business insurance

for buyers of employe, property and liability protection 35¢ a copy; $8 a year June 17, 1968

Guns must go!

Can there by any doubt anywhere that violence and contempt for law and order are doing their rotten best to tear American society apart?

Can there any longer be any doubt that the vast majority of decent, honest, sensible, throughtful residents of America—black, white, yellow, young, old, rich, poor, conservative, liberal—are almost physically aching for a return to sanity and decency?

Can there be any doubt that we can solve all the problems that plague us in these troubled times more quickly and more satisfactorily if we attack them vigorously and effectively with good will and free and open debate and discussion than if we go on trying to literally wipe them out with violence and hatred which almost inevitably hurt the hater worse than the hated?

We think not.

But we also think that pious declarations of good will, prayers for harmony, and repetition of fine catch phrases, no matter how well conceived and how faithfully believed, have lost their meaning. We are beyond words, beyond declarations of intent, beyond asking this or that group of suffering citizens to be patient. We need action, not words.

We need action on scores of fronts, in many different directions. Some of our problems cannot be quickly solved; they may take years. But all of our problems can be solved more quickly and more effectively if we can *return to sanity*—if we can *reduce violence*.

And in one vitally important respect, we can take a mighty step forward RIGHT NOW.

WE CAN SWEEP ASIDE the tissue of phony arguments and insidious influence by which the National Rifle Assn. and its affiliates have conned us into permitting a completely free and unrestricted traffic in firearms. Proof of the folly of following NRA policy is found in the table on page 12 that shows the growing involvement to firearms in serious crimes.

We can stop letting anyone con us into thinking that there is a constitutional problem involved in regulating firearms because the Second Amendment says: "*A well regulated militia being necessary to the security of a free state, the right of the people to keep and bear arms shall not be infringed.*" Does that mean that any 17-year-old punk or junkie can't be restrained from buying or owning a gun? Does this mean that anyone can collect an arsenal, without interference of any kind from the responsible authorities?

The questions answer themselves. If we can have stringent laws governing the registration and use of automobiles or bicycles, we can certainly have laws governing the registration and use of deadly weapons. If we can have stringent laws governing the sale of hundreds of drugs which "may be dangerous to health," then certainly we can have stringent laws governing the sale of lethal weapons.

Here is one small but vitally important area in which the combined resources of the insurance business can be brought to bear with tremendous effectiveness, and in days or weeks, not months or years.

In the strongest possible terms, we urge the American Society of Insurance Management and the groups representing carriers, agents, brokers and state regulatory officials to get behind a massive effort to reduce the tremendous hazards of a gun-riddled society, and *to get at it right now*.

Specifically, we believe a massive effort should be put behind:

First, immediate passage of a strengthened gun control law which prohibits the mail-order selling of all guns in interstate commerce.

Second, immediate enactment of an effective registration law for all guns, and state or federal recording of all transactions in guns, as is now the case with automobiles and other vehicles.

Third, the passage of legislation making any crime or misdemeanor carried out with the aid of a deadly weapon a federal offense—as kidnapping now is—subject to stringent mandatory punishment.

GUNS MUST GO.

THE SLUMS AND GHETTOS of the country are loaded—and we use the word advisedly—with an unknown quantity of guns, with reliable estimates running up well into the millions. The number of guns being gathered "for defense" by what are usually called "decent citizens" in the suburbs is growing minute by minute. The supply of guns of all kinds is limitless and the traffic in firearms is unrestrained.

The country literally is filled with violence and potential death. It cannot continue on this course.

A million things need doing, and they must be done as quickly as is humanly possible. *But first of all*, GUNS MUST GO as the unrestrained, unregulated, unrestricted instrument of lethal violence.

In this specific, definite area, the resources of the insurance business can be brought to bear with devastating effect quickly and easily. In the strongest possible terms, we urge them to get at it. ▪

Arizona gets 5-man work comp agency

PHOENIX, Ariz. — Arizona's three-man Industrial Insurance Commission is being expanded to a five-man agency with the state workmen's compensation fund being handled by a new three-member board of directors with much broader investment authority.

Insurance rates will be set by the National Council on Compensation Insurance instead of by the commission itself, subject to Arizona insurance department approval, and the commission will have no authority to order private firms to charge a higher premium than the state fund.

Legislation revamping the commission was passed and sent to Gov. Jack Williams on June 7 after 31 days of special session, during which discussion of compromise proposals by a joint legislative conference was carried on amid charges that the bill would make operation so divided that administration of the fund could be greatly influenced by the Phoenix insurance lobby.

THE NEED FOR a revamped commission came to light last year when the agency suddenly

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Hard-luck horse Dancer's Image, ridden here by Bob Ussery, dropped out of the Belmont Stakes when Lloyd's of London refused to cover the animal under a $1,500,000 life insurance policy.

Wide World photo

Curb Dancer's cover

NEW YORK—A restriction imposed by Lloyd's of London on a $1,500,000 life insurance policy for Dancer's Image was said to be a major factor causing the sudden withdrawal of the ill-fated thoroughbred from a classic stake race last month.

After announcing that Dancer's Image would not race in the coveted $100,000 Belmont Stakes, millionaire owner Peter Fuller said the horse would be permanently retired to a breeding farm.

Plagued by ankle trouble, Dancer's Image came in first in the Kentucky Derby this year but was disqualified when post-race tests showed painkilling medication was administered prior to the race. In the Preakness of a few weeks later, the thoroughbred was disqualified again and dropped from third

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Aluminum contract has major medical benefit

PITTSBURGH—A major medical package, including prescription drugs and psychiatric care, headed the "vastly improved" medical benefits for the United Steel Workers of America in a new agreement with five major aluminum companies.

The United Steelworkers bargained individually with Alcoa, Kaiser, Reynolds, Ormet and Olin Mathieson.

Along with medical benefit increases, the aluminum workers gained a pension hike. Effective June 1, 1969, the current $5 level will increase to $6.50 per month for each year of service with a maximum of $260 per month after 40 years of service.

Metropolitan Life Insurance Co. will handle the major medical benefits, in addition to the hospital and surgical benefits. June 1, 1971, is the target date for the new medical benefits.

BASIC HOSPITAL-medical benefits will eliminate the fee schedule and go to a "reasonable and customary" method of payment. Formerly, reasonable and customary applied primarily to workers making less than $7,500. According to the union, there were limits on the surgical benefits for employes making more than $7,500.

Major medical will pick up 80% of the covered benefits in excess of the basic hospital-medical benefits and will carry deductibles of $50 per individual and $100 per family. Prescription drug costs will come under this formula.

MAJOR MEDICAL also will pick up costs for professional nursing care, iron lungs and phy-

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Air insurers to pay judgment

LOS ANGELES — Associated Aviation Group and the Aircraft Builders Group, both New York, will absorb a judgment of $1,500,000 arising from a 1962 American Airlines crash.

Bendix Corp., a parts manufacturer, and Boeing Co., which built the plane, are insured for bodily injury and property damage by the Aircraft Builders Group up to $5,000,000 per occurrence.

American Airlines is insured through Associated Aviation for $100,000 per person and $300,000 for any one accident with excess reaching $50,000,000. ▪

An unidentified workman in the Utica-Mohawk textile plant in Clemson, S. C., investigates the aftermath of an explosion that killed three in this cotton textile plant, a subsidiary of J. P. Stevens & Co., New York. A Stevens spokesman said that loss will exceed $1,000,000. Carriers include the Factory Insurance Assn. and Liberty Mutual. An 80-foot long drier, which exploded, was "equipped with all the safety devices known to man," the spokesman said. Wide World photo

Business Insurance roundup

Kennedy aftermath stirs reaction among buyers; all express concern

NEW YORK—Apprehension over a breakdown in law and order seemed to be the prevailing mood of both buyers and sellers of insurance last week as the industry settled back to work following the assassination of Sen. Robert F. Kennedy.

No one had any quick answers as to how America could be put back on the right track. But reaction ranged from the comment that "every man is a law unto himself these days" to criticism of the "permissiveness" of U.S. society to the statement that insurance buyers and other executives must act as the "corporate conscience" of industry.

One group, the American Risk and Insurance Assn., a group of academic members of life, health and liability insurance fields, will set up a commission to probe the social responsibility of the insurance industry in a complex, sophisticated society.

Kenneth R. Huston, president of the American Society of Insurance Management, said there is a breakdown in American society that can't be blamed on any one generation or ethnic group.

"It is a matter of improving morality—not increasing legislation," said Mr. Huston. "We can have all the commissions and legislation in the world, but the problems remain that there are rules for living together in a decent society which are being rejected by distorted American citizens.

"IF EVERYONE is permitted to act on a self-expression basis as advocated by Dr. Benjamin Spock," he said, "then we are in for trouble."

The system seems to say "the hell with the other guy," said Mr. Huston, who is also assistant insurance manager of Consolidation Coal Co., Pittsburgh.

He used an example of the "horrendous" automobile casualty figures caused by motorists driving cars without regard for their fellow citizens.

Regarding the reluctance of older people to heed the outcries of youth, Mr. Huston said, "as we age our peripheral vision shrinks. We can't let this happen to our mental attitudes."

F. X. McCahill, insurance manager for Bristol-Myers, decried the upheaval and cited the press and entertainment industry for playing up violence without discretion, which he contended could be a factor triggering distorted activities by some U. S. citizens.

Mr. McCahill, referring to a speech by the late Sen. Robert F. Kennedy, said the press and entertainment industry should be "responsible" in their activities because they reach the core of our society.

"The social crisis can be ended only by actions, not just words," said Mr. McCahill. He pointed out that Bristol-Myers, a leading consumer products firm, is making positive effort to employ the underprivileged.

"I AM STARTING to see more and more of a mixture of various ethnic groups working together on my floor already," he said.

Waller Smith, insurance manager for United Airlines, said that the corporate insurance department, along with the law and public relations departments, must act as a prodder and custodian of the corporate conscience. These departments must see that the corporation acts as a good corporate citizen.

"The public has expressed its interest in the insurance industry by creating various regulatory bodies" and insurance managers must act on behalf of the public in this "sensitive area." Mr. Smith is a national ASIM vp for education.

JAMES L. Bentley, president of the National Assn. of Insurance Commissioners, also called for a nationwide effort toward self-restraint.

"The trend," said Mr. Bentley, "is toward bigness and in the process we are losing sight of sound ideals and principles."

Mr. Bentley, whose one year term as NAIC president ends this week, said public officials restrained themselves when they should have been applying discipline elements in the U.S.

BRADFORD SMITH, chairman of the Insurance Co. of North America, said "it is a matter of survival that we bring American citizens back to sane thinking."

Riots, assassinations and other forms of violence and decay were scored by the insurance executive, who said "an atmosphere of permissiveness has led

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Undersea vehicles scare fish, insurance men

By GEORGE YOUNG

NEW YORK—Man-made sea monsters, groping awkwardly about in mysterious ocean depths, are being observed warily from above by marine underwriters who foresee the development of another high capacity insurance market.

Known as oceanography, the field is currently limited to about 20 exploratory research submarines capable of reaching depths below 1,000 feet.

Companies such as General Dynamics, Litton Industries, Lockheed and Westinghouse have been active in the field for several years. Newcomers like Union Carbide (Ocean Systems), General Motors, North American and Perry Submarines are expected to produce sizable numbers of sophisticated vessels capable of sustaining men on the ocean floor for days or even weeks.

THE VESSELS, which are usually leased to the government or private industrial firms, are used primarily to study the ocean floor for valuable minerals and petroleum deposits, though the study of marine plant life is becoming more common.

Demographers maintain that in 35 years the world's population will have doubled and the oceans represent one untapped source of food in addition to supplying the chemicals necessary for modern life.

A geographer pointed out that three-fourths of the earth's surface is covered by water and that no known point on the earth lies more than seven miles beneath the ocean's surface—yet less than 5% of the ocean bottom has been explored.

BEFORE THE CENTURY is over General Dynamics predicts man will be farming, mining and manufacturing under the sea, but initially the oceanographic market's growth is expected to be financed by the petroleum industry, which will need larger and more sophisticated vessels to find untapped oil fields. An oil industry report estimated that in the next decade at least $25,000,000 will be invested in exploring and exploiting the seas.

"Insurers are dealing with an exotic new market," said John Ricker, president of the Marine Office of America. "Right now it's strictly trial and error and anything experimental is always fraught with losses."

A major problem facing insurers, according to the MOA head, is that the spread of risk is inadequate to build enough reserve premium in the event of large losses.

"BECAUSE THE hull values of some research submarines are relatively low," he said, "some companies have taken the self-insurance route which reduces the spreads of risk even more."

He pointed out, however, that Lockheed's new research submarine, Deep Quest, which participated in a record-breaking 8,310 foot dive off the California coast, is insured by MOA with an all risk policy for $2,380,000—a trend for the future as values increase year by year.

The U.S. insurance market is becoming more involved in the "exotic" oceanography market, heretofore dominated by Lloyd's of London. John B. Ricker (center), president of Marine Office of America, inspects Lockheed's Deep Quest which it insures for $2,800,000. Looking on are two Lockheed employees, R. K. Worthington, assistant project manager, and Larry A. Schumaker, chief pilot.

Robert Bussey, insurance manager for General Dynamics, said research submarines will increase in size and the insurance risk will rise proportionately.

For example, Aluminaut, built by General Dynamics for Reynolds International, has a maximum depth of 15,000 feet. It assisted in finding a lost nuclear bomb in the Mediterranean sea off the coast of Spain last year—one of its most perilous missions, according to Mr. Bussey.

General Dynamics is also building two new submarines capable of diving 6,500 feet, which will be equipped with lights, closed circuit television, cameras and communications systems.

A submarine "taxi" that will enable divers to move about the ocean depths with almost the ease of a commuter was introduced last month by Ocean Systems Inc., an affiliate of Union Carbide.

THE VESSEL, which is capable of 1,000 foot dives, allows divers to exit from the sub to work on the bottom and to reenter after the work is completed.

E. Bonner Bowring, vp of Marsh & McLennan's marine department, contended that as the number of research submarines increases the U.S. insurance market will become more sophisticated. Marsh & McLennan has designed coverages for such companies as Lockheed, Reynolds International and the Woods Hole Oceanographic Institution.

Tracing the history of the research submarine, he said it became a serious insurance factor about six years ago, starting with builder's risk policies to testing and actual operations.

Mr. Bowring maintained the field of oceanography is chal-

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Risk manager gaining pro status: Overman

DALLAS—Presenting an analysis of risk management, present and future, Dr. Edwin S. Overman, president of the American Institute for Property and Liability Underwriters, said that the concept of professionalism is making impressive strides forward.

Addressing the annual joint meeting of the Dallas-Fort Worth chapter of the American Society of Insurance Management and the Southwest chapter of Chartered Property and Casualty Underwriters, Dr. Overman pointed to the growing scope of education offered in the field of professionalism and urged the audience of about 100 to tie themselves into educational programs and to motivate their employes to take courses to become better equipped to meet tomorrow's problems.

"Past experience won't get the job done," he declared.

Enlarging on the new fields of study the institute will offer, he said management studies will be added this fall "to provide risk managers with the knowledge that will enable them to move up into higher echelons. Within three to five years we should have specialty degrees in adjusting and underwriting, as well as risk management," he predicted.

LAST SEPTEMBER the institute awarded diplomas to the first graduates of the six semester course in risk management begun in 1965. Of the 284 graduates, 276 were CPCU's.

Pointing out other developments in the trend toward greater professionalism, Dr. Overman noted that there are 250 full time teachers in universities this year, with a number changing titles to indicate specialties in risk management and finance; two books written by professors have been published and four by professors are in process, which will expand literature hitherto almost entirely authored by practitioners in the field.

A THOROUGH case history of a risk in a chemical company near Philadelphia, researched and analyzed by a committee of 10 professors and men in insurance, which will result in an 150 to 250-page study, will be presented at the CPCU seminars in New Orleans next October. With five professors working closely with the field, the number one school from the standpoint of insurance studies may well be Temple University, according to Dr. Overman.

He described as "fantastic" the interest in education compared to five years ago. The impetus is being brought about "by competition, as well as your companies," he said. "General Electric sent 35,000 employes back to school last year and spent $34,000,000 to do so." ▪

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Con on loan has coverage

SAN FRANCISCO — The California district court of appeals has reversed a workman's compensation appeals board ruling that a prisoner in a county jail on loan to work in a city sewage plant is not entitled to workmen's compensation.

The board had ruled that there was no contract of hire, expressed or implied.

The court said prisoners at Nevada county jail who are not felons may volunteer for such work and receive five days off their sentence for every 30 days worked and are covered under workmen's compensation.

The city and county have an agreement under which the city can "pick up prisoners" at the county jail for work in a city park or at the sewage plant.

The court ruled "that when a county jail inmate is bound out to a third party for work on a voluntary basis there exists a relationship of master and servant. The inmate becomes an employe and as such is entitled to workmen's compensation benefits when injured in the course and scope of his employment." ▪

Brokerage firms merge

The Norman H. Miller Agency, Haywood, Cal., and Putnam, Knudsen & Weaver, Oakland, have merged. Offices of the newly associated brokerage firms will be in the Oakland Bank of Commerce Building, 1540 San Pablo Ave., Oakland.

Counseling of retirees holds growing appeal for benefit managers

NEW YORK—Employe benefit managers across the country are very aware of the need for preretirement counseling for their employes and agree that "providing benefits isn't enough," according to a *Business Insurance* survey.

