a 12-member national board of consultants, MAC focuses on the causes of injury to patients, including infection, drug ingredient hazards and other dangers, ethical problems, the importance of good recordkeeping, and the psychosocial factors in treatment which influence patients to bring professional liability claims.

Argonaut already insures 27 state hospital associations and six state medical societies and MAC has been published on a monthly basis since January, he said.

New York's recently-enacted legislation creating medical malpractice mediation panels effective September 1 holds out some hope to malpractice insurers. "This panel system consisting of one judge, one lawyer and one physician will commence operation statewide," a spokesman noted, "and although the results of the panel's findings aren't binding, the program will ultimately help to lessen the number of cases taken to court," he added. ■

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Jacqueline Brockett,
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GM tells cost of loss control and benefits

DETROIT—General Motors Corp. said in its newly-released 1973 annual report that it spent $238 million last year to control plant noise, improve working conditions and comply with OSHA requirements.

The company has a new "Noise Level Specification" program being used as the basis for purchasing new, quiet machinery and equipment, the report said.

Benefit programs cost GM $1.7 billion last year. Employe insurance provided by GM cost over $870 million.

FOLLOWING union negotiations during which union employes got a prepaid dental plan, GM instituted a dental program for salaried employes and dependents, which will go into effect Oct. 1, 1974.

GM contributed nearly $625 million to pension and retirement plans last year, and is proposing to make improvements in these benefits this year.

Benefits which minimize the effects of layoffs are the supplemental unemployment benefit plan and the income security plan for hourly workers, and the separation allowance plan and a new layoff benefit plan (effective in 1974) for salaried employes. GM contributed nearly $110 million to these plans last year.

GM's tuition refund plan reimburses employes up to $700 a year for satisfactory completion of approved college courses related to field of work. This was recently increased from a $200 reimbursement limit, the report noted. For other approved courses GM reimburses up to $350 per year. Refunds under these plans and fellowships granted last year totaled $2.9 million, GM said. ■

Teacher benefits

Hartford city manager Edward M. Curtin Jr. is reviewing a proposed $70,000 in increased pension benefits for retired employes of Connecticut's capital city. The boost includes $35,000 in additional benefits for teachers retired before July 1, 1971 and $35,000 for retired, nonuniformed, non-teacher employes.

Labor steadfast in support of Kennedy-Griffiths

WASHINGTON—The Kennedy-Mills national health bill, generally considered a more liberal proposal than the Nixon administration's plan, has completely failed to budge big labor from its support of the radical Kennedy-Griffiths proposal.

The AFL-CIO executive council reaffirmed its backing of the Kennedy-Griffiths bill this month by pledging "unstinting efforts to secure its passage."

And United Auto Workers president Leonard Woodcock declared recently that the Kennedy-Mills bill "falls far too short," ending any speculation that the union might favor a compromise in legislation.

While the AFL-CIO attacked the administration's Comprehensive Health Insurance Program (CHIP) as "grossly inadequate," it was not quite as harsh in its appraisal of the Kennedy-Mills bill. But "using the same yardstick we have applied to every proposal, we find the Kennedy-Mills is seriously inadequate," the AFL-CIO said.

IN ITS consideration of the other bills, the union noted "we have . . . examined the proposals of the insurance companies, the American Medical Assn. and the American Hospital Assn., as well as the catastrophic insurance proposal, and found each totally inadequate."

"Although Kennedy-Mills would provide more coverage than the other proposals, it still has coverage gaps," the AFL-CIO continued. "Health Security (Kennedy-Griffiths), on the other hand, has universal coverage."

Like the UAW, the AFL-CIO pointed out that the Kennedy-Mills bill would allow the private insurance industry to keep a strong foothold in the health insurance field. Both unions are demanding an end to private insurance involvement in health care.

"Kennedy-Mills would have private insurance companies act as fiscal intermediaries," the AFL-CIO stated, "as in Medicare. In the past, we have documented the failure of intermediaries under Medicare and the high cost and inefficiency that intermediaries have imposed on that system. We see no reason for making the same mistake twice."

AN AFL-CIO official added that "in general the private insurers can't impose cost or quality control over their industry even if they want to. It's not a matter of malicious intent on our part. There's just no way they can do the job."

Health care reform under the Kennedy-Mills bill was termed "schizophrenic" by the AFL-CIO. "Senator Kennedy, long a proponent of organized systems of delivering health care, like health maintenance organizations and prepaid group practice plans, has minimized the effectiveness of these systems in the Kennedy-Mills bill. HMOs and prepaid group practice plans would not be able to compete effectively with private insurance under Kennedy-Mills."

In testimony prepared for the House ways and means committee hearings on national health insurance, Leonard Woodcock called the Kennedy-Griffiths bill the only one offering adequate health coverage to everyone.

"UNDER HEALTH Security, people would hold real protection," Mr. Woodcock said. "Under the other proposals before this committee many people would hold the bag."

The other bills, including the Long-Ribicoff proposal, Kennedy-Mills and CHIP have large deductibles and co-insurance payments that "go beyond the means of average working people," Mr. Woodcock pointed out.

He described the Kennedy-Mills bill as "a sincere effort . . . to find satisfactory solutions to the health care crisis." But the plan's "commendable features" like Social Security financing and administration still "won't do the trick," he said. "It won't deal with the basic problems.

"It is not universal. Because entitlement is not a matter of automatic right, some groups and individuals will inevitably be left out."

Mr. Woodcock added that the Kennedy-Mills bill "is inflationary and would provide insufficient cost controls." Hospitals and Blue Cross would also be invited to negotiate pay scales in "sweetheart contracts" using public funds, he said.

In his own verbal attack on the insurance industry, Mr. Woodcock said, "There is now extensive evidence to indicate that, in part at least, the problems of medicare are aggravated by wasteful, inappropriate practices of the insurance industry. It is wrong to perpetuate and expand their role in a new program."

COMMENTING on the other proposals, Mr. Woodcock said CHIP "is private health insurance filled with the usual gaps, exclusions, fine print, limitations and cut-offs." This, he added, makes it totally unacceptable.

The Long-Ribicoff bill, Mr. Woodcock testified, is based on the "imperfect assumptions" that all citizens can meet hospital costs for the first 60 days and can pay additional medical fees of $2,000 before the plan's catastrophic insurance benefits become available.

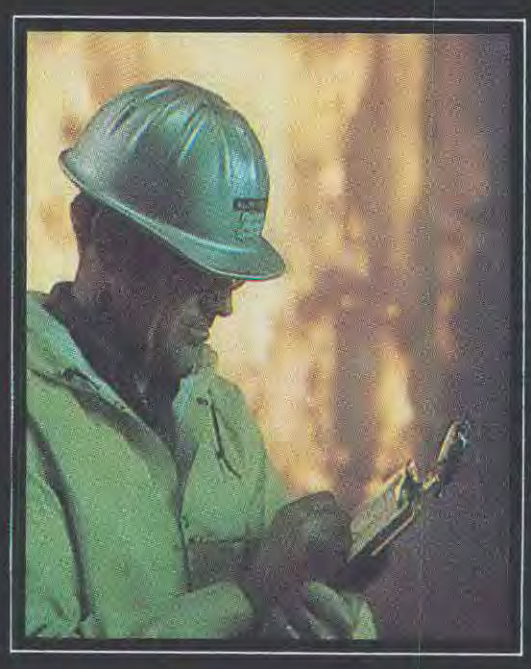
Mr. Woodcock took the case of a four-member family with $10,000 income and compared its medical cost burden under the four major proposals. With $4,572 in personal health service bills coming from an 11-day hospital stay and other medical and dental expenses, the family would be required to pay $1,800 under the CHIP.

Under the Long-Ribicoff bill, Mr. Woodcock calculated the family's cost would amount to $3,064. Covered by the Kennedy-Mills bill, their share of expenses would cost $1,190. But with the Kennedy-Griffiths plan, their bill would come to $100, or 1% of their total income. ■

IBM increases reserves for overseas benefits

International Business Machines Corp., Armonk, N.Y. said in its 1973 annual report that it increased the reserves for employes' indemnities and retirement plans for certain overseas divisions to $238.4 million, from $166 million in 1972. The company noted that certain subsidiaries outside the U.S. have retirement plans under which funds are deposited with trustees, reserves are provided, or annuities are purchased under group contracts.

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New benefit programs most costly during their first year of operation

LAKE TAHOE, NV.—Some of the new voluntary employe benefit programs such as dental care, vision care, prescription coverage, supplemental vacation and income continuance are found to cost employers three to four times more in the first year than in following periods.

Harry L. Auston, vp of M. A. Cornell & Co., Phoenix, Az., offered this initial assessment of benefit plans now emerging to an audience at the recent meeting of the International Foundation of Employee Benefit Plans here.

MR. AUSTON, speaking on new benefits administration, noted that one way to control high claims on new benefits during this initial period is to require pre-authorization of care over a certain threshold, such as for all treatment over $100.

In a show of hands, members of the audience indicated that nearly three out of every four present offered dental and vision care programs, but only four in the room required pre-authorization, and then only for amounts over $100.

Those attending the conference raised during one open session the sensitive issue of having employes administer internally the benefits funds and programs which pay benefits to those same employes. The vast majority of those present when this topic arose admitted their office staffs participate in the funds they administer.

"They pay their own claims. That would worry me," said Sheldon F. Lewis, president of Allied Administrators of Fresno, Ca., moderator of the session.

MR. LEWIS explained his concern about the conflict of interests question: "It would worry me simply because of the fact there is an exposure present. I'm an accountant and always concerned about control.

This situation is similar to having the employe write his own paycheck. It does provide an opportunity (for wrongdoing). It could create in a trustee's mind, I would think, some real doubts."

