Broker calls service skimpy
page 22

Straightforward benefits talk
page 45

Fight strict marine liability
page 51

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Report U.S. comp unit to recommend federal standards

WASHINGTON—The final report of the National Commission on State Workmen's Compensation Laws, due in July, will recommend—unless something drastic happens in the next week or so—a unique strategy that retains the essential strengths of present state compensation laws while providing impetus for change.

Basically, the commission will recommend a federal law with minimum standards. But, significantly, the federal law will not directly pre-empt state laws after a grace period for state legislatures to act, as in the Occupational Safety and Health Act of 1970.

The trigger for change that the majority of commissioners now favor is in the federal courts. Essentially, the federal law would allow a claimant to bring an action in court for any difference in wage replacement benefits, medical coverage or other areas between the state law and the federal minimum.

To avoid this double liability, employers will then presumably do one of two things: Purchase insurance policies covering the additional risk, or urge their state legislatures to amend the state act to provide coverage at least as broad as the federal coverage.

TO AID claimants in filing these cases, the commission is leaning toward recommending that U.S. attorneys be empowered to bring these cases on their behalf. The government would thereby provide workers with attorneys to sue the employers, while employers (or their insurance companies) would have to bear the cost of defense.

The commission strategy will no doubt spark controversy. Business interests will have reservations about the "double jeopardy" implication. The basic "no-fault" underpinning of workmen's compensation will have been drastically altered.

Workers and unions will protest loudly that the commission's recommendation takes them back to the early 1900s, when progress in this field was limited by the speed with which lengthy and contentious court cases could be completed. Certainly, Sen. Jacob Javits (R.-N.Y.) and labor and public welfare committee chairman Sen. Harrison Williams (D-N.J.) will favor a more direct federal role in any needed changes in workmen's compensation laws.

Continued on page 2

A protective sprinkler system was in the process of installation at the time of the fire that caused nearly $1 million damage to Stanford University's Encina Hall. —Wide World photo

Fire cover split among 18 carriers

STANFORD, CA.—Bob Beth, whose office suffered through the $1 million fire at Stanford University's Encina Hall on June 7, isn't exactly sitting at a charred desk but he told *Business Insurance*, "My carpets were badly damaged by water and it's so humid in here that I'm considering growing mushrooms and orchids."

Mr. Beth, the university's director of risk management, has tallied a loss figure of approximately $920,000 from the fire so far. "That may be a little high, but it's a pretty good ball park figure," he said.

At the time of the fire a sprinkler system was being installed in the building and he noted: "Another 60 days and we'd have been in good shape." The original building was constructed of sandstone with wood floors and roof in 1891; a central section was modernized with reinforced concrete in 1959, and a wing was currently being remodeled, he said.

PROPERTY DAMAGE insurance for the university is "pretty evenly split between 18 different carriers," according to the risk manager, and there is a $500,000 deductible on the coverage. "We have the reserve to cover that," he continued, "because we've been setting aside $400,000 a year since 1971."

He listed a rough breakdown of the damages: $450,000 for building reconstruction, including demolition; $100,000 for water damage; $200,000 for equipment damage and $100,000 for various equipment repairs.

"Actually, we were fortunate," said Mr. Beth, "because there was little fire damage to office contents; it was mostly water damage." He said that offices on some floors had to be relocated temporarily but that it was only about half a day before things were functioning normally. Fire damage repairs, he estimated, will take about six to eight months.

According to Mr. Beth, the local fire marshal has definitely determined that the fire was caused by a "human element," but whether it was arson or an accident is not yet known. ■

Only 30 in Rapid City had flood cover

WASHINGTON—The Federal Insurance Administration, which handles the government's flood insurance program, said only 30 properties, mainly private homes, out of more than 1,000 structures either destroyed or damaged in the South Dakota flood disaster had federal flood coverage.

"It's especially unfortunate because the coverage had been available there for more than a year," an FIA official said. He said the Rapid City area became part of the program in April, 1971. Under terms of the program, private homes can be insured up to $17,500 plus $5,000 on contents and businesses "or any other property" can carry up to $30,000 with $5,000 on contents.

John Edelman, General Adjustment Bureau claims supervisor in Minneapolis, told *Business Insurance* that because only emergency phone calls have been put through to the devastated area GAB "had no definitive information on losses." GAB was first able to get into the area on June 12 and, other than "three district people," he was unsure of the number of GAB men in Rapid City.

IN AN ATTEMPT to contact South Dakota Insurance Commissioner Ralph Nauman, four days after the disaster, *Business Insurance* was told by the department switchboard operator, "The office is empty because everyone is at the National Assn. of Insurance Commissioners meeting in Denver."

According to early FIA estimates, federal coverage of losses in the flood is between $200,000 and $300,000 or a minute fraction of projected losses in the Rapid City area. Noting that flood insurance isn't available privately, the FIA official said that in many individual cases where coverage had been obtained "the payments won't be much, but they're better than nothing." He said a breakdown of individual policy amounts was not yet available.

Because of the "disaster area" designation, homeowners and businessmen who want to rebuild qualify for Small Business Administration loans with the first $2,500 written off. "This doesn't do much for the guy who needs $20,000 or $40,000 to rebuild," the FIA man stated. "He'll be paying back almost all of it and may still be making mortgage payments on the destroyed property."

The official said anyone rebuilding in the Rapid City area will have to closely follow federal guidelines on land use to remain qualified for government flood insurance.

While the number of structures with coverage in the South Dakota disaster was low, far fewer federal policies—a total of two—had been issued in the West Virginia valley flooded by a dam break Feb. 26. Some 4,000 people lived in the stricken Buffalo Creek area and were eligible. The flood left 118 dead and seven missing and caused property damage of between $10 million and $50 million. ■

Say comp unit will recommend federal standards

Continued from page 1

On the other hand, the White House—to borrow a phrase from the President—has made it "perfectly clear" that it has major reservations over federal intrusion into workmen's compensation. President Nixon made no bones about this when he reluctantly signed the bill extending federal black lung compensation for 18 months.

In recommending a low-profile federal role in workmen's compensation changes, the commission is hoping to avoid the pitfalls of previous Administration blue ribbon panels, whose recommendations were either singled out for vilification in lightning rod speeches by Vice President Spiro Agnew or ignominiously ignored. Examples were the commissions on marijuana, pornography and population control.

THE WORKMEN'S compensation commission panel's basic recommendations will be that:

- The integrity of state workmen's compensation laws be maintained.
- Federal legislation be enacted setting minimum standards.
- Employes be permitted to bring an action in court for the difference between federal and state standards.

THE FEDERAL minimum standards will probably include:

- Unlimited medical coverage; 75% of the states already have this provision.
- Compulsory coverage of every employer subject to the act with no small business exemptions.
- No occupational exemptions for agricultural workers, or state and local government employes.
- Higher benefit levels, with such levels tied to the average wage in the state.
- Coverage of all occupational diseases.

Along with an increase in benefit levels, the commission is likely to recommend stricter limits on payouts for permanent partial injuries. The commission's staff analysis indicated that payments for these minimal injuries exceed in real dollars the impact of the injury on the employe's future potential earnings.

THE ACTUAL range of benefit levels that the commission will recommend is not yet certain. Some commission members reportedly would like to recommend a federal guideline of twice the state's average wage while setting the federally enforceable standard (that for which the employer is liable) at a somewhat lower figure.

In addition, the commission may recommend additional provisions making it easier to adjudicate interstate accidents.

The commission members, and most independent analysts, agree on at least one thing: Present state workmen's compensation laws are inadequate.

For example, currently 18% of the nation's workers are not protected. A total of 21 states exempt employers classified as small business. Only 16 states cover farm workers and only nine cover domestic workers.

ONLY TWO STATES currently meet all of the Labor department's 16 recommended minimum standards for state compensation laws.

The Labor department has long recommended that maximum cash benefits reflect 66.66% of the state's average weekly wage. Primarily due to state legal maximums, only 10 states now meet the standard.

The maximum weekly workmen's compensation benefit for all states averages 53%.

Only 33 states provide full medical coverage while many others have statutory limitations on benefits or compile lists of covered diseases, which often are outdated. ■

Jobless benefit crisis in Canada now 'solved'

OTTAWA—Manpower and Immigration Minister Bryce Mackasey said he does not expect further changes in Canada's new unemployment insurance plan will be needed for five years, when the waiting time prior to receiving benefits might be reduced.

Mr. Mackasey was appearing before the Commons standing committee on labor, manpower and immigration, along with unemployment insurance commission officials, to explain "difficulties" encountered in January and February with delivery of UIC benefits.

Claiming that all problems which resulted in payment delays for large numbers of Canadians last winter have now been solved, the minister summarized measures taken by the UIC office to handle the crisis.

THEY INCLUDED estabishment of "expediting" offices across the country to aid claimants, increase in telephone capacity of UIC by 65% and acceleration of the first UIC cheque due a claimant.

"In some areas, we are now trucking around our own forms to make sure they get to our offices in time," Mr. Mackasey said. "I'm not saying that the mail system failed us but on certain occasions we were at the mercy of the mail."

He said departmental committee is also reviewing Manpower facilities across Canada and will list Manpower offices where UIC staff will be available for claimant aid in the future.

However, the minister hailed his revised unemployment insurance plan as an advance and said major changes could not be affected without a drop in benefits, or an increase in waiting periods before funds would be provided.

"It's possible that in a year we may review the plan for the sake of a dime (change in rates), but not really. In five years, we might be looking at a reduction of the waiting period." ■

GUIDE TO FEATURES

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Mainland China trade coverage is complex

By LYNN LATHAM

NEW YORK—Surrounded on four sides by samples of glassware, artwork and carpets from the People's Republic of China, David Buxbaum, president of May Lee Import-Export Corp., leaned back in his chair to survey the mound of work that had accumulated on his desk during his visit to the Canton Trade Fair.

"It's really been hectic around here lately," he sighed. "I've only been back about a week, and we purchased a great deal of goods at the trade fair for our company as well as negotiating agreements for other American firms.

"In terms of dollars we did a substantial portion of all the business conducted at the fair by American companies. We also found that complications in Chinese trade included insurance agreements," Mr. Buxbaum added.

May Lee, incorporated in 1970 to engage in trade with Asian countries, is believed to be the first of only about 30 U.S. business concerns invited by the Chinese to attend the month-long fall session of the Canton fair. Said to account for about half of the sales of China's $2 billion in yearly exports, the biannual trade event attracted businessmen from more than 100 countries.

"WE HAVE SIGNED 26 separate trade agreements, are in the process of signing two more and are considering four others," Mr. Buxbaum noted. "Since we purchased a great deal of goods, we had to insure them—which we did through the People's Insurance Co. of China—and here is where some problems arise."

He smiled, stopped briefly to discuss a business matter with one of his associates in fluent Chinese, then continued, "You see, the Chinese do not have claims men or surveyors in the States, so claims verification could be quite complicated."

An expert in Chinese law and culture, Mr. Buxbaum considers the Chinese to be the fairest and most reliable people in the world. "We haven't figured out the practical details of substantiating claims, but if the situation does arise I'm sure an equitable ad hoc solution would be worked out.

"In fact, they've asked me to write them about insurance companies here that I considered to be reliable for them to work with in the United States. I haven't had time to follow through yet. Some of your readers might have some ideas . . . ," he suggested with a hopeful glint.

"SUCH AN arrangement would be beneficial to both groups. For example, how would an American insurance company go about checking claims for a client who was exporting goods to China?" he added.

Mr. Buxbaum is hoping he can untangle some of the insurance problems as well as conduct trade agreements, since his company is in the enviable position of having an open invitation to return to China to negotiate at any time.

"As trade continues to open up, U.S. firms will have the option to insure goods with the Chinese. Of course, which country they chose to insure with will depend on a number of factors. If a U.S. firm already has blanket coverage here, it probably wouldn't pay to switch. On the other hand, it would be much simpler for an American trading in China holding Chinese insurance to verify his claims there," Mr. Buxbaum noted. "If they do insure through the Chinese company, I'm sure they will find them to be most accommodating, offering very reasonable rates."

May Lee, he reported, obtained insurance for a variety of goods including carpets, essential oils, scrolls, textiles, jewelry and lacquer ware at rates comparable to, if not lower than, rates in the U.S. The company's all-risk policy covered war risks but excluded strike insurance because "they don't have strikes, but we do.

"BUT WE didn't insist on it. We don't anticipate any problems," he said glancing at the Chinese wares scattered about the office, perhaps to locate a Buddha to rub for luck.

American insurance companies might also receive good fortune in the form of some of China's insurance business. "It is quite conceivable that Chinese firms exporting goods here would purchase American coverage—at least there are no restrictions against it," Mr. Buxbaum noted.

David Buxbaum

One major obstacle to overcome in negotiations for insurance contracts or trade agreements is the problem of currency exchange. "It is highly likely that a Chinese insurance claim would be paid in Chinese yuan, and the nuances and difficulties of exchanging it still have to be worked out," he remarked.

Since 1950, when America froze the Bank of China's assets here, and they in turn froze ours, all trading has been negotiated through approved third countries.

"Until we solve this, Americans can't deal directly with China," Mr. Buxbaum commented. "May Lee has had to deal primarily with English banks to exchange currency.

"I think it is up to the United States to make the next move. China has shown its willingness to resume relations by inviting Americans to the fair, and they made it as easy as possible for us while we were there. Now we need to facilitate banking arrangements to accommodate our country's new relationships." ■

Disaster evacuation plan really works

NEW YORK—In what is believed to be the first plan of its kind established by a major New York City employer, Bache & Co. Inc., the nation's second largest stock brokerage firm, has set up a sophisticated emergency evacuation program.

On a Thursday afternoon last month the company, with offices on seven floors at 100 Gold St., put two years of planning to the test. Result: 2,000 employes were evacuated from the building in seven minutes.

According to Bache executives, the company decided to draw up an emergency game plan two years ago when the firm moved its headquarters to the new building. The decision, according to Raymond M. Patella, assistant vp and manager of Bache's insurance department, was made as a result of several fires and explosions in highrise New York office buildings in recent years.

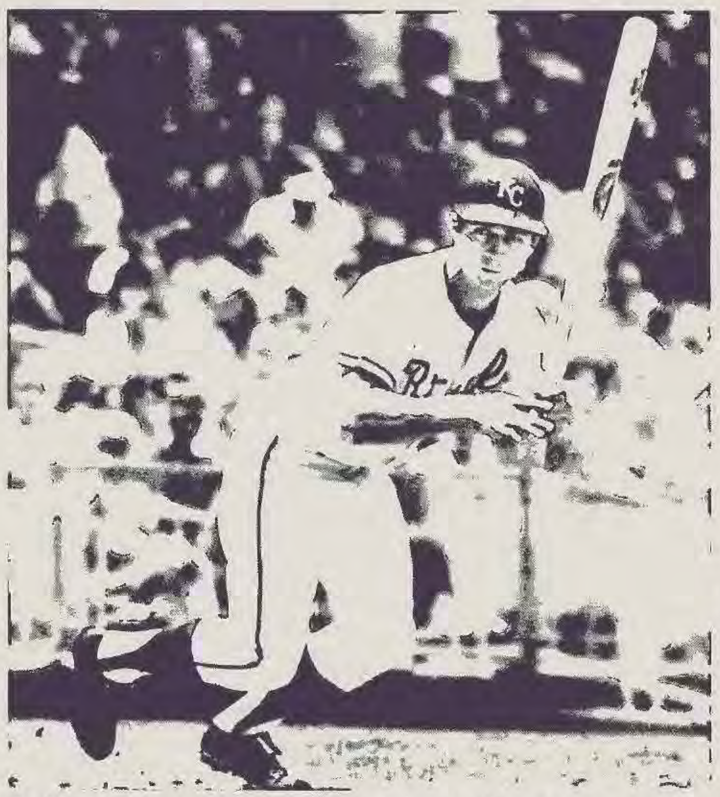
In early 1969, Mr. Patella was put to work on the assignment. He contacted the company's workmen's compensation, liability and property damage insurance carrier—Lumbermens Mutual—and with the insurance company made a major survey of the seven floors Bache occupies. A report followed which made certain recommendations, including evacuation routes, fire extinguisher disbursement policy and the proper marking of all evacuation routes.

A SECOND phase of the program was the establishment of an emergency evacuation team under the direction of Paul Kemeness, manager of office services. Each floor was assigned a "floor captain" to assist personnel in evacuating the premises. The evacuation team is equipped with walkie-talkies, permitting constant communication among each other, and with a central communications headquarters.

More than 2,000 Bache employes were evacuated within seven minutes at the main office of Bache & Co. Inc., New York City. The evacuation drill was coordinated with New York City fire and police departments.

According to Mr. Patella, the company plans to have future drills. The firm has also set up a safety committee which regularly looks for possible safety hazards and attempts to eliminate them as much as possible.

Cooperating with Bache for the drill were both the New York City police and fire departments. Lumbermens Mutual also sent three men to the offices to observe the evacuation and offer further recommendations. ■



Fred Patek, Kansas City Royals' shortstop, will be playing in a new super-stadium next season when the team moves to the Harry S. Truman sports complex, now under construction.

Bean balls and stubbed fingers are in this risk man's daily line-up

KANSAS CITY, MO.—In a hidden corner of Kansas City's aging Municipal Stadium, Douglas L. Adams, comptroller of the Kansas City Royals Baseball Corp., surveyed the packing crates cluttering his office and said, "I can't wait to get out of here."

Next season, Mr. Adams and the rest of the Royals family will be moving to their half of the Harry S. Truman sports complex, now under construction in Jackson County, Mo. The facility will consist of two separate stadiums, one to be leased by the Royals, the other by the Kansas City Chiefs. The Jackson County Sports Complex Authority, a subdivision of the State of Missouri, owns and controls the basic facility, although the Royals will install and own spectator business suites, offices, a "water spectacular" and other niceties considered imperative in sport palaces today.

Property and liability coverage on those portions of the complex installed by the Royals is written through Findlay G. Reed Inc. of Kansas City. According to Mr. Adams, coverage is provided through "a few major carriers," with Fireman's Fund heading the list. The Royals carry "close to $2 million" in liability cover and "close to $1 million" in property cover on their stadium construction, he noted.

A PROPERTY-LIABILITY program for the Royals' facilities, once construction is completed, is "still in the planning stages," Mr. Adams explained. "We're still trying to determine what we actually need without overextending."

Turning to other topics, the comptroller noted that catastrophe cover, for such disasters as a team plane crash, is provided by an American League policy that would compensate an individual team for the loss of up to five players. The Royals supplement this by covering all 25 rostered players for catastrophe, with each man rated separately according to his value to the club.

Mann-Kline Inc., a subsidiary of Marsh & McLennan, brokers the policy through Insurance Co. of North America.

Mr. Adams pointed out that, in the event of such a tragedy, a team would be re-playered through a League pool procedure similar to the one used for beginning a new professional baseball team.

WORKMEN'S compensation is carried through Fireman's Fund, Mr. Adams said, through a master policy containing a minor league coverage endorsement. Since the minor league teams span six states, he added, all workmen's compensation is written through Missouri.

"We self-insure 99% of the cases to keep our rates down," he commented, "If there were any

Continued on page 52

washington watch

Williams-Casey membership debate aims for compromise denouement

By JOHN REVETT
Washington editor

WASHINGTON—While still outwardly bristling, forces for and against unrestricted stock exchange memberships for institutional investors, including pension funds, insurance companies and mutual funds, appear to be heading for a compromise settlement of sorts.

If worked out, the winding down of the institutional membership battle would leave the Securities & Exchange Commission free—at least from immediate legislative blockades—to enforce an order requiring all national securities exchanges to sharply restrict institutional membership. For the funds there would be a chance for substantial savings via removal by the SEC of fixed broker rates for all but under-$100,000 transactions, thus permitting commissions on the bulk of pension and other fund investments to be negotiated at lower broker rates.

AN AGREEMENT could be knocked into a cocked hat along the way by courts, but at present the signs of a compromise along these lines are becoming clear. They began to appear after SEC Chairman William J. Casey and Sen. Harrison A. Williams Jr. (D.-N. J.) came out about even in a power test over institutional memberships.

Mr. Casey, who had been saying something should be done about institutional investors "undermining the public character" of the market, moved first. In a letter to the presidents of all national securities exchanges, he called for adoption of rules requiring that by July 31 every exchange member "have as its principal purpose the conduct of a public securities business." Specifically barred from membership, said Mr. Casey, who sent along a proposed rule draft, would be people or organizations "whose primary function is to rebate, recapture, or redirect commissions," or otherwise carry out stock transactions for "affiliated" groups.

Institutional exchange members whose main concern isn't a public securities business would be given five years to set up programs for becoming primarily public brokers, and this in itself is considered something of a compromise by SEC hardliners on the institutional membership question.

But Sen. Williams' staffers—both on his pension reform-minded Senate labor committee and on his securities subcommittee—angrily pressed for a challenge of the Casey move, contending the SEC doesn't have the power to bar institutions from exchange membership, and, as one put it, "hasn't given a meaningful reason for doing it."

SEN. WILLIAMS, who contends that funds, particularly pension plans and insurance companies handling pension fund investments, should be able to buy and sell without depleting assets by paying broker commissions, reacted quickly as securities subcommittee chairman. Sen. John Tower (R.-Tx.) had requested an executive session to press for legislation clearly spelling out what he feels is the SEC's right to restrict institutional exchange memberships. The meeting was held and Sen. Williams announced the outcome: no consideration, for the present, of the measure sought by Sen. Tower. In addition, said Sen. Williams, Mr. Casey should "reconsider the appropriateness of his current efforts to force institutional members off of regional exchanges."

This leaves the SEC alone with its own interpretation of SEC power under the Securities Exchange Act of 1934, and that interpretation is expected to be challenged by one of the two largest regional exchanges with a substantial number of institutional members. The Philadelphia-Baltimore-Washington Exchange reportedly will go to court rather than drop its 48 mutual funds and pension-fund-handling insurance companies. "We shouldn't be limited on who we should have as members," said one exchange official, "And we have a reason for allowing institutions. As members they can keep down expenses, and this is a public service for policy holders and fund people. The SEC hasn't given us a real reason for dropping them." He added that the exchange expects "most of the regionals" to challenge the SEC order.

Securities subcommittee staff members aren't sure this will happen. They doubt that the Pacific Coast Exchange, about second biggest in institutional members, will test the SEC and say they've seen no signs of regional exchange revolt elsewhere. But, as one staffer put it, "one case should answer the question."

THE SECURITIES subcommittee, of course, would not have to wait for a court ruling to act against the SEC by sending legislation to Congress restricting the commission from barring institutional members. But this possibility appears remote according to subcommittee sources. They say a more likely move would be subcommittee approval of a Williams bill eliminating fixed broker commission rates on stock transactions of more than $100,000.

It's thought this would make most institutional memberships unnecessary by clearing the way for broker discounts. But Sen. Williams is holding off on this bill on the basis of SEC statements to the effect that it plans to eliminate fixed commissions for $100,000-plus deals by SEC order within the next two years. "What we want now, so the legislation can just be set aside permanently, is a strong commitment from the SEC that it's really going to take this step," a Williams aide said. ■

Blue Cross head predicts health bill compromise, but not this year

NEW YORK—The keynote speaker at a seminar for corporate medical directors here predicted that none of the national health insurance proposals currently before Congress would pass this year and that any bill to get through both houses in the future would probably be a compromise blend of the present bills.

Walter J. McNerney, president of the Blue Cross Assn., told the assembled medical men that "some bill is definitely coming" and that any national health insurance set-up would probably be run "like a public utility."

While tracing the history of the outcry for a national health care system, Mr. McNerney said, "About six or seven years ago the nation realized that the health care system had weaknesses—doctor/patient ratios were not what they might be, costs were high, poor people lacked access to quality health care and the system lacked productivity among other things.

"Since then," he continued, "the debate has been intense and complex and its outcome will affect the balance of power between the private and public sectors. With the advent of consumerism and other factors, it is now universally accepted that the present system can't make it. And it is almost universally accepted that health care is a right, not a privilege. There is a feeling that all should be cared for."

MR. McNERNEY, who is also vice chairman of the President's Committee on Health Education, indicated that the committee was on the verge of making a report which would ask for the formation of an extra-governmental board to act as "the health care conscience for the nation."

During the course of his talk, Mr. McNerney mentioned a 1971 Harris poll which, he said, indicated that most Americans "don't know as much about health as they think they do."

The poll, among other items, showed that only 13% of those surveyed could list four of the seven warning signs of cancer and that only one in four persons questioned could describe even one of the symptoms of heart disease.

While over half the respondents named their family physician as their most important source of health care information, only 2% mentioned their employer as a valuable health information font.

"LITTLE IS being done in industry," Mr. McNerney charged, "and there are many gains to be made if health education is pursued by employers. Sick days and lost-time accidents would certainly be reduced and productivity would be increased. A healthy worker is a happy worker, which makes for better employe relations.

"The conclusion is clear," he continued, "that there is a serious need for greatly increased educational efforts to help people learn not only to recognize signs of illness, but how to change and improve their lifestyle to avoid illness. It is vital that both public and private organizations undertake the responsibility of educating people for whom they are responsible or to whom they are accountable."