However, the survey revealed that nobody seems to feel that counseling for retirement at age

Last of three parts

55 is very feasible, for the simple fact that "today's retirees are very active at 65, and are not prepared to settle down to a quiet life."

It was reported in the June 3 issue of *Business Insurance* that retirees face problems and that Chrysler Corp. and the United Auto Workers set up a joint program to educate employes over 55 and their spouses about retirement.

OTHER COMPANIES across the country offer employes either a formal counseling program or informal counseling services.

At Pacific Gas & Electric on the west coast, preretirement counseling starts about five years before an employe retires.

"Providing good benefits just isn't enough," comments Justin A. Crockwell, manager of the PG&E insurance department. "We have about 3,500 people on our retirement roll and they are very active and not about to retire at 65."

The counseling program is conducted on a "staggered" basis over the five-year period. Employes are told what they can expect from the company and also advised on other activities and things they can do.

MR. CROCKWELL said that at PG&E the number one interest for retirees is traveling. "This is for all levels of employes," he said, "not just for people with money." The company has two associations formed.

According to Mr. Crockwell, many of Pacific Gas retirees take on another source of income at retirement since they are still very active.

In contrast, at Ford Motor Co., Detroit, an informal counseling program is provided. However, one thing Ford does is provide each employe with an annual form showing how much money he would get per month when he retires. This is a projected figure showing what could be expected.

The annual statement also shows what can be expected from Social Security.

Other preretirement counseling is done at Ford on a voluntary basis. Company philosophy, according to a Ford spokesman, is that if an employe wants advice, Ford will help him but there is no blanket counseling for all employes.

At each Ford location there is a personnel benefits rep-

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washington watch

Guaranteed annual wage now a certainty, Galbraith contends

WASHINGTON—John Kenneth Galbraith, national chairman of the Americans for Democratic Action and adviser to each of the last five Presidents, recently told the National Press Club here there is no question that a negative income tax, or guaranteed annual wage, is coming.

He explained it this way: The Democratic National Committee will get together this summer to draft the party's platform. The members, after drafting it, will take another look at their work and say, "There isn't a damn thing new here. We can't offer the American people the same thing Truman and Roosevelt did." The committee will then add the proposal for a guaranteed annual wage and, he added only a bit facetiously, it will then "become a human right." From that point on, Mr. Galbraith said, "Enactment is only a matter of time."

Whether Mr. Galbraith is correct is really not important at this time. The point is that serious debate on the issue is coming up in the near future in Congress and in the appropriate departments of the executive branch. And, as usual, the proponents of a strictly Federal program will be well armed with facts, figures, political support and all the other requirements for getting a bill passed while the business community will probably be centering its comments around charges of creeping socialism, with the more eloquent members crying "damn Communists."

For businessmen, the question of guaranteed annual wage boils down to what effect it would have on existing privately insured fringe benefit programs and on public social welfare programs including Social Security. Would there by any problem in integrating a GAW plan with workmen's compensation in cases of long-term disability? How about insured long-term disability plans themselves? And what effect, if any, would there be on payments for unemployment compensation insurance?

IT WOULD BE refreshing during the certain-to-be-lengthy debate to see the business community participate actively and constructively in seeking the necessary and proper answers to the pressing social problems which have inevitably led to discussion of a massive federal program as a solution.

It is difficult to believe that American business, with its vast creative talent, would be unable, if it tried, to improve upon an entirely Federal program to eliminate poverty and hunger and in the process benefit itself and the free enterprise system as well.

A good place to start to formulate constructive ideas along these lines is to closely analyse a detailed proposal for a negative income tax program and the arguments offered in its favor.

Rep. William Ryan (D., N.Y.) recently introduced such a proposal in Congress entitled the Income Mainteance Act.

REP. RYAN TOLD Congress that present welfare laws seldom provide sufficient income for needy families to live at a minimum standard of decency. He charged that in order to receive minimum welfare benefits, citizens are often subjected to the indignity of intrusions into their private lives, which burden welfare social workers with police functions and tend to destroy the relationship of trust which is necessary if social workers are to provide services which are genuinely needed by deprived families.

Welfare standards vary widely from state to state, Rep. Ryan pointed out, adding that the few states with relatively progressive welfare standards find themselves bearing the burden of migration from states which fail to provide for their own indigent families. Yet, he said, the most needy are often barred from receiving assistance because of impediments, such as residency requirements, based on considerations other than need.

Moreover, he said, because welfare benefits are usually reduced by $1 for every dollar of outside earnings, there is little financial incentive for the person on welfare to work; and welfare tends to become a way of life.

REP. RYAN SAID his bill would work as follows: Persons with low incomes could apply for income maintenance benefits by submitting monthly income statements at intervals which would be determined. They would simply receive from the Bureau of Income Maintenance in the Treasury Department monthly income maintenance checks similar to Social Security checks based on a formula.

Under the formula, at zero outside income, a family would receive an income maintenance payment equal on a yearly basis to two-thirds of the dollar amount of its personal income tax exemptions plus the minimum standard deduction.

Translated into monthly benefits this equals $50 a month for the head of a family plus $39 for each dependent. This would in no case exceed $284 per month and for rural residents it would be reduced by 10% unless the applicant certifies that he did not consume home grown produce equal to that amount.

The benefit would be reduced by 50% of outside income. And, benefits are included in gross income for the purpose of positive taxation, so that, as total income goes beyond a certain level, benefits would be reduced at a rate slightly higher than 50% of earnings.

The bill's enforcement system is based not on a detailed investigation of every applicant as under the present welfare practice, but rather on a sampling or spot-checking basis. ▪

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Except, Jack better be nimble.

Employers Insurance of Wausau

The famous Thunderbird Motel of Minneapolis personalizes its insurance protection with a WAUSAU SMP.

Get the flexible Wausau Story for yourself.

speaking of safety

Give free tickets, trading stamps to boost seat belt use by employes

By GEORGE YOUNG

KALAMAZOO, Mich. — Failure to wear seat belts was discovered to be the major cause of serious injuries to employes of Brown Co. which initiated a "lively and unique" safety program with Insurance Co. of North America to curb soaring accident costs.

The paper products manufacturer, which said it once needed $13,000,000 in additional sales to offset off-the-job injury expenses, estimated that annual insurable claims from all injuries amounted to $360,000. Hidden costs, which Brown had to absorb without assistance of insurance, also reached about $360,000.

Such costs, according to INA, included continuation of salary, lost production, reduced efficiency and the adverse psychological effects from an accident to an employe or a member of his family.

A SURVEY CONDUCTED by INA showed that at least 60% of the total cost of off-the-job injuries, or more than $400,000 annually, was caused by a failure to wear seat belts in autos.

Motivating employes to buy seat belts and wear them was said by an INA spokesman to be the biggest challenge in the accident prevention program.

For example, an investigation of the employes' parking lot revealed that less than 50% of the workers' cars had seat belts.

To communicate the value of the program, F. T. Peterson, president of Brown, sent letters to each employe's home pointing out the number of injuries that occur annually and how the program was designed to reduce both the frequency and severity of accidents.

IN ADDITION, letters were sent by plant managers to supervisors and foremen emphasizing and outlining the importance of the program.

To motivate employes initially the company employed gimmicks such as chances to win tickets to a football game and trading stamps. Movies were shown in all 11 employe lunchrooms, promotional material was provided to local newspapers, and large posters were displayed on all Brown Co. vehicles.

Follow-up letters, which included more chances for football tickets, were sent to all housewives announcing a trading stamp seat belt purchase plan—an opportunity to win stamps and purchase seat belts at cost.

Within one week of the letter, Jack Hartleroad, safety director, said almost 2,200 applications were received.

TO MAINTAIN THE momentum, a Brown Co. official said weekly "tool box" meetings were held at the plants at which time new incentives were announced, chance tickets distributed and employes reminded what would be expected from them and their families.

Later INA parked an "INA-CARE-A-VAN" at each plant where a film "Seat Belt for Suzie" was shown continuously.

"The entire community of Kalamazoo became aware of Brown's program," said an INA spokesman.

As interest increased, letters of "thanks" were sent to housewives who participated in the seat belt campaign, more "tool box" meetings were held, and a "family safety night" was attended by 500 employes.

Participants in the "safety night" included a band, the local basketaball team, INA safety director Jack Hartleroad, local merchants and a packed house of Brown employes.

A question-and-answer session, prize drawings, safety discussions and a buffet dinner highlighted the safety night which was described by INA's master of ceremonies Ron Munro as a "little fun" combined with warnings that the "extra chance taken while driving without seat belts is not really worth it."

The value of the program was described by Hardy A. Bryant, product manager, and Neal Barr, an artist for Brown, who were involved in a collision while they had seat belts buckled.

Mr. Bryant said he "insisted" that his passenger Mr. Barr buckle his seat belt before they started, though neither had worn seat belts prior to the accident prevention program. Both passengers received minor injuries when the car overturned.

According to a Brown Co. spokesman, one incident in which the seat belts prevent serious injury would pay for the entire program. ▪

Widows gain $50,000 each in settlement

MIAMI—Two women widowed in a air crash here have been awarded $50,000 each in an out-of-court settlement with an engine overhaul firm.

Their husbands died when a C46 cargo plane they were flying out of Miami International Airport crashed in a blazing fireball Feb. 13, 1965.

Mrs. Beatriz Diaz-Granados, 38, widow of the pilot, Jeronimo Diaz-Granados, 41, and Mrs. Elizabeth Revelo, 28, widow of the copilot, Jose Ernesto Revelo, had sued Air Carrier Engine Service Inc. of Miami for damages.

The suit had charged Air Carrier, protected by a group of London underwriters, with negligence, contending the overhaul firm had failed to spot a crack in the crankshaft of one of the C46's engines.

Air Carrier Engine Service said there was nothing wrong with the reconditioned engine when it was leased to Aerolineas El Salvador. Messrs. Diaz-Granados and Revelo, pilots for that airline, were flying the C46 to El Salvador with a load of toys, bolts of cloth and other merchandise when it crashed two minutes after takeoff. ▪

We know what you're thinking:

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So much for safety. But accidents still will happen—and when they do, Fireman's Fund moves fast. With the finest treatment money can buy. Because the sooner an injured worker is back on the job, the better you'll feel at premium time.

Better safety engineering. Better claims service. The two big reasons you do pay less through Fireman's Fund. Which helps explain why we're one of the fastest-growing carriers in the country.

So: if the high cost of Workmen's Comp makes you angry, call your independent agent. And ask to talk things over with the men from Fireman's Fund.

We think you'll be happy the minute you see red.

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Vandals threaten school rate hike

MIAMI—Rampant vandalism threatens to hike school building insurance costs across the nation.

A school board here got a taste of the increases in store recently.

The company that writes the Dade County, Fla., school system's fire and allied perils policy wants to eliminate vandalism coverage entirely and to sharply increase the deductible provisions.

Supt. of Schools Edward L. Whigham told school board members the impact of increased vandalism is being felt nationwide.

TWO LETTERS TO the school board from Miami agent H. S. Brannen made clear that elimination of vandalism coverage was "a mandatory requirement" of American Employers Insurance Co.

Board Attorney George Bolles told the board that at one time insurers said they would be satisfied if only $100 was deductible on each vandalism claim.

But now Mr. Bolles said, the agent "wants a $100,000 cumulative deductible—up from $25,000."

One letter from Mr. Brannen noted that "the lack of respect for authority, law, order and the rights and property of others has grown into a nationwide crime wave of such staggering proportions that it becomes incumbent upon each governmental authority and each insurance company to take a good second look at the situation as it affects them.

The letter included among the mandatory requirements a provision that in individual cases of damage to school buildings, no losses would be reported for payment below "a minimum limitation of $500 or $1,000."

The Dade school board pays a $224,000 annual premium on the policy. ■

Three named to new posts with IAC

Industrial Appraisal Co., has appointed William C. Agnew vp; James P. White manager of client services and Thomas J. Callahan sales manager. Mr. Agnew, formerly with Westinghouse Electric Corp., will also continue as manager of the revaluation department.

info for buyers

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

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

• **"Paying for Your Pension—When and How It's Done"** is a 16-page, cartoon-style booklet designed to explain to members of pension plans the process by which their pensions are funded. Sample copies are available without charge by writing Hewitt Information Service, Inc., Libertyville, Ill. 60048.

• **"1967 Source Book of Health Insurance Data"** reviews the continued growth of private health insurance in the United States. Four out of every five Americans are protected by one or more forms of private health insurance. Single copies of the 86-page booklet are available free by writing Mr. Fred DeLuca, Managing Director, Health Insurance Institute, 277 Park Ave., New York 10017.

• A new edition of the booklet **"Summary of State Regulations and Taxes Affecting General Contractors"** is available at 35¢ a copy to members of the American Insurance Association and at 60¢ to others. It is a useful tool for builders, contractors and lawyers. Write the Publication Division, American Insurance Association, 85 John St., New York 10038.

• **"The Fundamentals of Accident Prevention"** tells in 14 pages the elements of a good safety program, how to obtain management leadership and how to interest the employe in the program. Physical layouts for safer working conditions and proper training and supervision of personnel are also discussed. The booklet, Organization and Administration Series Bulletin 247, is available for 15¢ by writing Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.

• Two booklets, **"Dermatitis due to Contact with Epoxies: Rules for Prevention"** and **"Prevention of Poison Ivy Dermatitis,"** are offered free by Mr. Ron Orzel, Gen. Mgr., Milburn Co., 3246 E. Woodbridge, Detroit, Mich.

• The American Insurance Association, which publishes a compensation law pamphlet for each of the 50 states and the District of Columbia, has announced revision of 16 pamphlets to reflect changes in the law. Revised pamphlets are for Alabama, Connecticut, Florida, Hawaii, Kansas, Maryland, Massachusetts, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, Oregon and Texas. Annotations of cases published since the last editions are included. Copies are $2.50 plus applicable sales tax. Write: Editor, Law Publications, American Insurance Association, 85 John St., New York 10038.

• **"Hiring the Handicapped: Facts & Myths"** is a pamphlet which explains away misconceptions about handicapped workers from the insurance point of view. Single copies of the brochure are free by sending a self-addressed, stamped envelope to American Mutual Insurance Alliance, 20 N. Wacker Dr., Chicago 60606.

• A new edition of the booklet, **"Statutes Affecting Liability Insurance,"** contains digests of state statutes relating to negligence actions and liability insurance coverage of interest and importance for claims work. All laws enacted during 1967 and a table of time limitations are included. Cost is $3 plus applicable sales tax. Write: Editor, Law Publications, American Insurance Association, 85 John St., New York 10038.

• For a number of years, efforts to control drunken drivers have been based on a blanket approach—"If you drink, don't drive; if you drive, don't drink." Many experts now say this approach is inappropriate for certain large groups of drinking drivers. **"The New Strategy against Drunken Drivers"** is a four-page reprint from the Journal of American Insurance which explains this new thinking. Single copies are available free by sending a self-addressed, stamped envelope to American Mutual Insurance Alliance, 20 N. Wacker Dr., Chicago 60606.

• Recently, factors other than the cost of reproduction less physical depreciation have been added to valuation consideration. The case-study method is used in **"Values for Insurance Purposes"** to point out these changes in determining property values. The 12-page booklet is free by writing Mr. Andrew J. Stika Jr., Public Relations Dir., American Appraisal, 525 E. Michigan St., Milwaukee, Wis. 53201.

• **"Facts"** is a 15-page guide to better understanding of your accident and health insurance policy. The booklet, which uses the question-and-answer technique, is free by writing the Donald Block Agency of Massachusetts Indemnity and Life Insurance Co., 4001 W. Devon Ave., Chicago 60646.

• **"25 Questions to Ask in Selecting the Bank to Manage Your Employe Benefit Fund"** is a 15-page booklet offered by The Northern Trust Company. It answers the frequently-asked questions of those considering the establishment or up-dating of a benefit fund about their prospective corporate trustees or investment advisors. It is free by writing Mr. James D. Schriner, Public Relations Department, The Northern Trust Co., 50 S. LaSalle St., Chicago 60690.

• The Inter-American Safety Council **"1968 Catalog"** of safety films and posters has been released by the New York-based group. Posters and films are designed to reach Spanish- and Portuguese-speaking employes to facilitate plant safety. The illustrated, 48-page catalog is printed in Spanish with English translation sheets and order forms. It is offered free by the Inter-American Safety Council, 140 Cedar St., New York 10006.

• **"Industrial Noise and Hearing Loss"** discusses the problem of hearing loss in industry and suggests a program to minimize the problem and effectively reduce compensation costs to the employer. The ten-page brochure, released by Maico Electronics, Inc., is free by writing Mr. John C. Kenwood, 413 Willoughby Tower, 8 S. Michigan Ave., Chicago 60603.

• The National Fire Protection Assn. offers its booklets **"Installation of Portable Fire Extinguishers"** and **"Maintenance and Use of Portable Fire Extinguishers"** for 60 cents each. The guidebooks are available by writing Mr. Deuel Richardson, Public Relations Mngr., National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110.

• According to the National Safety Council, injuries to the trunk comprise 28% of all work injuries and 33% of all compensation. A unique wooden training aid, called **"Lifty,"** has been devised to demonstrate to employes why lifting should be done with the legs and not the back and to show how to prevent hernias and back injuries. The 24" high "Lifty" is painted green, white and red and is available for $24.50 by writing Training Aids, 235 Iroquois Rd., Hillside, Ill.