If employes are beneficiaries of the same plan that they administer, the way to reduce the risk of impropriety is to spread out responsibilities for claims processing, and provide for regular audits.

"The audit is provided by the individual who does not prepare or review the claim, and is only concerned with certain aspects of the claim payment, such as making sure the checks are issued in order, that they are all accounted for, voided or not, and that all the claims procedures in handling the claim are taken care of," Mr. Lewis said.

"The object of course, is not to have any checks written or signed manually," Mr. Lewis stated. "In an extreme emergency, there could be people who could write checks, but this should be limited to, maybe, two people."

He went on to advise that, in his view, every administrator with responsibility for paying claims directly from a benefit fund in self-insured situations, or with insurance company claim drafts.

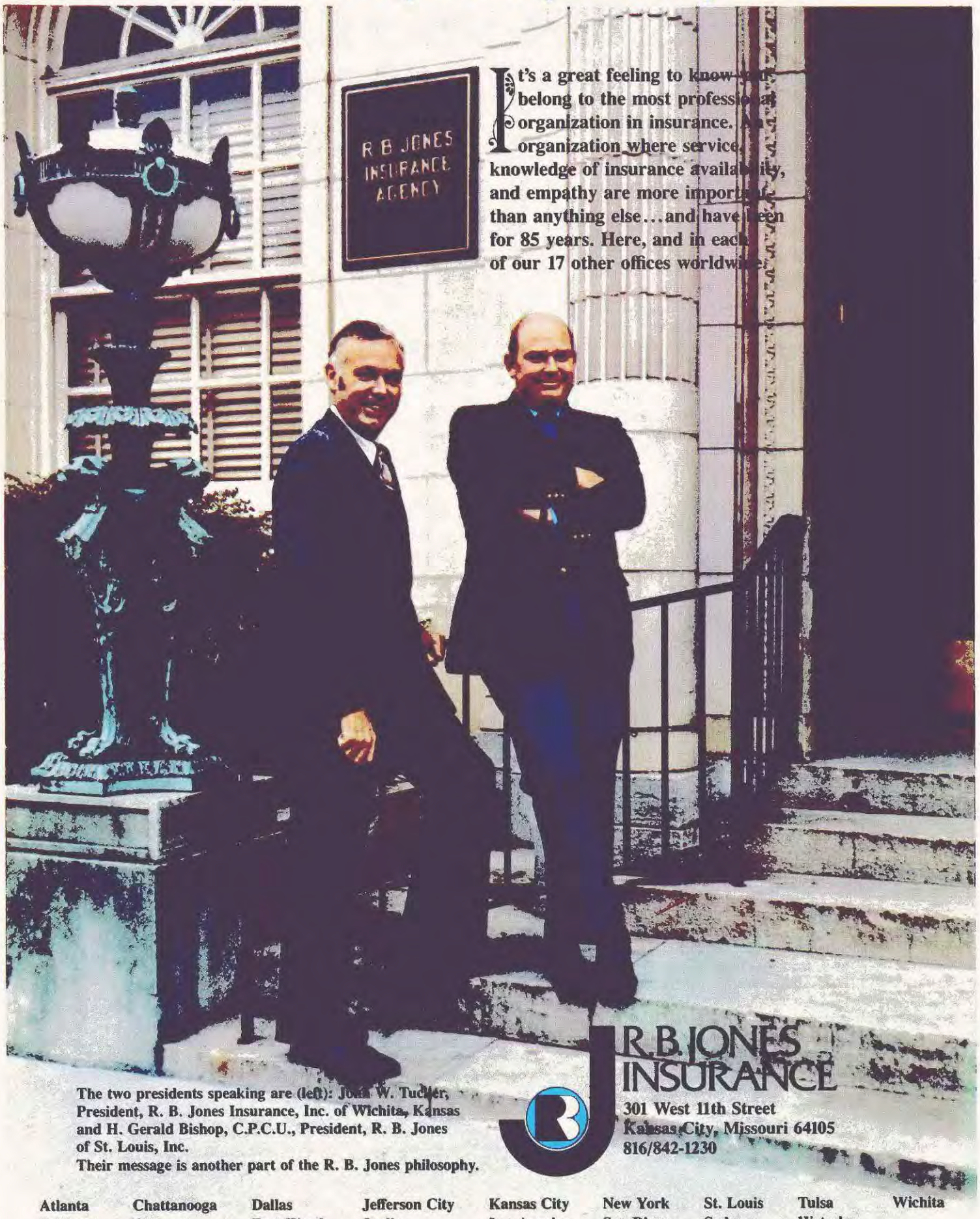
ANOTHER SESSION here centered around the benefits of self-funded or noninsured benefit plans. Mr. Lewis stated his belief that self-funded plans are definitely less expensive than insured plans if enough employes are involved. "You wouldn't want to have only 200 people, and self-fund the plan. One way to work with a smaller group like that is to self-fund the first $1,000 of payouts and then have a policy to cover the rest, which is quite common with individual corporations, as opposed to multi-employer groups," he said.

Necessary reserves for self-funded plans sparked a heated debate. Mr. Lewis noted that he has seen everything from 35% reserves, which he described as "a nice, solid rule of thumb," down to a runout as low as 18%.

Ray E. Walker, administrator of the Carpenters Welfare and Pension Funds of Il., Geneva, Il., disagreed, noting that he has never seen a reserve anywhere close to three months.

"The least I have ever seen is a year's reserve, and if you can't handle that you shouldn't even think about a self-funded plan." ■

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33362

Report record catastrophe claims in '73

NEW YORK—An estimated $366,064,470 was paid out by insurance claims departments last year for property damage losses due to a record number of catastrophes, according to the property claim services department of the American Insurance Assn.

At the association's annual meeting last month, it was reported that the greatest amount paid out was for losses due to wind, hail and tornadoes.

According to the report, $241,666,001 was paid out for these losses last year.

Losses due to fires and explosions amounted to $72,803,604.

The property claim services committee reported that over the past year, it has continued to evaluate new techniques in catastrophe damage estimating, as well as upgrading, its adjuster education programs. ■

Giles on the law

Civil action barred in Canada is brought to court in New Jersey

By JOHN W. GILES
Attorney at law

WASHINGTON—You may not be out of the woods just because the cause of action against you is barred in a foreign jurisdiction.

A civil action was commenced for personal injuries on behalf of a minor, a resident of Quebec, Canada, who was born with multiple birth defects, after his mother, a Canadian, had taken thalidomide manufactured by the defendant, a Delaware corporation.

The action was commenced in the state court and removed to the federal court. The U.S. district court of New Jersey held that New Jersey had sufficient substantial interest in the case to justify the application of the New Jersey statute of limitations rather than the statute of limitations of Quebec which barred the action of the infant. The court said that since the infant's suit for personal injuries was a diversity action and defendant's motion for summary judgment raised a conflict of law issue, the federal court must apply whatever law would be applied by the courts of New Jersey. The federal court was bound to follow New Jersey's choice of law rules in determining whether the New Jersey statute of limitations or the prescription statute of Quebec governed the transaction.

New Jersey has adopted the more flexible conflicts doctrine of applying the substantive law of that jurisdiction having the most substantial governmental interest in or most significant relationship to, or the closest contacts with the subject matter, or parties to the action. The court thought that if the New Jersey statute were applied, the public policy of Quebec would not be significantly frustrated. On the contrary, Quebec could well take a positive view of an opportunity accorded a Quebec citizen to escape a harsh, if not archaic, prescription statute through a fair bearing in a court sitting in New Jersey.

Also, the court said that a high standard of responsibility should be placed upon corporations testing and manufacturing harmful drugs in New Jersey. Such responsibility is to the general public and to any individuals who may be harmed by such drugs either in New Jersey or elsewhere. (*Henry* v. *Richardson Merrell Inc.*, 1973—366 Fed. Supp. 1192.)

* * *

TELEVISION manufacturers may be liable for defects in second-hand sets.

A purchaser of a used television set brought an action against a manufacturer for damages to her rental property as the result of a fire caused by a defect in the set. Other occupants sought damages for personal injuries and property loss.

The court of appeals of Washington held that the evidence was sufficient to establish that the television set which was manufactured in 1966 and sold to the plaintiff as a "used" set in 1970, and which had been serviced some seven or eight times after the original sale, was in essentially the same condition when purchased by the plaintiff as when it was originally manufactured, with various defective components which rendered the set "fire prone".

The court also held that the trial court did not abuse its discretion in allowing wage loss claim of the plaintiff who had suffered personal injuries, to go to the jury. The court concluded that the plaintiffs in this case produced sufficient evidence to establish the liability of the manufacturer for their injuries and damages. And, despite plaintiff's inability to identify with precision the exact one of several potentially defective and dangerous conditions which caused the fire, the court noted that there were significant policy reasons for imposing strict liability, even though the seller may have exercised all possible care in the preparation and sale of his product.

The purpose of such product is borne by the maker of the product rather than by the injured person who is ordinarily powerless to protect himself. The court discussed the question of whether the plaintiff should recover for damages to her rental property. The court pointed out that strict liability in tort does apply to physical harm caused to the ultimate user or consumer, or to his property. The plaintiff here falls within the purview of a "user or consumer", especially since she was the actual purchaser of the defective television set.

The fact that property damaged was rental property does not make the loss merely commercial or economic where the plaintiff does not allege indirect or consequential damage due to the failure of the product to match his economic expectations. For example, commercial or economic loss refers to where the plaintiff seeks recovery for lost profits because he is unable to make normal use of a defective product. Another example of commercial or economic loss is where the plaintiff's only damage is that the product has less intrinsic value than it is supposed to have. The award to the plaintiff here was not for such commercial or economic loss. (*Bombardi* v. *Pochels Appliance and T.V. Co. and Admiral Corp.*, 1973—515 Pac. 2nd 540.)