He indicated that, in the days ahead, industries must share their skills and knowledge in coming up with "conscious, predesigned benefits" in the health care area. He also felt that increased cooperation with labor was imperative for the success of any health programs.

"Health care is more than a problem of access," he summarized. "It is more than an increasing number of gadgets, buildings and physicians. Modern technology is not the prime solution. Increasing the number of doctors does not help in the distribution of doctors. It is getting people to care about their own welfare.

"HEALTH education might not cut the death rate, it might not increase longevity and it might not cut costs to any great extent. What it will do is lead to a better life for the people of this country."

The seminar was sponsored by Searle Educational Systems Inc., the founders of Project Health, and G. D. Searle & Co., the Chicago-based pharmaceutical manufacturer. ■

Chenault to act as head of firm

NEW YORK—Miles S. Chenault, who is believed to be the first former risk manager to have attained the chairmanship of an insurance company, has been named acting president of Bush Universal Inc. At the same time he will continue as chairman and chief executive officer of the Bush insurance subsidiary, Midland Insurance Co.

Mr. Chenault rose to vp of Iowa Kemper Mutual Insurance Co. before leaving that company in 1959 to become director of insurance for Ryder Systems Inc., the Miami-based transportation and truck-leasing firm. He was a founding member of the Florida chapter, American Society of Insurance Management.

The acting president was elected to the post by Bush Universal directors after Donald J. Matthews resigned the position. Mr. Matthews will continue as chairman. Bush, in addition to its insurance subsidiary, also has interests in stevedoring and real estate, and owns 50% of Hamilton Watch Co.

Bush Universal directors have not indicated when they might name a permanent president, and Mr. Chenault refused to speculate on whether or not he has a shot at the post.

Sources close to the company, however, indicated that "he definitely is in the running." They speculate that the company is presently in "a holding pattern" as top management is reshuffled. Mr. Chenault joined Midland in 1966 as president and was elected chairman of the insurance subsidiary only one week before Bush directors named him to the additional job at the parent corporation.

"I suspect," said one industry source, "that Miles will be acting president until they find someone to take over the chief executive reins at Midland." ■

Upholds insurance department's welfare fund depletion finding

NEW YORK—A New York state insurance department finding that the trustees of Local 11 Welfare Trust Fund of the Hotel and Restaurant Workers Union were responsible for depleting the fund's assets by more than $138,000 through manipulation of an optical services insurance plan for union members and their dependents has been reinstated by the N. Y. state court of appeals.

The ruling reverses an earlier finding in the appellate division, which had struck some of the department hearing officer's findings that had to do with the proper calculation of the amount depleted.

The New York insurance department decision, which was first announced April 12, 1968, called for the removal of one of the fund's trustees and its administrator, Murray Solomon, from both offices. It also fined Mr. Solomon $2,500.

The Local 11 Welfare Fund, through its trustees, said the original finding made "unreasonable payments" to Morris Zucker, an optometrist, for services he rendered under contracts to provide optical services to union members and their families. Under the contracts, Mr. Zucker was paid a total of $180,780 from 1960 through 1965.

The insurance department charged that the cost to the fund for each pair of glasses ranged from $17.16 in 1960 to $34.70 in 1965. These amounts, the department said, were unreasonably high. It based its finding on an examination of 55 other welfare funds which showed that the average price per pair of glasses under similar optometrical plans was $6.19.

Using the $6.19 figure as a valid figure for the average pair of glasses under this type of mass purchasing program, the department determined that the welfare fund "was depleted over the years 1960 to 1965 in the sum of $138,130."

The department further ruled that the 12 trustees responsible for the fund "had breached their fiduciary responsibilities by permitting excessive sums to be paid to (Mr.) Zucker and had failed to determine whether the fund and its members were receiving reasonable value for these sums."

The department also found that Mr. Solomon, as administrator of the fund, was a personal party to the transactions and that his knowledge and participation in them also constituted a willful failure to comply with the insurance law which required his removal and the imposition of the maximum fine under that law. ■

Special fraud probe

Squad officers from the City of London's specialized police investigation headquarters are currently probing 50 suspected fraud crimes involving more than $90 million.

New trial in Parke Davis case

SAN FRANCISCO—A $400,000 judgment against Parke Davis & Co. has been reversed by the California appeals court here and a new trial has been ordered on charges that Dr. Arthur Beland and the pharmaceutical company were negligently "overpromoting" chloromycetin.

A lower court had awarded the $400,000 to the husband and children of Mrs. John Stevens, whose auto accident injuries were treated by Dr. Beland with the chloromycetin. The drug can cause aplastic anemia, according to the suit, and this ailment caused the death of Mrs. Stevens.

On motion for a new trial, the lower court found the damages excessive and ordered a new trial unless the plaintiff would accept reduction of damages to $64,000. Attorneys for Mr. Stevens refused and both Parke Davis and Dr. Beland appealed to the higher court.

The unanimous decision reversing the judgment concluded the evidence did not support the charge of "negligent overpromotion."

THE APPEALS court ruled the test of Parke Davis liability would be that if Dr. Beland's prescription of the drug "was not caused by overpromotion of Parke Davis, then, however negligent such over promotion may have been, Parke Davis could not be held liable."

The "negligence of Parke Davis," the court ruled, "would not have been an inducing or proximate cause of the resulting injuries and Dr. Beland's negligence would have been an intervening, independent and solely proximate cause.

The appeals court added that "testimony of medical doctors was persuasive on the issue that chloromycetin was extremely dangerous and was prescribed too lightly by the medical profession in general.

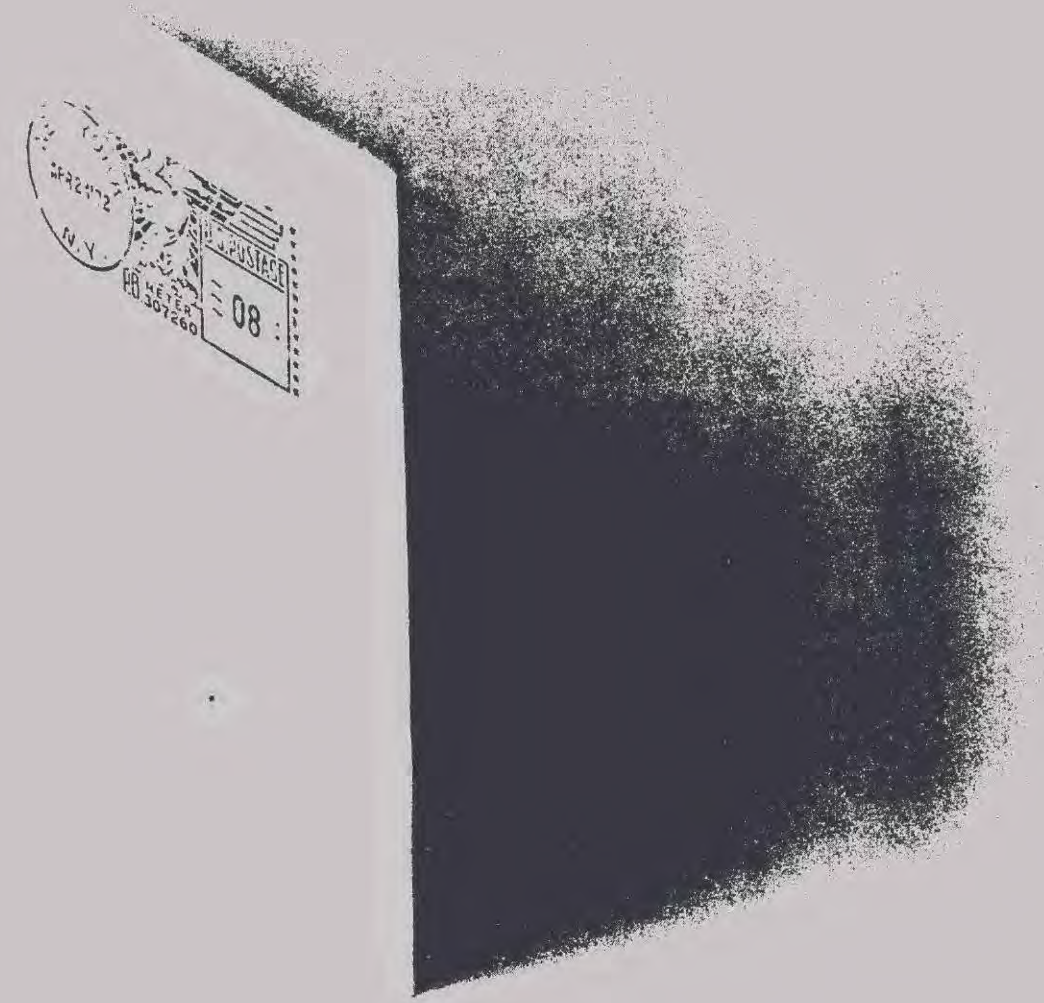
"Additionally, there was medical evidence that the drug should not have been prescribed to Mrs. Stevens by Dr. Beland. However, there is no evidence that Dr. Beland's prescription of chloromycetin was induced or influenced by any overpromotion, wholly aside from negligent overpromotion of the drug by Parke Davis."■

Hold public hearings on pension reforms

WASHINGTON—A public hearing is being held this week by the Department of Labor allowing interested persons to air their views concerning proposed changes in the filing of pension plan descriptions under the Welfare and Pension Plans Disclosure Act.

If the new regulations are enacted, an employer would be required to provide a simple non-technical description of the company pension plan to covered employes upon request. He would also be required to include precise information in the plan detailing the circumstances under which an employe may lose his benefits.

In addition, the proposal calls for employers to notify employes in writing that the plan is available.



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BI workshops on product liability, benefits include discussion sessions

CHICAGO—Two of the most pressing topics in corporate management—product liability and employe benefits communication—will be examined at *Business Insurance* workshops in October.

• Product liability, subject of a sellout *Business Insurance* workshop in January, will be the workshop topic October 9-10.

• Employe benefits communication, a vital concern of corporate managers, is the workshop subject Oct. 10-11.

Authorities on diverse aspects of product liability—including insurance, loss prevention and claims handling—will be included among a faculty of experts.

This workshop will include discussion groups on special problems in product liability to enable registrants to review their situations with other risk managers and corporate officials as well as with experts on various facets of product liability.

Sessions at the workshop will take up such questions as: How can my company prevent product liability claims? How does a lawyer defend product liability suits (and how does a plaintiffs lawyer prosecute a product liability claim)? What role does the corporate risk manager play in the prevention and defense of product liability claims?

Business Insurance's Employe Benefits Communication Workshop begins Oct. 10 with a banquet honoring the winners in the Employe Benefits Communication Award competition. All registrants for the workshop will be guests at the awards dinner that will honor the nation's best employe benefits communications in five categories. Details of the competition appear elsewhere in this issue.

Participants in the Employe Benefits Communication Workshop will come away with practical suggestions on how to handle and present all aspects of benefits to employes, including pensions, profit-sharing plans, group life insurance coverage, special education benefits, pay for time not worked, long-term disability insurance and other benefits. Registrants will meet with each other to discuss common problems.

Product liability sessions will begin at 6 p.m. on Monday, Oct. 9, and continue until 4:30 p.m. on Oct. 10. Sessions on employe benefits will start with a cocktail party on the evening of Oct. 10 and continue until the evening of Oct. 11.

Fees for early registration for the workshops are $115 for each workshop or $200 for both workshops if tuition is paid by Sept. 15. After that date the fee is increased to $140 and $250, respectively.

Register for either or both workshops by sending the form on this page, with your fee, to Workshops, *Business Insurance*, 740 Rush St., Chicago, Il. 60611. ■

OPIC gets more cover

LONDON—Further reinsurance cover has been taken out at Lloyd's of London by Overseas Private Investment Corp., the U.S. government-sponsored insurance program that already has a substantial sum covered in this way (*Business Insurance*, April 10).

The risk has been widely spread over the London market, according to Lloyd's sources, and extends to reinsurance companies based in both Britain and Western Europe.

But in the participation is also a part-reinsurance interest taken by the Black Sea and Baltic Co., which is an associate of Ingosstrakh, the Russian state insurance group.

There is no political significance in this. The reinsurance risk was placed in the normal commercial way with this Russian corporate, which from time to time spreads its funds in the London market. Brokers in the operation were Price, Forbes and Co. Ltd. Sources suggest the additional reinsurance totals $26 million, but there was no direct confirmation of this figure. ■

Crime attracts U.S.

Crime prevention is a growing industry in Britain, attracting the attention of several U.S. security groups, including Burns International and Brinks, which now have close links with domestic U.K. corporates in the field. The London Daily Telegraph estimates that it has a growth rate which has now reached $150 million a year, and it is expanding at the rate of 20% a year. Peter Hamilton, of Chubb Security Services, told an industrial seminar: "Insurance companies are promoting security very strongly, but it is still difficult to persuade cost-conscious managements to pay for expensive protection equipment against future risks which have not yet occurred."

Entry forms available for benefits awards

CHICAGO—Entries in the *Business Insurance* Benefits Communication Awards competition have started to come in from employers in a wide range of industries, from advertising agencies, consultants, insurance companies and insurance brokers.

Awards for excellence in five categories of employe benefits communication will be presented to employers at the opening banquet of the *Business Insurance* Employe Benefits Communication Workshop in Chicago on Tuesday, Oct. 10. Citations will be presented to outside consultants and others who provided substantial assistance in preparing winning entries.

Five types of communication to be recognized are:

- Booklets.
- Employe publications.
- Computerized benefit statements.
- Letters and other special printed material.
- Visual and audiovisual presentations.

Entries will be judged by a committee comprised of recognized experts in the fields of benefits and communication. Members of the panel of judges will be chosen by editors of this magazine and editorial executives of marketing magazines of Crain Communications Inc., publishers of *Business Insurance*.

Judging will be based upon graphic appeal, effectiveness of copy, accuracy in conveying the nature of benefits and the use of interesting, novel techniques in telling the benefits story. Entrants are invited to submit supporting statements telling how the communication material was received by employes and how it fit into the entire benefits communication program. ■

Here's how to enter awards competition

CHICAGO—Employers and those who help them design employe benefits communication material may enter the *Business Insurance* awards competition by requesting an entry blank from Benefits Communication Awards, *Business Insurance*, 740 Rush St., Chicago, Il. 60611. Entries must be submitted with a $30 entry fee before Aug. 25. Winning entries will be shown at the *Business Insurance* Benefits Communication Workshop to be held in Chicago on Oct. 10 and 11.

Blames lawmakers for high rates

MILWAUKEE—Francis J. Holton, president of Classified Financial Corp., blames lawmakers for the inflated rates of auto and homeowner insurance policies.

He told stockholders at the annual meeting of the Milwaukee company that legislators, by ignoring social problems, were responsible for the climbing costs. "Our governments assistance are copping out," he charged. "Instead of reducing crimes, violence, alcoholism, drug addiction and the social ills that cause them, our governmental units irresponsibly pass the buck to the insurance industry."

According to Mr. Holton, there isn't another industry which has been forced "to subsidize social problems" to the extent that the insurance business has. He called attention to assigned risk plans for auto policies as a buck-passing tactic of legislators in search of votes.

Insurance claim payments don't eliminate drunk drivers and fire bombers, he declared. Nor can an insurance payment "restore the affectionate 35 year old wife permanently crippled by a drugged driver," he stated. ■

info for buyers

To receive literature listed in Info for Buyers write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*. Readers are welcome to submit items for possible inclusion in the column. A sample of your literature should be sent to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

• Health Screening Centers Inc. has made available its brochure describing the company's multiphasic health screening centers. A number of facility options are offered, including HSC operation or client operation of either a mobile unit or fixed-site facility. For your copy write Lou Cilento, controller and director of marketing, Health Screening Centers Inc., Suite 500, Executive Club Bldg., 1776 S. Jackson St., Denver, Co. 80210.

• **How Should Management Appraise Current Pension Legislative Issues?** is a bulletin discussing mandatory vesting and funding standards, portability, pension fund reinsurance and the Administration's "Rule of 50" position on vesting. Copies are available free by writing Donald R. Marcy, consultant, Johnson & Higgins, 95 Wall St., New York, N. Y. 10005.

Info goes Hollywood

INFO FOR BUYERS, in a future issue, will run a special Info Film Festival featuring items on films, filmstrips and slide presentations of interest to *Business Insurance* readers. Those who have such materials to offer should send descriptions, rental, price and availability specifications as well as contact information to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611. Contributors are encouraged to submit still photos of single frames which are part of their visual presentations.

• **How to Get the Most Out of Your Private Corporation,** a booklet by William B. Lynch, describes tax deductible and tax favored plans which the private corporation principal can turn to his personal advantage. For your free copy write Richard F. Hanly, 2nd vp, Creative Business Planning, Pacific Mutual Life Insurance Co., 523 W. 6th St., Los Angeles, Ca. 90014.

• **Employee Benefit Communications** is a brochure produced by Towers, Perrin, Forster & Crosby describing a comprehensive survey of employe benefit communications procedures in over 200 major American companies and other organizations. For copies write Joseph A. Banik, TPF/C, 3 Penn Center, Philadelphia, Pa. 19102.

• **Architects & Engineers Errors and Omissions,** from Illinois R. B. Jones Inc., is an explanation as to why such coverage is needed and presents 21 questions answered by architects and engineers with a further analysis of the policy insuring agreements, conditions and exclusions. For copies write Richard Oldani, Illinois R. B. Jones, 175 W. Jackson Blvd., Chicago, Il. 60604.

• **Professional Counsel in Risk Management,** produced by Warren, McVeigh & Associates, describes the scope of risk management and the sequence of actions used in a consultant's evaluation of a corporate insurance program. For your complimentary copy write Warren, McVeigh & Associates, 680 Beach St., San Francisco Ca. 94109.

• **Managing and Investing Short Term,** published by the National Foundation of Health, Welfare and Pension Plans, discusses short term investments through the concept of money market segmentation. Also included is a discussion and tables covering

the effect transaction costs can have on the net yield of short term investments. Copies are \$3.75 for foundation members and \$4.75 for non-members. Quantity prices are available. Address orders to the foundation, P.O. Box 69, Brookfield, Wi. 53005.

• Insurance consultant Donald G. Shapiro has made available **The Variable Annuity,** a booklet describing how the variable annuity works during pay-in and pay-out periods and its risk and rewards. Sample plans are included, along with dollar cost averaging and an explanation of federal taxation. For your copy write Mr. Shapiro at 90 Park Ave., New York, N.Y. 10016.

• Chubb & Son has updated its **International Employees Personal Insurance Plan** by the addition of optional transit coverage and personal accident insurance. The new accident brochure outlining the plan is available upon request from the international division, Chubb & Son Inc., 90 John St., New York, N.Y. 10038.

• Three brochures—aimed at the sole proprietorship, the partnership, and the closely held corporation—describe a new approach by CNA insurance to fund a buy-sell agreement in the event of the death, disability, or retirement of the business owner. For copies write Steve Hirsch, Continental Assurance Co., 310 S. Michigan Ave., Chicago, Il. 60604.

• **The Management Approach to Funds Evaluation** describes A. G. Becker & Co.'s funds evaluation service that measures, compares and evaluates the past and current performance of retirement and other non-taxable funds. For copies write Robert Brehm, Corporate Services, A. G. Becker & Co. Inc., One First National Plaza, Chicago, Il. 60670.

• **Chances Are You Need the Reid Report** describes a paper and pencil test designed to aid in selecting only honest job applicants. Polygraph tested and psychologically validated, the test does not discriminate on the basis of race or sex. Produced by John E. Reid & Associates, the brochure is available by writing Daniel J. Reid, Reid Report, 600 S. Michigan Ave., Chicago, Il. 60605.

• The Hartford Steam Boiler Inspection and Insurance Co., Hartford, Ct. 06102, has made available to *Business Insurance* readers a copy of their **Engineering Bulletin No. 69** which describes the establishment and operation of an air condition and refrigeration log program and samples of their logs. The logs can help prevent breakdown by warning of impending trouble and by providing a data base necessary for maintenance programs and reduce the likelihood of an accident which can be costly even if the equipment is insured. For more information about the loss prevention control method write the firm.

• The General Scientific Equipment Co. has published **Eye and Hearing Safety**, a booklet dealing with many methods of reducing eye and ear risks and injuries. The pamphlet deals extensively with noise standards under OSHA. Copies are available free by writing the company, Limekiln Pike & Williams Ave., Philadelphia, Pa. 19150.

• **Preventing Office Accidents**, a pamphlet from the U.S. Department of Labor safety training programs, outlines the causes of most office accidents and enumerates ways to prevent them. Included are office safety checklists. Copies of the booklet are available for 15 cents each from the Superintendent of Documents, U.S. Government Printing Office, Washington. D.C. 20402.

• American International Life Assurance Co. has made available **New Concepts in International Employee Benefits**, a brochure describing the company's coverages, staff and facilities around the world. The booklet includes material on group life, group medical, third country nationals pension ,voluntary plans, mass marketing, war risk and pooling. For your free copy write Ron R. Ewing, American International Life Assurance Co., 102 Maiden Ln., New York, N.Y. 10005.

• **Insta-Wall Fire Confinement Folder**, released by Singer Safety Products Inc., describes the company's fire wall system for containing fires. For a copy contact R. J. Steiner, Singer Safety Products Inc., 444 N. Lake Shore, Chicago, Il. 60611.

• Bolen Industries Inc. has provided an **Office Security Check-list** which lists 33 important steps to check to insure the protection of your office and office equipment. For a copy write Robert Woletz, Bolen Industries Inc., 789 Main St., Hackensack, N.J. 07601.

• Towers, Perrin, Forster & Crosby has made available an article by Bruce A. Searle entitled **Is My Transfer a Promotion, Demotion or Lateral Move?** The article discusses the need for a common salary grading system in the multinational firm and how to proceed in establishing such a scale. For a free copy write Joseph A. Banik, TPF/C Inc., Three Penn Center, Philadelphia, Pa. 19102.

• The new **Difference in Conditions** 12-page explanatory brochure describes what the coverage provides, why it's important for commercial and industrial accounts, and the many special features the policy affords. The policy is written domestically by American Home Assurance Co., and overseas by American International Underwriters. For more information write American International Life, Dept. A-14, 102 Maiden Ln., New York, N.Y. 10005.

• Two folders covering various phases of building security are available from Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601. The pamphlets describe various types of alarms, locks, fences, flood lighting and other deterrents, and are available without charge in single sets by writing the company.

Canadian regulators take uniform action on health, life policy ads

TORONTO—Canadian insurance regulators have taken rather decisive and uniform action in establishing guidelines for mass audience advertisements that solicit applications for life or health and medical insurance policies.

The move, which comes at a time when increased attention is being paid to the subject in the U. S., but when only a few jurisdictions have taken decisive action on the matter, was approved by the 10 provincial superintendents of insurance at their midterm meeting here in April. The guidelines approved at that meeting are based on Ontario guidelines issued in March and have now been formally ratified by the individual provincial governments.

Leo Beaudry, superintendent of insurance for Saskatchewan and chairman of the Assn. of the Superintendents of Insurance of the Provinces of Canada's standing committee on life insurance legislation, issued the guidelines to all life and health underwriters in Canada. They are designed to protect the public from newspaper, magazine, radio and television pitches that may be untruthful or misleading in fact or implication.

The guidelines also apply to direct mail methods of selling coverage and to brochures, pamphlets and other printed literature displayed in public places.

UNDER THE new regulations, insurers must file a text of the advertisement with the provincial superintendent at least 30 days prior to publication. The text must be accompanied with a specimen copy of the policy, and a final copy of the advertisement must be presented as soon as possible.

Some of the general rules for companies using mass marketing advertising include:

- Cash value, cash surrender value or loan value terms should not be used unless they are clearly defined;
- Terms that usually connote variable or equity-linked life insurance policies, such as "growth" or "growth life" may not be used in ads or brochures.
- Words, phrases or illustrations shall not be used in a manner that misleads, is incomplete or has the capacity and tendency to deceive or cloud actual benefits payable, loss covered or premium payable;
- Advertisements referring to dollar amounts, period of time for which any benefit is payable, cost of policy or specific policy benefit or the loss for which such benefit is payable, shall also clearly disclose all limitations affecting the basic provisions;
- Where premiums for a policy are subject to change, the ad shall clearly state the circumstances and the manner of the change;
- The advertisement must clearly show the policy period, the dollar amount of any scheduled changes in premium payments and, at the same time, not overstate benefits or minimize costs.

Additional guidelines have also been set for plans that supplement provincial medicare plans. ■

Port guards' social driving allegedly allowed big theft

SAN FRANCISCO—This city's self-insurance fund may get nicked for $106,000 because port commission guards allegedly were taken away from guard duty to drive the port director to social affairs.

A formal claim for that sum to cover property damage has been filed by United California Factors, a check-cashing company in the Ferry building some 150 feet from the port police headquarters.

The port commission, its director Miriam Wolff, and the city and county of San Francisco are asked to make up the $106,000 lost when the company was robbed last January near the harbor police station.

The claim alleges the director, the city and the port commission "negligently failed by act or omission to provide burglary protection."

A CONTROVERSY was started here earlier when spokesmen for the Harbor Police Officers' Assn. charged its members were "taken away from law enforcement duties to chauffeur the port director to social functions and to her car left in Palo Alto when she commutes to her offices here."