• The question-and-answer approach is taken to Social Security in **"New Social Security Law (in a nutshell),"** a 16-page booklet. Provisions of new legislation are explained and the importance of financial planning is stressed. Sample copies are free by writing Farnsworth Publishing Co., Inc., 381 Sunrise Highway, Lynbrook, N.Y. 11563.

Court okays death pay for 'hard driving' two-job man

SAN FRANCISCO—A California court of appeals decision has been issued here which may have "considerable effect" on laws relating to complex causes of death in industry.

The case involves the death of John D. Bingham after a three-week illness. When his widow sought an insurance award, the workmen's compensation appeals board refused.

The board contended that Mr. Bingham was "the kind of hard driving person who would probably have suffered heart disease regardless of his occupation."

The appeals court reversed the board's denial, saying, that "the kind of personality of the deceased should have no consideration in workmen's compensation payments."

Mr. Bingham was a traveling auditor for an insurance bureau which supervised payment of workmen's compensation premiums.

IN ORDER better to support his wife and three childrem, Mr. Bingham also had a second job as a liquor salesman in a shopping center. This job required that he stack heavy cases of liquor between waiting on customers.

After his death, his widow was awarded $20,500 in death benefits by a workman's compensation referee.

The appeals board reversed the referee after medical testimony that "the real cause of death was a continuous drive to hold two jobs without adequate rest for himself." ■

One out of nine on Big Board now offers employe savings plan

NEW YORK—One out of nine of all companies on the New York Stock Exchange has adopted qualified employe savings plans, according to Howard M. Koster, vp of employe benefits department at Bankers Trust Co.

Mr. Koster, who spoke at a Corporate Seminar Inc. meeting, pointed out that a major advantage of these plans is that they are more liberal than standard pension laws in giving employes vested rights to company contributions.

This point was also emphasized by Bion H. Francis, corporate director of employe benefits at Crucible Steel Co. and *Business Insurance* columnist, who maintained that the delayed vesting provisions of many pension plans means that they have "little or no value" for younger executives.

In contrast, Mr. Francis said, "savings plans are much more liberal in this matter of vesting." He pointed out that a five-year requirement for vesting of the employer's contribution is usually the maximum and the period is "frequently less."

A 1967 SURVEY made by Bankers Trust of 132 companies found that 7% of the plans had immediate vesting of company contributions, 48% had vesting by length of plan membership and 43% vested after a specific period following the date of contributions.

Of the plans vested by length of membership, 24.2% give full vesting after five years. In every case, Mr. Koster pointed out, company contributions become immediately vested upon death, retirement or permanent disability.

The study also revealed that 54 plans had special provision for immediate full vesting in the event of unforeseen contingencies. For example, 38 plans made provisions for layoff or plant shutdown, 16 plans for involuntary termination of employment, and eight plans provided for entry into the armed forces.

Two examples of liberal vesting provisions revealed in the survey include Armco Steel Corp. where 84% of eligible salaried employes participate in a thrift plan, and company contributions are immediately 100% vested. At Gulf State Utilities Co., with a 92% participation, all company contributions are immediately 100% vested.

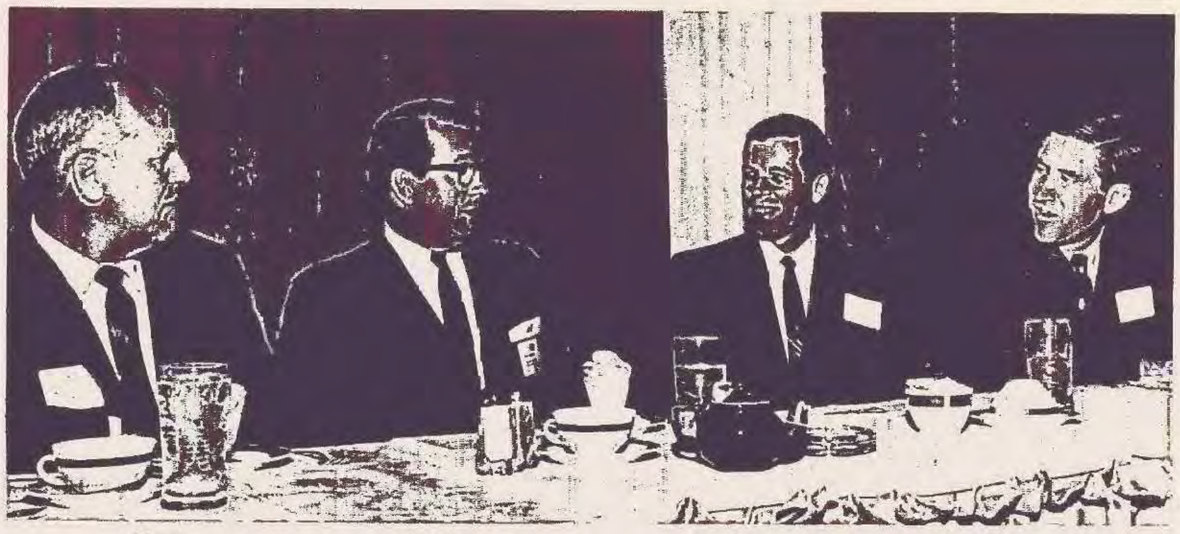
FROM AN employer's point of view there are favorable tax advantages of a savings plan, because company contributions are a deductible business expense, and the trust holding the investments is tax exempt.

The employe is not subject to income tax on either company contributions or earnings on his own or company contributions until such amounts are actually distributed to him in the form of benefits. At that time, if he had retired or served employment, he can treat these lump sum distributions as a long term capital gain.

Mr. Koster also said that the cost of a savings plan to a company "can be moderate." For example, if the average employe contribution amounts to 4% of compensation and the company matches to the extent of 25%, the cost to the company before taxes is less than 1% of the payroll for eligible employes.

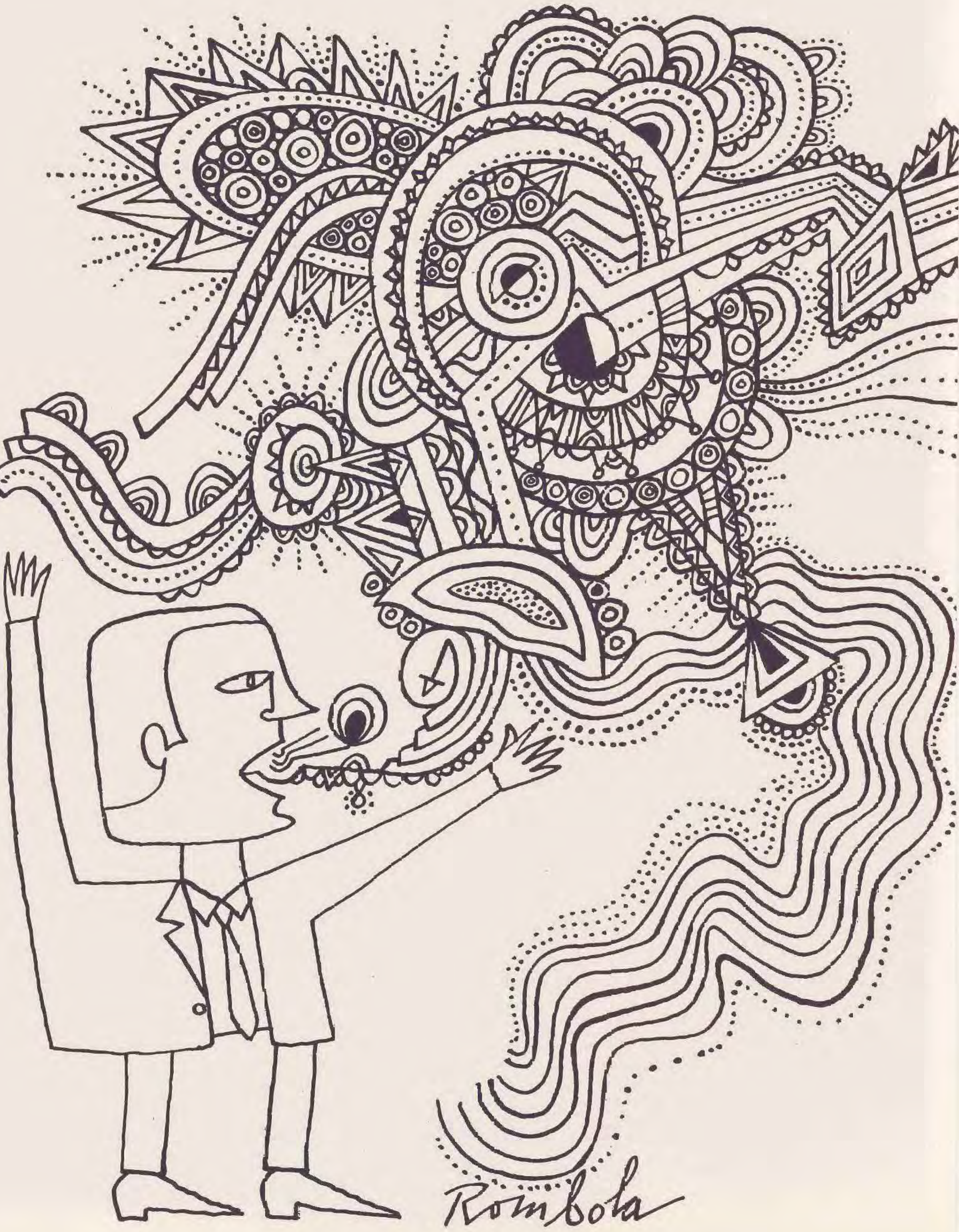
Of the 132 companies surveyed, 74% of the plans had either no service requirement, or service requirement of one year or less; 87% had either no minimum age requirement or else fixed at age 21. Most companies found it desirable to impose some restriction, Mr. Koster said, because this reduced administrative costs in employe groups with the highest turnover rate.

Continued on page 23



Clem **Huston** **Mayes** **Beaumont**

Speakers at the Houston Society of Insurance Management annual spring conference included Howard H. Clem, manager of insurance for worldwide operations for Schlumberger Ltd., New York; Kenneth Huston, assistant insurance manager for Consolidation Coal Co., Pittsburgh, and president of the American Society of Insurance Management; John Mayes, property and liability manager for Employers Casualty Co., Dallas; and Clyde H. Beaumont, sales department manager for E. H. Crump & Co., Memphis



Lloyd's to suffer first loss in history

NEW YORK—Lloyd's of London will show the first loss in its 280-year history when operating figures for 1965 are released this summer, according to Ralph Hiscox, chairman of Lloyd's. Lloyd's keeps its books open for three years before distributing profits.

The loss situation, brought on by Hurricane Betsy, will show a "marked improvement" in 1966 and 1967, Mr. Hiscox told *Business Insurance* in an interview during a two-week visit to this country.

Mr. Hiscox contended that buyers have been paying bargain rates for insurance during the past 20 years and must be prepared for rate increases from Lloyd's Underwriters. "The public must realize they've been buying insurance at uneconomic rates. That's got to be put right. They can't expect to get coverage for these enormous liabilities except at a fair price," he stated.

To put its own "house in order," Lloyd's underwriters are becoming more critical of the risks they assume, Mr. Hiscox said, and are avoiding the "sentimental risk" which they heretofore have accepted for "prestige" reasons.

ANOTHER FACTOR in the restricted insurance market, Mr. Hiscox contended, was mergers between insurance carriers. He said that whereas before the merger two insurers might have each underwritten $500,000, the newly merged firm ends up underwriting a combined $750,000. "Mergers very often contract the market," Mr. Hiscox said.

The U. S. is "easily our biggest and most treasured client," Mr. Hiscox stated, in denying any major pullback of Lloyd's from U.S. risks. "We're anxious about the U.S. situation," Mr. Hiscox conceded, but he said he knew of no case in which a Lloyd's underwriter canceled out on a U.S. risk.

Mr. Hiscox said that Lloyd's has received about 60 inquiries (25 from Americans, the rest from Europeans) since it announced that it would accept non-Britishers as investors in Lloyd's syndicates. Lloyd's will elect its new underwriting members at the end of the year.

MR. HISCOX is serving his second one-year term as chairman of Lloyd's. He is a partner in Roberts & Hiscox, one of more than 6,000 underwriters in Lloyd's. Mr. Hiscox first joined Lloyd's in 1925 as an office boy.

"We are all striving very hard to turn Lloyd's into a profit making concern," Mr. Hiscox said. "We have a tremendously forward-looking market which provides imaginative service on a worldwide basis. And that still goes for today." ▪

Ralph Hiscox

Western brokers

Two insurance brokers, French & St. Clair, San Francisco, and Kindler, Laucci & Day with offices in San Francisco, Los Angeles, Pasadena, Cal. and Phoenix and Holbrook, Ariz., have merged.

Travelers withdraws $50,000 bond

HARTFORD—A $50,000 performance bond required by the Connecticut state highway department in its contract with Operation Breakthrough Inc. of New Haven, has been withdrawn by the Travelers Insurance Co.

Operation Breakthrough is a poverty program established last summer to provide jobs for the indigent. It is also administered by the needy.

Curtis Belton and Ronald Johnson of New Haven two of the project's incorporators, are among six men accused of an alleged plot to bomb public buildings in New Haven.

OPERATION Breakthrough's $150,000 contract with the state highway department to maintain property on the path of a new state Route 34 calls for a $50,000 performance bond and liability insurance totalling $750,000.

The state highway department said some weeks ago that no state money has been spent as a result of its contract with Operation Breakthrough Inc. because the corporation had never submitted a bill.

Donald L. Banta, manager of the Travelers' fidelity and surety bonds division, disclosed that the bond would be cancelled Jan. 28, because Operation Breakthrough's contract with the state highway department had never been fulfilled.

"NO ONE knew what was going to happen, so there was no sense in having a bond," Mr. Banta added.

He said that the allegations against two incorporators had brought to light that there was no effective contract, since they were the two with whom Mr. Banta's department had done business in Operation Breakthrough. ▪

opinions

Goad for the states

New York's Sen. Jacob Javits, as reported in the last issue of *Business Insurance*, has introduced an amendment to the occupational health and safety bill that would create a 15-member U.S. study commission to review the status of the state-regulated workmen's compensation system. In support of his amendment, Sen. Javits pointed to what he called "shocking inadequacies" including insufficient medical, disability and survivors benefits, lack of rehabilitation facilities, gaps in coverage and uncertain standards for determining compensability.

Defenders of the state system of workmen's compensation fear that adoption of the Javits study commission proposal would result in a recommendation that Congress adopt nationwide standards for workmen's compensation. But even those insurers and employers who oppose adoption of the study commission proposal privately deplore outdated laws and inadequate benefit levels that obtain in many states. They concede that unless state standards are markedly improved very soon, federal action is inevitable.

Risk managers, especially members of organized chapters of the American Society of Insurance Management Inc., have a professional obligation to participate in a serious reassessment of the workmen's compensation system as it operates in individual states. Does it provide sufficient benefits? Does it cover enough workers who need its protection? Does it measure up to the demand of advancing technology? How can it be revised to meet today's working conditions?

Unless risk managers meet this responsibility they share with insurers and workmen's compensation administrators, the imposition of federal standards will occur. Federal officials, in an era of growing social consciousness, will not stand idly by while workers subsidize the cost of their on-the-job injuries.

Riot surcharge resistance

The insurance departments of 15 states have seen fit to deny a rate increase for riot damage in fire and extended coverage policies; 23 states have authorized the increase. Decisions are pending in other states.

The riot surcharge, a 2% hike in rates in those counties with less than 250,000 population and 4% in those counties with more than 250,000 population, is a partial response by the insurance industry to claims arising from civil disorders that have plagued U.S. cities during the past few years.

The companies argue that the fire and extended coverage policy was never intended to include such risks, at least not to the extent of the hundreds of millions they contend they may have to pay out without corresponding premium income. Through their rating bureaus, the carriers have moved to ask for increases from the states, including refiling in those states that have denied the increase.

We recognize that the insurance companies must have additional premium income to pay for increased riot damage claims. The reasons for the riot surcharge are manifest.

CRIMES COMMITTED WITH FIREARMS				
Murders	1963	—	4,228	Up 77%
	1967	—	7,500	
Aggravated Assault	1963	—	17,485	Up 169%
	1967	—	47,000	
Robberies	1963	—	59,000	Up 70%
	1967	—	100,000	

Source: FBI Uniform Crime Reports

Use of firearms in crimes of violence has grown at an unprecedented rate in the past four years, a period that has witnessed murders by gunshot of some of our nation's most prominent leaders. Involvement of guns in serious crimes skyrocketed during the 1963-67 period at rates ranging from 70% to 169%, as indicated in the table above. In contrast, U.S. population grew only 4.9% during the 1963-67 period, and violent crimes increased about 50%. Guns are now involved in approximately 57% of all murders, 16% of aggravated assaults, and 58% of robberies, a fact that should concern every corporate risk manager professionally dedicated to the preservation of life and property.

Yet some arguments against authorizing a rate increase for riot losses do have merit. One insurance commissioner told *Business Insurance*, "We didn't feel the increase was warranted because some companies are not doing business in the areas where coverage is necessary anyway. They would get the increased premiums without bearing any of the risk." In denying the increase, he said he was waiting for final action on a bill in Congress to set up a U.S. riot reinsurance pool. Some legislative experts have predicted passage of this bill this summer. Perhaps with the establishment of federal reinsurance back-up and safeguards that insurance is made available to all property owners and businesses, the riot surcharge makes sense.