* * *

CAN YOU GET information about the health of one of your employes from his or her doctor?

This is a case of first impression in Alabama. Here the physician revealed medical information concerning the plaintiff employe to the employer. The employe sued the doctor. Was the doctor liable? The Alabama supreme court said "yes".

Continued on page 46



It started out as a small fire

But small fires can rapidly turn into large costly blazes . . . the kind that shut down entire plants and destroy hard to replace machinery. In today's world of shortages and long lead times, you can't afford to lose one machine—much less an entire plant.

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Ansul Solves Fire Protection Problems

Expanded future seen for mass marketing

NEW YORK—Mass marketing will become a significant factor in the future of commercial lines, particularly in the area of trade associations and franchise operations, according to the chairman of Fireman's Fund Insurance Co., Stuart D. Menist.

Speaking at the annual meeting of the American Insurance Assn., Mr. Menist said that while the concept of mass marketing is not a new one, it has taken on new proportions.

Both trade associations and franchise operations are well-suited for mass marketing, according to Mr. Menist, who added that "these two segments of the market have the scope to warrant attention."

Mr. Menist said that if individual businesses, through association and franchise affiliation, can derive benefits in certain areas, then they should be able to do the same in the property and liability area.

BOTH TRADE groups and franchise operations are "convinced that property and liability insurance programs represent an important additional service that they can bring to their membership through mass buying," the chairman said.

He listed some of the minimum requirements for a successful mass marketing program:

- It must be able to provide professional risk analysis and service to each group member, at his place of business, on an individual basis.
- The service must be delivered by professionally qualified persons, dedicated to the support of the mass marketing concept.
- Commercial groups must be provided with premium levels that reflect the experience and expense levels of the groups, as well as loss control and safety support from the underwriters.
- The groups will require total insurance programs, geared to their members' needs, subject only to minimum individual risk standards.
- Effective automated administration systems must be provided in an effort to support the program's goals.

Concluding, Mr. Menist said that "fulfillment of all these expectations will present some interesting challenges to anyone who decides to become a factor in commercial lines mass marketing." ■

Continental picked in Lockheed carrier switch

BURBANK, CA.—Continental Insurance Co. has been chosen to succeed Life Insurance Co. of North America as the insurer of Lockheed Aircraft's personal security option program special accident insurance plan.

The switch in carriers for the special accident insurance plan took place May 1.

Earl Mink, corporate group insurance and savings plan manager, said that the change was made because "Continental offered us a three-year deal."

He said that Life Insurance Co. of North America was willing to offer only one year arrangements and "that we wanted to stabilize the program at three years if we could."

Mr. Mink explained that the personal security option program got started in 1968 when Lockheed and the International Assn. of Machinists decided to create a supplemental insurance program totally funded by workers.

NOW THE personal security option program is open to all Lockheed employes, salaried and hourly. Besides the accidental death and dismemberment or special accident insurance plan, it encompasses an auto liability program which is paid through payroll deductions and a permanent life insurance program.

Offering maximums of up to $100,000 for hourly workers and up to $250,000 for salaried workers depending on salary, the accidental death and dismemberment program is the only sector of the personal security option program that is being handled by Continental.

Travelers Insurance has been the carrier for the auto liability and permanent life insurance programs since the inception of the option program. ■

Give your company an insurance physical.

Your company may not be in the same shape it was a year ago—and a growing business must be covered by increased insurance—especially in these inflationary times!



☐ **PROPERTY:** Has your present property increased in value? Nationwide's Inflation Protection endorsement can be added to a Wall of Protection® plan to keep building insurance in line with rising costs.

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Giles . . .

Continued from page 45

The court said the law in the several states which have enacted a doctor-patient testimonial privilege statute has been uniform in holding that the patient has a cuase of action for an unauthorized disclosure. Such states are Ohio, Utah, New York and Washington. Alabama does not have any such privilege statute.

The court noted that only two states, Georgia and Tennessee, have refused to recognize any duty on the part of a physician not to disclose. In deciding for the plaintiff, the court said a medical doctor is under a general duty not to make extrajudicial disclosures of information acquired in the course of doctor-patient relationship.

Breach of that duty will give rise to a cause of action, except where the physician's duty of non-disclosure is subject to exceptions promoted by supervening interests of society or private interests of the patient himself.

A person has the right to be free from unwarranted publicity or unwarranted appropriation or exploitation of his personality, publication of his private affairs with which public has no legitimate concern, or wrongful intrusion into his private activities in such a manner as to outrage or cause mental suffering, shame or humiliation to a person of ordinary sensbilities.

The unauthorized disclosure by a physician of information concerning a patient's medical record constitutes invasion of a patient's right of privacy. There was a dissenting opinion. (*Horne* v. *Patton*, 1974—287 So. Reporter 824.)

* * *

IN WORKMENS COMPENSATION law, what is the test of a "borrowed" employe?

It must be shown, (1) that the special master have complete control and direction of the servant for the occasion, (2) that the general master must have no such control, (3) that the special master must have the exclusive right to discharge the servant, to put another in his place or to put him to other work. *Pilcher* v. *Wise Electric Co. Inc.*, 1973—198 S.E. 2nd 713.) ■

State employes' health coverage to go up 11%

CHICAGO—Health insurance for Illinois' state employes and their dependents may cost taxpayers $11 million more in fiscal 1975 than it did the year before, Governor Daniel Walker recently announced.

Blue Cross-Blue Shield's $41,461,000 premium for the state's insurance is 36.3% higher than last year's $30,421,000 premium. The plan covers 124,600 state employes.

In open bidding for Illinois' 1975 coverage contract, Blue Cross-Blue Shield submitted the only premium offer. Last year the Blues won Illinois' health insurance contract as well, when four carriers bid on the contract.

A blues spokesman said the premium increase is due to poor experience suffered in fiscal 1974, when the carrier lost more than $4 million. The Blues only bid $30.42 million for last year's contract after studying claims information provided by the previous insurer, Northeastern Life Insurance Co. of New York.

"THEY PUBLISHED 12 months of paid claims and we had to make our own estimates to come up with the true claims level for 1972," the Blue's spokesman explained.

"We found out a year later that the claims Northeastern paid out were so much less than any carrier would have expected to pay that even the highest bidder would have lost money. Their paid claims performance was so below par it was grossly, grossly misleading.

"We have already paid more claims in the first nine months of this year than they paid in 12 months."

The other three bidders for 1974's insurance plan were: the Continental Assurance Co., the New York-based Equitable Life Assurance Society, and Northeastern Life.

The Blue's spokesman said he did not know why no other carriers bid for this year's contract with Illinois. "We just really have to say we wouldn't want to speculate.

"I THINK THIS year there was good hard data" on the claims experience, he added. "We've handled this account damn well."

This year's insurance contract allows the Blues to keep 4.5% of the total premium, amounting to $1.86 million, for administrative costs and a new "risk charge." Last year the Blues were only allowed to take 2.5% of the premium, or about $760,000 for administrative costs.

The spokesman for the Blues quickly noted that the additional 2% risk charge was not for profit, but was designed to protect the carrier against future losses. "It's an experience leveler," not a profit-maker, the spokesman explained.

Governor Walker said he would ask the legislature to pass a bill providing $2,640,000 for the coverage of state employes' dependents.

If the bill does not pass, state employes will have to pay an extra $93.60 a year to cover their families.

Life insurance for state employes is carried by Crown Life Insurance Co., the Blues spokesman said. Crown Life renewed its contract with Illinois this year. ■

Considering radioactive standards

NEW YORK—"During the present energy shortage climate it is becoming increasingly important for us to find means of safely handling radioactive fuels and waste products throughout the country," Arthur Spiegelman, vp of the Engineering and Safety Service of the American Insurance Assn. said at the group's annual meeting.

He stressed that "the most effective means to prevent disaster from occurring is the enforcement of good standards which mandate proper containers and proper handling methods and technique."

The American National Standard Institute's committee on packaging and transportation of radioactive and fissile materials is headed by Mr. Spiegelman.

He noted that the committee has developed a safety standard which is now being considered by the International Standards Organization for use as an international standard. ■

MOAC tells results

Marine Office—Appleton & Cox Corp., New York, said 1973 was profitable, but the company's loss ratio rose, affected by spring flooding on the Mississippi River and three large cotton fires. The company also said in its annual report that "The energy crisis could well change our premium mix in coming years. A shortage of bunker fuel, for example, could cut sea traffic, reducing overall ocean cargo volume. Yacht coverage, too, could be reduced. On the other hand, conversion to coal and non-fossil fuels could increase coverage on such risks as mining equipment and river barges." MOAC points to inflation and the energy crisis as forcing up commodity values so high that "some policy limits (have risen) to the point where the market is hard pressed to provide adequate capacity limits." Associated Aviation Underwriters, a 50%-owned MOAC affiliate, said loss experience "deteriorated seriously" in 1973 because of AAU's participation in several large commercial losses. There were 27 pure jet airline total losses worldwide in the commercial aviation field, the firm noted.



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Over 180 people lost their lives in the 22-story office building fire in Sao Paulo, Brazil.

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Because the fire truck ladders couldn't reach the people trapped on the higher floors.

Because the building contained highly combustible materials.

Because the building had no sprinkler system to put out the blaze quickly once it got started.

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How many have jam-proof elevators and smoke-free escape routes?

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Indeed, how many are sprinkler protected?

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But . . . many American cities are now making sprinklers a matter of law in buildings over seven stories high.

We think that's good news for people who live and work in high rises because it means they will have an excellent chance of surviving a fire.

Our company has been designing and building sprinkler systems for over 120 years.