Port commission president Cyril Magnin has told Mayor Joseph Alioto that "this kind of driving . . . is a long standing practice" and that port police "in addition to the primary duty of protecting port property and directing traffic also are obligated to supply transportation as needed to perform commission duties."

Mrs. Wolff has confirmed that harbor police leave the Ferry building unmanned while the duty officer drives the two-hour trip to Palo Alto.

The claim for $106,000 taken in the robbery was filed by attorney James McDonald, on behalf of United California Factors and the Aetna Life and Casualty Co. which insures the check cashing firm.

The robbery occurred at noon just after an employe had accepted cash from an armored car delivery crew. Three port police officers were on duty in the Ferry building offices but the burglar alarm was not sounded because the clerk being held up feared for his life.

Port spokesman Don Taggart said the port commission will probably refuse to pay the claim. ■

State ASIM election

Robert H. Hoff, the Boeing Co., has been elected president of the Washington chapter of the American Society of Insurance Management Inc. Others also named include Richard Obritz, PACCAR, vp; E. C. Hathaway, Pacific Northwest Bell, treasurer; and A. J. Vettori, Western International Hotels, secretary.

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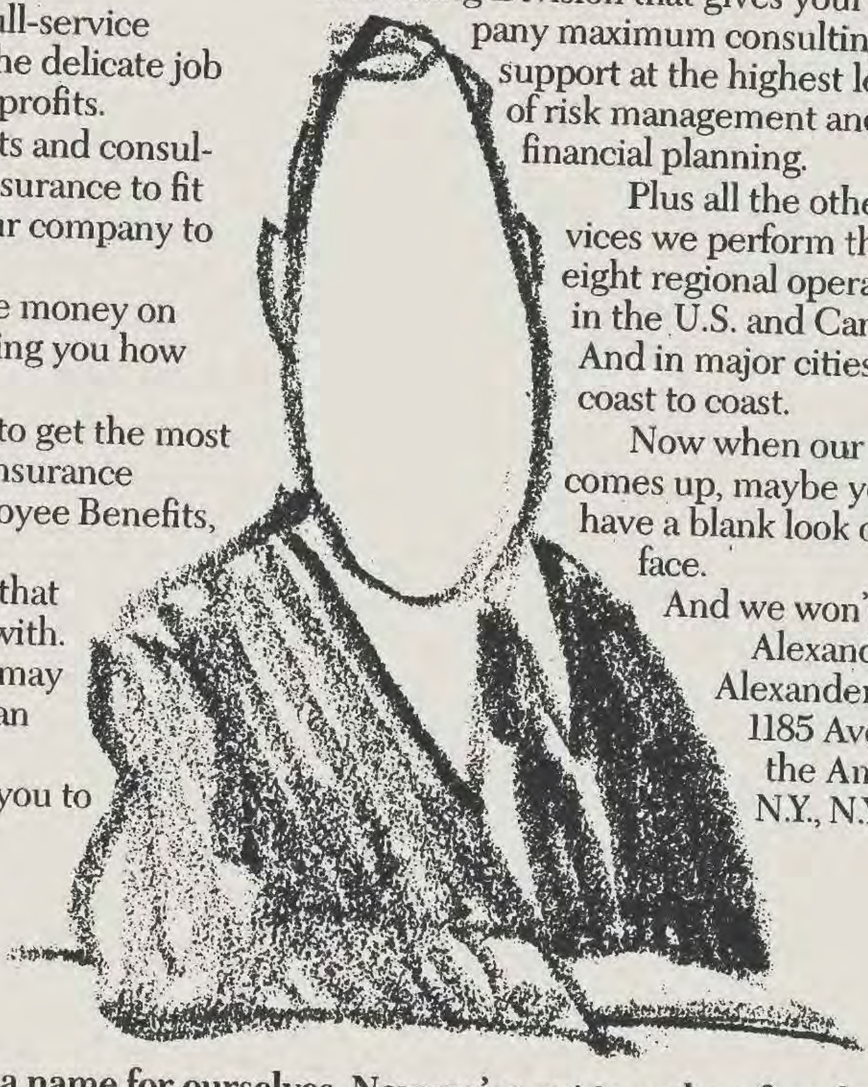

We've made a name for ourselves. Now we're out to make a face for ourselves.

Alexander & Alexander

Can a national health system really deliver?

By TERESA NORTON

CHICAGO—"We face the risk that the nation will promise delivery of health care that it can't live up to," Philip M. Klutznick told the trustees of the Committee for Economic Development at their annual meeting here.

Mr. Klutznick, co-chairman of CED's research and policy committee and acting chairman of the subcommittee on organization and financing of a national health care system, pointed out that it would be some time before CED issued a formal policy statement on health care delivery and that discussion at the meeting would be used to augment its research work.

Medicaid is an example of an unfulfilled health care promise, he said, and after six months of study his subcommittee believes that financing and delivery of a system must be considered together and that whatever system is developed must be based on that which already exists. The three basic national health recommendations of his committee to date are:

- Employment-based programs to cover all employed people (seasonal and temporary workers included).
- Extended Medicare for the elderly and the disabled.
- Community-based programs to embrace all who are dependent upon welfare.

"BUT WE MUST simultaneously provide more efficient and effective health care," said Mr. Klutznick, through strengthening the management of the health care enterprise, developing standards for professional conduct and taking a realistic approach to new forms of delivery.

Jerome Pollack, project director for Mr. Klutznick's subcommittee, agreed that the nation faces the serious risk of "offering paper promises of financial support not backed up by delivery." To avert this problem, now that health care costs are expected to approach 10% of the gross national product, there must be coherence in the issues that are explored and the directions that are taken, he said.

In its work on the development of uniform benefit standards the subcommittee has "talked to insurers to use their experience to strike a benefit level," said Mr. Pollack. At this point, he continued, benefits will probably not include coverage for catastrophic losses "because we must be able to insure them prudently." He said that co-payment of expenses by the patient is being investigated as a method of financing, with the thought that the patient's amount might be set at a specific percentage of family income not to exceed a predetermined level.

Mr. Pollack said the subcommittee believes "a country such as ours must rely on its existing services" and that these need across-the-board improvement. Included in this improvement is the financing of health care personnel education, which he considers to be of utmost importance. More manpower is needed to put into effect new health care delivery systems as they are designed, he said, adding the rhetorical question: "How are we going to deliver primary care when we have only half as many primary care physicians as we need?"

ALTHOUGH the number of primary doctors practicing in groups is growing, he emphasized that ambulatory care centers, as recommended by the American Hospital Assn., and health maintenance organizations (HMOs) are also part of a coherent national health system.

"HMOs, at their best, have accomplished much," he said, because they are based on the premise that one organization assumes responsibility for the total care of a total population and they don't require "patients to find and fend for themselves."

Industry's role in establishing a national health problem, as defined during discussions at the annual CED meeting, is dual.

Joseph M. Rule, who has developed community health programs for employes of E. I. Du-Pont de Nemours & Co., said, "This thing called a health problem is probably really a living problem." He held up smoking, diet and sanitation as areas in which doctors are seemingly of little help but areas in which industry can train its employes "to take the burden off of the system."

Industry must also lend its expertise in management and cost accounting to those working for a national health scheme, it was stated, and the fact that industry spends more money on health care than any other U.S. group makes assumption of this responsibility almost mandatory. ▪

$65 million paid in benefits

PITTSBURGH—Insurance benefits paid to employes and their families by the Westinghouse Electric Corp. reached an all-time high in 1971 with a total of more than $65 million in benefits, an increase of $10 million over the 1970 figure, according to the company.

The Westinghouse insurance benefits plan also paid $659,000 in claims to employes who retired between Jan. 1, 1958, and Dec. 31, 1963. In addition, over $5.5 million was placed in a trust to provide employes who retired in 1971 with insurance-type benefits.

Life insurance payments to employes' survivors totaled almost $11.5 million for the year.

The company's outlay to provide this coverage in 1971 was close to $59 million or over 85% of the total cost, while employes contributed $10 million to the plan. The cost to employes represented a $3 million reduction over the previous year due to adoption of a lower employe contribution for dependent cover.

Assets in the company pension fund reached nearly $763 million at the year's end after close to $40 million had been paid to over 20,000 retirees.

$43 million in company contributions and $8 million in employe contributions were added to the pension trust which increased the 1970 total by nearly $42 million including earnings by the fund. ▪

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editorial opinions

Mr. Nixon is quite right...but wrong

PRESIDENT NIXON made his first public pronouncement in the great no-fault auto insurance debate by means of a telegram to the chairman of the National Governors Conference which expressed Mr. Nixon's cogent thoughts on no-fault plans and what they are intended to accomplish.

Mr. Nixon is quite right in saying, "Despite ever-increasing premiums for automobile insurance, the victims of accidents frequently receive inadequate compensation and usually experience harmful delays in the courts." Here he recognizes the conclusion of the Department of Transportation's automobile insurance and compensation study, which found that in cases where personal injury victims suffer economic loss of more than $10,000 they recover only 16% under the present system.

The President is also quite right in recognizing that the objectives of no-fault plans are primarily to compensate victims more fully and more promptly. No-fault insurance is not designed primarily to reduce insurance premiums. Rather, the actuaries tell us, it may well be more costly than the present system with a greater share of the premium dollar finding its way to claimants.

Mr. Nixon is quite right in saying that no-fault auto insurance is "an idea whose time has come." He added, "The concept has been gaining wide acceptance, despite the fact that some powerful groups—with a special interest in maintaining the present system—have arrayed themselves against reform."

Once more the President is quite right to point out the all-out opposition to no-fault of the American Trail Lawyers Assn. and certain segments of the property-liability insurance industry.

While we heartily agree with the President in his wise assessment of the importance and meaning of no-fault automobile insurance, we must disagree strongly with the solution he offered to the governors. Mr. Nixon urged that no federal standards for no-fault laws be adopted and that the whole program be enacted on a state-by-state basis. This, he said, "would be a particularly effective way of demonstrating the responsiveness and farsightedness of state government."

We wish that we could share Mr. Nixon's confidence in the ability of state legislatures to be "farsighted" and responsive in this regard, but the record they have already established on no-fault gives no evidence that the idea "whose time has come," in the President's words, will ever be workable if its fate is left to squabbling state legislators, many of whom are lawyers or insurance men in private life.

Further evidence of the inability of states to effectively enact no-fault automobile insurance plans turned up in a survey made by *Business Insurance* of 34 state insurance commissioners. One question in the survey asked, "What is the status of no-fault auto insurance in your state?"

Only three states (Massachusetts, Florida and Oregon) said they had no-fault laws in effect. One state (Illinois) reported that a law that had been adopted was found to be unconstitutional. Bills were defeated or stalled in 12 states. Another nine insurance commissioners said they believe legislation may be introduced and possibly passed in 1972 or 1973. And, finally, 16 state insurance commissioners said only that no-fault auto insurance is "under study" in their states.

These current reports on no-fault from state insurance commissioners included such comments as no-fault is in "limbo" and "moribund." Only one of the respondents said that he was hopeful that his state legislature would adopt a true reform measure. Several other commissioners expressed apprehension about no-fault measures being crippled or killed by trial lawyers or insurance companies that oppose the plans.

The way things line up now is that trial lawyers flatly oppose adoption of no-fault plans, insurance companies want to stall with "experimentation" in the states, and consumers sit by waiting for the "idea whose time has come" to be put into effect.

No-fault, after all, is not a new idea in automobile insurance or other areas of liability. Six years ago the issue was crystalized with the publication of "Basic Protection for the Accident Victim: A Blueprint for Reforming Automobile Insurance" by two law professors, Robert E. Keeton and Jeffrey O'Connell. But since 1966 there has been little progress.

There is a viable alternative to this confusion in state legislatures that has been endorsed by the readers of *Business Insurance*, 67% of whom favored the setting of no-fault standards by Congress in a poll taken by this magazine last year. This stand was also endorsed by the American Society of Insurance Management before the Senate commerce committee last year and at its risk management conference held in April in Montreal.

Readers of *Business Insurance* and members of ASIM represent professional corporate buyers of insurance who pay 25% of the nation's auto insurance premiums. They are the only consumer group able to speak with experience and authority on how the present auto insurance system ought to be reformed.

This approach to no-fault auto insurance has been translated into the National No-Fault Motor Vehicle Insurance Act (S. 945), which was overwhelmingly approved by members of the Senate commerce committee last month. Its sponsors, Sen. Warren G. Magnuson (D.-Wash.) and Sen. Philip A. Hart (D.-Mich.) confidently predict that it will pass the Senate during this session. Observers say that it also has a chance to pass the House of Representatives if consumer demand for auto insurance reform is strong enough.

President Nixon is correct in his assessment of no-fault auto insurance as a vital consumer issue. We believe that the way to put this idea to work for consumers is to adopt the Magnuson-Hart plan, which would set a desirable national standard for state no-fault auto insurance statutes.

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letters

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

OSHA comments

To the Editor: The May 22 issue of *Business Insurance* was to me, one of the most interesting and informative publications I have read concerning OSHA. Congratulations on a very worthwhile effort.

Permit me a few comments:

The "Mirror image" article regarding Mr. Moscato's safety program at International Harvester contained what may be a communication error wherein one was led to believe that belt and pulley guard requirements within six feet from the floor was a more stringent requirement than OSHA's seven-foot inclusion. This, of course is not true. More protection is provided by following the OSHA standard. The article does correctly relate the ingredients of an effective and progressive safety program. If Mr. Moscato is willing to share, I would be obliged to receive additional details concerning his new company-wide safety and health program.

The article describing Gary Sellers' criticism of the administration's so-called sabotage of OSHA probably is typical of the impatient attitude of many politicians when they are not in the driver's seat. In my opinion, despite a few inequities and occasional foul ups, the occupational safety and health law and the administration thereof, appear to be in capable hands and represents a humanitarian step towards the preservation and protection of American lives and freedom from job-related injuries.

It would seem, as suggested in the "Three-way street" editorial, that a coordinated effort between ASIM and the American Society of Safety Engineers could help promote the self-inspection idea that was discussed in the lead article, along with the other matters suggested in your editorial.

Thanks for listening.

Harry Mandt
Safety Director, TRACOR Inc.,
Austin, Tx.

Employes' stake

To the Editor: I read with interest the articles appearing in the May 22 issue of *Business Insurance* submitted by George Guenther, Ray Davidson and T. C. Allen. They of course were presenting the various positions of government, labor and management on the Occupational Safety and Health Act.

My reaction to the article by Mr. Davidson prompts me to write this letter. Mr. Davidson says "From the standpoint of organized labor, it is not important whether improvement of job health and safety conditions is brought about by education or by punitive action. We just want it done." Mr. Davidson then goes on to comment that management responds only to economic pressure. I would like to point out to Mr. Davidson that employe injuries, lost time and impairment of production all represent economic pressure on management.

Mr. Davidson should not be so naive as to think that anything constructive can ever come out of this act if the entire burden of compliance and cooperation is

Continued on page 48

Canadian insurers out for more marine business

TORONTO—The Canadian insurance industry is out to garner a larger share of the marine insurance business.

Right now, only about 25% of Canadian marine insurance is placed in Canada. But Douglas H. Dean, president of the Canadian Board of Marine Underwriters and vp of Marine Office-Appleton and Cox Ltd., says Canadian underwriters are campaigning to get a larger percentage by adapting more closely to Canadian conditions. The Canadian industry has been responding with significant changes since criticism two years ago of high rates in the Great Lakes, the St. Lawrence and the Arctic.

Mr. Dean said the board, representing 65 firms in 20 groups, was instrumental in removing onerous premium multiples for late and early season operations in the Great Lakes and is studying the Arctic situation to see if it cannot bring in rates that are more reasonable than the current London scale.

MAJOR participation by the Canadian industry in the Arctic is relatively recent—the past two or three years—but Mr. Dean said "as a lead (term-setting insurer), in most cases our quotations have been much less than the current London scale.

"The original London scale had some merit, but that changed in 1970. The new scale did not make sense. There were certain inequities."

He added: "Their approach for the Arctic is to set the rate at a certain percentage of the vessel's normal annual insurance.

"But suppose an owner has two vessels in the river and Gulf of St. Lawrence. One he operates year-round and the other only during the summer. One would pay a hell of a lot more insurance than the other. They tend to use this scale approach to just about everything.

"ABOUT TWO years ago we started thinking about our own approach. Actually we weren't looking to effect a reduction. We just said, 'All right, what makes sense?'

"We have been handicapped because as a market we haven't participated in all the vessels that go up."

On the other hand, London statistics tend to be limited to the grain boats going to Churchill, and not to include the growing numbers of Arctic supply ships, he pointed out.

"We have been trying to develop some statistics for the Canadian Arctic marine traffic. Last year we started to work with the Arctic experts of the ministry of transport. We are developing a data base. I doubt if we'll have our basis ready in time for this season. But we should be able to apply it by next year," the board president continued.

MR. DEAN admitted that there is no doubt about the special risks for operation in the Arctic with its unfamiliar waters and lack of navigation aids. Damage to a ship's propulsion system could mean a long and expensive tow.

"In the high Arctic late in the season, how do you get it out? It could be stranded and a total loss."

Mr. Dean said available statistics show that higher claims result from Arctic operation, but he expects soon to confirm that the rates need not be as high as the current average.

The Great Lakes fleet makes up the bulk of the value for hulls in Canada, but the St. Lawrence fleet also is significant, with such firms as Newfoundland Steamship Co. Ltd., Agence Maritime Inc., Brandh Lines Ltd. and a number of individually owned boats.

INSURING the British Columbia towboat and barge industry also provides a considerable slice of business, and, though a bit specialized, "the companies are well run," according to Mr. Dean.

The dredges, scows and heavy lift barges of construction fleets such as those of McNamara Construction Corp. Ltd. and J. P. Porter Ltd., also are part of the values insured.

The mainly individually owned fishing fleets on both coasts generally come under a federal insurance plan, and Mr. Dean views the government's extension of eligibility for the scheme with some concern. It started at values of about $7,500 under single ownership and was extended about three years ago to vessels up to 100 feet in length and $300,000 in value. About a year ago virtually all limitations were removed.

"The plan is supposed to be self-supporting, but we think it is not. It is probably their method of accounting. If they had to use the same method of accounting as the insurance industry, we would see the real charge to the Canadian taxpayer," he said.

MR. DEAN noted that Canadian underwriters have significantly increased Canadian leads in that country's hull insurance in the past year, reflecting the greater flexibility of the industry in Canada. "And having the lead means we don't have to be hidebound on mechanical scales."

As recently as five years ago normal insurance rates for the Great Lakes applied only between April 15 and Nov. 30. Operations before or after these dates meant paying day-to-day multiples of up to five times the normal insurance rates. Canadian underwriters in the past two years have extended the normal rates from Arpil 1 to as far as Christmas for many fleets.

Mr. Dean explained that the Canadian industry can do this because it is in touch with weather conditions and technological changes. Also, he added, "When we write a Canadian hull book, we are not requiring the owner to pay off losses on hulls in other parts of the world.

"The Great Lakes record for the past three years has been extremely good. We are convinced that installation of navigation aids has had a lot to do with this.

"TRAFFIC control in the St. Lawrence has been a tremendous boon and is a big reason for the drop in casualties. The overseas markets tend to be slow to respond to these changes. Their tendency is to wait five or six years to see if these changes prove themselves," he said.

Nevertheless, some owners protest that insurance rates have been increasing in two ways—higher rates and higher deducti-

Continued on page 29

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Broker hits industry for scrimping on service

By STEPHEN GILKENSON

NEW YORK—The president of a medium-sized family-owned insurance brokerage house here has taken a swipe of sorts at some of his larger publicly-held competitors.

In effect, Frank Schiff, president of Schiff Terhune Inc., stated that some of the large brokerage firms enjoying substantial gains in earnings per share these days are doing so at the expense of the clients they serve.

"I'm convinced that this is a service business and in a service business it's a question of how much seeps down to the bottom line," Mr. Schiff told *Business Insurance* during an interview. "I'm not so sure that in our business 10% isn't the maximum return you can ask for before you scrimp on service to your clients."

While Mr. Schiff did not name any firms directly, he was obviously referring to a Wall Street analyst's report released earlier this year by Burnham & Co., Inc. Taking note of good financial gains made by some of the country's largest insurance brokers in recent years, the New York investment firm predicted: "We envisage gains in earnings per share of . . . close to 20% annually for Alexander & Alexander, Frank B. Hall, Fred. S. James, and Rollins Burdick Hunter." The report also predicted that Marlennan Corp., the holding company for Marsh & McLennan, would enjoy gains in earnings per share of 11-12% annually.

DURING THE interview Mr. Schiff revealed that his company's premium volume is in the $35 million to $40 million range. He also estimated that commissions and fees will run to about $4.2 million this year. "We expect," he added, "that the company's after tax earnings will be roughly 11% this year."

While the brokerage president noted that 'internal growth has been sound," he did say that he has been disappointed with the company's lack of success in acquiring firms that would spur external growth.

"Of course," he said, "without a public offering of stock it's difficult to make meaningful acquisitions and that is one reason we have not been successful to date. As a result," he added, "I think we may be going public even sooner than we think—maybe within a year."

"Yes," he later said in answer to the earnings per share question, "it is a problem we may have to face up to if we go public. But," he added, "I don't think you'll ever see more than 10% on our bottom line."

WHILE SCHIFF Terhune is not unique, it is at the point where the more substantial brokerage firms—such as those studied in the Burnham Report —found themselves a few years ago. In that respect it is representative of the evolution the brokerage industry has gone through in recent years. It is an evolution that has made some in the brokerage business very wealthy indeed and is now making stockholders pleasantly anticipate quarterly dividend checks. In the meantime it has also made some of the more outspoken risk managers claim that they are not getting what they pay for from their brokers.

Frank Schiff is somewhere in the middle. He agrees when some risk men say they are not getting what they paid for from their brokers, and suggests that some of the service they are not getting is ending up on the bottom line. If and when his firm goes public he will have to watch his bottom line closely, or someone is bound to make him eat his words.

Schiff Terhune has 180 employes and offices in New York, Los Angeles and Philadelphia. Mr. Schiff said that offices will be opened in Chicago and Detroit this year. He is hopeful that these can be opened via the acquisition route, but says if that is not possible they will be started from scratch.

The firm has approximately 1,400 corporate clients of varying size. Among the largest are the Columbia Broadcasting System, CIT Financial Corp., Allied Stores, Gimbels and AMF Inc. Another large source of its business comes from small commercial clients and partnerships.

"OUR FAVORITE source of business," the Schiff Terhune chief executive said, "is from the bigger brokerage houses. Obviously they have most of the business but that also makes them the most vulnerable to attack.

"We don't deny that our major competitors have the personnel and the technical resources. But we do question their performance. In many cases these firms have gotten so big and so involved that they don't always have the right person at the right place at the right time when it comes to servicing their clients," he added.

One of Schiff Terhune's biggest business coups in its recent history was when it acquired a major portion of Consolidated Edison's brokerage business. Con Ed is New York's major utility.

Schiff Terhune, however, has also lost some choice accounts in recent years. One of the biggest was the Schenley distillers' account, which moved its business to another firm as the result of its acquisition by Glen Alden, the conglomerate. It was a case, Mr. Schiff said, where his firm had handled the insurance business for Schenley for 35 years. When Glen Alden bought the distiller the insurance program was redesigned and tied to the parent firm.

"THAT'S HOW most of the accounts are lost in this business—through mergers and acquisitions," said Mr. Schiff. "It's also a good source of new business. When you have a few large accounts you can count on picking up new business through steady acquisition programs," he added.

Mr. Schiff himself does not service any accounts.

"My prime function," he related, "is to maintain relationships with the managements of our existing clients and to produce new business. Our people are constantly aware that I'm looking over their shoulders. I don't know any other way to check on the quality of our service before it gets to the point when the phone rings or a client goes elsewhere with his business."

As such the brokerage president has considerable contact with risk managers. The contacts, moreover, have broadened his respect for the risk management

Continued on page 39

National Liberty to make some ad changes; attacked on other fronts

VALLEY FORGE, PA.—The top brass at National Liberty Corp., a concern under increasing attack from consumerists, consumerist-minded insurance commissioners and, now, Sen. Philip Hart's Senate judiciary subcommittee on monopoly and antitrust, must be contemplating the validity of the old saying, "When it rains, it pours."

At the time the mass marketing-oriented life, accident and health insurer announced, under a barrage of harsh regulations and harsher words in some states, certain changes in its advertising and actual insurance policies, Sen. Hart (D-Mi.) accused it of making overwhelming profits on its insurance business, among other things.

In hearings in Washington, the subcommittee staff contended that National Liberty and its subsidiaries, National Home Life Assurance Co. of Missouri, National Home Assurance Co. of New York and National Liberty Life Insurance Co. of Pennsylvania, were making near 46% profit on every premium dollar on some of their mail order supplemental health coverage.

The staff alleged that the National Liberty companies had made an after-tax profit in 1970 of 27%, almost triple the profits shown by such firms as American Telephone & Telegraph and the Chase Manhattan Bank.