Pooling of the premium funds and pooling of the risks are an integral part of a recommendation on civil disorders by the National Assn. of Insurance Commissioners, the same NAIC recommendation that insurance companies rely upon to support the rate increase proposal. To approve the rate increase without the other two portions of the "package" may be costing insurance buyers more than is justified without providing property insurance protection where it is most needed.

In what sequence the three parts are passed is not as important as that the entire package is eventually established.

Too much leeway?

We were pleased that the jury in the Goldwater libel case awarded $75,000 to the Republican party's 1964 Presidential candidate, and we hope the decision is not reversed by a higher court.

A national figure, we submit, should have the same recourse as a private citizen in protecting himself from reckless and irresponsible statements made against him as an individual. We don't think this onus will create an intolerable burden for the nation's press and broadcast media.

To collect in a libel case these days a public official must prove that the defendant showed "reckless disregard" of the truth. It's not enough for someone to err in castigating a public official, the Supreme Court has said, but he must also make the offending statement with actual malice.

Thus, the press can print almost anything about a public official, providing it does so without malice and without a reckless disregard of the truth. If the defendant in the Goldwater suit, Ralph Ginzburg, had been able to establish that his Fact magazine had printed anti-Goldwater material without any preconceived notion of the effect of the article, there's a good chance the jury would have acquitted him.

It strikes us that this arrangement is overly generous in favor of the press. What the courts have ruled is that the truth about an official isn't the primary criterion; what is of more importance is that there wasn't any *deliberate* attempt to attack his character.

This requirement gives the press too much leeway, we contend. With freedom of the press comes an equally binding responsibility to establish beyond reasonable doubt that what appears in print or over the air is an accurate representation of what is going on.

This should not give media the right to disseminate information about a public official just because someone said it. What is often lacking in news dispatches, it seems to us, is the judgment to discern whether the person being quoted knows what he is talking about—whether or not what he says borders on libel.

We submit that the courts have unwittingly given the press so much protection that it no longer is forced to exercise the kind of judgment needed to separate hearsay and rumor from the realities of a situation.

The result is an abdication of the press' rightful role—at a time when expert appraisal is needed more than ever.

business insurance

for buyers of employe, property and liability protection

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letters

Ohio pool?

To the Editor: Reference is made to your issue of April 8, page 14, Opinions, in which you state, "The insurance industry would like to know . . . the effect of . . . pools to cover properties in deteriorating neighborhoods . . . These voluntary pools were set up by the insurance industry in cooperation with state insurance commissioners. . . ."

In the same issue, page 23, you again refer to such pools, indicating that Ohio is one of the states which have established such entities.

We are highly interested in this matter and know nothing about any such device available in this state. The source of your information and any other clues would be very much appreciated. Thanks in advance.

R. G. Shaman
Vice President, Goldsaig Brothers, Inc., Dayton, Ohio.

Editor's note: Mr. Shaman has reference to the property inspection program organized in Cleveland to assure that well maintained properties in ghetto areas can be protected by fire insurance. Ohio has no "pool" as such, but Ohio's Director of Insurance Eugene P. Brown says legislation authorizing a ghetto property insurance pool could be adopted next year at the earliest if Congress adopts a federal back-up plan.

Not gambling

To the Editor: With reference to the editorial entitled "Accidents Do Happen" in the May 20 issue of *Business Insurance*, I must take exception to the use of the word "gambling" in reference to insurance.

Although both insurance and gambling are considered risks, they differ in that gambling is a speculative risk, while insurance is a pure risk. The difference is this: in a speculative risk, there is the chance of both loss and gain. In a pure risk, such as insurance, there is only the chance of loss.

Steven B. Steinberg
Insurance Manager, Eugene Kardon Enterprises, Philadelphia

Rating rule

To the Editor: I read with interest your article regarding the erection of the new plant for the United Container Company in Northeast Philadelphia in the May 6 issue of *Business Insurance*.

The fourth paragraph reads as follows: "On the advice of the two insurers United Container selected a site in Northeast Philadelphia with more than adequate water supply and one protected by the Philadelphia fire department—an important economic factor since an area served by a volunteer fire department demands higher premium rates."

With our Factory Mutual rating procedures it is almost unheard of to put a penalty in a rate because the fire department is volunteer rather than paid. We feel very strongly that the assured should have their own property conservation program including a properly trained fire organization.

Robert Clapp
Regional Vice President, Manufacturers Mutual Fire Insurance Co., Providence, R. I.

Continued on page 22

Gulf + Western reviewing value of equipment for Paramount unit

By WILLIAM GUEST

NEW YORK—When Gulf + Western Industries bought Paramount Pictures in October, 1966, the company found to its dismay that although Paramount's buildings were protected by fire insurance, there was no coverage at all for the contents.

"My very first action was to immediately place $10,000,000 worth of contents insurance in force," said William D. Smith, director of insurance at Gulf + Western. "Now I'm making a thorough evaluation to determine if this limit is enough."

Mr. Smith also told *Business Insurance* of some of the other insurance problems at Paramount, which range from liability coverages for a prison riot scene using inmates, to insurance on movies costing $25,000 a day to produce.

CURRENTLY, the fire insurance at Paramount is $15,000,000, on an actual cash value basis, although the Gulf + Western insurance at other locations is based on replacement value.

Contents insurance is "very important," Mr. Smith explained, "because we have a special problem of insuring antiques, fine arts, wardrobes and props."

As an example, he pointed out that after Cecil B. de Mille finished making the "Ten Commandments," robes and props were valued at $250,000, but Mr. Smith indicated that the value may be considerably higher now.

Because of this, Gulf + Western is currently reviewing the value of equipment at Paramount, Mr. Smith disclosed, in order to arrive at a more realistic cost figure.

Another unique aspects of the contents coverage, Mr. Smith continued, is that Paramount has a large collection of antique chandeliers "which must be worth more than $1,000,000." Many of them came from castles in Germany and Spain, he said, and date back to the 16th century.

"You can see that loss prevention is of the utmost importance to us," Mr. Smith said, "because no matter how much insurance is carried, you can't come out ahead. How could we replace some of these treasures?"

The insurance executive finds Paramount "a fascinating world" with insurance problems requiring him to visit Los Angeles at least once a month—even though a full-time manager is in charge there.

THE BULK OF the studio's buildings are sprinklered, and over the next two years Mr. Smith's ambition is to have the whole complex written as a highly protected risk for fire insurance "and any expenditure will be more than justified."

To help achieve this goal, Paramount has a full-time plant engineer who is "really hot on preventative maintenance." Mr. Smith explained that "with all our vast electrical network and the extreme requirements of lighting, we are surrounded by switches and cables and must stay on our toes."

Some of Paramount's unusual liability coverages can cause headaches, Mr. Smith continued. "For example, as publicity for a picture, the studio intends to put a live bear in the lobby of a Chicago hotel—on a leash and not in a cage!"

The studio once had to buy a $2,100,000 jeweler's block policy for a scene shot at Tiffany's, Mr. Smith related. "If a robbery had taken place during the filming it would have been our problem."

Currently, a problem just solved by Mr. Smith was obtaining coverage for a film being made called "The Riot," which will be made in a state prison. "As you can imagine, the state wants a policy holding them harmless for everything. If the inmates get a little restless and cause $500,000 of damage, it's our problem and not the state's."

An exciting aspect of his work, Mr. Smith continued, "is that we have to make up our own coverages as we go along. Fortunately, our brokers, John C. Paige-Obrion Russel & Co., Houston, always seems to come through." Mr. Smith also praised the Aetna Casualty & Surety Insurance Co., Gulf + Western's liability carrier, "which gives us service at every turn."

Production insurance falls into three main categories, Mr. Smith

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Liability . . .

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insurer refused to pay off on a life and accidental death policy.

The widow, Mrs. Harriet L. Jones, said Hancock had insured her husband's life in the amount of $43,000 in life insurance, $43,000 accidental death and $860 per month for 20 years to be paid in case of death to her or her surviving children.

MRS. JONES contended that her late husband paid a premium of $1,134 in advance through a local agent, and that Hancock denied liability under the contract.

A $200,000 judgment against the manufacturers of an equipment hoist presumably will be appealed, a company spokesman said.

The Chisholm-Moore hoist division of Columbus McKinnon Inc. Tonawanda, N.Y., told *Business Insurance:* "We feel the verdict was contrary to the weight of the evidence. We submitted proper evidence to show the hoist was adequately constructed."

The company declined to say whether the $200,000 award would be picked up by its liability carrier and would not disclose the name of the insurer involved.

The award was made to a widow whose husband was crushed to death four years ago when a Chisholm-Moore hoist broke while it was in operation. ▪

Unions are ready for group auto, homeowners cover, prof tells AIA

NEW YORK—A college professor predicted the time is ripe for insurers to market group automobile and homeowners insurance to labor unions.

"Many unions have already satisfied their high priority fringe benefit needs, such as paid leave time, comprehensive health and life insurance," said Richard M. Heins, University of Wisconsin.

Speaking at the annual meeting of the American Insurance Assn., he further contended that governmental pressures for restraint in seeking wage increase in an inflationary economy will trigger greater pressures for an expanded fringe benefit program.

THE FUTURE OF group automobile insurance written by private insurers will be linked to the ability of private insurers to adapt to the new dimensions of labor-management relations which are now evolving, he said.

Mr. Heins pointed out that the prospects of many companies for reversing their unprofitable trends in the automobile and homeowners fields seem to lie in group marketing activities.

"Undoubtedly the marketing of group property and liability insurance will require a sound regulatory structure to prevent abuses to the detriment of the consumer," he warned.

Mr. Heins listed some of the guidelines pertinent to marketing nonlife group insurance. He said that coverage must be available to all employes and that 75% of all eligible employes must participate with a minimum number of 100 participants required for a group.

He said that mass merchandising probably won't drive the independent agent out of business but will probably enhance the position of the professional producer. He pointed out that mass merchandising only applies to personal or small business lines, perhaps totaling 30% to 40% of the overall fire and casualty premium volume.

Mr. Heins challenged the insurance industry to recognize the "unique characteristics and features of this new market in order to be successful. The employer is interested in cost; the union, in benefits obtained."

MELVIN L. STARK, Washington manager of the American Insurance Assn., warned that property and liability insurers must continue to make insurance available in urban communities or the relationship between small businessmen and the insurance industry holds increasing danger of deterioration.

His warning was based on the results of a survey conducted among small businessmen in riot-affected areas. He said that the desire of insurers to make insurance available is conditioned on the ability of the business to obtain enactment of federal legislation which will result in sharing the burden of indemnification of losses for those who do business in riot-affected areas.

THE STUDY SHOWED that 80% of the small businessmen said they had fire insurance, 38% carried extended coverage, 25% carried theft, crime and plate glass coverage and 23% had business interruption insurance.

The study also showed that 42% said they had not had a rate increase during the previous 12 to 18 months while 38% said they had received increases in the cost of their business coverages. Mr. Stark pointed out that 20% did not even know whether their premiums had increased. ▪

Bank deducts insurance cost from balance

HARTFORD—A new program, developed by the Hartford National Bank & Trust Co., will handle payment of insurance premiums and other fixed expenses.

Now being offered to life and health policyholders of Aetna Life & Casualty, the program further automates an existing plan which makes it possible for policyholders to authorize both company and bank to automatically charge their checking accounts for premium payments.

The insurance firm will submit a magnetic tape listing premiums due. Hartford National will charge its own checking account customers and will also transmit charges to any other bank across the country.

Payment of premiums will then be automatically credited to the insurance company's account.

Robert L. Newell, exec vp in charge of the bank's operations division, calls the new program another step toward "the checkless society" and predicted that an increasing number of regularly fixed expenses will be handled in such fashion.

Initially, the bank plans to develop similar programs for other insurance companies and for utilities. ▪

Details government, private insurers link

CHICAGO—A new partnership between the government and the private sector in administration of health insurance gives impetus to private development of previously neglected markets, the president of the Health Insurance Assn. told those attending the groups' 12th annual meeting.

Charles A. Siegfried, president, described the relationship as "one of the brighter elements" of the past year.

F. T. Van Urk, president of the International Assn. of Health Underwriters, noted that "despite the new attitude of cooperation—if it is there and is maintained—it is safe to say that what we, the private sector, do not do, the government will be pressed to do."

Both Mr. Siegfried and Mr. Van Urk stressed the duty of private insurance to provide good protection at proper prices, in the face of the sharp rise in health care costs for the past year.

MR. VAN URK pointed out that most people are "woefully" underinsured against income lost if they become ill or injured. "We are not selling people the fact that the most valuable thing they own is their ability to earn income," he continued.

Education of salesmen must be updated to bring insurance needs to the attention of the under-65 market, he added.

Statistics show, Mr. Van Urk commented, that fire insurance coverage runs about 80% of value, marine insurance virtually 100%, and new forms of property insurance approximately 50%. In health insurance, coverage is only about 16% of value.

James R. Williams, vp and general manager of the Health Insurance Institute, noted that the idea that neither the government nor the private sector can do the job of financing medical care alone, "has an acceptance today that would not have been thought possible a few years ago."

PARTICIPATION by insurance men in conferences in the past year on medical costs and health care delivery systems, said Mr. Williams, proves that "private health insurance can and will help lead the way to a better and more orderly system."

The insurance industry's commitment to a program of action through the Health Insurance Council Community Health Action Planning program was cited by Mr. Williams as another contribution to improving national health care service. The objective of quality health care at reasonable costs would be reached through a blend of government-private planning.

"It seems to me," said Mr. Williams, "that there is no satisfactory alternative to continued exercise of our responsibility in a major way to solve social problems and to strengthen our public relationship." ▪

Aftermath . . .

Continued from page 2

to a complete disregard for the rights of all citizens."

"We have gone a long way from the fundamentals that made the U.S. great," said Mr. Smith. He cited recent Supreme Court decisions which he said turned "soft" on crime and morality by creating more rights and privileges for criminals and dissenters at the expense of society.

THE BUSINESS community, he maintained, has not lived up to its obligations although a great deal is being done and many improvements have been made.

"Business has a social responsibility toward youth and the disadvantaged which has to be met," said Mr. Smith.

Ronald Remington, executive secretary of the National Assn. of Insurance Brokers, indicated there is general agreement in the industry that all insurers, and business men in general have a stake in social responsibility.

AT THE SAME time, Mr. Remington pointed out, the insurance industry should not be singled out as being unique in its responsibility to find solutions to social reforms.

"How do you stop a person from assassinating a political figure or a group from rioting? There is no one single solution, except by active participation by all segments of the business, political and social communities," he said. ▪

Name Gyory to USI post

NEW YORK—Robert S. Gyory has been appointed to "develope the scope" of the insurance program of U.S. Industries Inc., New York, where he will hold the title of assistant treasurer. Mr. Gyory will also assist in the active acquisition program of USI, which manufactures and markets a wide range of industrial and consumer products.

Mr. Gyory will report to S. Dean Maddock, newly appointed treasurer.

Robert S. Gyory

Mr. Gyory is a past president of the New York chapter of the American Society of Insurance Management, a member of the Insurance Society of New York, and of the American Management Association serving on its AII-AMA committee.

After receiving his B. S. degree in economics from the College of the City of New York. ▪

Feldman ass't. vp at Youngberg-Carlson

Youngberg-Carlson Co. has named Fred Feldman assistant vice president of the Chicago general agency. Mr. Feldman will continue as an account executive and vp of J. H. Lea & Co., a Lloyd's, London reinsurance facility owned by Youngberg-Carlson.

for the record

Scramble for brush fire cover

SAN FRANCISCO—Several domestic insurance companies are working together here to develop a plan for covering loss of fire insurance last June for 2,300 dwellings in brush fire areas.

Because of a worldwide tightening of the reinsurance market, an underwriting pool set up for brush fire insurance had told the 2,300 property owners it could not obtain adequate reinsurance and that all policies would terminate June 30.

Since then, companies doing business in California and elsewhere have been working with the state insurance department to continue the policies in effect until each policy in the pool reaches normal expiration during the next two years.

Insurance Commissioner Richard S. L. Roddis has written each insurance company doing business in California asking that it take its proportionate share of the pool's exposure.

The emergency approach, however, contemplates that no fire insurance policies will be renewed in the underwriting pool, and the property owners will have to find another market.

There are some 78,000 dwellings in brush fire areas, and insurance companies have had an aggregate of more than $2 billions of risk in the areas. ▪

Court limits hotel's liability in theft case

AKRON, O.—A hotel here does not have to reimburse a jeweler the full $40,000 value of his sample case stolen from the hotel by thieves.

The Ohio supreme court refused to review the appeal of jeweler Irving A. Kaufman and the Continental Insurance Co. from a lower court ruling which held the Sheraton-Mayflower Hotel liable for only $500.

Continental had argued that the court should take a strict interpretation of Ohio law in deciding the 1962 theft case. Under the law, an innkeeper is liable for loss of property by a guest, the insurer contended.

Clothing union wins benefits

NEW YORK—Increased hospitalization and pension benefits for nearly 125,000 members of the Clothing Manufacturers Assn. of the U.S.A. went into effect the beginning of the month.

The exact details of the contract haven't been worked out yet, according to a spokesman for the union part of the Amalgamated Clothing Workers of America. Details will be completed when the trustees meet this month.

Basically the agreement provides for full hospitalization in semiprivate rooms for employes and their dependents; an increase in disability payments from $50 to $60 a week, and improvements in life insurance and pension benefits.

MIBA selects new officers

BOSTON—The Massachusetts Insurance Buyers Assn. has elected E. V. Donaldson, Gillette Safety Razor Co., president.