We know they are a good investment.

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GRINNELL FIRE PROTECTION SYSTEMS COMPANY, INC

Agency zeros in on sports covers with ex-jocks who know field best

By CHARLES WINGIS

LOS ANGELES—Can a successful athlete who's about ready to hang up his uniform and call it a career find happiness as an insurance salesman?

Answering affirmatively is Robert Westin, president of Penn General Agencies of California Inc. Moreover, Mr. Westin is betting that an athelete who has what it takes to compete at a sport also appreciates its perils and is better qualified than most to advise how to manage its risks.

So when Bob Westin decided to extend the company's general insurance coverage for athletes to encompass full mortality life insurance on valuable horseflesh, he knew just the man to head this new PGA division.

CHOSEN FOR the job was 36-year-old jockey John Sellers, whose racing accomplishments include winning rides on Carry Back in the 1961 Kentucky Derby and Preakness. After winning purses worth over $17 million, he rode his last race at Santa Anita on January 9. The following day he took over as president of John Sellers & Assoc. a division of Penn General Agencies Inc., Santa Monica.

Naturally, the transition from jock to insurance man isn't made overnight. Mr. Westin told *Business Insurance*, "John Sellers has actually been training with us for about four years, but it wasn't until he finally decided to retire and get off the horses that he started to make his move in the insurance business."

Estimates from knowledgeable sources place the earnings of a jockey of John Sellers' caliber around $100,000 annually. Commented Mr. Westin, "We're confident John has the ability to do every bit as well in insurance."

Although Mr. Westin and Mr. Sellers decline to speculate about the overall size of the livestock mortality market, both are convinced it holds great potential and adds yet another dimension to the specialized areas covered by PGA.



Ex-gricIron star Jack Banta (left) talks sports with former jockey John Sellers, both agents with Penn General.

Besides selling insurance, John Sellers & Assoc. sells valuable racing stock. The two operations dovetail, so that when the Sellers blood stock coverage concludes a deal on a horse, the odds are pretty good the animal will be covered by a life insurance policy written by the agency.

THE ONE BASIC horseflesh policy offered by Sellers is full mortality insurance which covers the horse should it have a fatal accident or be injured badly enough to be destroyed. Mr. Westin explained, "On mortality we have our own binding authority with Lloyd's for $850,000 on any one animal, although the market is normally $50,000 to $75,000, and a few brokers may be able to offer as much as $500,000."

(Although PGA and Sellers were not involved, industry sources report that Triple Crown winner Secretariat carries a $6 million mortality cover. The amount is shared by capacity provided a number of carriers.)

Sellers & Assoc. is also set up to write prospective foal insurance a cover very much in demand by the horse breeder who lays out a dear price for a suitable mare, plus the whopping $100,000 stud fee charged for the services of a horse such as Secretariat.

"First of all," Mr. Seller pointed out, "the breeder must bear the cost of an expensive mare befitting the stature of a champion stud. Then if the mare doesn't foal or the fetus is born dead, the owner may be cut as much as $300,000. That's one of the big risks in horse breeding."

Lloyd s mortality rates on horses vary considerably and are higher, of course, if the animal is in hard training or in actual competition at the track. On the other hand, premiums are much lower for breeding stock or yearlings which spend their time on the farm doing nothing more strenuous than eating grass.

PREMIUM RATES usually range from about 3.5% to 7.5%, depending on the value of the animal and the risk involved. Quarter horses, a much hardier breed, enjoy lower rates than thoroughbreds which run about 5.5%, about the same as for polo ponies. A steeplechaser, however, is a high risk animal with a premium rate on full mortality computed at 9%.

Stable discounts, said Mr. Westin, are common practice in underwriting horse mortality covers. Typically, a stable with eight horses, insured for about $500,000 each, will receive a stable discount of 15%.

Mr. Sellers and PGA executives recently developed a health insurance and hospitalization policy for race horses currently being reviewed by the California Horse Racing Board. Modeled after a policy which has been used for small pets, the horse cover, should it receive approval for marketing,

Continued on page 55

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Metal Fabrication Plant	6,752.00	2,611.00	1,148.00	2,993.00	4,141.00
Furniture Manufacturer	7,100.00	720.00	1,485.00	4,915.00	6,380.00
Hotel	21,494.00	4,700.00	9,784.00	7,010.00	16,794.00
Department Store	61,200.00	14,720.00	31,129.00	15,351.00	46,480.00
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washington watch

Landmark black lung ruling involves payment for latent aspects of disease

WASHINGTON—Labor department attorneys here are confident that the Supreme Court will confirm what they describe as a "landmark" lower court decision on black lung compensation benefits in the coal industry.

The National Independent Coal Operators Assn., and 48 smaller coal operators, had challenged Congress' right to require them to pay black lung benefits to miners who contracted the disease before the Coal Mine Health and Safety Act was passed in 1969.

A three judge panel in the District of Columbia federal court ruled that the government was acting constitutionally and that the last coal operator for whom a miner worked was liable for the benefit payments.

THE RULING, handed down in April, was immediately appealed to the Supreme Court by the operators.

Labor department attorneys told *Business Insurance* that such a precedent could be applied to other industries in the event that Congress passes legislation covering other respiratory diseases connected with other occupations.

The lower court, in ruling in favor of the Labor department ruled that "Congress intended to provide full protection to older, retired, miners who have only recently discovered the disease or in whom the disease is still latent."

The appeal to the Supreme Court has stalled court action on another federal suit challenging the Coal Mine Act. Turner Elkhorn Mining Co. vs. Brennan, now pending before a three judge federal panel in the eastern district of Kentucky.

THAT SUIT was filed on behalf of 22 coal operators, including such major firms as Turner Elkhorn, Peabody Coal, and North American Coal.

Attorneys for the coal operators in the Kentucky suit, the Chicago firm of Lord, Bissell & Brook, are "strenuously" seeking the court to rule now on their suit rather than wait for a Supreme Court ruling later this year.

"In the meantime, our clients are still having claims pressed on us," said an attorney handling the suit, "but we're resisting those."

The Coal Mine Act placed the burden for black lung compensation on the Social Security administration initially, but shifted the liability for new claims to the coal operators as of last year.

"We think the benefit standards are so liberal that men don't even have to be totally disabled to collect," the attorney said.

"It's much more like a relief program and such programs are public responsibility," he said.

And for the insurance buyer, "it's causing a tremendous problem in determining the premiums," he said. Insurers are often charging much higher rates, in some cases $40 or $50 more per 100 employes on payroll, for workmen's compensation coverage, the attorney for the coal operators said.

Labor department attorneys say they are concerned about any sharp increases in insurance costs for coal operators because, they claim, the experience so far with black lung benefits do not warrant them.

ABOUT 5% of the miner population may have contracted black lung or related diseases, they say, and that may decline as new dust standards for coal mines go into effect.

The claim approval rate is "extremely low," they argue, something between 10% and 20% and "the cost estimates of the liability given by us have turned out to be far higher than the approval rate has turned out to be."

Labor department officials admit that some sharp premium increases may be due to the insurance industry's uncertainty over their potential liabilities.

"It's our intention to go back to the insurance companies and say, 'Now look, let's look at these rates again and get them down,'" he said.

MUCH OF THE confusion lingering about black lung remains in the area of medical proof of the diseases, note Labor department attorneys.

That is partially do to the latent nature of the disease. "You leave the mines and never know you're sick," says one.

For that reason, the department is doubly elated about the lower court decision.

"It's the first time that this new concept in occupational respiratory disease legislation has been tested," says a government attorney.

In a related case, however, the lower court in Washington ruled against the government and declared that mine construction contractors, represented in court by the Assn. of Bituminous Contractors, would not be liable for black lung benefits for their employes as long as the firms were not directly involved in the extraction of coal.

The Labor department elected not to appeal that ruling.

* * *

THE OVERSEAS Private Investment Corp. (OPIC) won rave reviews in a poll conducted by the Council of the Americas of its members.

The Council, a private business association, says its corporate membership has investments totaling 90% of the total U.S. commitment in the Americas.

More than 90% of those polled said the government should continue to provide incentive insurance programs, and 79% said a predominantly or wholly private insurance program would be less effective than the present system,

Continued on page 52

Toymakers don't build airplanes or airports and we don't play around with coverage.

The aerospace industry is an assembly of top scientists, technicians, engineering and management personnel because it is one of the most challenging of technologies.

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Continued from page 51
the council reported.

Most respondents regarded the insurance as a positive element in making the final determination to commit funds, although its importance varied somewhat in relation to the areas of the world involved.

Investment insurance, according to the poll, was considered to be most important in Asia, followed by the Andean subregion of South America, Central America, and Africa.

Most of the respondents (65%) indicated that they would continue to use OPIC expropriation insurance even if the current premiums were increased by as much as 25%, and a few even said they would maintain the coverage even if rates jumped 50% to 100%, according to the Council.

The general reaction to potential premium increases, however, was that the effectiveness of insurance as a means of encouraging U.S. investment in the developing countries could be materially reduced.

OPIC has been under pressure to begin rapid transfer of its risk coverages to private carriers, but the poll respondents, the Council said, showed an 96% preference for a bill sponsored by Rep. John Culver (D-Ia.), chairman of the House subcommittee on foreign economic policy, that would allow OPIC more time to develop an experimental approach toward private carrier participation.

Three fourths of the respondents said no limitation should be placed on OPIC's participation in extractive industries and more than 50% indicated they believed OPIC played an important role in settling investment disputes.

Among the companies surveyed were Deere & Co., Westinghouse Electric Corp., Koppers Co., American Cyanamid, AMF, W. R. Grace & Co., Celanese Corp., Union Oil Co., and Owens-Illinois Inc.