In his denial of the 46% profit charge, Robert E. Slater, National Liberty's chairman, said that the company actually made a profit of between 7.5% and 10%. He indicated that this figure was the combined profit of carrier and seller and likened it to the combined profit of General Motors and all GM dealers.

He contended that the 27% profit in 1970 was the result of a great surge in new business sales and that "profits are always higher for new business than old business. The rate of return is always higher on new business. We do not anticipate maintaining this rate as business matures."

The hearings produced another charge against National Liberty as a staff counsel accused the company of giving the Securities and Exchange Commission lower termination rate figures than those it gave to state insurance regulators.

The counsel, Dean Sharp, theorized that the higher figures given to insurance departments could be used to justify high premiums while the lower termination rate statistics provided to the SEC were used to show a better profit picture because of a recent stock offering.

MR. SLATER again denied the allegations and said that the figures were different because different computation methods had been used in the preparation of the varying reports.

While Mr. Slater was busy fending off the barbs being thrown at his company at the hearing, one of his associates at National Liberty, vp Gerald Beavan, was talking to *Business Insurance* about the firm's announced changes in both policies and advertising.

"We are innovators, you know, we always have been," Mr. Beavan said with some pride while explaining that his company was doing away with the use of an enrollment deadline in its solicitations. "Blue Cross uses an enrollment deadline. This is really an innovation. We will do it on a test basis for awhile," he asserted.

He said that the pre-existing condition exclusion present in the company's policies would be liberalized to apply only to illnesses that had been treated or manifested during the one year immediately prior to enrollment. "After that first year," he pointed out, "anything is covered."

THE NATIONAL Liberty companies will also include in their materials in the future a detailed explanation of the pre-existing condition exclusion. This same exclusion, which was violently attacked by Pennsylvania insurance commissioner Herbert Denenberg during hearings in Philadelphia earlier this year, will be given more prominence in the advertising and, according to Mr. Beavan, it will be more fully explained in the advertising.

Mr. Beavan, who said that he did not have a copy of the an-

Continued on page 35

National Liberty, ITT make deal

VALLEY FORGE, PA.—In a move that could leave accident and health insurance advertising watchdogs howling, National Liberty Corp. has announced that it will acquire all the capital stock of ITT Hamilton Life Insurance Co. and its subsidiary, ITT Life Insurance Co. of New York.

National Liberty and its subsidiaries, National Liberty Life Insurance Co., National Home Life Assurance Co. and National Home Life Assurance Co. of New York, have been among the targets of increasing criticism from consumerists and a few concerned state insurance commissioners. The bulk of the criticism has been leveled at the companies' advertising, which includes a testimonial by Art Linkletter. Both the testimonial and some of the wording in the ads have been called deceptive by critics. National Liberty has denied any deception.

ITT Hamilton Life, which also advertises the type of supplemental hospital coverage that has brought the ire of the consumerists upon National Liberty, and ITT Life are the first major divestments made by International Telephone & Telegraph Corp. under its 1971 anti-trust settlement with the Justice department.

At the same time it was announced that National Liberty will sell a large amount of ITT Hamilton's ordinary life and group insurance policies to California Life Insurance Co., a subsidiary of Vanguard International Inc. It was reported that National Liberty simply did not want the group insurance business and that it did not think as highly of the ordinary life policies as did ITT Hamilton.

The entire arrangement is subject to the approval of the directors of the companies involved, regulatory authorities and the Justice department. It is expected, however, that the transaction will be completed around the middle of July. ■

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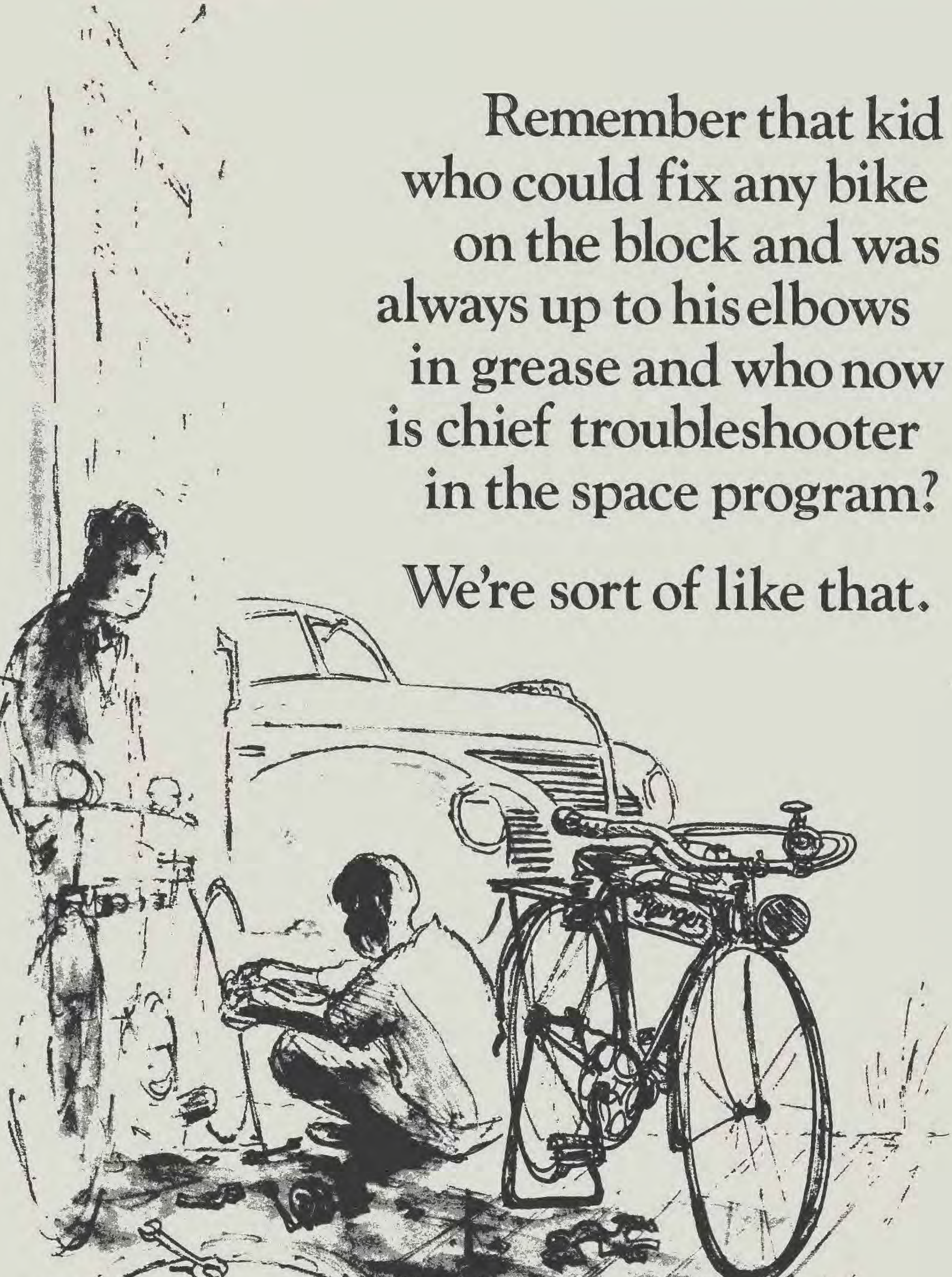

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HMO participation will be offered as a benefit

On page 19 of the June 5 issue Business Insurance *carried an article detailing the organizational aspects of the new health maintenance organization in Minneapolis-St. Paul. In this follow-up article, Robin Suhrbier, our Minneapolis correspondent, takes a close look into HMOs as they will be used in the employe benefit field.*

MINNEAPOLIS—In an effort to combat soaring medical costs, several Twin Cities medical clinics will experiment with prepaid annual contracts between patient and doctor.

The programs, more commonly referred to as health maintenance organizations, HMOs are expected to begin in July. Once the clinics make these programs available to their patients, a number of Twin City-based firms have agreed to offer these to their employes as an option to their current medical coverage. According to Warren Eustis, director of the Minneapolis-St. Paul Health Care Development Project, Honeywell, Control Data, Dayton-Hudson, Cargill Inc., General Mills, Pillsbury and other companies plan to give their employes a choice as to type of medical coverage.

If an employe selects the HMO route, the employer's contribution would be equal to that under the current medical program.

MR. EUSTIS' group is coordinating efforts to design and implement HMOs throughout the Twin Cities. Under the present medical payment system such as Blue Cross, Blue Shield and private insurance company plans, coverage is primarily for in-hospital stays neglecting routine office visits and medical services that can be provided right at the doctor's office, Mr. Eustis said.

He explained that under the HMO programs, a patient would enter into a contract with his doctor to provide all medical service specified. A lump-sum payment would be made at the beginning of the contract. With such a program, the physician assumes the risk and therefore would be encouraged to develop a comprehensive health program for his patient to minimize health care needs.

HMOs, he contends, "would give the physician unfettered choice as to the most efficient and appropriate way to give health care." Typically, he continued, the traditional medical insurance programs lacked incentive for preventive medicine. Since patients basically can collect only if they are in the hospital, they avoid routine checkups that might spot medical problems while still in the beginning stages. In other words, Mr. Eustis said, present medical payment programs pay for the illness, not its prevention.

Under HMOs, there is the incentive for both doctor and patient to use preventive medicine to avoid high costs. Rates for the yearly contracts will probably be based on categories of risk determined by age, marital status and number of children. There would be a separate category of high-risk patients. Mr. Eustis expects rates to be comparable to the premiums charged for the traditional medical coverage.

The incentive for employers to offer HMOs to employes, he thinks, is that under the present payment system there is no effective monitoring of costs and utilization. Consequently, Mr. Eustis said, "the employer ends up being socked with the products of an uncontrolled system."

INSURANCE companies are also looking at what role they can play in HMO programs. There is strong motivation for insurers to explore these programs because they are currently losing money on health care. The role of the insurer may be to act as marketing specialist and administrator of HMO programs.

The insurers may also provide reinsurance programs that would cover if a subscriber to an HMO program becomes sick away from his doctor or if catastrophic medical losses occur.

Mr. Eustis explained that in order for HMO programs to meet the demands and needs of consumers, HMO units must be geographically widespread so they are easily accessible to users. The HMO plans will vary according to what a doctor or group of doctors want. Some programs may eventually cover dental and psychiatric help. All HMO programs will pay for hospitalization. It will be up to the doctors to see to it that a suitable system of payment is worked out with the hospitals.

PART OF Mr. Eustis' responsibility is to develop consumer education programs. "We want to give him factual clear information as to the alternatives offered for medical coverage so he can make a rational choice," he said of the consumer.

Consumer education programs, he continued, should include participation by employers, community action groups, unions and simple pedagogical devices such as an extremely clear documentation of the choices in prices and services available.

One point of contention that often evolves from consumer discussions is that if a physician receives prepayment he may be tempted to deliver a bad product. However, according to Mr. Eustis, "The doctors want to be released from the bondage of escalating medical costs. They want a program that lets them treat a patient in terms of health rather than illness."

Mr. Eustis suggested that some form of evaluation be developed in cooperation with the Hennepin and Ramsey County medical societies. The groups could set up some sort of quality review mechanism to evaluate medical care administered under HMO programs.

ALONG WITH this self-regulation among doctors, Mr. Eustis further recommends a program of constant communication between the consumers and HMOs. This would provide doctors with a vehicle to learning what consumer needs are, what additional services the consumer would like to have available through HMO programs and where the doctors may be failing to provide proper medical care.

Mr. Eustis looks to HMO programs as a way of reducing hospital utilization, encouraging outpatient care and developing better paramedical assistant programs.

He contends that these prepaid medical contracts may be just what the doctor prescribes to cure the ails of today's high cost medical system. ■

dates for buyers

July 10-12, American Management Assn. workshop seminar, "Modern Corporate Insurance Management," AMA headquarters, New York City. For more information write the AMA, 135 W. 50th St., New York, N. Y. 10020.

July 10-12, American Management Assn. orientation seminar, "Long-Term Disability Management," AMA headquarters, New York City. For more information write the AMA, 135 W. 50th St., New York, N. Y. 10020.

July 12-14, American Management Assn. workshop seminar, "Self-Insurance, Risk Retention and Use of Excess and Deductible Coverages," AMA headquarters, New York City. For more information write the AMA, 135 W. 50th St., New York, N. Y. 10020.

July 19-21, American Management Assn. workshop seminar, "Modernizing the Group Insurance Plan," AMA headquarters, New York City. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

September 17-22, College of Insurance management seminar for the corporate risk manager, Nassau Inn, Princeton, N.J. For more information write the College of Insurance, 150 William St. New York, N.Y. 10038.

September 21, Dallas-Fort Worth and Houston ASIM chapters' fall seminar, "Risk Management Concepts," Statler Hilton, Dallas. For more information write B. F. Arnecke, Insurance Manager, Dallas Power and Light, 1506 Commerce, Dallas, Tx. 75201.

Faulty material, poor work, lack of investigation found in tower crash

By ROBIN SUHRBIER

SHOREVIEW, MN.—Evidence of faulty materials, poor workmanship and insufficient engineering inspections has been uncovered in the investigation of a fatal antenna tower collapse here last September.

The interim report was issued last month by the Minnesota department of labor and industry. The exact cause of the tower collapse, which killed seven workers, has not been determined and the investigation is continuing.

Dresser Crane, hoist and tower division of Dresser Industries, was responsible for the design, fabrication and erection of a candelabra antenna tower. Dresser subcontracted the erection phase to National Steel Erectors.

ONCE THE 1,375-foot tower was completed and accepted it would have been turned over to Telefarm Inc., a company composed of three local television stations. The tower collapsed during the last stages of construction.

Dresser had the tower insured with the Insurance Co. of North America under a builder's all-risk policy with a care, custody and control endorsement. National Steel Erectors coverage was with Hartford Insurance Co.

According to the interim report, the contract between Dresser and Telefarm required that an experienced construction engineer would be employed by the company to establish safety procedures and witness all critical phases of the job. The report said, "There is no indication that such an engineer was active on the site and complied with the intent of the contract, and if so, what the frequency of inspection was."

The investigation further found indications that there was no established procedures manual for the construction crew to follow. Instead, the foremen and construction superintendent established procedures as the tower was being constructed.

THE REPORT stated, "It appears that none of the workers at Shoreview were experienced in erection of candelabra towers." (A candelabra tower is a tall shaft supporting a triangular platform with a transmitting antenna on each corner of the platform.)

The report cited numerous examples of defective welds and cracks in structural parts. According to the report, "There are indications that there was a distinct lack of quality control and weld inspection during fabrication of the tower component parts." Numerous welds, the investigation found, were discovered which exhibited lack of penetration of the weld metal. These welds, the report said, were of concern to the workers as were some parts that were not usable and were returned to the fabricator.

The report also noted that a log book, which was allegedly kept by the construction superintendent, could not be found after the accident. The Minnesota department of labor and industry requested, both verbally and in writing, a copy of the log book. The erector denied knowledge of any such log book but later stated that there was a log book but it could not be found. Commission requests to both the erector and the fabricator for the re-creation of such a book have not produced results, the report said.

A brief structural analysis of the tower was conducted by the University of Minnesota. This limited structural analysis indicated that the maintenance of proper tension in the guy cables is critical. There is no evidence that a schedule of guy cable adjustment was established and followed.

THE REPORT also said that Shoreview entered into an agreement with Schuett-Meier Co., a structural consultant engineering firm to review the tower plans and specifications and technically advise the village on the progress of the tower. There is no information to indicate whether or not the plans were reviewed and if on-site inspections during construction were made and, if so, what the frequency of inspection was.

Immediately following the disaster, the 500 tons of tangled steel wreckage had to be safeguarded so that the basic cause or causes of the catastrophe could be determined and prevented in the future.

During the removal of the wreckage from the site, 80 items from the tower debris were tagged, inventoried and stored in secured areas. These tagged specimens have been and will continue to be used for tests requested by the various interested parties. Eventually the numerous tests may lead to identifying the cause of the accident.

The Shoreview village council has given tentative approval for the candelabra-tower concept to be replaced with two towers, with transmitting antennas, each about 1,375 feet tall. No building permit has been issued. ■

House gets chemicals ban bill

WASHINGTON—A bill empowering the Environmental Protection Agency to ban, remove or restrict consumer products containing potentially hazardous chemical substances from distribution and production has been forwarded to the House after unanimous passage by the Senate.

Under the measure, manufacturers would be required to supply the protection agency with test results of all new chemical compounds' effects on health and the environment 90 days prior to production. If the agency found the compounds to be potentially dangerous, it could restrict or forbid manufacturing.

FURTHERMORE, the agency could require chemical compounds currently on the market to undergo testing to determine possible adverse effects on health or the environment.

The bill was prompted by concern over industrial waste poisoning, such as high mercury content in fish. However, as it stands, the measure goes further in restricting chemical compounds than the administration had envisioned when it requested controls. ■

Canadian. . .

Continued from page 20

bles. One operator said that in the past five years deductibles typically have risen from about $5,000 to about $50,000.

"No underwriter would arbitrarily impose a higher deductible unless there was a reason," said Mr. Dean. "In some cases they have been introduced as an alternative to very sharp increases in renewed premiums.

"Don't forget that if an owner has been insuring a ship for 10 years, the value base from which the premiums are derived is either staying the same or diminishing, particularly when you take inflation into account. The operating season is lengthening.

"At the same time, the cost of repairs is going up," Mr. Dean said, and the lower accident rates mean "they've saved money because they haven't had the claims."

THERE HAVE BEEN few claims as a reult of lengthening the season at the end, but starting up even a few days earlier produces quite a few. There is more ice and "they tend to be anxious to get through and try to ram through."

As pollution penalties increase, pollution risk is a cause of growing concern for marine insurers. "This type of insurance is going to be a growing cost," meaning higher protection and indemnity premiums for shipowners.

The U.S. and Canada should coordinate their two sets of pollution-liability legislation so the ship is not subject to double penalty, in Mr. Dean's opinion.

For Canadian owners wishing to operate year-round in the St. Lawrence, Canadian underwriters have got away from charging additionals and now incorporate winter risks in the annual rate. The main criticism of St. Lawrence winter insurance rates concerns ocean ships trading in Montreal and virtually all of these are insured outside Canada.

WHILE ONLY a few ocean-going ships are Canadian owned, why would a major company like Federal Commerce and Navigation Ltd. of Montreal insure abroad?

"Habit," said Mr. Dean.

Winter navigation to Montreal is still relatively new—it is a phenomenon of the past 10 years —and in their role as cargo insurers Canadian underwriters have been trying to bring down the annoying winter additionals. Mr. Dean said there are additional risks—sheds collapsing from snow, goods freezing—but as vessels, channels and ice surveillance have improved, rates have come down.

"Rates were too high, but in a new field, in the absence of experience, the underwriter has to start somewhere. Rates came down again last fall." He pointed out that additionals for cargo carried in ice-strengthened ships in mid-winter operation have declined to a range between 44% and 85% in the past 10 years.

"We'd like to see the situation where the Canadian importer and exporter is controlling the insurance himself so that he knows he's protected. The Canadian market does insure import duty and excise tax. Those that don't know this probably insure elsewhere.

"We'd like to see the Canadian exporter insist on CIF (cost, insurance, freight) terms of sale. As for the importer, naturally, we'd like to see him buy on CF terms."

Mr. Dean says the Canadian industry is in a position to settle claims quicker and in the same currency in which premiums are paid. The Canadian underwriter can be readily reached by telephone.

"This (Canadian) market has a large capacity." The only reason it isn't used more, he says, is that habit of going to London and, perhaps, a lack of publicity. ■

James mergers

Williams & Mauseth Insurance Brokers Inc., will combine its operations with Fred S. James & Co. Inc. The announcement came jointly from Floyd E. Mauseth, president of Williams & Mauseth, and Thomas J. Ryan, James' president. Mr. Ryan also disclosed that James had reached similar agreements or agreements in principle with five other insurance brokers located in Chicago, Detroit, Hartford, Tulsa and the metropolitan Washington, D.C., area.

Spend ten terrifying minutes on this page and find out how much it would cost to keep your business going in spite of a disaster.

Suppose your business (production) came to a complete standstill for a month due to some disaster such as fire. During this time you would *still* incur expenses, and earnings would be interrupted due to damage repairs. Check the items below, and fill in estimated amounts of expenses you would continue to incur.

Payment of:

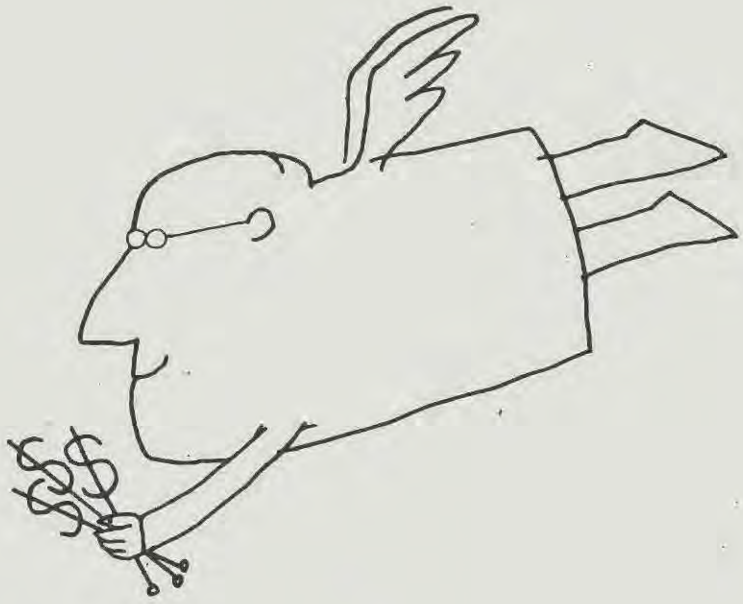
Employees, owners and officers	
Rent or real estate taxes	
Necessary light, heat and power	
Contractual obligations	
Dividends to stockholders	
Insurance premiums	
Unemployment and security taxes	
Repairs and maintenance	
Membership fees and dues in trade organizations	
Depreciation and expansion reserves	
Interest on indebtedness	
Professional fees	
Other continuing expense items	

Add on:

Your estimated total of profits for one month (say during your busiest season)	
Total:	

See for yourself:

You have just roughly estimated the worth of The St. Paul's Business Interruption Insurance Plan for your own business.



Relax. Here's comforting news from The St. Paul Companies.

Just what the "doctor" ordered

Business Interruption Insurance from The St. Paul is designed to relieve the pain of a financial squeeze due to a business disaster.

Our Business Interruption Policy provides extensive coverage for all sorts of "ills":

- We'll reimburse you for earnings lost due to non-production while facilities and equipment are being repaired. (When production resumes, back bills won't hold things up.)
- We'll insure a source of potential income for you—say, a building under construction.
- We also offer Extra Expense Option—meaning we'll cover expenses incurred when property damage forces you to do business from a temporary location.
- We have lots of other options, too! And, our specialty is tailoring a policy to a customer's individual needs—and his budget.

Surprise!

The St. Paul's Business Interruption Insurance isn't out of your reach! *You* determine the price, based on your calculations of prospective earnings and expenses. Then we'll customize coverage for what you can afford.

Ready, willing and able

That's The St. Paul. We've been writing all kinds of insurance for 119 years, now. And we've earned quite a distinguished reputation for service and innovation in the business. We'd like to help you. If you write to The St. Paul, we'll send you the booklet "Closed for Repairs" (more facts in black and white). And we suggest you call a St. Paul agent. He'll gladly give your insurance questions undivided attention. He's ready, willing—and listed in the Yellow Pages.

THE ST. PAUL
COMPANIES

Serving you around the world . . . around the clock
St. Paul, Minnesota 55102

St. Paul Fire and Marine Insurance Company, St. Paul Mercury Insurance Company, The St. Paul Insurance Company.

london line

1,000 U.S. union leaders expected to visit U.K. to study health service

LONDON—Prospects for leading U.S. trade union officials who will visit Britain to study its national health service have been reviewed by Clive Jenkins, top executive with a militant U.K. white-collar union, in a survey of their plans.

He anticipates that as many as 1,000 American union leaders will visit the U.K. next year to study its health service, and comments: "This is becoming of direct concern to many of them for the first time. Bargained agreements in the U.S. are being threatened by legislative action promoted by a rise in medical costs which, in turn, threatens the long-term financial stability of every American family."

He said this after attending a seminar of the Eastern Conference of Health Welfare and Pension Plans at Paradise Island, Bahamas. The seminar was attended by more than 500 union leaders concerned with the administration of pension funds.

COMMENTED Mr. Jenkins, who is general secretary of the expanding Assn. of Scientific, Technical and Managerial Staffs:

"Each fund does its own financing of pensions and makes its own separate contracts for the medical care of its members. So in this jostling, disorderly situation the insurance companies, the doctors, and the 'health care industry' inflate charges and provide erratic service.

"Union bargainers since the Second World War have opted heavily for fringe benefits to fill gaps in Social Security arrangements, and have done this successfully.

"The funds protect against the catastrophe of major illness, but they are struggling against their own limited success which has inspired America's 300,000 doctors into a 'medical care inflation.'

"Unions are aroused by the unfairness of the present situation, and by the apparent hopelessness of getting more equitable schemes thru Congress. Hence the mass study group's descent on England next year to study the British medical scene. This is a startling shift in attitudes, although it has a long way to go."