Other officers are P. A. Murphy, Howard Johnson Co., vp; J. F. Keating, Ludlow Corp., treasurer; and L. W. Sullivan, H. P. Hood & Sons, secretary.

Named directors, in addition to Messrs. Donaldson, Murphy, Keating and Sullivan, were H. S. Stowers Jr., Bird & Sons; G. Chiklakis, Brockton-Taunton Gas Co., and J. W. Chevarley, Stone & Webster Engineering Corp.

Mayor asks damage funds

SASEBO, Japan—This city's mayor has asked the Japanese government for compensation for damage to municipal property caused from riots during a recent visit by the USS Enterprise, U.S. nuclear-powered aircraft carrier.

Mayor Ichizo Tsuji estimated that municipal damages, including destroyed buses, totalled $41,667. A government spokesman said that some aid would be given to the southern Japanese port city, but the amount will have to be worked out among national ministries.

There is no estimate available of the amount of damage. ▪

ZCMI covers five pioneer shops under regular policy

SALT LAKE CITY—ZCMI, the nation's first department store, will commemorate its 100th anniversary this summer and has reconstructed five authentic pioneer shops in its downtown store.

Insurance on the shops, built in the area where display windows were formerly located, is included in the firm's present policies, reported Dean R. Williams, secretary-treasurer.

The shops are covered against liability, business interruption, fire and extended coverage and stock replacement—the same as the main store and its two branch stores in Holladay and Ogden, Utah.

"There may be some premium adjustment because of the construction of the shops," Mr. Williams said, "but we won't know this until we meet with the insurance people."

Many old-time fixtures, which could never be replaced, are included in the shops, Mr. Williams said. Among old items are a cook stove in the bakery, an ice cream bar in the ice cream parlor and a candy fixture in the candy shop.

ZCMI—formerly called Zions Cooperative Mercantile Institution—was founded by Brigham Young, the Mormon colonizer, in 1868 in an effort "to assure a fair and equitable distribution of goods and profits." ▪

Settle LTV unit air crash suits

DALLAS—Settlements in four civil suits have been approved by U.S. district judges here involving $635,000 in damages. Defendants in the suits are North American Rockwell Corp. and Aero Commander, Inc.

The suits resulted from the seven-fatality crash of a plane owned by LTV Electrosystems. The plane plunged into the back yard of a school here last Sept. 27, killing everyone aboard. A federal investigation determined that a manufacturing defect caused metal fatigue which in turn caused the left wing to fail and separate from the fuselage.

Mrs. Patricia Jeanette Chappell was awarded $260,000; Mrs. Lillian O. Culp, $150,000; Mrs. Verner Denham Jr., $125,000; and Mrs. Gloria H. Kennedy, $100,000. All were widows of the victims. One case is still pending in federal court here. ▪

Oakland postal facility covered

OAKLAND, Cal.—A major insurance "package" covering a new $15,000,000 U.S. post office and vehicle maintenance facility now under construction here has been completed by Hayman-Polak-Alberton, San Francisco brokers.

William Pollak, vp of the brokerage firm, said that all insurance, including liability, and workmen's compensation, has been placed through the Crum & Forster Group. ▪

Counseling . . .

Continued from page 3

resentative available so an employe can seek preretirement counseling at any time.

Right now, according to the spokesman, Ford plans to keep its counseling services on this basis. Besides a regular pension, a retired employe continues his life insurance and medical coverage and he may also seek advice on this phase of retirement.

Olin Mathieson Co., New York, has a retirement counseling program for employes, but the specific handling is left to individual divisions.

"This isn't handled out of corporate headquarters," said Raymond Kase Jr., manager of compensation and benefits, "because the company is highly diversified and retiree goals vary by geographical locations."

REYNOLDS TOBACCO Co., Winston-Salem N.C., doesn't have a specific counseling program but the employe benefits division is "always available" to answer questions and give guidance.

The company is "very interested" in the subject and recently sent a representative to Duke University for a conference on retirement.

At American Telephone and Telegraph, New York, Robert E. Royes, secretary of the employe benefits committee, said his company has an informal retirement counseling program. When an employe wants advice he can come to his supervisor.

The only thing that AT&T does in a formal way is to make copies of Harvest years available to employes in their early 60's. The company gives prospective retirees a trial subscription for a year and then the employe can subscribe at a reduced rate. ▪

business insurance/perspective

USSR manufacturers are liable for inferior goods

by Sergei Andreyev
Novosti Press Agency
Moscow

(In its Feb. 12 issue, Business Insurance *published an article by Mr. Andreyev on state insurance in his country. In this issue we begin a two-part series dealing with other phases of USSR insurance. The July 1 issue will detail new developments in collective farm insurance.)*

Gosstrakh, the Soviet state insurance company, insures against natural calamities and accidents only where the property of collective farms and individuals is concerned. Reserve funds are created in the state budget and stocks of raw materials, equipment industrial goods and food are set aside to compensate for the damage caused to state enterprises in such cases.

These stocks are at the disposal of the USSR government and the governments of the union republics. When the occasion arises these reserves are issued to enterprises in need by the corresponding authorities.

Although the output of goods not in demand or a high percentage of defective goods are as a rule the fault of the enterprise concerned and not an accident, until recently the state actually acted as an insurance company in these cases.

IT WAS IMPORTANT FOR each enterprise to fulfill the basic index, the plan specifying the volume of output. The goods manufactured were required to at least meet the minimum quality level of similar goods. When marketing difficulties arose, the enterprise only suffered a moral loss, while the material losses were shared by the state and the consumer. The surplus goods accumulated in warehouses and in stores were sold at reduced prices, while consumers often left a store without making the necessary purchase.

The situation has changed. For three years Soviet industry has gradually—enterprise after enterprise and branch after branch—undergone an economic reform, incorporating a new system of planning and economic incentives. At the beginning of this year some 10,000 industrial enterprises were working under the new system. These factories account for half the industrial goods manufactured in the country.

Under the new conditions, it is important to note, the main indices of economic activities for protecting consumers and enterprises from inferior goods are the amount of marketed goods and the profit received from their sale. Today the size of monthly bonuses received by all employes depends on this.

UNDER THE CONDITIONS of the new system the efficiency of an enterprise's operation is determined not only by the low cost of production but to a considerable degree by the quality of the goods manufactured. The higher the quality, the higher the price and the greater the demand for the goods. As a rule wholesale and retail prices of goods are fixed according to quality by the state in advance. Defective goods lead to a reduction in output, to a drop in labor productivity, to a rise in production cost and a reduction in profit. This immediately has an effect on the earnings of all employes of an enterprise.

There are branches of Soviet heavy industry, such as metal casting shops, where spoilage is considered inevitable and is taken into account in the plan. In such cases the above mentioned factors operate when spoilage exceeds the planned per cent. The problem of quality is of much greater importance for light industry which manufactures consumer goods because in this area the plan never considers spoilage, although the quality of goods can vary within the established grades of quality.

The emphasis placed on quality in Soviet light industry has also sharply increased, due to the fact that the goods it produces compete on the home market not only with the best goods from the socialist countries but also with those manufactured by British, French, Japanese and other firms which have won good reputations.

TODAY, WHEN LOW QUALITY goods are delivered by enterprises, stores or wholesale depots not only have the right to return them or accept the goods at a lower price, but can also present claims in the form of fines and compensation.

The results were felt immediately. Today there are enterprises which never receive complaints. There are many such factories in the precision machine-building and instrument-making industries. This also holds true for enterprises in other branches. During the past year the sum of fines which the Moscow Bolshevichka clothes factory, the Zarya shoe firm, the Lima woolen fabrics mill in Lithuania, and dozens of other enterprises had to pay was reduced by 50% or more.

However, even these enterprises, which have been operating for a comparatively long period under the new system and which have good equipment and skilled personnel, still suffer great losses from spoilage. For instance, the Leningrad Skorokhod shoe factory, one of the best in the country, paid out 683,000 rubles in fines to stores during the past year for inferior quality shoes, while economists of the Bolshevichka clothing firm in Moscow are tackling the problem of reducing losses from inferior goods by 165,000 rubles within the near future. There are enterprises which suffer even greater losses from spoilage and inferior quality.

IN AN EDITORIAL PUBLISHED in Pravda on Feb. 10, is was pointed out that although the economic reform created objective conditions for the output of high quality goods, it does not automatically solve all problems. Economic incentives should be combined with the requisite engineering and organizational measures.

At the beginning of 1968 hundreds of light industry enterprises started to plan production in accordance with orders from stores to which they supply their goods directly, bypassing the wholesale distribution centers, unlike in the past.

Enterprises sign contracts directly with stores on the quantity, assortment and quality of goods and the date of deliveries. The stores thus have the opportunity to influence the assortment of goods manufactured, taking the demand of the population into account. Before the Moscow Bolshevichka firm established direct contacts with trading establishments it manufactured 20 styles of men's suits. Today the number of styles has doubled.

The Mayak consumer goods firm in Gorky increased the total number of styles of articles produced from 190 to 290. At the same time the enterprise is increasing its profits from marketing more goods and from selling high quality articles at higher prices.

THE ADVANTAGE OF DIRECT ties lies with the mutual responsibility of the partners. When a contract is not fulfilled in time the enterprise pays the store a fine equal to 0.4% for each overdue day; when delivery is 20 days late it pays a fine of 5%. The enterprise in turn fines suppliers of raw materials which do not make deliveries in time and stores which refuse to accept goods stipulated by contract.

Besides this, measures are being taken to establish national quality standards. The first step in this direction was the certification by state commissions of the goods produced by dozens of enterprises. The approved goods receive a special quality mark which increases sales volumes.

Goods which are above state standards receive the quality mark. They should not be inferior to the best goods of foreign make. The second requirement is consistent quality production and the economic expedience in manufacturing such goods.

THE QUALITY MARK has been awarded to diverse articles of clothing and knitted goods, footwear, watches, tv sets, candies and chocolates, perfume and other consumer goods. On the average, wholesale prices for goods with a quality mark have increased by 5.2% (i.e., for stores and wholesale depots). This is natural as enterprises are frequently compelled to make additional expenditure to achieve such a level of production. Nevertheless, estimates made by economists show that the additional expenditure entailed in handling higher priced goods with a quality mark is compensated by a higher trade turnover.

It stands to reason that stores ordering goods from factories are unable to adequately study consumer demand on a scientific basis, the more so that today it is necessary to take into account not only the quantitative requirements but also to know the demand as far as color, design, size and models are concerned.

A special USSR Research Institute has been organized for studying the population's demand for consumer goods. A similar group also exists in the USSR Ministry of Light Industry. This purpose is also served by annual wholesale fairs conducted on countrywide, republican and regional scales at which industrial and commercial executives meet to conclude long-term contracts. At these fairs large consignments of goods usually found in factory warehouses can also be bought. ▪

Telling the benefit story

On mixing your media

by Howard L. Peck
Partner
Hewitt Associates

The scene: a conference room in the office of a large manufacturing company. Seated around a table are eight office employes—men and women of varying ages. At the head of the table sits a man whose dignified bearing and keen eye identify him as a consultant. He is speaking.

Consultant: I appreciate your candid comments on the quality of the benefit program, especially the revealing remarks about the short-term disability income. Now, let's talk for a few minutes about the way the benefit program has been communicated to people in this company. What in your opinion is the most effective way of letting people know about their benefits?

Short Blonde: You mean like with booklets?

Consultant: That's one.

Clerical Type: Well, in my personal opinion, I would say that the most effective device is the booklets. They have the whole story; you can read it at your convenience.

Mr. Swinger: Yeah, if you can understand it.

SHORT BLONDE: That's right. We got some new brochures a while back with pictures and stuff and I started to look at them, but that's like the fine print in an insurance policy. After a while I just put them away some place.

Consultant: Where did you put them?

Short Blonde: Gee, I don't really remember.

Steady Eddy: I think the best way to communicate is like they did two, three years ago, when they had meetings with those slides. It seems clearer that way.

Motherly Sort: Yes, that's right. You get the story step by step and it's so much easier to understand.

Clerical Male: But how long do you remember it?

Eager Beaver: I bet I remember most of it.

CLERICAL MALE: I still say you have to have something to keep and refer to. I want something I can hold in my hands so I can say "I've got those benefits."

Motherly Sort: That's right. Then you

Continued on following page

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have some place to look things up later on.

Mr. Swinger: What good does it do you to look it up if you can't get with it? At least with the slides and movies and things you can dig it to some degree.

Short Blonde: Another thing about the meetings, you get a chance to ask questions. If you don't understand, you can always get it explained.

Consultant: Do I hear you saying that perhaps there is a need for different ways of telling the benefit story, and that you have different needs at various times?

Sweet Young Thing: Oh, I think that's so true.

SENIOR CITIZEN: You're darn right. I'm getting ready to retire and I certainly want to know all the things there are to know about the retirement plan, but it's been years since I've had any active interest in the maternity benefits.

Consultant: Any other ideas on benefit communication?

Motherly Sort: What about those little sheets of paper we got about a year ago? They showed what you were going to get when you retired and so on. I thought that was real good.

Eager Beaver: They're going to do that every year, I was told.

Steady Eddy: They are? I didn't know that.

Eager Beaver: That's a good way to communicate. It helps you understand what's in it for you. Of course, it doesn't tell you how the plan works, how they got those figures.

Clerical Male: That's why I still say you need the booklets.

MR. SWINGER: Another thing, man, you go to one of those meetings and see a lot of slides and stuff. Then you go home and the old lady asks, "What was the meeting about?" If they haven't laid it on you with something in writing, man, you just ain't with it.

Short Blonde: Well, I don't know about you, but I think the best communication is Myrna, in Personnel. If I don't understand something, I just go down and ask Myrna.

Eager Beaver: So do I. She's got all the answers.

Senior Citizen: That's all right for you, but how about us in the factory office? Who's gonna walk four blocks to see Myrna? And what about the people in the branches? They don't have any Myrnas.

SWEET YOUNG THING: Well, I'm awfully new around here and I don't understand much about benefits and like that, but I wish they wouldn't tell us so much. I get confused. There was this little folder I got when I applied for my job that just tells in a few words about the benefits. Mostly, that's all I need to know. I just get confused with all that other stuff.

Senior Citizen: Well, you can have your few words. I want to know how that pension plan works, right down to the last comma.

Steady Eddy: Maybe they could have the company paper explain the benefits better. Just take one thing at a time.

Howard L. Peck

Eager Beaver: Yeah, then the next month cover another point. I think that's a great idea.

MOTHERLY SORT: You remember when they changed the company life insurance? And we all got a letter from Mr. Warmbolt? That was a good way.

Steady Eddy: Look, I think Mr. Warmbolt is a great guy, but he can't explain anything to me. I maintain that meetings and slides are the best way.

Clerical Male: O.K. you go to your meetings. Give me booklets.

Short Blonde: I think when you use both together, that's the best. And then besides have those reports. And maybe something in the paper, and . . .

Consultant: It seems we're not going to get agreement on any one best medium or channel. Perhaps there isn't any. Maybe we're saying that each has its place, so we need to mix the media to fit each one to the specific job. Also it seems we should remember that people's needs and interests vary, and that what works for one group at one time may not be right for another group or another time. Do I properly reflect your views?

Mr. Swinger: I dig.

Consultant: Pardon me?

Mr. Swinger: Like you said, man. ▪

Howard L. Peck is a partner in the firm of Hewitt Associates, Libertyville, Ill., independent consulting actuaries, analysts, and advisers on pensions, profit sharing and employe benefits. He heads the firm's activities in employe communication. Mr. Peck, who has been active in the advertising and communication field since his graduation from Grinnell College, spent several years handling investment securities advertising. He was a program director for Wisconsin radio stations and for 15 years was an account executive and later vice president of a Milwaukee advertising agency. Since joining Hewitt Associates in 1952, Mr. Peck has handled employe communication projects for many companies in various parts of the country.

Ruling gives insureds benefit of doubt; we need clearer policies

by Donald W. Berry
insurance manager, Borden Co., New York

Gerhardt vs. Continental Insurance Companies and Firemen's Insurance Company of Newark, Supreme Court of New Jersey, decided in December, 1966, has already attracted the attention of several writers, particularly lawyers who seem to be primarily engaged in the defense of insurance companies. As another in a line of decisions for insureds, reached in what appears to them to be rather clear judicial disregard of policy language, they find *Gerhardt* disturbing.

The case may be described briefly. The State of New Jersey's workmen's compensation statute is unusually inclusive as to domestic help. In spite of this fact, which certainly ought to be known to insurance companies and producers alike, a great many residents of New Jersey have undoubtedly not been impressed with the need to carry workmen's compensation insurance.

Mrs. Gerhardt was one. She had a homeowners policy, which might have served her, when her domestic help was injured, if she had lived in another of 48 states (give or take a couple)—but not, said the insurance company, in New Jersey.

THERE IS, INDEED, some reason to suspect that New Jersey courts, far from putting pressure on the legislature to "unliberalize" the workmen's law, may just go on killing the insurance companies until:

a) They wake up and provide their policyholders in New Jersey with the same personal liability coverage, for the same premium, as elsewhere, or,
b) push the sale of workmen's compensation insurance with such force that no one residing or vacationing in New Jersey could possibly misunderstand the need to carry it.