The poll was not specifically directed to corporate risk managers, a spokesman for the council said.

* * *

THE OCCUPATIONAL Safety and Health Administration (OSHA) has granted an Alton, Il., firm a permanent variance from OSHA standards that require open sided floors next to pickling or galvanizing tanks or similar hazards be guarded by standard railings and toe guards.

Chemico Metals Corp. told OSHA that the tanks were only opened for cleaning and were then guarded by standard plastic cones with red warning flags, tripod mounted warning signs, and were under controlled access.

* * *

THE MAJOR federal job safety agencies reached an agreement last month designed to help eliminate confusion about their enforcement authorities.

The Labor department's Occupational Safety and Health Administration (OSHA) and the Interior department's Mining Enforcement and Safety Administration (MESA) set forth in the agreement the types of operations that are generally included in milling, which is subject to MESA, and those that are beyond milling.

The agreement also provides a systematic method for MESA to adopt regulations consistent with those of OSHA regarding working conditions for which MESA does not now have standards.

Is also requires that OSHA coordinate with MESA whenever OSHA develops standards that may have an impact on the mining and milling industries.

* * *

INSPECTORS for the Occupational Safety and Health Administration (OSHA) reported 107 willful, repeated, or imminent danger violations during March 1974.

None had been reported in the same period a year ago.

The weekly average of inspections, however, hit 675 in March of this year, more than a 50% increase over March of 1973, OSHA said.

The agency issued 6,118 citations alleging 34,443 violations of job safety and health standards. The proposed penalties totaled $696,000.

* * *

CLIFFORD W. FARMER, a California department of industrial relations official, has been named to the Advisory Committee on Construction Safety and Health of the Occupational Safety and Health Administration.

Mr. Farmer replaces Ronald M. Heymann, of the New Jersey department of labor, who resigned from the 15-member committee.

The committee is made up of five representatives each of employers and employes, two representatives of state governments, two representatives of the safety and health professions, and one from the federal government. ■



Will a yea or a nay here knock your employee benefits program for a loop?

The way new legislation is coming out of Congress, you're never sure where you stand from one year to the next. National health insurance, pension program reform, health maintenance organizations—who knows what's next? Or what it will cost you?

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Nobody is equipped to accomplish all this better than Marsh & McLennan. Just give us a chance to prove it.

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CPSC about to set rules for building glass

WASHINGTON—The federal government is about to add architectural glass to the items of concern for a corporate risk manager.

The Consumer Product Safety Commission (CPSC) announced it wants standards set for architectural glass and for the first time is seeking outside parties to submit either existing standards or to develop new standards.

Architectural glass includes windows, doors, shower and tub enclosures used in residences, schools, and other buildings used by the public.

THE LIST also would probably include commercial facilities used by the public, a CPSC spokesman told *Business Insurance.*

A proposed standard would be due this Oct. 25 and, when adopted, would probably include only new construction or remodeling or existing structures.

The commission says glass in windows, doors and other enclosures was associated with 187,000 injuries requiring hospital emergency room treatment between July 1, 1972 and June 30, 1973.

The deadline for submission of proposed standards by outside parties is June 27. ■

'Legal cloud' obscures employe dental plan

The San Francisco Health Service Board has announced it will "support" but will not initiate action to establish a dental plan for miscellaneous city employes. The $500,000 plan was part of the lengthy strike by city employes. Prior to the strike, city attorney Thomas M. O'Connor had ruled that the dental plan, to be legal, had to be approved by San Francisco voters as an amendment to the city charter. The controller, since the strike ended, has refused to release any funds to get the dental care program underway until the "legal cloud" is removed.

General Motors and union agree on method of settling medical claims

FLINT, MI.—General Motors Corp. and the United Auto Workers (UAW) initiated a pilot program here designed to provide impartial medical opinions for disputed employe disability insurance claims.

An agreement signed by the union and GM binds both parties, as well as GM's employes and carrier, to accept the official medical opinions rendered by the Genesee County Medical Corp. Impartial opinions will be sought in cases where the employe's doctor and GM management disagree over whether or not the employe is totally disabled and unable to work.

The pilot program began June 3 at three plants in Flint and will run about three to six months, a GM spokesman said. Its inception came out of the union-management labor negotiations for a new three year contract last November.

GM'S INSURANCE carrier for disability income benefits, Metropolitan Life Insurance Co., will cover the workers who are deemed unable to work by the medical corporation, the spokesman noted.

He added that impartial medical opinions will only be used in cases where a medical dispute develops. And these involve a tiny proportion of the total number of claims.

GM management will determine when the outside medical opinion is needed. A physical examination of the disabled employe will be performed by a physician or specialist selected by the Genesee County Medical Corp. This physician's decision will be final for all parties involved.

Seminars have been planned for explaining the pilot program to Genesee County doctors who may be called upon to participate in the program. The seminars will be jointly conducted by the medical corporation, the UAW and GM.

At the end of the pilot program, the impartial medical opinion plan is expected to be set up in modified form for all the Flint area GM plants. Other programs will be established later in GM plants nationwide.

Both GM and the UAW noted that they hoped the impartial opinion program "will provide a national procedure for resolving medical opinion disputes, will eliminate the conflicts which often existed in the past over employe claims for weekly sickness and accident benefits, and expedite the settlement of such claims." ■

Cancer cover for groups is available

NEWPORT BEACH, CA.—Cancer insurance which would become an adjunct to group health or major medical policies is beginning to be marketed in California by Pacific Northwest Life, Portland, Or.

John W. Briscoe, California director for cancer coverage, said the policies are aimed at companies and trade associations.

The no-deductible policies carry a premium of $5.50 per family per year. Benefits are stipulated for the first 90 days. After that, policies cover hospital costs up to $5,000 a monh on an unlimited basis.

"If no one in the family suffers cancer within a ten-year period, 80% of the premiums will be refunded," he continued, noting that he expects premiums to be paid by means of regular payroll deduction.

All persons who have never had cancer are eligible. ■

Shirt-Sleeve Forum

What's a Shirt-Sleeve Approach to Insurance?

By Dinner Levison

(Asked in the financial district)

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Work comp carriers have duties to insured, and vice versa: Panel

ANAHEIM, CA.—The relationship between an employer and his workmen's compensation carrier is, like marriage, one of mutual giving, according to panelists at a symposium on the subject at the 21st annual Western Safety Congress.

Tom Shelton, one of two panelists in the symposium, said that for every service an employer expects from his workmen's compensation carrier, he must take a reciprocal action.

Mr. Shelton listed 25 duties of a compensation carrier with a matching list of 25 responsibilities of his insured. For example, he said that while the insurer must provide periodic safety inspections to determine physical hazards and compliance with government regulations, the insured must permit such inspections and be willing to accept the risk of failure to comply with pertinent statutes.

AND WHILE the insurer should take steps to evaluate environmental health problems such as fumes, chemical irritants and noise, the insured must cooperate by informing the loss control consultant of the status of the insurer's recommendations.

Taking note of the spiraling number of loss prevention consultants, Mr. Shelton, who is with the California Casualty Indemnity Exchange, said that another service of a carrier can be to screen the new services.

"We can also compile lists of such specialists," Mr. Shelton suggested.

John Inman, the other panelist, noted the steps the State Compensation Insurance Fund, a semi-public entity, is taking to fill the needs of the small employer.

Conceding complaints that the state fund has ignored the small employer in the past, Mr. Inman, a fund official, disclosed that a special direct mail program has begun, aimed at the man with under 100 employes. It consists of four-page newsletters on safety procedures and casette tapes which business men can play to receive a cram course in CAL-OSHA regulations.

HEALTH MORE than safety will be the focal point in the future, predicted Mr. Inman, agreeing that the cost of meeting CAL-OSHA standards will be steep. yet he pointed out that CAL-OSHA will consent to a gradual program of compliance. A lock company presented the agency with a five-year $3 million program and got prompt approval, he said.

It was also noted at ths symposium that organized labor is entering the health and safety act. Increasing numbers of labor contracts contain health and safety provisions, it was said.

In another symposium on the cost of CAL-OSHA compliance to truck fleet owners, Milton Platt, a member of the National Safety Council's fleet safety forum, said that as a result of a state labor code anti-discrimination regulation, fleet owners in California will have to insert physical qualifications into every job description they write.

THIS MEANS that a fleet owner will not be allowed to reject a job candidate unless his specific disability is an obstacle to his functioning in a particular job, Mr. Platt explained.

He indicated that this is a substantial change from the past when fleet owners could turn down an applicant for a generalized disability.

"The point is that you are liable for state action if you discriminate against the physically handicapped," he told the symposium.

Mr. Platt later told *Business Insurance* that the impact of the anti-discrimination amendment, coupled with the increase in workmen's compensation rates, will place California fleet owners under intense pressure to boost their own rates.

"California has no guidelines on the anti-discrimination amendment," he observed. "It is sure to open up a whole new field of litigation." ■

Company increases self-insurance program

Consolidated Freightways Inc., San Francisco, said in its annual report that reserves for self-insurance were increased 20% in 1973 to $15.4 million, from $12.8 million. The company acts as a self-insurer primarily in the areas of workmen's compensation, cargo loss and damage, and vehicular casualty claims, a footnote in the report said. Self-insurance costs charged to income each year are based on historical claims experience and cover both filed unpaid claims and unfiled claims relating to operations conducted to Dec. 31, 1973, the report noted.

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Sports coverage . . .

Continued from page 50

would pay all veterinary expenses and a variety of medical costs. A preliminary mail survey by PGA has found horse owners highly enthusiastic about this new product.