* * *

RISK MANAGEMENT is making good progress in Britain—so good, in fact, that it is now to be included as a subject in a main educational course at London University's Graduate Business Center.

This step forward has impressed the insurance market, which has agreed to finance part of the course through the British Insurance Assn. for the next five years.

Graduates are expected to include senior executives in insurance jobs who will study business administration.

A British Insurance Assn. spokesman said: "Insurance and risk management will be a single major subject aimed at providing an insight into the nature of risk and insurance, the place of insurance in the economic social system, the process of insurance underwriting, and the use of insurance in the treatment of risks in management."

Equity and Law Life Assurance Co., London, has been refused permission by the Belgian government to make a $15 million takeover bid for a Brussels insurance group.

The company thinks that the Belgian authorities do not want a substantial part of their insurance industry to fall to the U.K.

But John Witt, Equity chairman, is complaining through the British government that this rebuff is out of keeping with the future policy of the European Common Market, which permits free movement of finance capital between member countries.

* * *

INSURANCE IS likely to play an increasing part in all forms of liability cover as world productive capacity grows, Sir Henry Mance, Lloyd's of London chairman, has predicted.

He told businessmen at an insurance seminar: "The man in the street is increasingly asking to be protected against the environment in which he lives because he is less able to protect himself than in the past.

"So there is a great and lasting increase in governmental intervention in the affairs of people in their business and in their homes.

"This trend poses Lloyd's with particular restraints, including a marketing problem, for 75% of our business comes from overseas. It is in many of these countries that direct controls for insurance are being actively developed. But we have maintained a substantial foothold in over 100 countries, and it is important to maintain this freedom to trade internationally as far as Lloyd's is concerned." ■

Responsible for injury

LITTLE ROCK—William I. Buck, Little Rock, walked into the Black Hawk Club for a drink and was gunned down. The Arkansas supreme court ruled that he should receive $115,000 for the injury.

Tavern owners and bar operators have a duty to protect their patrons from "reasonably foreseeable" injury at the hands of drunks, the court said.

Mr. Buck sued four defendants for $987,967, declaring that the bullet wound had left him paralyzed below the chest. The shooting occurred in a backroom at the club on Nov. 18, 1969.

Defendants were Jack Barg, Hershel Martin, Lloyd K. Shaw and the Industrial Park Businessmen's Club, doing business as the Black Hawk Club. Mr. Barg was sued on the contention that he had managerial control at the club and therefore was responsible for injury suffered from the hands of other patrons.

THE COURT said that Mr. Barg was responsible because he served persons who were obviously drunk that night.

"As a witness to quite a bit of the disturbance, not only did he know that some of the people he considered undesirable were armed, but he also was instrumental in their being armed at the time of the encounter from which the shooting occurred," the court ruled.

In a criminal trial, Mr. Martin and Mr. Shaw were found guilty of assault with a deadly weapon and received suspended sentences and fines on a misdemeanor charge.

THE COURT said in its affirmation of a lower court decision that "the proprietor owed him the duty to exercise ordinary care for his safety. The weight of authority supports the view that while a tavern keeper or bar operator is not an insuror of the safety of his patrons, he is under the duty to use reasonable care and vigilance to protect guests or patrons from reasonably foreseeable injury, mistreatment or annoyance.

"Negligence in such a situation may consist of failure to take appropriate action to eject persons of undesirable character from the premises or knowingly permitting irresponsible, vicious or drunken persons to be in and about the premises or failure to maintain order and sobriety in the establishment." ■

Government aid for Ulster's highest bomb damage

BELFAST—The biggest bomb blast recorded in troubled Ulster in the past three years hit the Belfast Co-operative Co.'s department store in the city center.

Fire and explosion damage totaled $25 million, far and away the highest in recent devastation in the city, and the British government provided emergency payment of $2.5 million to replace stock so that it could re-open.

Cost of rebuilding and replacement of other lost stock will be met from the government's main compensation fund, which was set up to deal with bombing problems such as this.

Atlanta roofers sue Hodgson over constitutionality of OSHA powers

ATLANTA—John Lance, president of the Lance Roofing Co. here, may run a small concern (he sometimes answers the telephone himself) but he may yet show the federal government that it is not a good idea to rub him the wrong way.

What Mr. Lance has done is brought a suit against "the Secretary of Labor, Hodgson. Isn't that his name?" The suit challenges the constitutionality of the Occupational Safety and Health Act. The complainants in the suit are Mr. Lance's firm and three other Atlanta subcontractors, all of which are being represented by McNeill Stokes, general counsel for the American Subcontractor's Assn.

The suit, which questions the general duty clause, among other things, alleges that OSHA is unconstitutional because it delegates legislative and judicial powers to the Secretary of Labor; it imposes penalties on employers without the procedural safeguards guaranteed by the Fifth, Sixth and Seventh Amendments (due process and right to trial clauses); and it provides for unreasonable search and seizure on the employer's premises.

"THE THING that upset us," Mr. Lance told *Business Insurance*, "was that the $1,000-a-day penalties would start when the OSHA judge said. It made no difference if you were in the process of appealing the decision.

"I mean," he continued, "he could say, 'You have 30 days to correct the violation or you will be penalized.' The way the courts are, it could take quite a while for you to get your appeal heard and you're being fined $1,000 a day in the meantime. The appeals court here is 15 months behind. That adds up to about $450,000 in fines before you even are heard."

Mr. Stokes, who felt that the objectives of the act were laudable but that fundamental rights had been forgotten when Congress passed it, said that the Secretary of Labor was in the position of "an all-powerful policeman." While the plaintiff had to shoulder the burden of appealing the citations and proposed penalties, the Secretary could make the laws, issue the citations and impose the penalties.

The suit contends that OSHA does not contain the requirements of procedural due process and denies the accused the right to a trial by jury. Another issue was that the accused does not have the right to face his accuser, whose name, if the citations result from an inspection held because of a complaint, may be kept secret.

THE SUBCONTRACTORS action contends that the act imposes criminal penalties and is more then merely regulatory. It also charges that the general duty clause is "so vague and ambiguous that the employer has no adequate notice of the conduct that is prescribed."

It further alleges, "The general duty clause does not prohibit any specific act. The employer must speculate as to what are 'recognized hazards' that are causing or are likely to cause death or serious physical harm. He has no notice as to the scope or the coverage of the act. He must hazard a guess when the Constitution requires that he must be sufficiently warned by the language of the statute."

Mr. Lance, who said that his firm was the first in the nation to be inspected under the provisions of OSHA, felt that a decision would be reached "by mid-summer, but that's just the beginning. If we win, the government will appeal and if they win, we will. Any way you look at it, this is going to the Supreme Court," he noted.

He also said that everyone involved with the suit, on both sides, felt that "they're not trying a case, they're trying the law."

The roofing industry was high on the list of OSHA's target industries under the worst-first approach to making inspections and Mr. Lance admitted that "we do have a lot of accidents; not fatalities, just accidents. We have a lot of people get burned but we almost never have a falling accident." ■

Smelting safety costs $1.3 million

BRISTOL—Work has re-started at the Avonmouth plant, near Bristol, of the Imperial Smelting Corp. after the company management spent $1.3 million on measures to allay lead poisoning fears (*Business Insurance*, May 22).

But its owners, the giant Rio Tinto Zinc industrial group, refuse to say whether these will complete all the anti-pollution work needed, or if they are just enough to combat immediate health hazards.

"We are not going to anticipate the British government's full probe into the position," a corporate spokesman told *Business Insurance*, referring to a special inquiry started under Prof. Brian Windeyer, of London University, into the recent lead poisoning scare.

NEITHER would the spokesman disclose the nature of the measures that have so far been undertaken, but merely confirmed that the Windeyer probe team had been kept informed about them.

So public interest in the problem, which attracted worldwide reaction in industrial health and safety circles, will have to wait for the official report of the government inquiry later this year before its full significance is known.

Sir Val Duncan, Rio Tinto Zinc chairman, confined himself to telling stockholders at his company's annual meeting: "I very much welcomed the government's decision to institute an inquiry because, though mistakes have been made at Avonmouth, I feel confident that the Windeyer committee will report this matter in its proper perspective."

Imperial Smelting Corp., the world's largest zinc and lead refiner, closed the plant in January after pollution levels reached excessive limits and trade union advisers claimed that the official regulations in Britain to prevent lead poisoning were 60 years out of date. ■

Buyers elect officers

BOSTON—The Massachusetts Insurance Buyers' Assn., this state's chapter of the American Society of Insurance Management, elected new officers at its annual meeting late last month.

Joseph W. Chevarley, risk manager for Stone & Webster Engineering Corp., succeeded John F. Keating of Ludlow Corp. as president of the group. Mr. Keating became a director.

Other officers include William L. Mather of the Gillette Co., vp; Henry Mayo, The Kendall Co., treasurer; Galt Grant, Polaroid Corp., secretary.

Along with Mr. Keating, Edward B. Smith of the First National Bank of Boston and John Boudreau of NEGEA Service Corp. were elected to directors' posts.

A communique from the association pointed out that any insurance buyers in Massachusetts who wished to join the group should contact the new secretary, Mr. Grant, at Polaroid headquarters in Cambridge. ■

National . . .

Continued from page 24

nouncement in front of him as he spoke, pointed out that certain of the company's policies would be liberalized to include benefits for treatment by "those licensed nurses" (licensed practical nurses) as well as registered nurses.

The third time he was asked if, perhaps, the changes had been made in response to mounting criticism from various individuals and groups, he replied, "Well, let's say we were not unmindful of the situation in a couple of states."

Regarding the use of Art Linkletter in the advertising, his testimonial being one of the main targets of the consumerists who contend that the ads should state that Mr. Linkletter is on National Liberty's board and was paid to do the ads, Mr. Beavan felt that the firm would continue to have him as its representative.

IT WENT something like this:

Q. "Do you intend to continue using Mr. Linkletter in your ads?"

A. "We do not use Mr. Linkletter. He is not a thing, suspended in space. He is affiliated with our company. I don't see why not."

He also said that "we are back on the air in California with our tv advertising. We are now in compliance with Insurance Commissioner Richards D. Barger's regulations. We just have to wait and see what happens in other states, like Pennsylvania. They don't have regulations yet. They are expected now quite soon."

The changes will go into effect August 1, 1972, subject to approval by various insurance departments, and will apply to current, as well as new, business.

MEANWHILE in Tallahassee, Florida insurance officials have accused National Home Life Assurance Co. and entertainer Art Linkletter with misleading advertising.

State Insurance Commissioner Tom O'Malley set a hearing for July 5 in Tallahassee on an order to the St. Louis, Mo. firm to show cause why its license to do business in Florida should not be revoked.

The dispute involves Mr. Linkletter's endorsement of National Home Life's hospitalization plans.

ACCORDING TO Commissioner O'Malley, Mr. Linkletter acted as an "unlicensed agent" and had "exceeded the scope of a professional announcer" by lending his name to a recommendation on behalf of specific insurance plans.

National Home Assurance Vice President Beavan said that Linkletter was not soliciting for customers but merely endorsing the company's services.

"These things occur all the time," Mr. Beavan said. "We are very closely regulated and we'll appear (at the July hearing) because we comply with the law in all states in which we are licensed."

IN A NEWS release, Commissioner O'Malley charged that Mr. Linkletter "gives the impression that he is interested in selling this plan as a public-spirited citizen only, and that he is not motivated by any selfish interest."

Mr. Linkletter's endorsement, carried in the firm's ads for its weekly indemnity hospitalization plans, reads in part, "I cannot imagine anybody passing up the chance to enroll in this plan—especially when the first month's protection costs only 25 cents."

"I've looked over the policy very carefully," he is quoted as saying.

"I've made a point of getting to know some of the folks at National Home. And you won't find a more decent, friendly people to deal with.

"I've seen the way they handle claims too—quickly and generously. Believe me, when you need them, they'll be there to help you." ■

following the funds

Pennsylvania allows state pension funds to invest in equity products

HARRISBURG, PA.—Gov. Milton J. Shapp has signed into law legislation allowing two huge state retirement funds, with assets of more than $3 billion, to invest some of their assets in stock.

The new law authorizes the State Employes' Retirement Fund and the State Public School Employes' Retirement Fund to make limited investments in preferred and common stock.

Currently the funds' investments consist mainly of federal, state and local government bonds, corporate bonds, mortgages and specific obligations designated by law.

Estimates are that the new law will allow $180 million of the combined assets of the funds to be invested in stocks. There is about $2.1 million in the school fund and $9.8 million in the state employes' fund.

THE ORIGINAL bill would have permitted the funds to invest up to 25% of their assets in the stock market over a period of five years using the "prudent man" principle in their security buying.

But the investment power was diluted in the legislature, and under the final version signed by Gov. Shapp the funds may invest 10% of the assets over the five year period, and a further limitation is that the stock investments may not exceed 50% of the holdings in FHA-insured and VA-insured mortgages.

The legislature also tightened the "prudent man" restriction by adding a phrase reading: ". . . (N)ot in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefore and the probable safety of their capital."

The public school fund now has 221,367 contributors and 38,500 pensioners. The contributors are paying $7.5 million a month into the fund, local school districts are paying $5.7 million a month and the state adds $4.2 million monthly. The school fund's pensioners receive total annuities of $11.3 million each month.

THE STATE employes' fund has 131,510 contributors who pay $4 million a month into the fund, with the state adding $5 million each month. It has 22,778 pensioners who divide $5.7 million a month in annuities.

The school fund has $228.1 million invested in FHA and VA mortgages, while the state fund has $75 million invested in such items.

The Mellon National Bank and Trust Co., Pittsburgh, is financial adviser to the two funds.

The new law falls considerably short of the recommendation of the Governor's Management Review Task Force, a team of 85 businessmen that did an over-all appraisal of state government operations earlier this year, and suggested that up to 25% of the funds' assets be invested in stocks.

"This practice is in line with established procedures of both public and private pensions funds. Implementation should raise the investment return by 1% to 2%," the businessmen said.

However, the executive also recommended that before making stock investments the responsibility for them should be placed in the hands of "professional managers who can supervise the portfolio on a full-time basis."

* * *

Tighter rules covering private pension plans were urged by Sen. Fred Risser (D-Madison), chairman of the Wisconsin state legislative council.

Mr. Risser, speaking at the first meeting of a committee studying pension law revision, cited the closing of a Madison machine tool plant last year as a case in point.

Many veteran employes at the Gisholt division of Giddings & Lewis, Inc., had counted on retirement income from the company's pension plan. But they were left without pensions when the factory closed, Mr. Risser said.

"THE PENSION rights they had been counting on suddenly evaporated," he said.

The legislative council committee, composed of legislators and persons in the private pension plan field, is to make recommendations to the 1973 session of the state legislature.

Wisconsin, which passed a law regulating private pension plans in 1957, is one of only five states with such statutes on the books.

Among proposals being studied by the committee are the following:

- A decision as to whether the state should require tougher minimum funding standards.
- Development of standardized rules for the vesting of pension plans. Under a vested plan, employes retain rights to benefits even after changing jobs.
- A requirement that insurance companies guarantee the availability of retirement funds.
- Creation of a plan to transfer retirement service credits when employes change jobs.

Under the present law, private pension plans must be registered with the state insurance commissioner. Funds with more than 25 Wisconsin employes must file annual financial statements with the commissioner. ■

Shipwrights win hike

BELLINGHAM, WA.—A new three-year contract ratified by members of Shipwrights' Local 2071, gives the union increases of 26¢ an hour the first year, 27¢ the second and 29¢ the third.

For the first year, the division would be 23¢ in wages, 1¢ for a change in vacation policy to three weeks after nine years and 2¢ for increased health insurance, it was reported.

Included in the second-year package would be extension of health and welfare benefits to employes' dependents.

Union spokesmen said the proposal was within Pay Board guidelines. ■

Latest College of Insurance seminar designed exclusively for risk men

NEW YORK—The College of Insurance, which seems to be constantly expanding its horizons in the risk management area, will conduct a seminar in September designed to deal exclusively with the management problems of corporate risk men.

Dr. A. Leslie Leonard, president of the college, described the seminar as the "first of its kind in the country" and pointed out that it followed similar management seminars conducted by the college for insurance executives and new insurance commissioners.

While explaining the seminar, Matthew Lenz Jr., chairman of the property-liability division at the college and the seminar's coordinator, noted, "This will be a pragmatic program emphasizing participation and problem solving of actual case studies of management problems.

"We believe," he continued, "that a program is necessary because the risk manager is essentially a staff, rather than a line, man in the corporate organization. He must know how to set up lines of communication, to develop rapport with executives at every level and with employes on the production line. He must plan ahead for disasters and know what to do when they strike. He must know how to handle cash flow and be able to interpret leases and contracts.

"Since the problem of risk pervades the entire corporate structure, the risk manager must be involved with all corporate activities and this seminar is designed to broaden the risk manager's understanding of corporate organization and functions."

He explained that the college had conducted other management programs, including middle management and executive, for years and that they had been successful. "So, we thought we might as well try this. Risk managers seem to have some communication problems within their own companies and this was designed to help them. It is basically our middle management course with some technical material on the side," Mr. Lenz pointed out.

While the college has not worked in an official capacity with the American Society of Insurance Management in putting the seminar together, Mr. Lenz said that he had discussed his plans with the college's risk management committee, all of whose members also belong to the New York ASIM chapter.

"I also talked things over with Doug Barlow while he was ASIM president," he said, "so, while we haven't actually worked with the society in getting things ready, we have had the cooperation of many of its members."

MR. LENZ, while describing the seminar's faculty and discussion topics, highlighted two of each.

"The leadership and motivation section, designed to give the risk managers' the skill of motivating people over whom they do not have line authority, will be conducted by Dr. Robert House, who will be taking a two-year leave of absence from City University of New York soon to go to the University of Toronto. He has developed a new approach to leadership that is really taking off in academic circles.

"Fancis Metzner Jr., president of National Coverage Corp., will take care of the creativity session," Mr. Lenz continued. "He's the kind of guy who sends out sparks when he enters a room and the course is designed to stimulate the risk men to get out of ruts, to think wild."

Other members of the faculty include Mr. Lenz; William S. Mortimer, Norton Simon's director of insurance and risk management; H. Felix Kloman, president of Risk Planning Group and two of his associates, James Matschulat and John Gausch.

DISCUSSION topics will range from social and political changes in the environment to quantitative analysis to planning for disaster.

The seminar, which Mr. Lenz hopefully predicted would "be the first of an annual affair," will be held Sept. 17-22 at the Nassau Inn in Princeton, N.J.

Tuition for the seminar is $450 plus room and board with living costs expected to run about $30 a day.

Mr. Lenz said the registration would be limited to 50 participants.

"We have run only one ad for the seminar and we haven't sent out our mailing pieces yet and we already have 15 reservations. I don't think we'll have any trouble reaching the 50," he said. ■

Inn must pay comp

The Gray Rocks Inn Ltd. in the Laurentian community of St. Jovite has been ordered to pay $37,250 compensation to a New Jersey girl who fell from a bedroom window in the hotel in 1964. The girl was four at the time. Mrs. Justice Rejeanne Colas of superior court ruled that the resort was at fault in permitting a defective window screen to remain in place. Anastasia Rubis of Englewood Cliffs, N.J., fell from the fourth floor and suffered a permanent leg disability.

Canadian insurers move to dispute critics on investment income issue

TORONTO—Canadian insurers are moving to counter critics that say they are making a killing on their investments and that premiums could be lower if investment income were taken into account in setting rates.

An investment study just released on the property and liability insurance industry shows a lower rate of return than expected for what the authors term a high-risk industry.

The study is part of the ammunition being gathered by the industry in its efforts to resist an expected government thrust to get the companies to include investment income in their rate-setting calculations.

There are rumblings in this direction from several provincial capitals. For example, Sydney Spivak, leader of the Progressive Conservative party in Manitoba, recently said that if his party defeated the New Democratic party at the next provincial election he would require the insurers to include investment income in the rate-making process.

THIS WAS a bit of a jolt to the insurers, who have already been forced out of the auto insurance business in Manitoba by government takeover.

The investment study was prepared for the Insurance Bureau of Canada by McDonald Currie & Co., Toronto chartered accountants.

A companion study is being prepared for IBC by a team of university professors. Both studies will be used by an IBC committee as the basis of a final report to its members.

The McDonald Currie report shows that the industry had an annual growth in net premiums of about 9% for the 10-year period to the end of 1969.

THE REPORT says that to maintain an adequate solvency level, an insurer should match its increase in premium volume (9%) with comparable increases in investors' equity. In other words, equity should be increased out of after-tax-earnings or increased capitalization at a rate of 9% a year.

The report reveals an average pre-tax rate of 16.5% for the years 1965 through 1970. Assuming an income tax rate of 50%, the after-tax rate would be 8.2% —below the desired 9%.

Further, if unrealized gains and losses on investments are taken into account, the pre-tax return drops to 13.2% which, at a 50% tax rate, yields a return of only 6.6%.

"It is a fair assumption," the report says, "that if this trend continues, insurers will not be able to finance growth out of operations in the future without a deterioration in the quality of their product."

THE STUDY ALSO shows that the insurers come out poorly in a comparison with other industries of average rates of return, before tax, on shareholders' equity. The comparison for the six years to the end of 1970 notes that on investment: Metal mining, other than gold and iron, had a 21% return; construction was estimated at 21%; banking at 18%; sales finance and consumer loan companies at 17%; property-liability insurers at 16% and utilities at 14%.

"Investors would anticipate receiving a relatively high return where the industry is one of high risk, such as the property and casualty insurance industry," the report says. Instead, the insurers are near the bottom in the comparison.

The study emphasizes that return on equity, or net worth, is of prime interest to the investor. And since the quality of the insurance product is based on the solvency of the insurer, such a return should also be of interest to policyholders.

The ability of an insurer to maintain its portfolio of business and expand it to meet the needs of the insuring public is, to a large extent, dependent on the ability of the industry to attract and maintain capital. "If the return on equity is insufficient to attract capital, then the solvency of the insurer, and hence the quality of the product, is adversely affected," the report says. ■

SBA surety plan gains $48 million

NEW YORK—The fidelity and surety committee of the American Insurance Assn. has reported that some $48 million in bond guaranty commitments were made to minority contractors during the first six months of the Small Business Administration Surety Guarantee Program.

The committee's report, delivered at the AIA's eighth annual meeting, said that the 48 surety companies participating in the program were committed to covering 589 contracts. The program was designed to aid minority contractors in getting a foothold in the construction industry.

THE PROGRAM is set up so that the Small Business Administration will indemnify the participating surety companies for 90% of their loss, cost and expense incurred on any bid, performance and payment bonds they underwrite for small business firms. The surety company pays the SBA 10% of its premium in return for the guarantee.

Also mentioned during the meeting was the fact that association representatives, as well as other segments of the surety industry, had met with a Massachusetts committee appointed by that state's insurance commissioner, John G. Ryan. The purpose of the meeting was to find a market for contract bonds for minority contractors who had been deemed substandard risks by the surety industry for the size project for which they desired bonds.

It was reported that negotiations continued for quite some time but that an agreement was finally reached under which a voluntary program will be established for handling surety bond applications in excess of $500,000 for minority contractors.

The committee said that it had also successfully opposed a proposed bill in Massachusetts that would have given Mr. Ryan the authority to "promulgate rules and regulations governing the refusal of surety companies to write contract bonds—including the authority to establish an assigned risk pool for surety bonds required by contractors."

Scrimping . . .

Continued from page 22

function in U. S. corporations.

"WHEN I GOT into this business in 1946 the insurance manager was a clerk or accountant stuck in the corner of an office somewhere," he said. "Very little business is awarded on the basis of *auld lang syne* these days. The risk manager is becoming more sophisticated each day. He's enormously well-qualified and tends to keep the broker on his toes."

It is for this reason, among others, that Schiff Terhune always makes a pitch for business directly to the insurance manager, and not to an executive level removed from the day-to-day responsibilities of risk management.

"You've got to sell on that level," said the brokerage president. "There are other brokers who take a different tack but good risk management must depend on good relations between the broker and the risk manager, and how can you establish a relationship if you try to circumvent the risk man in the first place?"

As for major issues facing the brokerage industry, Mr. Schiff feels one problem the business is already confronting is the fee vs. commission system of doing business.

"WE ARE working under both arrangements at the present time. Yes, I do think you are going to see more fee arrangemens in the future and it doesn't disturb me at all. After all, the risk manager today is so sophisticated that he knows what a broker's commission is. There is no reason to hide it. The problem, I think, will really resolve itself."

On another issue, that of the unit system vs. the account executive system, Mr. Schiff has also set a company policy. And that policy in a way bucks the trend of larger brokerage houses that are moving toward the unit system. Under the unit system many large brokers are setting up teams of account executives. Units of eight or ten brokers, usually with some specialized skill, are put at the disposal of a corporate brokerage client. And any one or all ten may be in contact with the risk manager.

"I personally believe in the account executive system," said Mr. Schiff, noting that "it enables the risk manager to pinpoint the brokerage responsibility on one man." Schiff Terhune presently has 14 account executives servicing its corporate clients.