At any rate, the court found for Mrs. Gerhardt. In so doing it made some observations of its own and also cited previous decisions dealing with the placement and clarity of exclusions, and the "reasonable expectations" of the insured. It quoted *Allen v. Metropolitan Life Ins. Co.*, 44 N.J. 294 (1965):

"WHILE INSURANCE policies . . . are contractual in nature, they are not ordinary contracts but are 'contracts of adhesion' between parties not equally situated. The company is expert in its field and its varied and complex instruments are prepared by it unilaterally whereas the assured is a layman unversed in insurance provisions and practices. His reasonable expectations in the transaction may not justly be frustrated and courts have properly molded their governing interpretative principles with that uppermost in mind".

The concept of the insurance policy as a "contract of adhesion" has both current and continuing implications for corporate insurance managers. To begin with, corporate insurance managers are not, or at least ought not to be, laymen unversed in insurance provisions and practices. Their expertness, in fact, is often fully equal to that of the producers and company representatives with whom they deal. They are usually well aware of the legal principle that ambiguity in contracts is construed strongly against the drawer of the contract.

Since the drawer of the contract is almost always the insurance company, the insurance manager might find some comfort if there were an ambiguity, but, of course, it is his responsibility to his employer and in his own interest to avoid litigation with the insurance company over ambiguities or anything else. Consequently, he seeks to avoid ambiguities. Unfortunately, he is apt to find at this point that he is just as much a victim of the "contract of adhesion" as if he were the veriest unversed layman. Talk of "manuscript policies" notwithstanding, the language is usually, if not always, the insurance company's.

The factors which mitigate against the freedom of approximate equals—an expert insurer and an expert corporate insurance manager—to make an "ordinary contract" are numerous. Included are the following:

a) A large body of policies exists, serviceable alike to all buyers, expert or not.
b) There is a logical, if sometimes a mistaken tendency, to adapt standard policies to special uses (watch the ambiguities creep in because of this).
c) There is a fearsome apparatus of regulation requiring the "filing" and approval of contracts in the various states.
d) There is a natural reluctance on the part of insurers to give up an advantage and a natural suspicion of the other fellow's language ("We're only losing $1,000,000 writing the policies ourselves; where would we be if we let insureds write them!").
e) The application of statistical techniques, a popular substitute for underwriting judgment, would be pretty much out of the question.

There seem to be no cases involving an expert buyer (either a broker acting for the insured or the insured himself) where the court has taken into consideration the principle of the "contract of adhesion" and the reasonable expectations of the insured. It is only conjecture to suppose that the courts would permit a substitution for the poor, ignorant "layman unversed in insurance principles and practices" by a trained corporate insurance manager helpless, however, to alter the contracts thrust at him by the insurance companies.

VANCE ON INSURANCE mentions a sharp difference of opinion as to whether the usual rules for the construction of insurance contracts should be applied to standard policies. He says the prevailing view appears to be that since the law compels the use of the standard policy, the insurance company cannot be regarded as selecting the terms. He seems to think it closer to the truth, however, to say that the "terms were really chosen by the underwriters, often with particular reference to their own interests."

Most corporate insurance managers, as well as many in the producer and company ranks, think of the new comprehensive general liability policy as an especially unfortunate product of the practice of underwriters of selecting terms with particular reference to their own interests. In a recent meeting an apologist for the new form conceded to a corporate insurance manager that the courts would no doubt construe a certain ambiguity in favor of the insured.

It was a rather sad commentary on the extent to which we are dealing with contracts of adhesion that no choice was offered the insurance manager except an invitation to litigate with the insurance company a point which should have been subject to clarification by negotiation. It is even sadder to contemplate that were the insured and the insurer to come to a mutually satisfactory clarification of terms, their efforts could come to nought by the simple refusal of a regulating official to permit the agreement.

Full circle may yet be reached, however. The American Society of Insurance Management has established a comprehensive general liability policy study committee for the purpose of examining the feasibility of drafting an industry insureds' version of an adequate comprehensive general liability form. ▪

Donald Berry, insurance manager of Borden Co., New York, has been with the firm since 1951. Prior to that he was associated with Liberty Mutual Insurance Co., Buffalo. A member of the 1937 graduating class of the University of Rochester, Mr. Berry received a CPCU designation in 1955. He has served as president of the American Society of Insurance Management and is now a member of the insurance planning council of the American Management Assn.

Flight training schools combat rising cost of hull, liability cover

MIAMI—A new association of flight training schools has been formed here to combat rising insurance rates that are being felt throughout aviation.

Insurance men say the cost of hull insurance and liability coverage is soaring right along with rising aircraft costs and ever-steeper court judgments against aircraft owners and operators.

Bosh Stack, president of the new National Assn. of Flight Schools, said insurance costs are becoming a threat to the economic survival of training schools for student pilots.

The cost of hull insurance, for instance, has just about doubled for flight schools over a two-year period, and private fliers, air taxi and charter operators also are getting hit heavily, despite constantly improving safety records for general aviation aircraft.

"Flight schools haven't been singled out particularly, but they are feeling the increase most keenly," said Gordon Welch, aviation manager for Coleman, Ledbetter & Buchanan, Miami.

"Two years ago, hull insurance for the average training airplane was no more than 6% of the plane's cost a year; now most agents are asking 14%."

IN LIABILITY COVERAGE, he said, "there is some reluctance to write high limits of liability and a tendency to restrict passenger liability to no more than $50,000 a seat."

"Private aircraft owners are getting increases, but not as great," Mr. Welch said. "Some underwriters have increased selectively on certain groups of pilots, and some have gone up as high as 300%.

"This is the exception, though; the average private aircraft owner probably is getting about a 30% increase, and there's no sign of the trend leveling off."

Mr. Stack theorizes that his organization, by bringing flight schools together for group purchase of insurance, can bring the cost of hull insurance down at least one percentage point a year.

Mr. Welch attributed the rising costs to:

- The relative unattractiveness of the investment to European reinsurers, who can expect only a modest 2% to 3% return on their money in aviation insurance.
- Growing concern within the insurance industry over the risks of insuring tomorrow's 300 and 400-passenger airline aircraft, concern which makes itself felt by a drawing-in of investments at the small-plane end of the market as well.
- Training planes, and pleasure aircraft, which cost in the $3,000-$4,000 range five to 10 years ago, now are priced at $7,000 and far higher. Where small planes once carried only $200 and $300 worth of radio equipment—if any at all—today's sophisticated general aviation aircraft frequently carry $2,000 worth of radio gear.

"IF YOU PUT AN older plane on its back out in the Everglades, the loss wasn't too great," said Mr. Welch.

"But if you do it today, you've got possibly $3,000 worth of damage. It will cost another $800 to disassemble and move the aircraft and, if you don't get it under guard before dark, a stolen engine and radio equipment and a total loss up around $6,000."

London underwriting syndicates such as Lloyd's provide the bulk of reinsurance for aviation, Mr. Welch said. And those syndicates, hit by several years of catastrophic windstorm and other losses, are less than enthusiastic about sinking funds into relatively low-yield, high-risk investments.

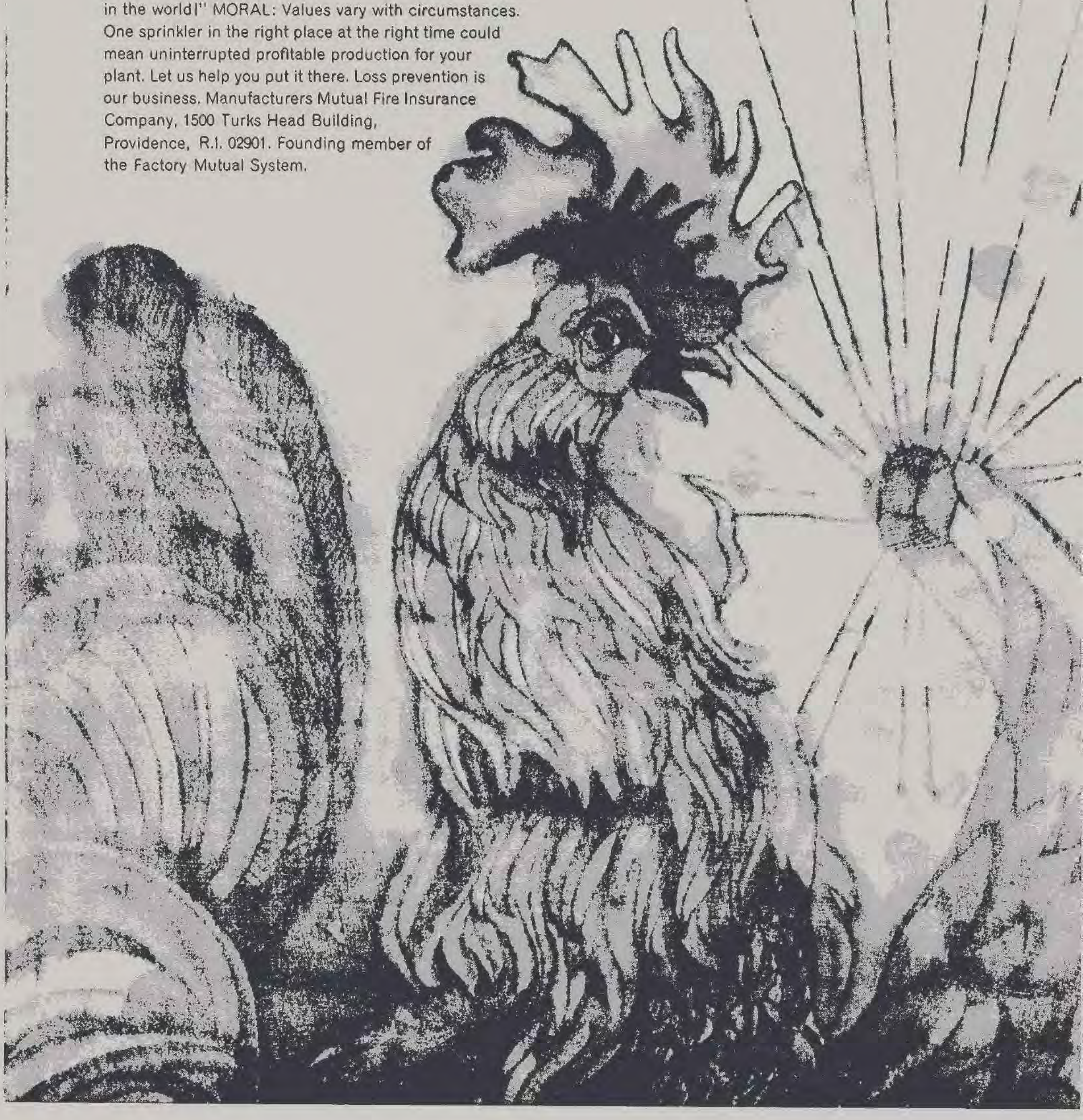
"THEY'VE RAISED prices accordingly to improve their return, and it's been reflected in the cost of almost all insurance in the U.S.," he said.

He said insurers also are leery of recent court cases which have slapped heavy liability on aircraft operators for personal injury.

"The attitude of most underwriters toward commercial operators of light aircraft isn't very healthy today," Mr. Welch said.

"They are concerned over the tendency of the courts to think in terms of an implied warranty of safety. We've done a good job of convincing people it's safe to fly, but maybe we've done too good a job.

"When an accident does occur, the courts feel we should put our money where our mouths are. We're faced with total responsibility to passengers and to people on the ground." ▪



Debate boils...

Continued from page 14

build the ammonia plants say almost the same thing—no liability exceeding the repair of equipment up to a maximum of about 10% of the value of any one plant.

A spokesman for an engineering group said the engineering firms, for the most part, will hold firm to their position that liability for production losses belong to the chemical companies.

"IT'S NOT OUR business to get involved with a chemical company's operation after a plant is completed. We are in business to sell efficient plants and equipment. It's a one-shot deal for us but the chemical companies will be making profit for many years after our job is done," he said.

Whether the chemical companies or the engineering contractors are liable for losses is always difficult to determine. "Anyone can speculate over who is to blame," said a spokesman for M. W. Kellogg Co., a leading engineering contractor.

One engineering firm said it carries builders all-risk policies that cover their operations for physical damage until the plants are operable and performance is considered satisfactory.

A SPOKESMAN pointed out that most engineering contractors guarantee their equipment for at least one year against breakdowns under a vendors guarantee policy.

Another nontechnical factor causing heavy business interruption losses, according to an insurance executive, is the failure by chemical companies to carry spare parts in the event of breakdowns.

"It seems incredible that a multimillion dollar single-line plant, which has the high profit, high loss potential of the modern day ammonia facility, should so determinedly resist the acquisition of vital spare parts for critical equipment," said F. W. Badger of the Hartford Steam Boiler Inspection and Insurance Co.

The management of a plant costing several million dollars will often resist spending a small fraction of plant cost to obtain vital replacement equipment in case a major repair is required, he continued.

One engineering company insurance manager suggested that chemical companies should have a spare parts pool and insurers should impose this requirement as a condition for coverage.

A state insurance department spokesman said insurers became too heavily involved in ammonia risks without having sufficient loss experience.

He blamed insurers for being too "lax" in not studying hold harmless agreements before the losses occurred. Contractors and plant operators were urged by the state official to discuss common problems while the plants are still on the drawing board. ▪

'Guaranteed benefits' plan expansion ready by July 1

CHICAGO — The American Mutual Insurance Alliance will expand its guaranteed benefits test project into Monroe and Onondaga counties in New York and Cook county, Ill.

In New York, Rochester and Syracuse will be part of the test and in Illinois, some companies will offer the program in Chicago.

The Alliance has finished a pilot test in Kane and Du Page counties, Ill., involving ten insurance companies, both mutual and stock. Three more have joined the New York test.

An Alliance spokesman said that the expansion should be ready by July 1, provided that claims personnel can be trained by that time. He said that individual carriers will approach various fleet accounts to be included in the test program.

CARRIERS involved in the test will automatically pay accident victims up to $5,000 in medical expenses and up to $7,500 in additional payments for income loss and other damages. Those who accept the optional benefits will be paid regardless of fault in return for an oral agreement that they will not file suit.

The program benefits regardless of what victim may receive from other sources.

The Alliance spokesman said that because New York has no guest rider statute, as does Illinois, many more claims are expected. ▪

letters

Continued from page 12

Circulated

To the Editor: We find *Business Insurance* beneficial in giving us a broad view of happenings in the insurance field. It is more the type of publication that we scan, because our interests are primarily in group life and group hospital medical insurance.

A well thought-out and aptly presented newsmagazine which we circulate to our departmental management personnel.

C. B. Mehcaffey,
Staff insurance and benefit manager, Employes' Benefit Committee, Southern Bell Telephone and Telegraph Co., Atlanta, Ga.

NSC request

To the Editor: As a volunteer editor for the National Safety Council's "Trades and Services Newsletter," I would like permission to reproduce the chart "Sales Required to Pay for Accidents" which appeared on page 14 of the May 20 *Business Insurance*.

Of course, a credit line would be provided and a copy of the "Newsletter" forwarded for you information.

Raymond C. Ellis
Director of Safety Services, Hotel Safety Trade Group, New York City

Editor's note: Permission granted.

Meets buyers' interests

To the Editor: I find *Business Insurance* very helpful, and I believe it is a very instructive idea to have a publication in this field which is tailored to meet the interest of the insurance buyer. There probably are publications for the insurance seller, but I am not familiar with them, but I do know from a buyer's standpoint, which is our view, your publication is very helpful.

C. A. Olson
Vice President—Finance, International Steel Co., Evansville, Ind.

Upholds injunction keeping firm's fire coverage from being canceled

CHICAGO—A Cook county circuit court judge has refused to dismiss a suit seeking to prevent an insurance company from withdrawing its fire and business interruption coverages from a lumber firm in this city's west side ghetto.

Judge John J. Lupe also extended a temporary restraining order against Lumbermen's Underwriting Alliance, Kansas City, Mo., from canceling its policies with Douglas Lumber Co. The fire coverage on property and contents totaled more than $600,000, and the loss of profits policy is for more than $90,000.

Paul W. Pretzel, attorney for Lumberman's, filed notice of appeal of the court's order. Jerome Torshen, attorney for Douglas, said he would ask for a trial seeking a permanent injunction pending a decision on the appeal.

THE COMPLAINT alleged that Lumberman's canceled its policy because of civil disturbances near Douglas, although the company suffered no damage from riots in July, 1966, and April, 1968. The three-year policies went into effect Sept. 1, 1966, and the carrier told Douglas it would cancel in Oct., 1967.

According to Mr. Torshen, Lumbermen's actively solicited the Douglas business as early as June, 1966, and wrote "glowing reports" about Douglas Lumber's fire prevention program.

Douglas had insurance with several other carriers on a pro-rata basis for the more than 50 years it had been in business, Mr. Torshen said, "with a very favorable loss experience."

DOUGLAS allegedly discussed cancellation with Lumbermen's prior to buying the policy and was told by the carrier that it would not cancel due to riots.

Lumbermen's agreed to continue coverage while Douglas sought another market. The lumber firm was unable to obtain coverage from other sources and brought suit.

The Illinois department of insurance has reported that 98% of the companies writing fire and extended risk coverage had agreed to continue insurance in the riot area for a period of 120 days following April 8.

The department reported that it received 32 complaints of cancellations from business and property owners, 11 have been reinstated and the remainder are pending.

The department will request introduction of a bill that would establish a pool for property risks when the General Assembly convenes July 15.

Lumbermen's is a reciprocal interinsurance exchange in which policyholders share losses of all subscribers.

AFTER THE April 8 riots, Lumbermen's gave written notice of cancellation to Douglas. The Douglas suit contended that the cancellation was contrary to agreements made prior to issuance of the policies. Douglas also contended that Lumbermen's action was contrary to public interest and state insurance law.