Aside from the "Sport of Kings" and race horses, which represent a major national and international market for John Sellers & Assoc., there is the world of the show animal—hunters, show jumpers and the like. As Mr. Westin observed, "Race horse owners have long been considered the elite. But consider the owner who may spend up to $100,000 on a beautiful Arabian horse for no other purpose than to show it, receiving no financial return but a silver cup or a blue ribbon. Believe me, these are the real elite."

EX-JOCKY John Sellers is more likely to be at a race track somewhere around the country, than at a desk. He believes in being where the action is, where friends and contacts established during an 18-year career in racing are now potential new prospects for him in the insurance business.

Mr. Sellers, the horse broker, is currently planning a horse-buying trip that will take him to the Argentine, New Zealand and Australia.

Penn General has other sports specialists competing in the big time contests. Among these are Art Alper, executive vp, a former basketball player for University of California, Los Angeles, who played on the very first team Johnny Wooden coached at UCLA. Another 'ex-jock' making a substantial contribution to the rapid growth of PGA underwriting in the field of sports is Jack Banta. A former football player of no little renown, Mr. Banta is a principal in Hobart, Banta, Hardy & Droge, Los Angeles and Newport Beach, an insurance broker acquired by PGA of California in 1971.

JACK BANTA is best remembered locally as a hard-driving halfback for the Los Angeles Rams who retired in 1949 and began a career in the insurance business in 1951. As a collegian he played for the University of California on a team that went to the 1939 Rose Bowl and he later went on to play with the Philadelphia Eagles before he became a member of the Rams team.

Mr. Banta points to Y.A. Title, former N.Y. Giant quarterback who is now owner of a general insurance agency in San Francisco, as another former athlete who succeeded in the insurance field.

Important contacts and a natural competence that extends far beyond the football field opened many doors for Jack Banta. Clients in his early insurance days included the L.A. Stars basketball team, the L.A. Blades hockey club, the annual Pro Bowl game (since taken over by the National Football League), plus many other general accounts such as the "Coaches Corner" restaurant owned by his friend and ex-footballer Tom Fears. Mr. Banta continues to underwrite the L.A. Rams' needs for workmen's compensation, general liability property floater, bonds and items of this nature.

THE FULL complement of sports-oriented or sports-associated insurance covers provided by PGA would fill volumes. Mr. Westin, for example, was one of the architects who designed and structured the complicated insurance coverage for the recent "Fight of Champions," the Frazier-Ali fight on closed circuit television.

But summing up the reasons for PGA's interest in the sports insurance field and the use of former athletes as salesmen, Mr. Westin said, "I believe it takes someone who's knowledgeable in a certain area of sports to fully appreciate its problems." ■

More Colo. captives near finalization

BOULDER—The office of the state insurance commissioner here said there are about six captive insurance companies "approaching finalization" on registrations.

These new applications for licenses will be approved in the near future, probably within a month or so, a spokesman said.

Since enabling legislation was passed in Colordao in March, 1972 exempting captives from normal premium taxes, three such insurance companies have been licensed by Commissioner Barnes's office. All three were licensed in 1973.

Arms Insurance Co. Inc. is 100% owned by Amfac Inc. It was admitted Mar. 1, 1973, and reported net premiums written for 1973 of $253,763.

Pageco Insurance Co. Inc., of Fort Collins, Co. was admitted May 1, 1973 and is owned by Pat Griffin Co., owner and operator of independent gas stations. It reported net premiums written in 1973 of $666,108.

Insurance Co. of Colorado Inc., Denver, was admitted Dec. 17, 1973, and is owned by Darling Delaware Co. Inc., a Chicago-based firm which is the country's largest renderer. The captive reported 1973 net premiums of $59,852. ■

Merger talks off

The principals of Reed Shaw Osler Ltd., Toronto, and Harlan Inc., Houston, terminated merger talks begun earlier this year (*Business Insurance*, Mar. 4, 1974). If the two large brokerage firms had joined forces, Reed Shaw would have become one of the top five brokers in the *Business Insurance* "500" listing of major agents and brokers in the U.S. and Canada.

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Each report is preceded by a **Current Comment** section with notes on ideas and subjects of current interest. The format is 8½" X 11", looseleaf, three hole punched, for ease of filing in an attractive looseleaf binder which will be mailed to subscribers with their first report. A cumulative index is prepared annually and the length of each report is 30 to 40 pages, permitting thorough analysis of each particular subject. Emphasis is placed on developing practical working tools for the risk manager, drawn largely from the continuing contacts of the writers and their staff—who are risk management consultants—with both large and small companies and institutions in the U.S. and Europe.

The editor of **Risk Management Reports** is H. Felix Kloman, president of his own consulting firm *Risk Planning Group*, assisted by his staff, and an editorial advisory board including the following experts:

Stanley R. Tarr, Director of Risk Management, *Rutgers University*, New Jersey
Jean-Paul de Cottignies, Partner, *Risk Factoring, S.a.r.l.*, Paris, France
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Peter Law, Vice President, Insurance, *U.S. Industries*, New York
Stefan J. Valovic, Director of Fire Protection & Insurance, *Kaiser Aluminum & Chemical Corporation*, Oakland, Ca.

Additional experts will be named from insurance companies, brokers, safety consultants, etc.

Among the many different subjects to be treated individually by Risk Management Reports are the following:

- **Product Safety:** Identifying product liability control areas with emphasis on the Consumer Product Safety Act. Report will also detail how one major U.S. corporation has dealt with the problem.
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- **The Annual Risk Management Report:** What should a risk manager report to his management annually? Some reports are too long and too detailed, others not long or detailed enough. Examples of good reports will be provided.
- **Self-Insurance and Workmen's Compensation:** The pros and cons of self-insuring workmen's compensation—with the emphasis on the pros. Report will also identify those firms capable of assisting in the administration of self-funded plans and summarize state laws regarding the self-insurance of workmen's compensation.
- **Managing Risks of Data Processing Facilities:** How to apply risk management techniques to the ever-important and costly data processing facility.
- **Captive Insurance Companies:** Updated analysis of the pros and cons of captive insurance companies along with a list of current captives.
- **Risk Management Cost Allocation:** An effective risk management program should be understood and implemented at the operating unit level. How do you create cost incentives at that level to make your risk management program more effective.
- **The Risk Management Function in Management:** Given the evolution of the risk management function—from clerk to buyer to manager—where should today's risk man belong in the organization of his company.
- **Natural Hazards—Earthquakes, Floods and Windstorms:** How are you fixed geographically and, if there's an exposure, how should you cover it. Report will also delve into the various government disaster insurance programs available or on the drawing boards.
- **Corporate Risk Insurance Management Manual:** Every company should have a corporate policy on risk management and insurance that has the approval of the board of directors. A risk management manual is also a valuable tool. Should it be one or 100 pages? Examples will be included in the report.
- **The Risk Manager and Corporate Social Responsibility:** Should the risk manager, in the best interest of his company, take an active role as an ombudsman of sorts?
- **Risk Control and Risk Management Administration—A conflict between Line and Staff:** The risk man often must walk a delicate line between line and staff management. How can he without falling in either direction?
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$9 m. mine injury settlement

SACRAMENTO—A total of 23 damage suits against the Metropolitan Water District, the California Division of Industrial Safety and the Mine Safety Appliance Co. brought by survivors of workmen killed and by workmen injured during the 1971 flash-fire and Sylmar tunnel explosion were settled for $9.3 million.

Superior court Judge Bernard S. Jefferson ruled that the Metropolitan Water District would be required to pay 76% of the award; the Division of Industrial Safety 11.5% and Mine Safety Appliance Co., which made the gas testing meters used in the tunnel, 12.5%.

The settlement includes $9 million awarded to the survivors of 16 of the 17 men killed and for the three injuries suffered in the explosion.

An additional $315,000 was awarded for injuries four men suffered in the flash fire which took place one day before the explosion.

ONE CLAIM for the death of a Metropolitan Water District employee, remains pending against Lockheed Shipbuilding and Construction Co.

Most of those who died were employes of the Lockheed firm and the judge ruled that their survivors were precluded by the California Labor Code from claiming and recovering more than workmen's compensation insurance benefits from Lockheed Shipbuilding.

Argonaut Insurance Co., San Francisco-based carrier of Lockheed Shipbuilding's workmen's compensation policy, agreed to waive its right of recovery from the survvors of money already paid to those survivors. ■

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Diana Sinkey of Thomas J. Lipton Inc. accepts the Assoc. in Risk Management diploma from Rollyn Storey of SCM Corp.

Graduate 16 from IIA risk mgmt. school

NEW YORK—Associate in Risk Management diplomas were recently awarded to 16 graduates of the Insurance Institute of America's risk management program.

The 45-week program, jointly sponsored by the Insurance Institute of America and ASIM, states as its main objective, "to educate individuals in those risk management decision-making processes which contribute, directly and concretely, to an organization's profits and productivity."

Those fulfilling the requirements of the course were awarded diplomas. Graduates included Edward Blau of the SCM Corp.; Champion International's John Brown; Arthur Clemenz of Halcon International; Metropolitan Life's William Davidow; Angelo Ferraro of F&M Schaefer; Henry Gunby of Mercedes Benz; Marvin Hurwitz of Kerstein Associates; Daniel Johnson of the American Broadcasting Co.; Eugene Schoenleber of United Parcel Service; Avon's James Shaughnessy; Diana Sinkey of Lipton; John Steed of Amerada Hess; Englehard's Albert Tedori; Gerard Whelan of Babcock and Wilcox; GTE's Emma Graetz; and Fred Eistrong of Madison Square Garden.