The Schiff firm was established in 1906 by Frank Schiff's grandfather, who was later joined by his son and a partner, T. B. Terhune. Mr. Terhune left the firm in 1916 but his name was kept on the door because by then the identity had been established.

With the exception of a five year period during World War II the company was managed by Frank's father.

"AS IS USUALLY the case the firm lost a lot of momentum during those years," Mr. Schiff said of events during the absence of his father, who ran a strong monolithic management. The elder Mr. Schiff continued to guide the company until he died eight years ago.

Frank Schiff was educated at Hamilton College, a small upstate New York institution. He served in the Army in World War II and joined his father's firm in 1946. He recalls his initial job, that of a runner getting signatures on binders, with dread. "I came out of the Army as a captain and it was the most depressing thing in the world," he said of his introduction to business as a "gopher" (go for coffee etc.).

"FRANK SCHIFF," says one of his competitors, "has the style and class that old-line family-owned shops have thrived on in the past. He wants to keep the personal touches. But he still wants to grow along with the rest in this business, and bigness sometimes leads to arms-length relationships with clients. It's a struggle."

Mr. Schiff, however, would probably prefer the word challenge. He feels that in five to 10 years there will only be about 20 or 25 insurance brokerage houses of any consequence doing business on a national scale, and he wants his company to be one of them. "But," he adds, "we'll never be a jumbo." ■

On fishing trip and Christmas party liability . . .

HOUSTON—Booze, boats and —no, not broads—airplanes were discussed from an insurance standpoint at the Texas Automobile Dealers Assn. convention held here.

At a panel discussion on dealership insurance, Robert L. Murphy of Ehrman-Murphy & Young, Houston, warned the group that if they rent, hire or lease a boat to go fishing with customers, they had better remove the water exclusion clause from their general liability policy. This can be done for a nominal fee, said the insurance agent, as he cited a recent case where a company had chartered a boat that sank with two customers aboard. When this happens, it's too late to see whether the firm had insurance for such an incident, Mr. Murphy said.

He also said if a firm has a Christmas party, or any kind of party where liquor is served, the exclusion concerning coverage related to alcohol should be removed. "Take that (exclusion) out of the policy if you have any kind of party," he warned.

MR. MURPHY said that if a firm owns an airplane, it should buy insurance on the aircraft, and if a member of the dealership is a pilot and planes are rented, then a non-ownership aircraft policy should be purchased for any and all aircraft leased on behalf of the dealership.

He said the premium for this type of coverage might be $500 to $1,000 per year for a $1 million, with the price varying upon the experience of the pilot. "That's small bananas if you have customers aboard when the plane goes into the side of a building," he added.

Concerning workmen's compensation insurance, Mr. Murphy told the group that some firms are being charged too much. He said payroll audits should be checked to insure that the premium is not charged on wages in excess of $200 per employe per week, in accordance with Texas law.

He warned of instances in which an employer might think standard workmen's compensation might cover an employe, but this might not be the case. As an example, he said a sales manager could be sent to a port to pick up a car and could be injured at the port.

If the injury is severe enough, he might file a lawsuit as a longshoreman before a U.S. commissioner because there are greater benefits. "This is the doctrine of the big pocket book," Mr. Murphy said of federal waterway and federal ports statutes. "Insist that your coverage, at no charge, be endorsed for longshoremen."

He also said an all-states endorsement should be made on workmen's compensation coverage, for individuals outside of the state where main operations are conducted and who work outside of this state. "There is no coverage as basically written," Mr. Murphy explained; "but an all states endorsement doesn't cost any money."

Mr. Murphy and other panelists on the program suggested the use of insurance for catastrophes with small claims paid by the company.

The main thing insurance should do for you is protect you from catastrophe and calamity, said Mr. Murphy.

Fred E. Bosworth of Tyler, Tx., with Bosworth-West Insurance Agency, said, "The man in business should have a philosophy of buying insurance." He recommended use of deductibles where they will save money and called for higher limits where deductibles are used. ■

Aetna offers mass plan in Connecticut

HARTFORD—Aetna Life & Casualty is offering its first mass-marketed auto and homeowners insurance program in Connecticut to provide premium payment through a pre-authorized checking account deduction plan. About 4,000 members of the Connecticut State Bar Assn. are eligible.

Under the plan, marketed through Kronholm & Keeler Inc., of Hartford, a participant can authorize his bank to honor monthly premium checks drawn on his account by Aetna.

"We are offering similar programs in about 25 or 26 other states, but this is the first plan of its type here," explained M. P. Anstey, assistant secretary.

"PRE-AUTHORIZED checking plans have become quite popular with people. Practically every bank in the country offers them," he said. "Life insurance has been marketed this way for quite some time, and installment plans frequently utilize the service."

The participant receives a cancelled check for the premium withdrawal with his regular monthly statement. "All he has to do is remember to subtract the balance from his account at the first of the month," Mr. Anstey added.

All bar association members with valid licenses and registrations are eligible for the program, which offers limits of up to $1 million for liability coverage.

According to Aetna, participants may receive as much as a 15% saving over their current premium rates. ■

Bring back our beer breaks once more, workers demand

PHILADELPHIA—Pennsylvania may run dry of Schmidt's beer unless Schmidt's breweries continue a 50-year practice of providing free "beer breaks" for their workers. Threatened with the loss of this favorite employe benefit, some 650 workers went on strike and halted production at the Philadelphia and Norristown plants of C. Schmidt & Sons.

According to a union spokesman, the trouble occurred during negotiations for a new three-year contract, at which time the company sought to eliminate the jobs of two bartenders working the beer breaks.

A federal mediator will meet with both sides.

for the record

No discrimination in forced maternity leave

HARTFORD—A 30-year-old Waterford, Ct., high school teacher, who claimed that she was the victim of sex discrimination when officials forced her to take a maternity leave in her sixth month of pregnancy, has lost a long U.S. district court suit here.

Chief Judge M. Joseph Blumenfeld, in a 14-page opinion, ruled that the Waterford school board, in forcing the leave of absence four months before the birth, had not discriminated against Mrs. Priscilla Green, who had charged that the Waterford school board's maternity leave policy constituted discrimination against women.

During the case hearing, the judge remarked, "She (Mrs. Green) has the right to become pregnant when and where she wants, but let's not put it on the basis of discrimination because she is a woman."

In his decision, Judge Blumenfeld remarked that two recent cases in other U. S. district courts resulted in conflicting rulings. Relying on medical evidence that no harm could come to a pregnant teacher by extending her duty span, one court disallowed a four-month maternity leave provision.

The judge said that he disagreed with that ruling while holding still another conflicting court decision relevant to Mrs. Green's situation.

That federal ruling was quoted in part: "Courts do not and cannot intervene in the resolution of conflicts which arise in the daily operation of school systems and which do not directly and sharply implicate basic constitutional values."

Quebec health plan is operative

MONTREAL—Hospital administrators in Quebec have been told to study their new provincial social and health service plan "with a magnifying glass, if necessary."

Claude Castonguay, social affairs minister, told a meeting of administrators that they would be consulted again in June on provisions of the plan. Implementation of the law was delayed two months past its original April 1 deadline to allow completion of all regulations involved and their study by all interested groups.

Under legislation passed in December, Quebec will reorganize community services on a regional basis responsive to local needs in an effort to involve citizens at the administrative level to link the local population and the social affairs department with hospitals and social services agencies.

Integration of the plan will be overseen by Gerard Nepveu, former chairman of a provincial commission inquiry on health and welfare services.

Construction safety responsibility shifted

MONTREAL—Jean Cournoyer, Quebec labor and manpower minister, has entrusted much of the responsibility for supervising provincial safety legislation on construction sites to the Construction Industry Commission.

The CIC is a labor management body that already supervises implementation of the government decree that currently regulates wages and working conditions in the industry. Safety standards will be supervised on construction sites by the same CIC inspectors who deal with matters under the decree. There are currently 126 such inspectors, after the recent addition of 32 in

Continued on page 42

Record . . .

Continued from page 41

anticipation of the increased workload entailed by the safety regulations.

The safety regulations were previously the responsibility of 15 inspectors in the provincial labor department. These inspectors now will concentrate largely on matters regarding high technical competence, such as the provincial woodworking code and the security of elevators.

Work comp clarified for ranch, farm labor

DENVER—Gov. John Love has signed legislation amending the workmen's compensation act concerning farm and ranch labor, said James M. Shafer, executive director of the Colorado department of labor and employment.

The new provisions of the act became effective May 5.

Mr. Shaffer noted that the amendments "materially clarify the confusion that existed in the 1971 law. With these changes, the new compensation act is now beneficial to both employer and employe and I urge all employers of farm and ranch labor to participate in the . . . program."

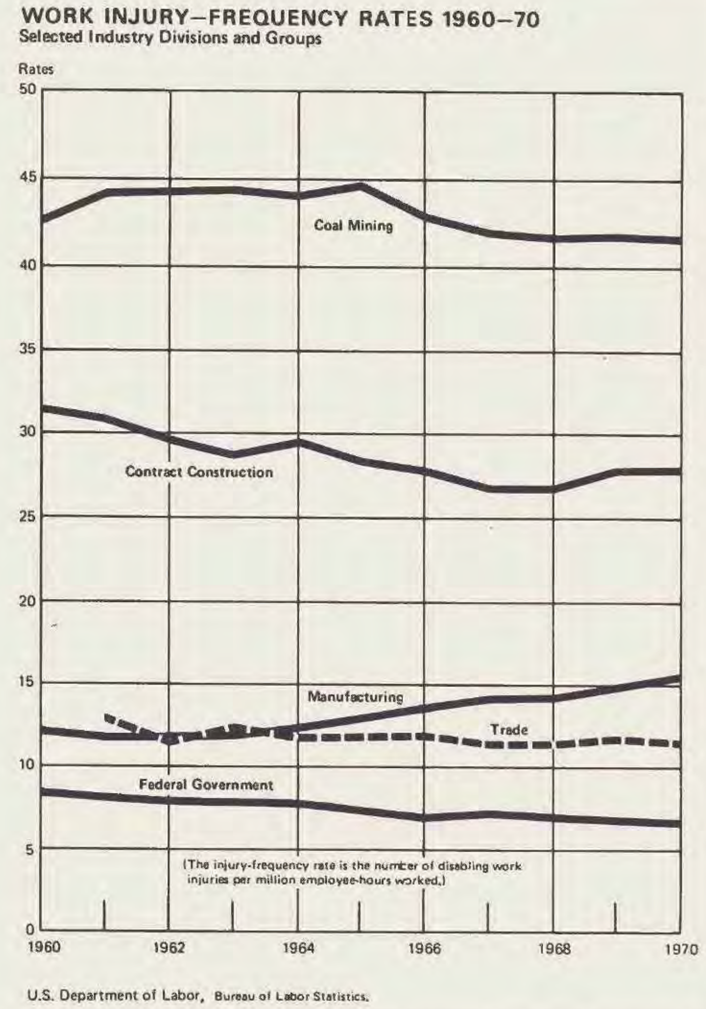
The major provision of the new workman's compensation amendment requires every employer of four or more farm and ranch laborers to purchase workmen's compensation insurance.

CONFUSION relating to temporary help and farm and ranch employes working in perishable products has been removed. Under the new law, a farmer or rancher may employ up to three persons without being subject to the act, it was reported. However, with four or more employes, he must then insure his liability or avail himself of the rejection provisions of the act.

Mr. Shaffer said, "With the state compensation insurance fund's new premium rates in effect, employers could not assume the legal responsibilities of not having workmen's compensation insurance. For the nominal premium costs, an employer can avoid the risk of court litigation."

"By insuring his liability, an employer is protected from litigation by having insurance carriers handle all his compensation claims and by providing his workmen with immediate benefits during a period of disability and time of need."

Those employers who wish to reject the act may do so by notifying the Colorado department of labor of intent to reject. ■



Reversing the trend of the previous decade, disabling work injuries in manufacturing industries rose to 15.2 per million employe hours worked in 1970. This means that slightly more than three employes of every 100 in manufacturing were injured in 1970, the highest rate since 1951.

Ontario proposal would halt foreign acquisitions

TORONTO—U. S. insurance agents, brokers and adjusting firms will be stopped from buying their Canadian counterparts in the country's biggest province, Ontario, if a bill now going through the Ontario legislature becomes law.

Bill 96, amending the insurance act, prohibits foreign-owned agents, brokers and adjusters who were licensed by Ontario on or before April 27, 1972 from buying similar Canadian firms also licensed to do business in Ontario. The bill also prevents any foreign-owned agent, broker or adjuster that was not licensed on April 27, 1972 from opening up for business in Ontario.

The measure is in keeping with government policy of curtailing expansion by the acquisition route of foreign-owned firms in the financial field.

THE ONTARIO bill goes much further than the recently-proposed federal government policy on foreign ownership.

The federal government plans to review proposed foreign takeovers of all Canadian firms with assets of more than $250,000 or with revenues exceeding $3 million.

The government would have the authority to allow those takeovers considered to result in "significant benefit to Canada." It would be able to negotiate with a foreign company or individual investor to get a better deal for Canada from a takeover. Takeovers that would not bring a significant benefit to Canada would be blocked.

The federal proposals are in the form of a draft bill that likely will be introduced in Parliament in the next few weeks. It is unlikely, however, that any law will get on the books before the fall.

THE ONTARIO bill is much more specific than the federal proposals. The measure is now in committee stage in the legislature and likely will be given third and final reading and become law this summer.

The bill obviously is aimed at big foreign-owned brokerage firms such as the U. S.-controlled Marsh & McLennan Ltd. and the U. S. and British-controlled Johnson & Higgins Willis Faber Ltd. (J&HWF).

Marsh & McLennan has acquired several Canadian firms over the years, the latest being the Toronto-based agency, Harry Price Hilborn Insurance Ltd.

Both Marsh & McLennan and J&HWF have been doing business in Canada for many years and both got a strong early start by buying established Canadian firms. Marsh & McLennan acquired Irish & Maulson Ltd. and Johnson & Higgins bought E. L. McLean Ltd.

ANY FURTHER expansion in Ontario for these and other foreign firms—including British-owned brokers—will have to be internally generated and not via acquisition.

"It certainly restricts us," said Gordon Watson, J&HWF chairman in Toronto.

The bill will open the door for Canadian firms that are in a buying mood—most notably the biggest Canadian broker, Reed Shaw Osler Ltd.—to negotiate with smaller firms without having to compete with the large foreign houses.

"It substantially reduces the bargaining power of the smaller agencies," Mr. Watson said.

Reed Shaw Osler has bought several Canadian agencies in the past two or three years. Chairman J. W. Whittall says the firm was not consulted in any way in connection with Bill 96 and that they knew nothing about the amendment until it was introduced in the legislature.

OPPOSITION spokesmen in the legislature have raised the possibility of retaliatory legislation in foreign jurisdictions but Mr. Whittall is not too concerned.

Several U. S. states already have laws restricting entry of foreign-owned firms, he said. Reed Shaw Osler plans to expand internationally and likely will open a U. S. office before long.

Ontario first erected barriers against foreign firms in 1961. A regulation to the insurance act at that time said that no license would be issued to a foreign-owned insurance agency (brokers and adjusters were not included) unless it was licensed on or before July 6, 1961.

THIS GRANDFATHER clause allowed for the presence of foreign firms, such as Marsh & McLennan and Johnson & Higgins, ensuring that they would be able to continue in business.

The new amendment states that a foreign-owned agent, broker or adjuster (in Ontario law an "agent" is licensed as a representative of the insurance company; a "broker" is licensed as a representative of the insurance buyer) will be denied an Ontario license if it "amalgamates, unites, merges, acquires the assets or business of, or acquires the shares of any other licensed agent, broker or adjuster."

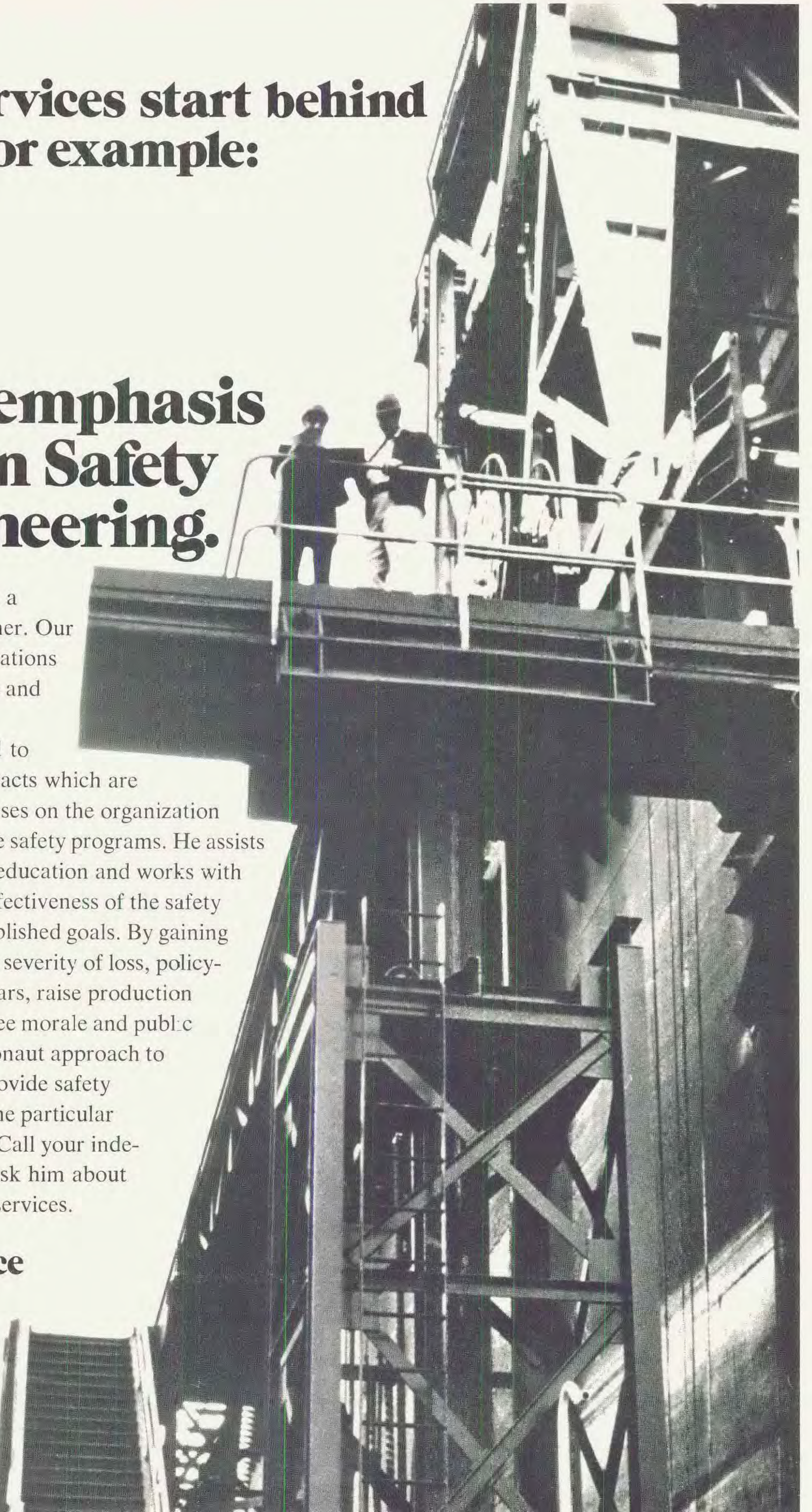
FOREIGN-OWNED firms are referred to in the amendment as those whose issued shares entitling the holders thereof to voting rights were more than 50% owned as of April 27, 1972, beneficially or otherwise, by one or more non-residents of Canada.

Non-residents are defined as:

- An individual who is not ordinarily resident in Canada.
- A company incorporated, formed or otherwise organized, elsewhere than in Canada.
- A company that is controlled directly or indirectly by non-residents as determined in the first two clauses.
- A trust established by a non-resident as defined in the first three clauses, or a trust in which non-residents, as so defined, have more than 50% of the beneficial interest.
- A company that is controlled directly or indirectly by a trust mentioned in the previous clause.

ALTHOUGH THE bill deals with Ontario-licensed firms, it is not precisely clear what would happen if a foreign-owned firm acquired a Canadian firm based in another province, but also licensed and doing business in Ontario.

So far, the other provinces have not followed Ontario's lead in introducing this type of legislation. ■



business insurance PERSPECTIVE

Benefit communication must be continuous and straightforward

BY HOWARD L. PECK
partner, Hewitt Associates, Deerfield, Il.

"Beyond a concern for the employe and his relations with the employer, there is also the question of the financial (and public relations) risk inherent in sloppy or inadequate communication."

IN A RECENT COLUMN, Sylvia Porter, writing about pensions, said, "Millions of Americans are utterly uninformed about their most important job fringe benefit." Further evidence of the ignorance she mentions can be found in stories that have appeared in the press recently—many of them stemming from Congressional hearings on pension legislation—about people who thought they were covered by pension plans only to discover on the eve of retirement that they had no pensions coming.

Many plan participants have been disturbed by these stories. Even people who thought they had a reasonable understanding of their pensions and their pension rights have been led to wonder whether they've been told all they should know about the security of their benefits. Some young employes who normally have paid little attention to pensions have begun to raise questions.

The current ferment seems to suggest that many of the people responsible for informing pension plan participants about their benefits haven't done a very good job of communicating. Now it appears that it may soon be legally necessary to direct more attention to the task.

There are indications from lawmakers and public officials that we will have tougher requirements for communication on pensions and other benefits. Consider some of the proposed legislation now before Congress and the Labor department's proposed new regulations under the Pension and Welfare Plans Disclosure Act. Take this latter item first. What do the proposed regulations cover? First, there is the question of content. It proposed to add to plan descriptions (D-1 filings) some significant items not ordinarily included in such material: "conditions under which vested benefits may be divested," "the effect of suspension or termination of contributions," "the effect of merger or termination of the plan," "a description of the management and investment of plan funds," and others.

And the draft of the revised regulations goes on to say that if plan booklets are distributed, such booklets should contain all the items required in the D-1.

SECOND, there is the matter of how the material is presented. The proposed regulations say "in a manner calculated to be understood by the average participant or beneficiary."

Also, there are the numerous bills before Congress, designed to protect the interests and improve the understanding of plan participants. For example, the Williams-Javits bill, introduced on May 11 of this year, requires that plan descriptions be comprehensive and written in a language and manner calculated to be understood by the average participant. The bill also broadens the disclosure act requirements for reports and information to employes, including an explanation of the participant's rights and obligations under the plan and the circumstances that may disqualify him for benefits. The act also requires that each participant be provided every three years a revised, up-to-date summary of the plan's important provisions.

No doubt the changed regulations and whatever legislation finally is adopted will have a salutary effect on some employers who are guilty of miscommunication or non-communication. Probably it will spur some others to go beyond their present token effort to communicate. Any improvement will be helpful. But if you can't legislate morals, you also cannot legislate sound human relations. The enlightened employer will not be content with mere conformity to the law, but will see the need for a thoroughgoing and constructive effort at communication.

Beyond a concern for the employe and his relations with the employer, there is also the question of the financial (and public relations) risk inherent in sloppy or inadequate communication. The business press has carried, with increasing frequency, stories about employes, or former employes, who have sued their employers, or former employers for benefits denied—sued and won on the grounds that they relied on the employer's inadequate communication. In a typical situation, the employe has cited a booklet or letter or some other piece of communication material that left out some important limitation.

MORE AND MORE the courts are holding that the employe has a right to rely on the representations made to him, even when they conflict with plan provisions. No longer is a boilerplate disclaimer in a booklet or letter sufficient to get the employer off the hook.

So better and broader communication is called for. What needs to be done and how?

Of course, we can't tell exactly what the legal and regulatory requirements will be until the present proposals are acted on, but it appears to be inevitable that something fairly close to house proposals will become law.

But, legal requirements aside, meeting future communication needs will require far more than a hasty revision of the old pension booklet, a letter from the president, or even a fancy multi-media audio-visual show.

If the new communication is to do its job, it must be broader, it must be planned, and it must be continuous. It must be frank and straightforward. It must tell employes what their plans won't do as well as what they will. It must have built-in means of checking comprehension and credibility. Also, it must be based on a clear perception of what employes want and need to know. ■

Howard L. Peck is a partner in the firm of Hewitt Associates, Deerfield, Il., 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.

BI columnist will be on judges' panel

HOWARD PECK will be on the faculty of the *Business Insurance* benefits communications workshop, Oct. 10-11, and will serve as a judge in the first benefits communications contest. Award winners in five categories (booklets, employe publications, computerized benefits statements, letters and other special printed materials, visual and audio-visual presentations) will be honored by the magazine at the workshop. Information on contest entry and workshop registration may be found elsewhere in this issue.

Once the bids are submitted...

"One thing you should not do is take the most favorable bid to one of the other bidders and ask him if he will reduce his bid to match the low bid."

BY BION H. FRANCIS
insurance consultant, Milford, Ct.

This is the eighth of a series of articles by Bion Francis on buying corporate insurance. Mr. Francis discusses the problems to be expected, how to recognize them and how to surmount them.

You have completed your call for bids. The closing date has arrived for the bidding. The bids are sitting on your desk. What do you do with them?