It was pointed out that commitments from other companies to write the insurance were obtained but canceled after the April 8 disturbances.

Lumbermen's contended that Douglas could not rely on oral conversations made prior to the execution of a written contract. Lumbermen's also contended it relied on its constitutional right to contract for business. ▪

Firms may be liable for gear sold to military

BOSTON—"There is no doubt that servicemen or their surviving dependents have the right to sue manufacturers of equipment purchased by the military for malfunctions causing injury or death," a Boston lawyer has told a products liability seminar.

The seminar, held by the American Trial Lawyers Assn. in Seattle, was told that manufacturers of any military equipment, from weapons to aircraft, helicopters or any other military equipment, presents a possible products liability action, if malfunction can be proved.

He said that classified information might make proving the case difficult but that a recently enacted Federal Information Act might be used by lawyers.

"Because a man is in uniform, he does not lose his rights," Mr. Swartz said. The federal government bars suits against it for malfunction of products it buys, but the manufacturer still has an exposure, he said. ▪

Savings plan...

Continued from page 10

With one exception, all of the savings plans included in the study permit active employes to withdraw at least part of their own contribution, Mr. Koster continued, and 64% also permit withdrawal of at least part of vested company contributions in their accounts.

MR. KOSTER explained that there are two reasons which make it necessary to impose penalties on employes making voluntary withdrawals. Firstly, unless some penalty is attached, the Internal Revenue Service may rule that every employe is in constructive receipt of and taxed on all amounts in excess of his own contributions—whether or not he actually exercises this withdrawal right.

Secondly, imposing a penalty will to "some extent" discourage employes from making withdrawals, thereby encouraging long-term thrift. ▪

Industrial Indemnity reports assets up 15%

Industrial Indemnity Co., San Francisco, and its wholly-owned subsidiary, Industrial Underwriters Indusrance Co., Dallas, have reported a 15% increase in admitted assets for 1967 to $115,187,000.

The companies specialize in commercial liability and property coverages including workmen's compensation. Net premiums totaled $80,453,000, and surplus increased to $22,258,000, a 21% jump.

The net underwriting gain was $6,870,000; the loss and expense underwriting ratio was 91.1%.

Four states in west revise rates

SAN FRANCISCO—Fire and extended coverage rate hikes, effective June 1, have been announced for Arizona, Montana, Nevada and Utah.

The Pacific Fire Rating Bureau said fire rates in Utah jumped 4%.

In Utah, brick mercantile properties and warehouses, went up 8.3%; hotels and lumber yards, up 20%; hospitals, down 25%; garages and service stations, down 10%. Extended coverage rates for most commercial properties of brick and frame construction went up 11.%

IN NEVADA, the bureau introduced a mandatory $50 deductible that disappears when the loss reaches $500. The deductible does not apply to earthquake losses.

All habitational classes in Nevada, regardless of type of construction or number of units, will be rated under new tariff manual provisions.

Fire rates for motels were increased 25%.

Mercantile brick rates are up 20%; most manufacturing risks as well as sprinklered risks went up 25%.

There were no fire rate increase properties other than dwellings in Arizona, although there was a 19% increase in extended coverage rates for most brick and frame non-dwelling properties.

In Montana, there was a 100% increase for school fire insurance. School premiums amounted to $775,000 during the 1962-1966 period, and losses were more than $1,600,000.

Other Montana increases included farm buildings, up 20%; mercantiles, including hotels and warehouses, up 20 to 25%; grain processing risks, up 25%; grain elevators and warehouses, up 50%. Fire rates for hospitals went down 15%. ▪

Worker gets $17,000

An iron worker who was seriously burned when a power line came into contact with a large crane was awarded $17,000 in Union County court, Elizabeth, N.J. The judgment was agreed to by Manuel Mendes, the plaintiff, and the Public Service Gas and Electric Co., Remco Industries and the Iris Construction Co., which were defendants in the 1963 accident.

Paramount . . .

Continued from page 16

explained, and requires coverages involving limits running into millions of dollars. The area is so complex, he said, that he uses the services of Albert G. Ruben & Co., Los Angeles, which is a specialist in this field and acts as Gulf + Western's consultants.

THE FIRST MAJOR category is cast insurance, and Mr. Smith explained that because of the substantial costs involved in making a picture, where it is not uncommon to run from $5,000,000 up to $12,000,000, "a little cold on the part of a major star can be a very expensive proposition."

As protection, therefore, the producing studio insures itself for any delays caused in production as a result of sickness, accident or death occurring to a major member of the cast.

"Underwriters have to look upon the artists as chattels, like a car," explained Robert H. Williams, president of Albert G. Ruben. "They must also recognize that stars lead a different type of life and that their social habits are none of their business."

Fortunately, it was pointed out, artists are also professionals when the time comes to work and "many of them train as dedicatedly as any fighter." Otherwise, cast insurance would be impossible to obtain.

THE SECOND TYPE of vital coverage needed is negative insurance, which covers the film negative from the time of exposure until the final print is made. Risks covered include faulty working of a camera, incorrect processing by a laboratory and the running of a black-and-white negative through a colored tank.

Limits can run as high as $8,000,000, Mr. Smith said, and the high limits are sometimes needed. For example, a lab technician turned on the lights in a dark room and ruined the last reel of "How to Succeed in Business Without Really Trying."

The third major area of coverage consists of a props and equipment floater providing all-risks protection on a worldwide basis. Limits again can be very high because the equipment covered is expensive. A panovision lens can be worth $75,000 to $100,000, Mr. Smith said.

THE MAIN MARKET for these coverages is Fireman's Fund Insurance Co. and Lloyd's, Mr. Smith explained. However, Fireman's Fund has the "greatest longevity in the business" and has been handling this type of insurance for 15 years. Lloyd's, for the most part, provides a reinsurance market.

Another type of coverage needed, Mr. Smith noted, is extra expense insurance, which covers losses resulting from loss or damage to facilities used in production. For example, if a studio burned down and a particular set had to be rebuilt, it would come under this type of coverage. Limits are generally from $500,000 to $1,000,000.

Mr. Smith told of an "unusual" expense which occurred before Gulf + Western bought Paramount. The studio was making a film with an opening sequence of two men walking along a railroad track. The idea was that they were supposed to jump off when a train approached, providing a dramatic thrill for viewers.

THE FILM WAS being made from another train, and unfortunately the second train crashed into the track car, "flipping 18 people into the air—including the actors. Some extra expense insurance was involved in that episode," Mr. Smith said.

Claims can be a problem in cast insurance, Mr. Williams pointed out, because actors don't want their medical conditions disclosed and sometimes a producer might not know about a serious illness. Therefore, a great deal of understanding must exist between underwriters and the film producers.

Mr. Smith concurred and said that in such losses "nobody can predict the future." A decision has to be made whether to shut down production for one day, which might cost $25,000, or reschedule the entire film and try to reshoot it in ten days. ▪

Accident costs to be higher in 1975, despite better air safety

COCOA BEACH, Fla.—Despite constantly improving safety records, air crashes may cost the airline industry and insurers more by 1975 than they do today, according to an aviation veteran.

A. M. "Tex" Johnson, president of Aero Spacelines Inc. and former Boeing aircraft executive, said higher-capacity, more costly superjets of the 1970s, with their far greater exposure to liability claims, could cost the industry more even though the present accident rate continues to decline.

"It would be unrealistic to suggest that crashes will be entirely eliminated in the foreseeable future," Mr. Johnson told the nation's aviation and space writers, meeting here.

"Insurance company statistics reveal that in the subsonic jet decade, world wide, there have been 82 crashes that cost the air transport industry some $400,000,000 in hardware—not to mention the millions of dollars in liability," said Mr. Johnson.

"Statistically, at the present time we are looking at one accident for about every 300,000 hours flown. To the passenger, one accident somewhere in the world for every 150,000,000 miles is a pretty comfortable figure, but to the industry, it is not nearly good enough. The industry's safety goal for 1975 seeks to improve that record to 700,000 hours per accident. I have no doubt that it will achieve that goal.

"Again, from the passenger's point of view, one accident for every 700,000,000 miles flown is a tremendous achievement in safety. But for the air transport industry—dollarwise—this improvement represents no gain at all.

"The actual cost—in terms of dollars—for one accident every 700,000 hours, instead of every 300,000 hours, may well be higher."

HE EXPLAINED that with current aircraft such as Boeing 707 and Douglas DC8, fewer than 200 passengers are involved, considering liability claims, and the aircraft themselves are seldom worth more than $6,000,000.

"But consider the future," Mr. Johnson said. "The dollar investment in a Boeing 747 jumbo jet is three or four times as much as today's jets; for the Concorde, roughly five times as much, and for the SST, perhaps seven or eight times as much.

"Escalation in the liability risks imposed by the enormous passenger loads in the next generation of aircraft are almost as staggering.

"In addition to the human factors," said Mr. Johnson, "the dollar exposure alone is more than reason enough to place an even greater emphasis on safety." ▪

Undersea . . .

Continued from page 3

lenging insurers to write coverage which has no precedent—similar to the days of aviation or when offshore drilling rigs became a reality.

INITIALLY, ONLY LONDON underwriters were interested in the underwater market, according to Mr. Bowring, but in the last few years U.S. insurers have become more involved.

"The trend," he said, "is for a continued willingness by U.S. insurers to write this type of risk. It has been a matter of education for all concerned."

The brokerage executive pointed out that most research submarines have varying exposures and require tailor-made policies to suit the needs of the operators. These needs vary from coverage for an intensive search for a missing object in a specific area to the planting of the state flag in the Straits of Florida.

RATES FOR RESEARCH submarines are set after the underwriters consider such factors as the operator's maintenance and operational standards, area of operation, and past record, Mr. Ricker explained.

"There are no standard rates," he said. "Each vessel is underwritten on an individual basis."

General Dynamics' two new research submarines, Star II, covered for $136,000, and Star III, with $435,000, have a combined annual premium of $17,000.

Mr. Ricker maintained that some of the insurance risk is lessened by an aid and rescue agreement between some research submarine operators whereby one company will lend its equipment to another in the event a vessel is in distress.

ALREADY LOCKHEED is eyeing loss prevention with a rescue vessel capable of reaching 20,000 feet. Called the deep submergence rescue vehicle (DSRV), it is light enough to be flown to a distressed submarine where it will descend and be connected to an escape hatch so stranded crewmembers—about 24—can come aboard.

Most losses occur while the vessels are being taken in or out of the water, contended Mr. Ricker. He pointed to one loss in which a research submarine was dropped from a crane which rendered the vessel inoperative for about six months.

Safety plays a major role in oceanography, and marine insurers are quick to point out that no total losses have occurred in research submarines. ▪

Tyson named ABC buyer

NEW YORK—Joseph M. Tyson has been named director of insurance for the American Broadcasting Cos. He succeeds Ogden Bradley, who died earlier this year.

Since 1963 Mr. Tyson has been with Grumman Aircraft Engineering Co., first as assistant manager of corporate insurance and records and then as manager.

John H. Ince has replaced Mr. Tyson at Grumman. Mr. Ince served as assistant manager for about a year. Thomas L. Conley, formerly administrator of the pension department, has been named assistant manager.

Mr. Tyson has also served as assistant claims manager for W. J. Robertson & Co., a management company for British insurance interests. ▪

Arizona . . .

Continued from page 1

boosted workmen's compensation premiums by 50% to cover an $8,000,000 deficit.

Under the much-amended compromise bill creating the new part-time commission as of Jan. 1, 1969, the governor is to name the commissioners, including the chairman, as well as the three-member board of directors.

There also will be a committee of financial experts to advise the board on how the surplus and reserve industrial insurance funds—now about $110,000,000—should be invested for best returns.

ALL RETURNS, about 3.5%, will be used to cover the present deficit, reportedly $7,000,000. In addition, a 1% tax will be imposed on insurance companies, self-insurers and the state fund itself to cover future deficits if any are found.

The commission will hear appeals, as in the past.

Commissioners will appoint referees to consider claims of injured workmen.

A new safety division to be created within the commission will hold hearings and issue cease and desist orders to offending employers. It could take a severe threat to safety directly to the superior court for a ruling within three days on whether an injunction should be issued to halt work on a potentially dangerous job.

Medical benefits will be increased for victims of occupational diseases, including those afflicted by radiation sickness.

A fee schedule for doctors will be set up, subject to annual review. ▪

R. I. workers get compensation for glasses, dentures

PROVIDENCE, R. I.—Amendments to the workmen's compensation law require an employer to pay for the cost of repairing or replacing a worker's eyeglasses, dentures or prosthetic appliances damaged in an industrial accident.

According to the amended law, an employer is liable whether or not the worker suffers personal injury.

The director of labor has the authority to determine the reasonable cost or fee in such accidents.

Aluminum . . .

Continued from page 1

sicians in the home and office. Psychiatrists' care is also covered under major medical.

For the most part, the basic hospital-medical plan covers 365 days in-hospital care. According to the union, a few illnesses carry hospital limitations.

The new union pact also provides a survivorship benefit for spouses of workers who die after 15 years of service. In such cases the spouse receives a pension of $100 a month.

For those who are already retired, the monthly pension will increase by $10.

On top of regular vacation pay, aluminum workers will now get an additional $30 for each week of vacation, giving a man with four weeks vacation an added $120.

Other fringe benefit gains included increased supplemental unemployment payment and regular pay for workers who serve as witnesses.

Supplemental unemployment benefits increased weekly payments from 24 hours of pay to 28 hours, with a corresponding increase in maximum payments of $15 per week to $52.50 while receiving state unemployment compensation and $20 per week to $80 when not receiving state compensation. ▪

Dancer's . . .

Continued from page 1

place to eighth for a racing infraction on the track.

According to insurance sources, the ankle trouble forced Lloyd's to impose a restriction stating the horse would not be covered if it was entered in the Belmont. The policy, which is still in effect, covers the thoroughbred's life against basic fire and extended coverage perils, sickness, disease and accidents.

"Lloyd's made a wise move," said a U.S. livestock underwriter. "If the horse had raced it might have fallen or stumbled on the track, forcing owners to destroy it for humanitarian reasons."

A veterinarian explained that Dancer's Image's ankle would have reduced its margin of safety, thus making the horse much more vulnerable to a serious injury.

In another development, *Business Insurance* learned that Livestock & Casualty Insurance Co. is considering going out of the business of insuring thoroughbred race horses.

A SPOKESMAN indicated the company is in the "throes of change and its future is in doubt." The firm will continue to write other lines of livestock coverage, but an unprofitable thoroughbred business, plus a tight market, will probably force the firm out of that line, he said.

The tight insurance market for thoroughbreds was pointed up earlier by George B. McNeill, president of Frelinghuysen Livestock Agency, who said values of horses are increasing faster than the ability of the U.S. market to insure them.

One source commented that most U.S. livestock companies reinsure heavily in London where most of the business usually ends up.

Only a small number of U.S. insurers actively participate in the livestock business. The list includes Frelinghuysen, Fireman's Fund, Old Colony, American Livestock, and the Insurance Company of the State of Pennsylvania. ▪

Arkansas supreme court strikes down governmental immunity

LITTLE ROCK, Ark.—The Arkansas supreme court has ruled that city governments can be sued for damages caused by negligence of their employes.

A number of friend-of-the-court briefs had been filed on behalf of other governmental units and charitable agencies in the state, which fear loss of protection of the old "sovereign immunity" doctrine that can be traced back to medieval England.

The decision follows a trend away from immunity.

Two justices dissented, arguing that the cost of damage judgments might force city governments to curtail public services; that the court was usurping a legislative function and violating doctrine of separation of powers; that city governments are extensions of the state and ought to enjoy the same constitutional protection as the state government, and that the courts ought to adhere to precedent to give predictability to law.

THE MAJORITY opinion said that "from the standpoint of right and wrong it is just as right for a person who is hurt by the negligence of a city and its employes to obtain damages for the injury as it is for those who are injured by the negligence of private individuals or corporations."

Chief Justice Carleton Harris said one large judgment could wipe out a small town and make liability premiums burdensome.

Special Justice William M. Moorhead, writing for the majority, said that new and expanding city programs have "so augmented the incidence of this unjust precept on individual rights that it can no longer be retained except for the most compelling reasons."

The ruling upset a decision by Pulaski county circuit court which held that Mrs. Dora Louise Parrish and her husband could not collect damages from Little Rock. Mrs. Parrish was injured March 3, 1962, when her car collided with a city garbage truck.

The Parishes had asked for damages totaling $114,400. Mrs. Parrish was loading groceries in her car in an alley behind her restaurant when, her complaint alleged, the truck driver, while drinking from a whisky bottle, struck the rear of her car.

Attorneys for 11 improvement and levee districts in East Arkansas and the Arkansas Hospital Assn. filed briefs in the case saying: "We have no doubt that if the court felt free to overturn the doctrine of municipal immunity, it would feel equally free to overturn the doctrine of charitable immunity."

The Arkansas Municipal League and several city governments also intervened.

JUSTICE MOORHEAD said that studies had concluded that the fear of curtailment of essential public services or the imposition of great burdens on the public due to loss of immunity was not well founded. Damage liability of private corporations is only a small part of the budget of any well-run firm, the justice said, and it should be no greater for cities.

He noted that the same arguments were raised in Arkansas in 1940, when the state legislature enacted a law reversing a supreme court decision that exempted utility co-operatives from liability.