Also awarded diplomas through independent study courses, were Robert Storms of the Port Authority of New York and W.M. McDonald of Instrument Systems. ■

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McCoy joins Super Valu

Dan Arnold McCoy joined Super Valu Stores Inc., Hopkins, Mn., as corporate director of risk management, and president of its subsidiary, Risk Planners Inc. Risk Planners is an insurance agency selling individual and group insurance lines, as well as commercial insurance packages for stores in the Super Valu group. Mr. McCoy was formerly risk and insurance manager for The Upjohn Co., Kalamazoo, Mi. No replacement has yet been named. At Super Valu, Mr. McCoy succeeds **Duane C. Cooksey.**

* * *

Joseph Delia is joining Studebaker Worthington Inc.'s subsidiary, Worthington Pump International Inc., Mountainside, N.J., in the new position of assistant insurance manager. He reportedly will remain in that position until Oct. 1, when he will join the parent company, Studebaker Worthington, New York, as director of insurance. Mr. Delia was formerly risk manager for three years of the state of West Virginia, where no replacement has yet been named. In his new position, Mr. Delia will work closely with Leslie Schroeder, director of insurance for SKW Services Co., the financial services arm of Studebaker Worthington.

* * *

Howard K. Prol is joining Scott Paper Co. as assistant insurance manager, replacing H. Gordon Heile, who joined ITE Imperial Corp. earlier this year, as reported. Mr. Prol is currently assistant manager of insurance and claims for General Public Utilities, a holding company in Reading, Pa.

* * *

Neils Nielsen joined J. C. Penney Co., New York, as director of compensation and benefits. Mr. Nielsen was formerly director of corporate compensation at Johnson & Johnson Inc. He was replaced by **George B. McDonald,** formerly of Eastern Airlines as manager of compensation and benefits and director of sales.

* * *

Donald R. Hilliard will soon be joining Newmont Mining Corp., New York, as corporate insurance manager. He is currently insurance manager for Cerro Corp., New York, another company involved in the mining industry which recently eliminated its insurance management department (see page 1). Mr. Hilliard's position at Newmont is newly created.

* * *

A. Bruce Gibson joined Arcata National Corp. in Menlo Park, Ca., as corporate insurance manager, replacing Bob Milligan, who recently left the company. Mr. Gibson was formerly director of casualty insurance for American Broadcasting Co.

* * *

Gerald L. Cobleigh was named assistant director of risk management for the University of Wisconsin System, Madison, Wi., replacing Dennis G. Tweedale. Mr. Cobleigh was formerly insurance coordinator and assistant purchasing agent for the university's Stevens Point branch. ■

Az. employes owe premium for two years

PHOENIX—Ray Long, director of the Arizona department of administration, revealed that an undetermined number of state employes could owe between $200 and $300 in unpaid health insurance premiums.

He said he is working with the attorney general's office to determine the liability of employes, some of whom have been covered since 1972, but were never subject to the proper payroll deductions.

At least some non-paying employes filed claims and received benefits from the insurance companies, Mr. Long noted.

He attributed the failure to bill the employes to a "hole in the system" set up two years ago. The situation has been under "intensive review" for the past month, he added.

"THE EMPLOYE was required to sign two forms . . . one requesting the coverage and the second, requesting the payroll deduction. For some reasons, some of the second forms were never received," he explained.

Another breakdown in the system has resulted in some former state employes still being covered by the insurance companies. Mr. Long said they, too, may be liable for back payments.

The situation came to light following complaints from the six insurance companies that cover state employes. Blue Cross-Blue Shield is the largest, carrying more than half of the covered employes.

When details are worked out with the attorney general to determine the liability of those who owe on their policies, repayment on a monthly installment basis will be worked out, the official said. ■

Insurer is liquidated under insolvency rule

NEW YORK—New York State superintendent of insurance Benjamin R. Schenck obtained a court order permitting the insurance department to liquidate the Professional Insurance Co. of New York and terminate the company's corporate existence.

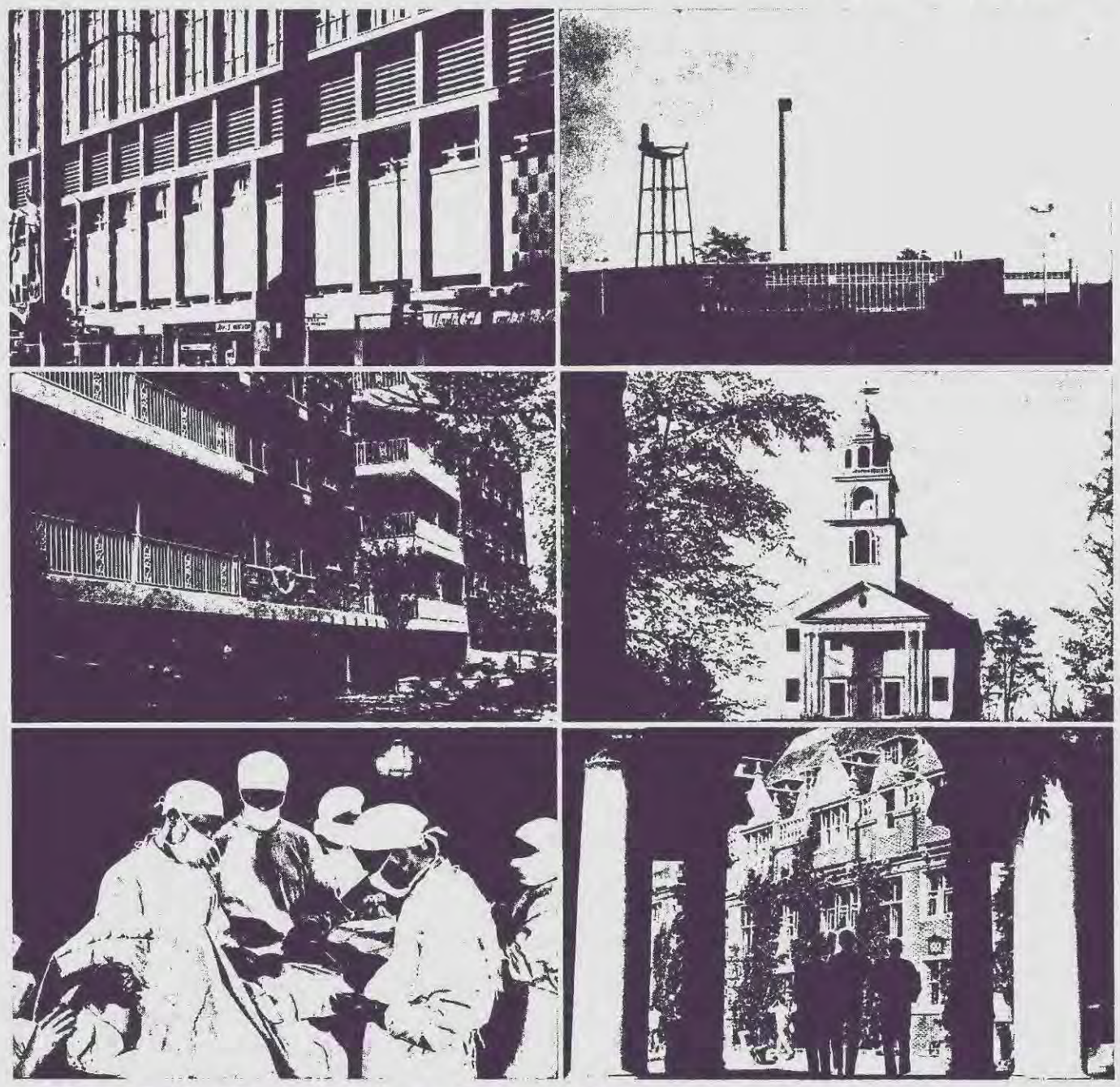
The Superintendent had asked the court on April 8 for an order to liquidate the insurer. According to the petition the superintendent filed with the court at that time, the Professional Insurance Co. was insolvent and had been found to be in such a condition that it would be hazardous to policyholders, creditors and the public.

The petition also said that all efforts to rehabilitate the company had been futile. Earlier, on October 17, 1973, the superintendent had obtained a court order permitting him to undertake the rehabilitation of Professional.

According to the insurance department report on examination, dated September 10, 1973, the company was liable for some $1.6 million on Dec. 31, 1972, an insolvency of nearly $460,000.

Professional was a New York-based insurance company, with its home office at 90 Park Avenue. The company wrote primarily professional malpractice insurance and was licensed in New York to write personal injury liability, property damage liability, fidelity and surety and accident and health insurance. ■

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dates for buyers

June 17: The American Management Assn is sponsoring a seminar on punitive damages—the impact of recent awards on claims, in New York. Write the AMA, 135 W. 50th St. New York, N.Y. 10020.

June 20: The American Management Assn. is sponsoring a seminar on group dental benefits in Chicago at the AMA Center. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

July 7-10: The International Foundation of Employee Benefit Plans will have a foundation meeting at the Bayshore Inn, Vancouver, BC. Write James J. Neitzel, Public Relations, 18700 W. Bluemcund Rd., P.O. Box 69, Brookfield, Wi. 53005 (414-786-6700).

July 8-13: International Assn. of Insurance Councel's 47th annual meeting will be at The Greenbrier, White Sulphur Springs, W.V. More than 600 lawyers specializing in insurance law will hear reports from 18 committees that have been studying the field. Write Richard J. Hayes, International Assn. of Insurance Counsel, 111 W. Washington St., Chicago, Il. 60602 (312-368-1494).

July 10-12: The National Assn. of Fire Investigators is sponsoring a seminar on the cause and origin of fires and explosions, at the Sheraton-Chicago Hotel. It is designed for a nationwide audience of insurance claimsmen, firemen, investigators, adjuster, attorneys and others interested in all phases of fires and explosions. Write John Kennedy, Fire Seminar, 53 W. Jackson Blvd., Chicago, Il. 60604 (312-939-6050).