You may find that several alternative bids have been submitted by some or all of the brokers. They are doing this either on their own responsibility or, perhaps, because you have requested alternative bids. If you have, there should be some one basis upon which you have requested everyone to bid. The reason for this is that you should have at least one group of bids that are on the same basis. This is necessary in order that you may rank the companies in the order of cost, as indicated by the bidding.

After you have ranked the bids in the order of cost, work through them in order to determine whether the ranking based on cost should be adjusted because of your evaluation of financial strength, quality of service, desirability of claim practices, or other factors.

NOW YOU HAVE your bids arranged in what you believe is the order of preference. What do you do next? One thing you should not do is take the most favorable bid to one of the other bidders and ask him if he will reduce his bid to match the low bid, with the business to be awarded as a result.

If you adopt the practice of treating the bidding in this manner, the time will come—and quickly—when you will find it difficult or impossible to get serious bidding from the insurance industry. I have said before in this series that insurance of substantial amount depends on the mutual confidence of the parties. The integrity of the insurance buyer is one of the most important requirements he can bring to the bidding process.

Yet there can be situations in which the bidding can properly be awarded to someone who is not the low bidder. Your invitation to bid should contain a state-

Continued on following page

business insurance

PERSPECTIVE

Benefit...

Continued from preceding page

ment that you will not change insurance companies for a minor advantage. No broker or insurance company would argue with this practice.

So you should now examine the competitive ranking of the insurance company and broker that now has this insurance. If your present broker and insurance company have submitted the most favorable bid, there is no problem here. You simply award them the insurance. This should be the outcome in a large proportion of situations.

BUT SUPPOSE the existing broker and insurance company do not have the lowest bid. In view of what you have said in the invitation to bid you should evaluate their bid. Is the difference between your present insurance company and the low bidder substantial? If the difference in cost is too great to be ignored, then the insurance should be transferred to the bidder with the most favorable bid.

But suppose you make this same evaluation and find that the differential is a minor one. You decide to leave the insurance where it is. In that event, you would award the insurance to the company that now has it.

There is something else you might do in this situation, but you should do it only after you have made the decision to award the insurance to the existing broker and insurance company. After you have made that decision, you might then go to them and tell them that they do not have the low bid, but you are going to award them the business in accordance with your statement in the invitation to bid that you will not change for a minor advantage.

There is then a further step which you may—or may not—want to take, based on your evaluation of the situation. You might then ask your existing broker and insurance company whether they would like to change their bid in order to match the low bid. You may decide this is proper because you are not asking them to reduce their bid in order to get the insurance. The decision to award them the business was made before asking them to reduce their bid.

There can be another problem of a similar nature. You have asked for a set of comparable bids. You have also stated that you would consider new ideas in the bidding. Suppose a bidder suggests an alternative plan and quotes on it. You examine the alternative and find that it has merit. You decide to adopt it, or a variation of it.

The bidder who suggested this idea did not have the low bid in the conventional bids. Do you award the insurance to the lowest conventional bidder or do you award it to the bidder who suggested the idea you used? This is not a common situation, but I have seen it happen. In such a situation I believe the insurance should be awarded to the bidder who made the suggestion that was used.

Before sending out the invitations you should, of course, have made certain that your problems of liaison have been taken care of. Before the actual award of the insurance this point might well be checked again. Are there any changes in costs, in insurance companies, or in policy terms that would be objectionable to your management, or to line and staff departments? If so, you had better find out about it now.

There can be other situations to meet when capacity is a problem. Suppose you have said you will accept bids on a portion of the total. The three most favorable bids are as follows:

Bidder	Proportion of total risk	Annual premium
A	40%	$120,000
B	20%	64,000
C	60%	210,000

THIS INSURANCE should be placed in the order indicated, with 40% of the insurance to A; 20% to B; and the remaining 40% to C. In a situation such as this, can you—or should you—try to negotiate a decrease with B or C?

Or suppose you have bids and the three most favorable bids are as follows:

Bidder	Percentage of total risk	Annual Premium
A	20%	$ 60,000
B	80%	264,000
C	60%	198,000

A is the lowest bidder and should get the 20% of the business he bid for. The bids of B and C are higher, but the rate for each is identical. We do not need the total bids made by B and C together. Here it would appear proper to ask whether B or C is willing to reduce their bid in order to get the total amount of insurance for which he has capacity. This could be done either through negotiation, or supplementary bid.

TO ENCOURAGE brokers and insurance companies to use their best efforts for you, it may be to the best interests of your corporation to treat the bids you receive as confidential. However, there is some information that should properly be given to anyone who has submitted a bid to you. When the bidding is completed and the insurance awarded, I suggest that you write to each broker and insurance company that has submitted bids. Your letter should: Thank them for submitting a bid; give them the name of the broker and/or insurance company that was awarded the business; and state the reason the award was made. You might state that the award was made for the most favorable bid, or to the existing broker and/or insurance company, which were given a renewal of the insurance because the difference in cost, in your opinion, did not warrant any change.

And, finally, do not be surprised if a formal call for competitive bids for a large corporation creates pressures of great magnitude. It would be well to retain a chronological record of every step you take, and why it was taken. ■

Risk management notes

Use direct loss accountability technique

BY WARREN, MCVEIGH & ASSOCIATES
risk management consultants,
San Francisco—Los Angeles

RISK MANAGERS know that one of the most effective management techniques, if not the only really practical one, is to place accountability for results in the hands of those whose actions influence the results. For example, loss prevention, though the responsibility of everyone in the organization, can most strongly be influenced by local operating management, principally the unit supervisor or foreman. Thus, loss prevention results can come from giving these persons a direct accountability for the results of losses. In the case of a foreman, it may come in the form of rewards or debits for good or poor records of his men. In the case of area managers, it can come in the form of bonuses or charges in his year-end profit statement for all losses. Each manager should be made to pay his own property damage, workmen's compensation and public liability losses up to the point where it would impair his performance or be unacceptably severe. It is only at this point that the corporate protection program should take over.

With regard to accountability for loss prevention costs, operating managers should have primary responsibility since they are accepting the costs of losses and are responsible for ultimtae profitability of their operation. However, they should be fully informed when making any such decision as to the degree of hazard they are accepting. If they feel that a major property can be operated without automatic sprinkler protection, they should be aware of all the direct and indirect consequences of the loss and should pay the cost of the degree of risk accepted through their contribution to the cost of the risk management program. Most large corporations have property insurance only over a large self-retention and the direct insurance costs do not form a sensitive indicator of hazard. It is therefore desirable for the risk manager himself to allocate costs in such a way that the hazard will be reflected as accurately as possible so that this charge can be used as a guide to more effective decision making.

Along these lines, the recharging of insurance costs and other risk management costs to operating divisions should reflect the degree of hazard as determined by the risk manager, independent casualty actuary or other informed but unbiased consultant. Cost allocations on the basis of more easily measurable indicators such as gross revenues or payroll do not achieve the risk manager's goals.

Status of the Risk Manager

At the recent American Society of Insurance Management annual meeting in Montreal, a speaker from a prominent accounting firm said that the risk manager is often ineffective because he has no power base with management. He has low status in the company and little or no chance to be president.

With this latter remark we sharply disagree. Of all the functions in the company, the risk manager has one of the best opportunities to be president because he is concerned with all aspects of company operations, moves in top management circles, and is concerned with long-range planning in almost all areas. Though it is true that he has little direct-line responsibility other than for purchase of insurance or handling claims, this is no detriment to advancement if the risk manager does display genuine management skills.

It is unfortunately true that too many risk managers do, in fact, have a low status in their companies, but this, in our judgment, is due less to the inherent potentials of the function than to the personal deficiencies of many risk managers. Unfortunately, too many are selected for insurance knowledge and technical abilities rather than management potential, but we hope this is changing. Some have, in fact, gone on to become president or hold other higher management positions and as time goes on we believe these transitions will increase in number because of the growing sophistication of the function and the people filling it.

The Occupational Safety and Health Act

You are an employer who provides a great amount of safety equipment to your workers: hard hats, safety glasses, safety shoes, ear muffs and other items. You require that they be used, but an OSHA inspector comes through your plant on inspection and finds workers not using equipment they should be using, in spite of your regulations. Who gets fined? Not the employe. It is you. The burden is on the employer to follow through to see that workers do, in fact, use equipment that they are supposed to use. Many trade unions recognize this fact and support management disciplinary actions in this area.

Broker Selection

The days are long gone when the insurance broker was selected because he golfed with the president or was a cousin of the executive vp. Or are they? How was your broker selected? To what extent was the selection dictated by top management, and what were their criteria?

The sad fact is that many businesses still use superficial methods for selection of this most important service. Wherever there is a full-time risk manager, he should either make the selection himself or play the dominant role in the selection. If this is not the case, there will be internal friction, inadequate cooperation and failure to give the broker the greatest degree of incentive, which is the knowledge that he could lose the account if he does not do a proper job.

The selection process should evaluate many aspects of performance but the most important are:

- Who is the individual that will spend the most time on your account? Ignore the large firm that snows you with three or four vps on a sales call. You won't ever see them again.
- What is their track record on marketing difficult or unusual lines? Forget what they say they will do. What have they done?
- Do they exhibit a high degree of imagination and responsiveness to your problems, or do they emphasize how much pressure they can bring to bear on an underwriter?
- Do they understand what risk management means or do they simply talk insurance?
- Will they quote a fee for services?

Brokers should not be changed lightly, and a long-term relationship is desirable, but if your broker has been on the account for many years without feeling the spur of competition, it may be desirable to create some criteria for broker selection and throw the doors open. ■

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letters

Continued from page 18

placed on the shoulders of management and industry. Employes have a stake in insuring safe working conditions and are required to comply with the provisions of the law. One of the most difficult obstacles to overcome in the path of management is the "I don't give a damn" attitude by so many employes which is backed up by the local union representative. It is extremely difficult to effectively administer a safety program when employes who are repeatedly found violating provisions of the program are allowed to stand by with a smirk on their face as the shop steward tells the plant manager that any disciplinary action taken against the employe will have serious repercussions.

I think the time has come for organized labor to recognize and accept their responsibilities as partners with management in providing a safe place to work.

Ralph A. Korn

Director of Insurance, Duplan Corp., Winston-Salem, N.C.

Halon hazard

To the Editor: The May 22, issue of *Business Insurance* was excellent and informative. I have read with interest the article "Halon: The fire extinguishing agent in a hurry." In the article it was stated that Halon 1301, provides fire protection without introducing a hazard to life. I believe this point deserves clarification. The National Fire Protection Assn.'s, Standard No. 12A, Halon 1301 Systems, indicates that both the Halon 1301, and its products of decomposition, may create a hazard to personnel and unnecessary exposure of personnel to either should be avoided.

The Underwriters Laboratories classification of comparative life hazards of various chemicals does list Halon 1301 as less toxic than carbon dioxide.

Gary H. Barnett

Safety Manager, ITT Continental Baking Co., Rye, NY.

On security guards

To the Editor: I have just read your special issue "Safety/-Security Report" of *Business Insurance* for May 22. In general, I found it to be well balanced and informative, as is usually the case with your fine publication. However, I take strong exception to the article on page 59, with the headlined opinion "Private security men: Often ill trained, corrupt." This was, of course, based on the Rand Corp. study, which I sincerely believe fails to present the full facts, and is woefully inadequate in its statistical sampling, despite the 16 months it took to complete. I stated some of my views on this in the January, 1972 issue of our publication, "Protect Newsletter," in a piece entitled "Pot and the kettle?" This is what we said:

Apparently remembering the adage about offense being the best defense, the Rand Corp. (former employer of Daniel Ellsberg) has pointed a shaky, but accusing finger at the weaknesses of the private guard in general, and contract service guards in particular.

Business Week reported on the results of a 16-month long study of private guard forces, completed by the Rand Corp. for the Law Enforcement Assistance Administration (LEAA). Rand's study indicated that a "shocking" 97% of private guards fell into one of 20 "major traps" when given a questionnaire on use of legal powers and handling of hypothetical situations. Rand's researcher, Sorrel Wildhorn, said any one of these wrong decisions "could potentially lead to civil or criminal charges against the employe and his employer." The report's statistics seem "shocking," until you learn they are based on a sampling of only 275 guards, some of whom were Rand's own.

The article indicated Rand and LEAA hope that publication of this study will open a campaign for tighter state controls over the nation's private guard forces, emphasizing the need for more training of guards. There is no indication that their report considers what this would do to the cost of private guards, but obviously someone must pay, and that someone would ultimately be the buyer, whether using his own or contract guards.

The truth is that many of the nation's guard forces, both contract and proprietary, are well educated, well paid and well trained. Security managers in private industry, and executives of contract security service companies, are the first to admit a desire for more training for all guards. However, it is primarily the actual security needs of a particular business, and/or its security budget which dictates the quality of guard they use.

A fairly high percentage of the nation's private guards are not required to carry weapons, or to make arrests, or do much more than act as a fire watch. Most guards are well trained in the details of the written guard orders for their own facility, which normally spell out both duties and limitations of authority.

It should prove interesting to see the impact of the Rand Study, which at least admits that Rand's own guards scored "just a bit worse" than overall averages. Maybe they can subtitle the report, "From the company who gave you the loss of the Pentagon Papers".

E. Stanley Reynolds

Director—Public Relations, Advance Industrial Security, Atlanta, Ga.

Contractors' liability

To the Editor: May we offer a comment on the article captioned "Require contractors to carry liability cover with your name included" which appeared in the May 8 issue?

Our office handles insurance for a number of firms operating as general building contractors and we see this thought, expressed in various ways, in some job specifications but the underwriters with whom we deal will not add the owner's name to a contractor's policy. Instead, we order an owner's protective liability policy which adds to the contractor's costs and, so far, has been acceptable procedure to all of the owners.

Perhaps the situation is different in California and if so, of course, this comment will have no point but in our area and in our experience, this has not been a procedure that has been available. We would welcome any suggestions that would provide further enlightenment.

A. F. Connolly

C. S. McClellan & Co. Inc., Mount Vernon, NY.

Pension boost

The new contract of Engineers Local 288 (AFL-CIO), Spokane, Wa., provides an additional 5¢ an hour for pensions.

Rail safety act threatened by lack of funds, inspectors, says unionist

WASHINGTON—Jim Snyder, national legislative director of the United Transportation Union, said with a thick Southern accent that "the whole thing is really unbelievable." Then he laughed a nervous sort of laugh.

He was talking about the Railroad Safety Act of 1970, an act he believes is in imminent danger of collapse because of a lack of interest on the part of the Nixon Administration.

"Before this act was passed in October of 1970," he explained, "there were a number of very old railroad safety acts on the books but they didn't even cover half of the recognized safety hazards that confront the railroads. This was the first rail safety amendment in 52 years and it was pretty all encompassing.

"THE PROBLEM is," Mr. Snyder continued, "that, so far, very little has been done. The Federal Railroad Administration Office of Safety was supposed to have promulgated rules within one year after the passage of the law. Well, as of right now, they have only issued one set of rules and that covers track only. And the majority of those rules don't go into effect until July, 1973. Everything else, equipment, bridges and what have you, is still waiting for specific rules. You talk to the Office of Safety about it and they dismiss everything by saying that they don't have enough personnel to handle new rules anyway."

Regarding personnel, Mr. Snyder said that the Office of Safety now employs 154 inspectors and supervisors, essentially the same number as before the passage of the act. The administration budget would authorize, in 1973, an increase of "a mere" 43 inspectors and eight supervisors. Mr. Snyder said that his union felt the safety inspection force should be bolstered to 350.

"Another problem crops up even if you do have an adequate number of inspectors," he told *Business Insurance*. "You have to have enough funds to support them in the field. It costs about $25 per day for each inspector when he is in the field and, under the present budget, there is only enough money for each inspector to spend five days a month actually inspecting. We think they ought to spend 15 days a month in the field."

Mr. Snyder pointed out that the law authorized "50% matching funds for the states" in order to aid them in enforcement. "The law said the states could adopt safety programs, get certification from the federal government, and then whatever amount they put up would be matched by the government.

"WELL, SO FAR, 34 states have requested certification for funds and the government hasn't come up with a damn penny," he emphasized.

The National Assn. of Regulatory Utility Commissioners, according to Mr. Snyder, sent a letter to President Nixon in February, 1971, asking for an initial appropriation of $3.5 million to implement the matching funds section of the law. He said that the UTU agreed that the money was needed to help the states in training, research and recruiting for the various safety programs.

Speaking about money, Mr. Snyder noted, "About $5.5 million would really get this thing going. That amount is pocket money compared to most of the appropriations. Aside from the $3.5 million for the states, we think $1,575,000 should be earmarked for travel funds for the inspectors. An additional $392,000 would permit the hiring of more inspectors and bring their number up to the needed 350."

He explained that the House appropriations subcommittee on transportation had authorized "some extra money" for the travel fund but nothing for additional inspectors.

HE WAS, however, hopeful that the Senate would upgrade the funds even more. "I think the chances are pretty good that the Senate appropriations subcommittee on transportation will come up with more money," he predicted. "They will probably act before the recess so we'll know soon. The Senate is usually more liberal in this area than the House, and there are some good men on that subcommittee, so we're fairly hopeful at this point."

He admitted that there had been "a slight improvement" in rail safety, particularly in regard to derailments, in the past few years. "But," he cautioned, "you have to remember that the traffic isn't anything like it used to be. Amtrak came along and cut the number of trains in operation just about in half. There are still problems."

He believes that the lack of firm guidelines under the new law would not totally inhibit the inspectors, if they had enough time in the field. "They can inspect under the rules of the old acts if they can just get out there," he said, indicating that the picture was not entirely bleak. ■

Denenberg favors employment limit

HARRISBURG, PA.—Pennsylvania Insurance Commissioner Herbert S. Denenberg, who is not known for displaying open-armed friendliness toward the insurance industry, has endorsed a proposal that would not let him work in the insurance business for at least a year after leaving his current post.

The proposal, an amendment to Public Law 789, states that any insurance commissioner "shall not, for a period of one year from the date of leaving office, be employed by any insurance company, association or exchange, and shall not engage, directly or indirectly, in any insurance business."

The amendment, which was suggested by Mr. Denenberg, is under study by the state house committee on consumer protection.

Mr. Denenberg, who is also known for not mincing words, said, "An insurance commissioner has too much power over the insurance companies to accept immediate employment with the industry he is supposed to regulate."

In his particular case, it is probable that most insurance companies would agree with that statement.

Asks Congressmen to de-escalate rhetoric, address full pension issue

NEW YORK—The president of the Assn. of Private Pension and Welfare Plans has urged Congressional reformers to de-escalate anti-pension rhetoric and concentrate instead on cooperating with the pension industry by establishing priorities for reform.

In a speech here, James A. Curtis, who is also president of Milliman & Robertson Inc., a Seattle actuarial firm, said in effect that a few horror stories of people losing pension rights have motivated politicians to back sweeping changes in the pension system that ignore the plight of millions of U.S. workers who have no pensions at all.

"It's just not that simple," Mr. Curtis told an employe benefits conference. "The social problems are real and the social arguments for legislation are powerful and persuasive, but the Congressmen responding to those arguments might well re-examine those arguments and social priorities in the practical context—where priorities are the name of the game.

"PENSIONS," Mr. Curtis said, emphasizing his point, "do not operate in a vacuum. They are only part—and usually a subordinate part—of a total employe benefit package. This package includes life insurance, basic medical care, income for short-term disability, retirement for long-term disability—and a host of so-called frills whose direction is perennially up."

Noting that Congress should therefore consider pensions as part of a total employe benefit package, Mr. Curtis suggested that extravagant pension reforms would likely make other employe benefit areas suffer "as thousands of employers shifted new benefit dollars into the few areas stipulated by legislation."

Turning to the plight of the U.S. worker who does not even have a pension plan as yet, Mr. Curtis said:

"Rapid funding is desirable. Vesting is desirable. Every U.S. worker should sooner or later have this protection. But first," he continued, "there has to be a pension to fund and vest. If we enact mandatory vesting and inflexible funding, we increase the cost of setting up a pension for some 28 million workers who have no private pension coverage at all now. Are we, as a society, ready for that?" he asked. "Isn't it perhaps premature to put the brakes on?"

POINTING to the fact that almost half of the nonagricultural work force have no pension coverage now and noting that these workers' employers are economically weaker than the rest, Mr. Curtis said that the growth rate of new plans has declined in recent years. Under such circumstances, he asked, "Is this the time to increase the cost of establishing a new plan?"

Mr. Curtis, who spoke before a conference sponsored by Pension and Welfare News and Trusts & Estates magazines, suggested that a more important priority of Congressional action should be to encourage new pension coverage for those U.S. workers who have no retirement benefits.

One way to do this, he said, would be to act positively on proposed legislation that would allow tax deductions for employes who contribute to retirement savings plans. Such a scheme, he added, would reduce the employer's minimum cost of establishing a new plan and thus encourage new plans. ■

S&H makes move, acquisition

NEW YORK—The Sperry & Hutchinson Co. is moving its insurance brokerage business from John C. Paige Co. to Bayly, Martin & Fay Inc., the Los Angeles broker it acquired late last year, *Business Insurance* has learned.

In a somewhat related move, it was announced earlier this month that S&H will acquire a second broker, Ter, Bush & Powell, a Schenectady-based firm that has 12 offices in New York.

"We are in the process of naming Bayly, Martin & Fay as our sole broker," an S&H spokesman told this magazine. "The move has already started, but it takes time."

When S&H acquired BMF late last year there was speculation that such a development would take place. At that time, however, an S&H spokesman denied such a move, saying, "We have had good service from Paige for many years, and it would not be our practice to eliminate them."

S&H HAS BEEN interested in insurance brokerage acquisitions for several years. In early 1970, in fact, the Green Stamp company courted the Paige firm. However, negotiations were terminated after an agreement in principal had been announced.

Bayly, Martin & Fay Inc. is considered to be one of the 10 largest commercial insurance brokerages in the nation. The company has 10 offices in the U.S. and one in London, its most recent office having been opened in the Dallas-Ft. Worth area.

Ter, Bush & Powell had gross revenues for the year ending this month of about $5 million. Under present plans, the company "will retain its own name but operate as a BMF subsidiary," explained John Dillon, senior vp at Bayly, Martin & Fay. "The company will also function as it has in the past, serving commercial clients and a lot of group insureds."

Presently, TB&P handles about 7,000 commercial clients and provides mass-marketing programs for approximately 40 associations.

Indications are that J. William Campo, TB&P president and chief executive officer, will head the combined operations. ■

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Cargo insurers fight government on strict carrier liability proposal

NEW YORK—A new system of carrier liability supported by the U.S. Department of State may relegate the cargo insurance function of the American marine insurance industry simply to that of reinsurance in many instances, according to Carl E. McDowell, exec. vp of the American Institute of Marine Underwriters (AIMU).

"It appears that the developing countries and certain other nations including the United States are deciding that the whole regime of carrier liability needs to be revised," noted Mr. McDowell. "They would concentrate both liability and insurance functions on the ocean carrier.

"The developing countries who are the buyers of shipping and insurance services feel that the developed and insurance countries are disadvantaging them. Therefore, they want to stop the world until they can study the situation," he added.

BY "STOPPING the world," Mr. McDowell is referring to their efforts to halt a convention on international combined transport of goods (usually called TCM) designed to untangle some of the liability problems in worldwide shipping.

"The basic idea of the TCM convention was to apply a network system of liability to the already existing regimes of liability—not to adopt a completely different system," Mr. McDowell explained.

The countries in favor of strict carrier liability, however, are trying to postpone any decision on the TCM convention until a draft calling for high carrier liability is included in the measure.

If the carrier of combined transport goods does assume both the insurance and liability function in a through cargo shipment for the consignee or shipper, the American marine insurance industry might suffer severe losses.

SINCE approximately 30% of the export trade and 70% of the import trade in the United States is insured by American underwriters but only 5% of the goods are shipped on American vessels, complete carrier liability may cost the U.S. insurance market about 95% of its premiums on cargo insurance to foreign countries.

The insurance industry is hoping to bring the TCM proposal before the International Government Maritime Consultative Organization Agency of the United Nations (UN-IMCO) at its November meeting in Geneva.

As is stands now, the TCM convention would help sort out international liability limits, which vary according to the type of carrier and the country involved. Currently, most inland surface transportation in the U.S. has unlimited liability, whereas the trucking industry in many overseas countries is liable for about $3.70 per pound and rail carriers are responsible for about $15 per pound.

The State department feels that the liability tangle could be further simplified by eliminating the so-called "double insurance" system of carrier liability/cargo insurance and has successfully managed to block attempts to put the TCM convention on the November agenda.

"DISCUSSION of the matter by the United Nations Economic and Social Council has been deferred until the July meeting," Mr. McDowell told *Business Insurance*, "and it is conceivable that the November conference could commence before the agenda is decided."

According to the AIMU spokesman, the theories of strict carrier liability are both "erroneous and misleading." Many feel that the cost of delivered goods would be reduced, he said; however, the increase in freight rates would probably be far greater than any cargo insurance reduction.

Also, "double insurance" would hardly be eliminated. Since absolute liability is probably uninsurable, shippers would still need cargo insurance to cover known or contingent risks not covered by the carrier or to insure for damages discovered after the consignee has accepted a shipment, he noted.