The law has not resulted in an oppressive burden on the cooperatives, Justice Moorhead said. He also said that other states that have lifted the immunity from municipalities had not experienced great havoc. ▪

Rules killer can't benefit from policy

HARTFORD — U. S. District Judge M. Joseph Blumenfeld has ruled that James F. Naun, 56, who murdered his wife and daughter by shooting them, cannot benefit from life insurance policies on the daughter's life.

Mr. Naun, who pleaded guilty to second-degree murder and is serving a life sentence, claimed he wanted to give the $5,000 involved to his son.

The Connecticut state legislature passed a law which went into effect in June, 1967, that prohibits a murderer from receiving the insurance proceeds payable on his victim's death.

However, the current case was started before the law, which was not retroactive, went into effect, and therefore the new law does not apply. ▪

Expect $1,000,000 claim for loss of gassed sheep in Utah

SALT LAKE CITY—A damage claim of more than $1,000,000 will be filed against the U.S. Army by the livestock firm hit hardest by the mass of sheep deaths last March in Utah's Skull Valley, about 90 miles southwest of here.

Attorneys for Anschutz Land and Livestock Co., Denver, said the claim would be ready in early June and would be formally filed with the Army claims service, Washington.

Marvin J. Bertoch, Anschutz attorney, said the estimated damage figure, which may vary some before the formal claim is filed, includes about $375,000 for loss of 6,249 head of sheep, $660,000 in damage to market value of the ranch due to potential contamination, and a $35,000 speculative and contingent claim for potential sales loss.

Mr. Bertoch and Anschutz officials met with representatives of the U.S. Army claims service and the Army Corps of Engineers in a closed-door meeting last month.

The hassle over the deaths of the sheep began in late March when it was learned the Army had dropped a nerve gas 27 miles west of the grazing lands the day before the sheep started to die.

While stopping short of a confession, the Army has admitted that the nerve gas was involved in the deaths but maintains its findings to date have not been conclusive as to cause of death. ▪

Keep employes informed after merger, advises A&A's Calvert

NEW YORK—Employes of a newly acquired or merged company should be told as quickly as possible about their future prospects and fringe benefits, Geoffrey N. Calvert, vp and director, Alexander & Alexander, stated at Corporate Seminar Inc.'s conference on new developments in pensions and profit-sharing. "No information or only partial information, causes worry and unrest," he said.

Mr. Calvert, who spoke on the subject of pension and profit-sharing plans in corporate mergers and acquisitions, said that it's important to compare pension fund assets and pension liabilities because "wide differences may be uncovered."

It is also "very fruitful" to make a side by side comparison of benefits, funding methods, actuarial bases and coverages, Mr. Calvert continued.

CAREFUL CONSIDERATION should also be given to what has been "promised, half-promised or implied" to employes of the company which has been acquired or merged.

Mr. Calvert outlined some other points which need checking before consummating a merger. If a parent company with a contributory plan merges with a noncontributory plan, difficulties may arise because the new employes will have to face paying contributions for the first time.

Some "apparently low cost plans" may be unrealistic as a means of retiring employes, Mr. Calvert warned, "and may require heavy supplementation from the acquiring company."

ABSENCE OF a pension plan in a company being considered for purchase or merger is also a danger point, and may suggest the problem of "unseen and unfunded but nevertheless real past-service liabilities."

Mr. Calvert also warned that serious problems may arise if the company under consideration has a union-controlled or union-administered plan. "Some of these plans are well funded and administered," he said, "but in others, the concept of actuarially sound funding of pension benefits has not been followed, and heavy cost increases lie ahead if the promised benefits are to be provided."

ANOTHER problem area is transferable or portable pensions, such as in the Teamsters plan, "since loss of loyalty of an employe to his company is implied." Furthermore, Mr. Calvert continued, contributions flow into a fund "in which the company has no control, nor any voice as to administration or investment."

Mr. Calvert said that pension or other benefits for a new group of employes should be adjusted as quickly as possible. ▪

N.Y. court rules against insurer who wrote 'ambiguous' policy

NEW YORK—Ambiguous terminology used in insurance policies to shift liability away from insurers could have a reverse effect if a court decision here is upheld.

In an appeal filed by Murray Oil Products Inc. against Royal Exchange Assurance Co., the N.Y. state court of appeals ruled in a four to three decision that "an insurer may not accept premiums under the provisions of an ambiguous policy which the insured may be justified in believing, and then avoid liability by arguing the policy is inapplicable to the contingency."

The case stemmed from a shortage of vegetable oil delivered by Murray Oil for storage with the Harbor Tank Storage Co., which eventually became insolvent.

WHEN 70,000 POUNDS of oil was discovered missing, Murray Oil sought to recover from Harbor Tank's insurance carrier, Royal Exchange.

Judge Kenneth Keating, who ruled in favor of Murray Oil, pointed out that Harbor Tank's insurance policy covered "the property of others under their control and/or care, custody or possession and for which they may be legally liable in any way."

ROYAL EXCHANGE argued that the policy was a casualty policy and that the term "physical loss" referred to such loss as destruction by fire.

In addition the insurers claimed that Murray Oil failed to prove that the loss took place while the policy was in effect and while the oil was in the possession of Tank Storage.

After a "thorough examination" of the insurance policy a majority of the judges decided the purpose of the policy was to cover "every possible contingency" under which Tank Storage would be liable if it were not able to deliver the oil due to a physical loss "of any kind."

CHIEF JUDGE STANLEY Fuld, one of the dissenters, said that "in order to recover under a "scheduled property floater" policy, it must be shown that all or some of the property which has been placed on the premises was damaged or lost during the term of the policy. Murray should have to prove the oil was taken during the policy period when it stored with Tank Storage." ▪

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Lloyd's broker goads London to prepare for 'jumbo jet' risks

LONDON—A Lloyd's broker told the Insurance Institute of London that unless London meets the challenge on aviation insurance, some other system could evolve or the center of insurance could shift away from London.

James Bowden, a director of Stewart, Smith & Co. Ltd. and Stewart, Smith Aviation Inc., said he hoped that with the advent of jumbo jets, London's know-how and pioneering spirit would overcome the problems currently facing its insurers, namely, the colossal size of potential claims and the small number of units involved initially.

MR. BOWDEN SAID that today most airlines have legal liability policies with $100,000,000 limits. But, he said, aircraft capable of carrying almost 500 passengers approach this exposure limit.

If one crashed when fully loaded on a domestic flight in the U.S., he said, where liability awards are estimated at $150,000 per head, the possible claim for hull, passengers, crew, cargo and baggage, could easily total $100,000,000.

IN ADDITION, claims on personal accident insurance bought by passengers and crew and third-party coverages from damage to property and lives on the ground must be paid, Mr. Bowden commented.

Mr. Bowden cited the growth of the industry, saying the number of passengers carried by the world's airlines has increased from 21,000,000 in 1947 to 236,000,000 in 1967. He said that $240,000,000 was generated in premiums in 1967 and estimated that this would double by 1975.

Mr. Bowden said individual members of Lloyd's aviation syndicates could be allowed, by increasing the sums which are individually put up as deposits, to underwrite a maximum of $144,000 annual premium per head.

"In practice there are very few members who are willing or rich enough to underwrite this amount. Nevertheless, it is hoped that the 6,000 members of Lloyd's will wish to accept considerable more aviation business in the future.

"IN MY OPINION, it will be the duty of the heads of all syndicates to obtain the support of their members for this. The London market will then be able to write a larger volume of aircraft insurance than it does at present," he said.

There are no airlines without some insurance today, Mr. Bowden stated, but a few still self-insure part of their equipment. If the airlines could come up with a rating formula acceptable to all members of their group, the airlines may be able to pay losses themselves, Mr. Bowden said.

Unless London answers this air risk challenge, Mr. Bowden said, the U.S. might, though possibly reluctantly, have to assume yet another responsibility. ■

Roster changes

Robert Boysen, formerly of Johnson & Higgins, and Leon Kipp, formerly of Royal Globe, have joined Brynes-McCaffrey Inc., a Chicago general insurance agency. In addition, Howard F. Erzinger, Jr., is now president and chief executive officer; Leslie H. Kerr Jr., vp and treasurer; Robert Hartman, Leonard Jensen and Yorke H. Bannard vps; and Robert C. Erzinger named assistant secretary treasurer.

Insurer must pay in excess of policy, N.J. high court rules

TRENTON, N. J.—The state supreme court has ordered an insurance company to pay $9,000 over the N. J. policy limits.

In upholding an appeal brought by Leslie Bowers, who was found to be negligent in an auto accident, the court ruled that the insurer, Camden Fire Insurance Assn., should pay $29,000 to the parents of a little boy struck by Mr. Bowers' car.

Camden Fire had argued that Mr. Bowers should pay $9,000 of the award because the damage amount exceeded the limit of his policy.

But the supreme court decided that the insurance company should pay the full amount because, it said, the firm had advised Mr. Bowers to appeal a judgment of $20,000 against him. By advising the policyholder in this manner, the court said, Camden Fire had shown "a willingness to gamble" with Mr. Bowers' money "in an attempt to save its own." ■

Carson's writes own group benefit package

By TERESA NORTON

CHICAGO — A self-designed group insurance plan made up of five separate parts will go into effect on July 1 for 6,000 employes of Carson Pirie Scott & Co. in nine states. The new program is the result of a nine-month study by Carson's former general manager, Bobby Schmidt.

"After the board's decision that we would not be bound to a modification of our former plan if we found it insufficient," Mr. Schmidt, now with the treasurer's office, said, "we studied about 30 other insurance plans from Associated Merchandising Corporation stores around the country."

In explanatory talks, which all Carson employes were required to attend, speakers stated that they were confident Carson's now had a plan that was as good as, and in most cases better than, most other department stores.

Carson's now pays about 65% of the cost for the total benefit program. "My estimate," Mr. Schmidt noted, "is that in 95% of the cases, the rates paid by employes will go down, compared with the previous plan, while benefits have improved."

The new plan is actually comprised of five separate programs, of which medical coverage is the only one that is mandatory (for employes who work more than 20 hours a week or restaurant personnel who work more than 16 hours). The four other programs are.

- Optional coverage for dependents;
- Life insurance which is free for all employes and increases with length of service up to $3,000. Additional coverage may be purchased if desired.
- Free $10,000 minimum business travel accident coverage;
- Free disability income plan, with a long term program for executives.

Under the old group plan, all programs were mandatory.

Carrier for the medical program, optional dependent coverage and life insurance is Concord Life Insurance Co. Connecticut General Life Insurance Co. underwrites the travel accident and disability income programs.

In 1965 Carson's purchased an interest in Concord Life but subsequently transferred this interest to Fidelity Bankers Life Insurance Co., Richmond, Va., which now owns Concord.

"But our plan was entirely designed by Carson's with the good of our employes in mind," Mr. Schmidt said. "No insurance agency was involved."

Carson's offers life insurance to its charge customers through Concord Life.

With the benefit program made up of five independent parts, Mr. Schmidt pointed out, it will be easier for employes to balance it with insurance they may already carry. "The new plan is advantageous from the company's point of view also," he said, "because changes can be made in one part without affecting any other."

The degree of detail in outlining goals of the plan at the beginning and the intensity of follow through are two unique features. After the study of other department store insurance plans, Mr. Schmidt said, "We decided our employes should benefit from our expenditures; therefore we wanted to simplify the entire program, lower employe costs, and increase employe understanding."

Communication with personnel began with handouts at work listing dates of future mailings and enrollment meetings. Mailings giving a complete breakdown of the group plan went to the employes' homes one week before the meetings. A card for submission of questions was included.

Information supplied prior to the compulsory meetings kept discussions down to less than an hour. Each meeting of about 20 people was conducted by two Carson's employes who used prepared speeches, slides and graphic transparencies. Enrollment was handled by computer cards and 6,000 employes were contacted in one week.

Although enrollment figures have not yet been calculated, Mr. Schmidt estimated that 33% of the employes would sign up for the dependents program and 60% to 70% for the optional life insurance with executive participation somewhat higher. There has already been an 80% response to the executive long term disability program.

Employes will receive a certificate of insurance from both Concord Life and Connecticut General and a permanent explanatory book which may be updated after each annual review.

"We believe the morale of our associates has increased because of the new plan," Mr. Schmidt concluded, "and that is an important function of any benefit program." ▪

Worker gets $50,000

An Essex County (N.J.) superior court jury has awarded a $50,000 settlement to Robert Brindle, for the loss of four fingers in an industrial accident. The verdict was against Verson All Steel Press Co., Chicago, manufacturer of a punch press which Mr. Brindle was operating for his employer, Sheet Metal Products Co., Newark.

Wisconsin Fire Fund seeks $5,000,000 in reinsurance

MADISON, Wis.—The state of Wisconsin is running into the "lack of capacity" problem in its attempt to buy reinsurance for the State Fire Fund which insures state-owned buildings and other governmental properties for fire and extended coverage.

In a separate action, the fund is now insuring the city of Milwaukee property, raising the fund's insurance in force to more than $2 billion.

The fund is negotiating through R. J. Devine Co., its agent, a $5,000,000-limit policy with a $2,000,000 deductible. The fund maintains a $2,000,000 surplus. The agent is understood to be negotiating with companies not necessarily licensed in Wisconsin.

According to Robert D. Haase, state insurance commissioner, the reinsurance is 60% subscribed. A first bid for the business, submitted in March, was unacceptable, he said. He said that the annual premium would be approximately $250,000.

THE WISCONSIN legislature authorized the reinsurance during its last session, Mr. Haase said, to prevent the fund from having to go to the legislature asking for a tax increase in the event of a large loss.

In the first bid, the specifications asked for a $50,000,000 limit per occurrence with a $2,000,000 deductible. "We couldn't find anyone interested in that level at a price we could afford," Mr. Haase commented, "and it became more of an education process, because we found out what we should include in our second set of specifications."

Mr. Haase blamed a "tightness in the market" for the delay in wrapping up the second bid. He said carriers are being asked to participate in this first layer on a pro rata basis. "Once this is subscribed," he said, "we will then seek a $20,000,000 to $30,000,000 limit for any one occurrence as an additional layer. This layer should be easier to come by."

The fund automatically insures all state-owned properties. The state pays a premium to the fund only if the surplus drops below $2,000,000. The state last paid into the fund four years ago.

OTHER GOVERNMENTAL units, such as school districts, cities, or counties, may be insured by the fund at half the manual rate. There is a mandatory $50 deductible on all policies of the fund.

The Wisconsin fund has not paid a loss of more than $600,000 since its founding, according to Mr. Haase. It is one of the few state funds in existence.

Twenty states have tried self-insurance, eight of these have abandoned the test and three have reduced the fund to the status of small loss reserves.

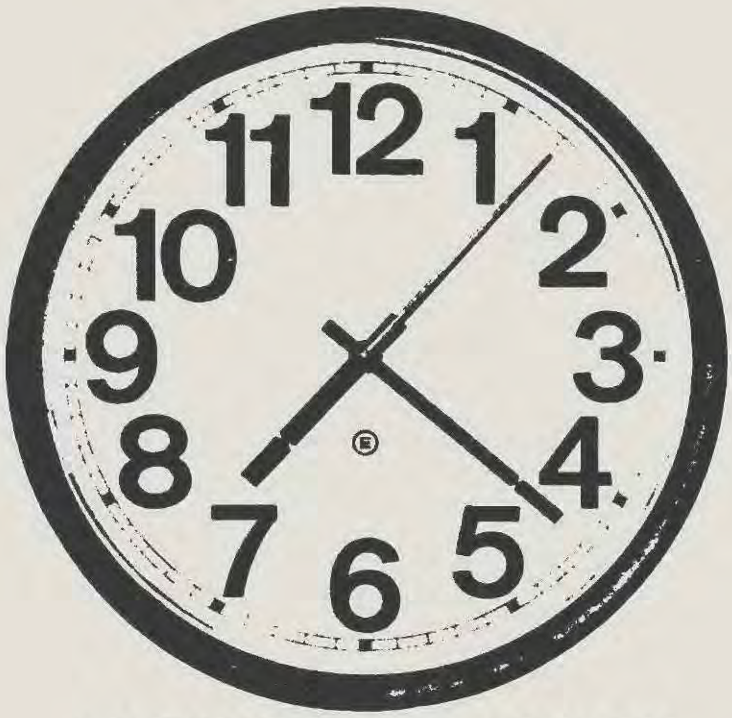
Michigan, Colorado and Minnesota dropped their self-insurance programs after particularly large losses were incurred. Georgia, Hawaii, Iowa, Montana, New Jersey, Pennsylvania, Rhode Island, Tennessee and Vermont also abandoned self-insurance funds. Georgia voted to try it again in 1966.

It is estimated that 98% of towns and cities in the U.S. insure their properties with commercial carriers. The Wisconsin fund does not insure liability exposures. ▪

Pick Southern Natural buyer

BIRMINGHAM, Ala.—Southern Natural Gas Co. has named A. R. Fathman insurance manager, responsible for corporate property, liability and employe benefits.

Mr. Fathman had been corporate risk manager for Anderson, Clayton & Co., Houston, for 12 years working in that company's insurance subsidiary, Ranger Insurance Group, and was named Anderson, Clayton insurance manager in 1963. ▪



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([redacted]) [redacted],N.Y.---EXPLOSION SITE---The remaining walls and rubble of the executive office building of a major appliance manufacturing firm ripped apart during an explosion are shown above. Fortunately the accident occured on a Sunday when employees were at home. [redacted] (abk857/L251kp) 1968.

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