Aug. 19-21: American Management Assn. is sponsoring a seminar on the HMO Act of 1973: the employer's stake in dual choice health care benefits at the AMA Center in Chicago. How HMOs affect your employe benefits program, what services they provide and now much this costs will be discussed. Write AMA headquarters.

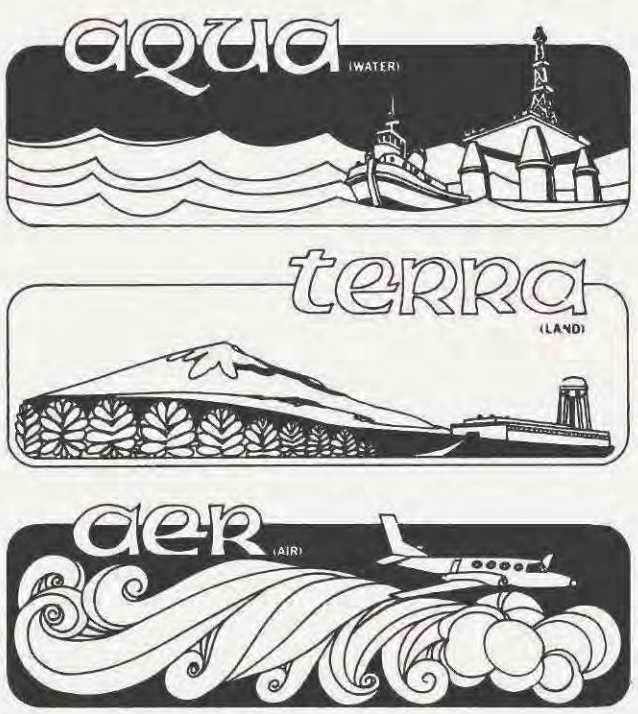
Aug. 21-23: Newark College of Engineering will host the fifth annual national product liability prevention conference sponsored by 23 organizations. Write Prof. Richard M. Jacobs, Newark College of Engineering, 323 High St., Newark, N.J. 07102 (201-645-534).

Sept. 8-11: Continental Western Industries Inc.'s zone four meeting will be held in Des Moines, Ia. Write Vinton S. Nutt, Continental Western Industries, P.O. Box 1594, Des Moines, Ia. 50306.

Sept. 30-Oct. 3: The National Safety Council's 1974 national safety congress and exposition will be held in Chicago. A program featuring some 200 sessions with over 300 exhibitors is being planned. Write the National Safety Council, 425 N. Michigan Ave., Chicago, Il. 60611.

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(Ed. note: The following dispatch is from the Novosti Press Agency, the official news agency of the U.S.S.R.)

MOSCOW—When the Soviet ocean liner Michael Lermontov docked in New York, there was hardly a passenger on board who thought he had not gotten his money's worth. The crew was considerate, the food excellent, and on top of that, fresh sea air and interesting companions made the voyage from Leningard to New York a pleasant one.

All insurance operations involving the liner and those passengers who desired coverage were contracted by the Insurance Co. of the USSR (Ingosstrakh). When the liner entered American territorial waters, the company assumed another responsibility by incurring liability for the possible pollution of the ocean.

The Ingosstrakh Co. currently has water pollution liabilities involving more than 730 vessels with a total tonnage of nearly seven million gross tons. The Ingosstrakh Co. also acts as a guarantor on behalf of western insurance companies in cases involving foreign ships which pollute Soviet territorial waters.

WHEN THE SHIP Manuella, flying the Greek colors, discharged diesel fuel in Novorossiisk harbor, Ingrosstrakh, acting on the request of the London Mutual Insurance Club, guaranteed that the ship's owners would pay the damages estimated at ten thousand rubles (about $7,500).

The Ingosstrakh Co., carries out major operations involving transportation insurance. The company insures cargoes sold by Soviet foreign trade agencies, coastal cargoes and ships. These operations are performed in full accordance with the cargo insurance rules accepted by insurance agencies elsewhere.

In July 1972 Ingosstrakh opened a new department to insure ships, aircraft, technical and other risks. Ship and aircraft insurance is along standing business. Insurance against technical and other risks was a new trend in Ingosstrakh's operations, the outcome of expanding cooperation in world trade.

"FOREIGN COMPANIES holding Ingosstrakh insurance policies may insure themselves against all claims advanced both by contractors and third parties in the course of design, building, assembly and other operations," said Yevgeni Larionov, head of the department insuring ships, aircraft, technical and other risks.

A short while ago the American International Underwriters Corp. turned to the Insurance Co. of the USSR with a proposal for joint insurance involving the Sutter Products Co.'s deliveries of foundry equipment to the truck plant now under construction in Naberezhnye Chelny, Tataria. The Insurance Co. of the USSR was willing to be the principal defendent in this deal.

The best way to get to know a country is to travel there by car, believed Ted Lawrence Bartlett of Chicago who toured the USSR in a Volkswagen. After crossing the border, Mr. Barlett completed the customs formalities and applied to the insurance agent of the USSR Insurance Company. In the city of Brest, Mr. Barlett was issued an insurance policy.

He got into trouble near the city of Tula where he collided with another car. Mr. Barlett was paid $2,405 compensation.

Some 98% of all foreigners living in Moscow have Ingosstrakh insurance policies involving automobile and civil liabilities. As concerns the costs, the owner of the 240 hp eight-cylinder Buick, for instance, pays $422 a year.

The Insurance Co. of the USSR also insurers foreign exhibitions held in the USSR. For instance, Ingosstrakh insured the visitors, exhibits and buildings of the exhibitions "Tourism and Rest in the USA" and "Oil and Gas 73" in which 189 American firms participated, displaying machinery and equipment.

Among the Insurance Co. of the USSR's clients was the famous soccer player Bobby Charlton of the English national team who came to Moscow to play in the farewell match of Soviet goalkeeper Lev Yashin. Mr. Charlton's legs as well as those of Gerhard Muller from Germany were insured for $150,000. ■

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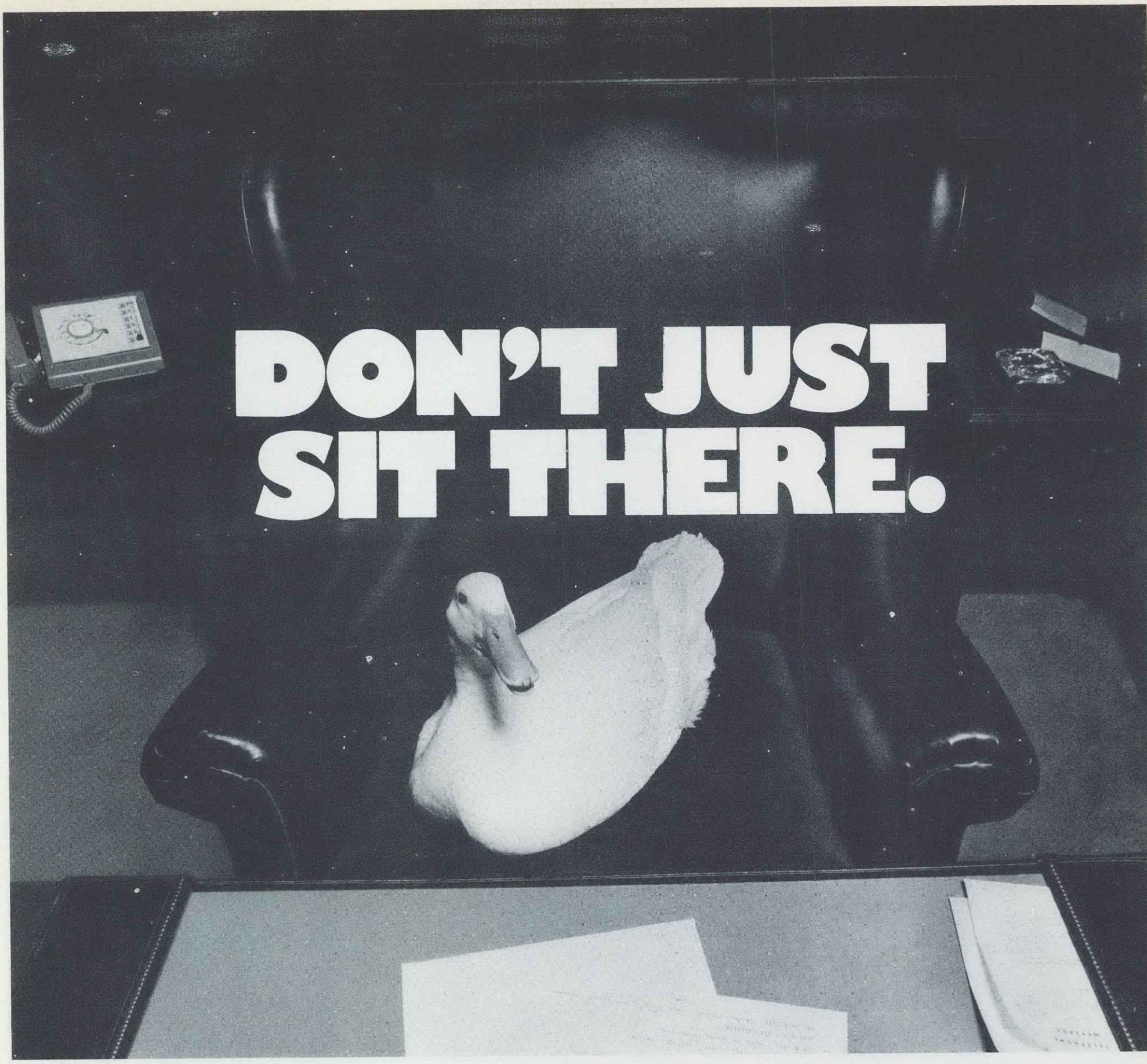
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