Furthermore, shippers might suffer delays in indemnification and increased litigation costs. "The banking function of cargo insurance is important to prevent business interruption," Mr. McDowell explained. "Under a system of cargo insurance a shipper only has to prove loss or damage to receive payment. If the carrier was at fault, the insurance company will subrogate against it."

HOWEVER, with strict carrier liability, the consignee may have to prove negligence or breach of contract to collect claims. Also, since the insurer's client is the carrier who is interested in keeping his premium rates at a minimum, he may hesitate to pay.

The advantage of working with one insurance company for all transportation coverage would also be forfeited, Mr. McDowell commented.

An acceptable international regime for carrier liability would be beneficial, Mr. McDowell feels, but calls such a system "utopian in the near future.

"If there is a delay in the TCM convention at the Geneva meeting, commerce has no choice but to work out the problems of combined transport merchandise in the private sector," he noted. "The International Chamber of Commerce would be the logical place to turn." ■

Insurance men remain cautious on jumbo jet liability potential

WASHINGTON—Improved airline safety records may be keeping airline rates down, but they're not curing insurance men who have chronic visions of 747s colliding in mid-air.

That's one view, at least, at Marsh & McLennan of California. It was presented by Richard J. Ebner, assistant vp, at the Federal Aviation Administration's 1972 national aviation system planning conference.

Because of their "tremendous hull values and passenger seating capacity," jumbo jets "carry a fantastic potential legal liability," said Mr. Ebner. "Many people thought the insurance industry would never be able to provide more than $100 million liability coverage. Yet many airlines now operating 747s, DC-10s or L-1011s purchase coverages up to $150 million, and we have every reason to believe they could purchase more if they desired."

But, said Mr. Ebner, "on the other hand, how much liability is enough on these jumbo aircraft?" The "traditional underwriter," he said, imagines "two 747s colliding over Yankee Stadium when it is filled to capacity. In that event, is $500 million enough?" He said he didn't think anyone had the answer to that.

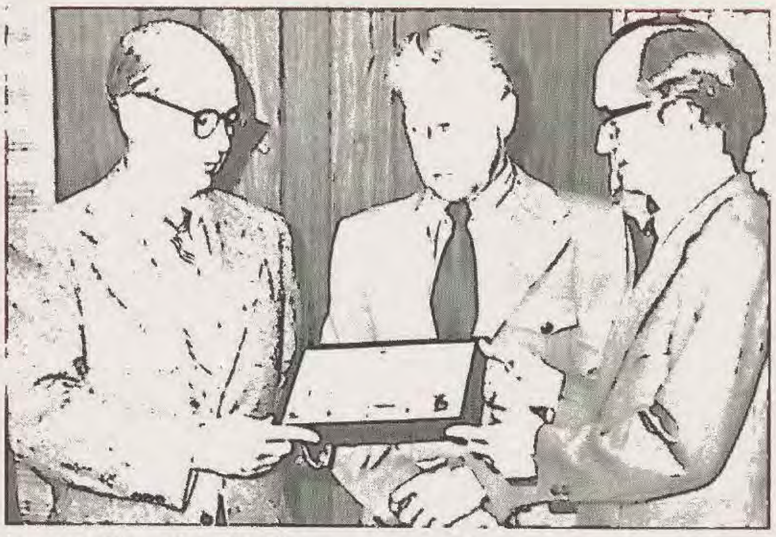
A LARGE insurance deficiency exists in airport coverage, where the big planes have created many new exposures, according to Mr. Ebner. He said advertising for the jumbos describes them as "the airplane for the average city, not requiring the huge facilities we associate with the 747. This means medium-size airports throughout the country will have to face up to higher cost and the need for higher limits of liability, in many cases three to four times more coverage than just a few years ago."

Mr. Ebner said some of the largest U.S. airports purchase $100 million or less ("in all too many cases, much less") and added that "a leading aviation underwriter told me last month that if the total airport liability premium paid in the U.S. this year were lumped together it would still be far short of one major loss."

David D. Thomas, president, Flight Safety Foundation Inc., told the conference that despite a drop in the fatal accident rate of commercial air carriers (from 219 per 100,000 hours flown in 1962 to .097 per 100,000 hours in 1971), overall trends indicate there will still be 1,250 air carrier service fatalities and 35 air carrier aircraft destroyed over the next five years. He pointed out that this is far below the prediction of 7,200 fatalities in general aviation and 5,500 general aviation planes destroyed over the same period but said it is, nevertheless, "indeed a high price to pay for the lack of safety." Mr. Thomas said one solution would be a truce between backers of additional airports to ease the air traffic problem and environmentalists blocking construction. He said goals of the two sides don't have to be "mutually exclusive." ■

State car policy saving

An apparent low bid of $25,729 has been submitted by Wallick and Volk Inc., Cheyenne, for a single insurance policy covering most Wyoming state-owned automobiles. The plan covers 660 vehicles.



In recognition of 1,500,000 man hours without accident from 1966 to 1971, Edward Hagen (right), executive vp of Newton Manufacturing Co., Newton, Ia., received an industrial merit safety plaque from Raymond Hamilton (left), American Mutual Liability Insurance Co. branch engineer for Omaha. Looking on is Gene Buckley, plant manager.

Royals . . .

Continued from page 3

potential permanent injury, however, we would go ahead and file." In the case of a long-term injury, a player's salary would be extended only to the end of the season, and to win a compensation claim, he would have to sustain an injury that prohibits his working in his off-season job.

Team owners in both leagues provide each player with a free $25,000 health insurance coverage. Players pay 20% of surgical costs, with the rest provided by the owners. Dental coverage extends to active players and their dependents, who are insured for $1,000 per year with a $25 deductible. The policy covers 60% of dental costs for orthodontic work and bridgework, 80% for other dental procedures. All health benefits are carried by Equitable, although the clubs have announced plans to switch the package to Blue Cross.

Equitable, however, will continue to provide life insurance of $50,000 for all players on a club roster; inactive players who have played four or five years are insured for $25,000. Both policies include a double payment clause in case of accidental death.

Widows' benefits, as provided by club owners, are equal to a player's accrued fixed retirement income at age 65, and eligible dependents receive $50 per month. Also included in the Equitable package is a $700 per month disability allowance with $50 per month for dependents.

According to Mr. Adams, the Royals' provide nonoccupational health insurance free for all their minor league players, but dependents' coverage must be paid for by the players themselves.

Front office and other non-playing personnel in the Royals' organization have health coverage through Blue Cross-Blue Shield provided by the company. Life insurance, through Businessmen's Assurance of Kansas City, and disability cover, through Fireman's Fund, are provided by master policies written for Marion Laboratories Inc., whose owner and president, Ewing Kauffman, is owner and president of the Royals.

Pensions for non-playing Royals' staffers, also handled by Mr. Adams, feature an optional employe contribution procedure with increased benefits upon retirement. Employes are eligible for either the contributory or non-contributory plan after their first full year's employment; benefits under the non-contributory plan are the same regardless of age or salary.

Oil drillers warned of industrial noise hazard

HOUSTON—Drilling rig noise, and the subsequent threat of hearing loss, was described to a conference here by Bernard Hynes, a loss control specialist for the Hartford Insurance Cos., as "without doubt" the number-one occupational disease hazard facing petroleum industry workmen today.

Speaking to a gathering of the International Assn. of Drilling Contractors' safety conference, Mr. Hynes pointed out that industrial hygienists had been at work on the noise problem for nearly 20 years even though the passage of the Occupational Safety and Health Act had caused a great deal of attention to be focused on the situation of late.

"All this commotion about noise and noise standards is centered on one vital factor—loss of hearing," he stated. "It has been proven statistically and in related medical studies that individuals exposed to excessive noise conditions over extended periods of time suffer permanent hearing damage. When this loss of hearing is the direct result of an industrial noise exposure, it becomes compensable under state workmen's compensation acts."

LOOKING beyond the constant threat of deafness, Mr. Hynes continued, "In addition to loss of hearing, industrial noise may cause employe irritability, loss of efficiency, inattentiveness and fatigue, all of which can increase his susceptibility to accident-producing situations. To further emphasize its importance, we have learned that one medical study has demonstrated that some individuals exposed to high noise levels of long duration have even suffered a marked decrease in sexual activity."

He told the drilling contractors that OSHA had established specific standards and procedures which require that excessive noise be controlled or engineered out. "Recognizing that engineering controls are often expensive, time consuming and require a degree of technical expertise, we normally recommend that you do not rush into an expensive program," he advised, "but rather a systematic and realistic program be set up which includes budget allowances, proper planning and a timetable for implementation."

He also warned his audience that their noisiest areas of operation would be "generator rooms, motor floors, pump areas and other machinery locations." ■

Doctors' union begins; calls insurers 'enemies'

SAN FRANCISCO—Insurance companies have been categorized here as "our enemies" by some 200 San Francisco Bay area physicians who have recently created the Union of American Physicians as a labor organization.

The union-for-doctors was started by San Francisco surgeon Dr. Sanford A. Marcus, who asked 5,000 local physicians to participate in an organizational meeting and pay $25 dues. About 600 replied "yes" according to Dr. Marcus. The new union, he said, "has as its sole objective that high-quality medical care can only be delivered by physicians not oppressed by discriminatory wages, hours or working conditions."

Physicians, Dr. Marcus said, "must identify their friends and their enemies. Our friends," he commented, "are our patients. But the list of enemies includes those third parties who have shouldered their way in between us and our patients."

Dr. Marcus included insurance companies in this list, asserting that insurance companies "write policies that pay only when a patient is hospitalized, thus guaranteeing the padding of costs and premiums."

He also described as "enemies" what he called "the greedy ones in our midst—the fee gougers, Medicare padders, malpractice attorneys-prostitutes and whiplash authenticators." ■

Eastern's ransom was out-of-pocket

NEW YORK—The $303,000 ransom paid to a hijacker who parachuted from an Eastern Air Lines Boeing 727 over western Honduras was straight from the airline's coffer, according to a company spokesman. The airlines have since moved to curb such parachute jumps, however.

"We aren't covered for this, and I don't think any major U.S. airline has ransom or hijacking coverage, now," he sighed. "We've had quotations for it, but every-time there's a hijacking, the premiums go up appreciably. Once you decide to buy it, you have to ride the rocket.

"Besides the high premiums, many airlines refuse to carry ransom insurance because they don't want to encourage extortion attempts," the spokesman added.

The armed hijacker, who has now turned himself in to authorities, boarded the jet in Allentown, Pa., demanding $303,000 and six parachutes in exchange for the 48 passengers and one crew member.

AFTER releasing the hostages at Dulles airport in Washington, the hijacker instructed the six remaining crew members to circle the area. He then ordered the plane back to the airport to exchange the ransom, which had been paid in $100 bills, for bills of larger denominations, apparently to make a lighter load.

Following the hijacking, the Federal Aviation Administration announced plans to order all airlines to rewire 727s and DC9s so that the rear exit doors could not be opened in flight. Jumps from side exits are considered unsafe because the slipstream would send the parachutist crashing into the rear of the plane.

"Frankly, we feel we are now covered with tight safety measures. We have magnetometers at all 208 Eastern locations, and we have been using passenger profiles to detect unusual behavior," he commented.

Prior to the hijacking, Eastern had detained close to 300 passengers for security checks. Of these, 111 were arrested for crimes ranging from carrying unauthorized weapons to possession of narcotics. ■

O'Connell cites lawyers for auto insurance woes

SAN FRANCISCO—Jeffrey O'Connell, the University of Illinois law professor credited with initiating the concept of "no-fault" auto insurance, this week blamed attorneys for "many of the problems of the U.S. automobile insurance system."

Mr. O'Connell addressed the 15th annual conference of the National Association of Fleet Administrators, whose members are responsible for acquisition and administration of the more than 750,000 passenger cars used by industry and government. More than 500 delegates came to San Francisco for the three day conference at the Hilton Hotel.

Mr. O'Connell told the group "any business that allows itself to be turned over to lawyers gets itself in very bad trouble, especially with delay and waste.

"THE PRESENT auto insurance system," he added, "is not a system for paying people automobile accident insurance after auto accidents but a system for fighting people about paying them. The result is a system where the traffic victim, already battered enough from the accident itself, cannot know after the accident when he will be paid, what he will be paid, or if he will be paid."

He said a recent Transportation department study had disclosed that "in accidents with compensable losses totalling $5.1 billion in serious injury and death cases, insurance companies paid out only $800 million or 15% of compensable losses."

He noted that 56¢ of every auto insurance premium dollar is chewed up in insurance overhead and legal fees, with only 44¢ left for actually paying traffic victims.

"Waste and delay," Mr. O'Connell stated, "are the inevitable consequences of the insurance business turning over to lawyers the responsibility for the definition of the insured event. Auto insurance should be like most other forms of insurance, payable automatically by your own insurance company, as long as you don't intentionally try to injure yourself." ■

Debate fire detector, extinguisher merits

LONDON—Government departments have asked insurance companies to grant premium rebates in industrial plants where automatic fire detector systems are installed. But the British Insurance Assn., which represents nearly 300 insurance companies, has pointed out that it favors automatic extinguishing systems more than automatic detector systems.

The reason is that, in its experience, extinguishing systems have proved their value in reducing the probability of large fires.

Leading insurers in this field reported through the British Insurance Assn.: "The successful operation of automatic alarm systems relies on a number of external factors. The technical reliability of present systems has not been fully established. The cost of alarm-line rentals is high, and frequent testing is needed.

"BUT INSURERS recognize that automatic alarms help in the battle against fire, and grant discounts. As their value becomes more established, discounts will reflect this."

The association welcomes close liaison with the government on fire prevention, and is in regular touch on consultation with the Confederation of British Industry, representing major corporates in various fields. ■

Johnson is named at Kraftco

NEW YORK—Frederick R. Johnson Jr. has been named insurance manager of Kraftco Corp. He replaces Edward P. Lalley, who will remain with the company but function exclusively as president of Ideal Mutual Insurance Co., Kraftco's insurance affiliate which underwrites many of the company's risks. Mr. Lalley had held both posts.

Mr. Johnson, who has been assistant insurance manager since 1970, will direct the activities of the insurance department, which administers the corporation's insurance program. He will be responsible for negotiating the purchase of all property and liability insurance in the U.S. and Canada, including insured employe benefits, and will report to William B. Jordan, vp and treasurer.

In another development, Kraftco will move to a new corporate administrative center in Glenview, Il., in June. Mr. Johnson's office will be moved from New York to the Chicago-area location. Mr. Lalley's headquarters, however, will remain in New York.

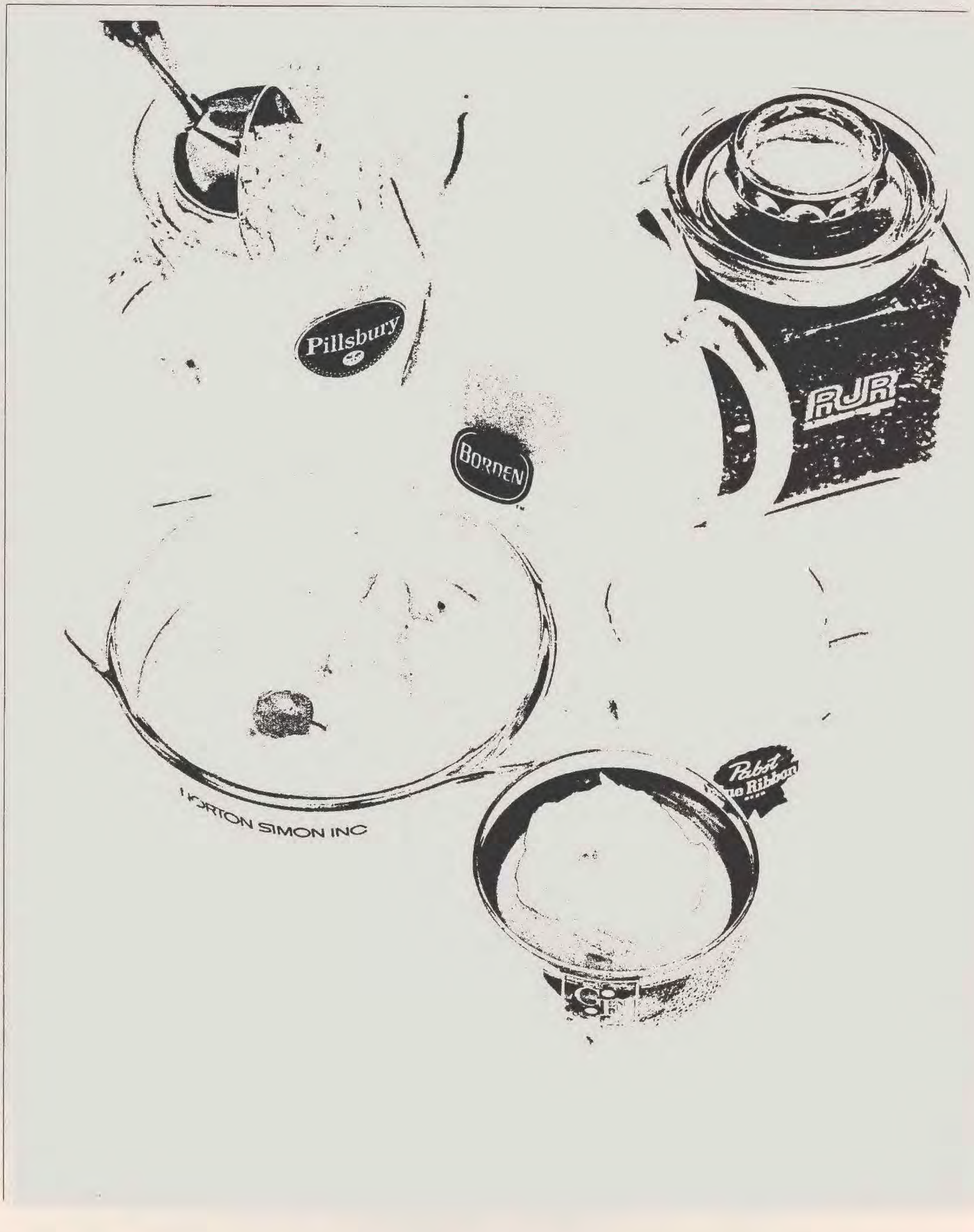
Mr. Lalley, who had been extremely active in risk management affairs, and until April 30 served as vp-legislation for the American Society of Insurance Management, told *Business Insurance*, "This is something I have been pushing for for two years. The operation of an insurance company gets a lot more complicated each year.

"I'm still vitally interested in risk management, of course; Ideal Mutual is almost an exclusive insurer of corporate insurance."

While Mr. Lalley will no longer be closely associated with ASIM, since the Kraftco's corporate membership will be held by Mr. Johnson, he does plan to continue risk management relationships he has established over the year. "You could say I hope to be an elder statesman," he mused. ■

New oil rig safety rules

Oil rig exploration is proceeding so rapidly in coastal waters off Britain that new safety rules are being adopted by the government for offshore installations in which many companies are involved. The regulations will cover the health and welfare of employes on rigs, as well as for the structural protection of the installations. Nicholas Ridley, parliamentary undersecretary for industry, is consulting with all organizations involved in the newly developing industry around Britain's coasts on safety needs.



Urges the use of profit margin for investments in health facilities

CHICAGO—Urging moves that might not sit well with insurance consumers around the country, the president of Union Mutual Life Insurance Co. has exhorted the health insurance industry to stop slashing its profit margins by refraining from further reducing premium rates.

Colin C. Hampton told the annual meeting of the Health Insurance Assn. of America here that, instead, profit should be used as a tool for investing in the health and rehabilitation facilities that will be needed within the next few years.

"It seems to me that the rash of price cutting that has occurred in our industry has served neither our industry nor our publics very well," he said. "I suggest that each of our companies and our industry in total can better serve ourselves and our publics by maintaining rates high enough to maintain adequate profit margins. If we are to reduce our profit margins, the reduction should come in increased contributions to research and development, rather than through cut-rate approaches to the market."

He suggested that the insurance industry could embark on two major programs:

- An industrywide investment fund could be established to bolster the nationwide construction of health facilities, structured to lower the costs and improve the efficiency of health services.
- The insurance industry could participate, in partnership with the federal government, health professionals and health field scholars, in the formation of a non-profit national research and rehabilitation foundation. Insurers could provide such a foundation with both dollars and expertise.

THE INVESTMENT fund, Mr. Hampton asserted, could be likened to the $2 billion investment tendered by the life insurance industry to create employment, housing and services within the nation's inner cities. And, more importantly, he added, "This can be accomplished fairly quickly."

He was of the opinion that the research and rehabilitation foundation should place a heavy emphasis on rehabilitation.

"It seems to me that a combination in this area of federal and private funds," he said, "and the expertise that exists in the medical profession, government and the health insurance industry could be blended to really attack this problem." He also suggested that the research efforts of the foundation be directed toward the healing of disease and the study of geriatrics.

Another possible aim of the insurance industry, according to Mr. Hampton, would be to join the concepts of the sociologist with the practical skills of the actuary to create what he called a "social think tank." This blending of the actuary and the sociologist would produce innovations in systems and services that the nation's health problems will soon be demanding.

Aside from the formation of funds and think tanks, Mr. Hampton urged the creation of statewide risk pools to guarantee that impaired risks and persons in high risk groups and occupations can get disability insurance at a reasonable cost.

"What I am suggesting is that there are things we can do right now to assume leadership," he said, adding that the money needed to gain the leadership role in the health area would come from the creation of adequate profit margins by health insurers. ■

Fuel dealers get group coverage

GROTON, CT.—The Connecticut Petroleum Assn., a group of about 250 retail fuel oil dealers in the state, has worked out a group insurance scheme with the Commercial Union Cos., Boston, to make available to members fire, theft, collision, property damage, liability, business interruption and workmen's compensation coverage at a saving of about 15%.

According to Ray Langfield, vp of Spicer Fuel Inc. here and vp of the Connecticut Petroleum Assn., the program also establishes a safety committee to work with insured members. Loss experience, moreover, will be reviewed at regular intervals and dividends from the insurer may be expected by insureds should experience be favorable. "We should know by September how much we're getting back in dividends, based on our carrier's initial experience with us as a group," said Mr. Langfield.

So far only about 20 Connecticut fuel dealers have joined the program. However, noted the association vp, this is to be expected since the plan has been available only a short time and many dealers have present three-year policies in effect with other insurers.

The association's agent on the business is Smith Insurance, New London, Ct.

According to Mr. Langfield, the association members are getting a "front-end discount" on new policies written. Policies are individually rated and various limits and deductibles are available. However, premiums have been running roughly 15% lower than fuel dealers had been paying by obtaining policies individually. One dealer, Mr. Langfield noted, saved between $4,000 and $5,000 over premiums he had been paying.

According to the association official, other group coverages—such as life insurance, key-man, hospitalization, major medical and long-term disability—may be developed at a later date. ■

New benefit pending

Automobile and home owner insurance may become an employe fringe benefit, under California legislation now pending in Sacramento. Bruce Moore, president of the Independent Insurance Agents Assn. of California, said his organization would oppose the measure, which provides that an employer may pay all or part of the premium for employe auto and dwelling insurance under group property and liability insurance programs. "Major weakness," he explained, "is that the insurance carrier retains the privilege of selecting which employes they will or will not cover and this could seriously impair employer and employe relations."

Painters want better bridge safety program

SAN FRANCISCO—Painters who work on the world-famed Golden Gate Bridge here are blaming the death of painter Andy Leroy Caton on "safety deficiencies" and are demanding that the bridge district "do something to institute greater safety practices."

Leo Tubbs, who was working with Mr. Caton April 20 when the painter fell to his death 103 feet below the bridge structure, on the Marin shore, asserted that Mr. Caton did not have his safety belt fastened to his life line. Mr. Tubbs and other members of San Francisco Painters' Union Local 54 presented their protests during a meeting with union business agent Morris Evanson and Robert Shields, Golden Gate Bridge engineer.

Mr. Evanson told the 34 union painters present there would not be a work stoppage or strike because "the bridge district officials are acting in good faith to try to rectify the problems"

SOME OF THE painters, however, said they would refuse to work on the bridge any time they believed there was a lack of adequate safety precautions.

Mr. Shields, in turn, said the bridge management would "take immediate steps to hold regular safety meetings, continue discussion with the union and purchase some new types of safety equipment."

"We've talked about all this before," Mr. Tubbs said, "and now there's another man killed." He referred to the 1967 death of another painter.

Mr. Tubbs complained of "defective ropes, poor gloves and back rails and lack of any kind of a walkie-talkie or other means of calling for help in the event of an accident."

In the latest death, Caton reportedly had loosened his safety line in order to climb under a pipe while spray painting in the final few minutes of his work shift. He was said to have not hooked the safety line again and when his feet slipped he dropped to his death below.

Mr. Shields defended the safety record on the bridge and said, "If you look at the safety program we have, all the way down the line, you'll see that it's pretty good." ■

Management to give $1 per man hour to fund

MONTREAL—A three-year contract that became effective Jan. 1, for 3,200 members of the International Longshoremen's Assn. in Montreal, Trois Riveres and Quebec City calls for management to contribute $1 per man hour into an improved pension fund.

"Formerly, we were on a credit card system," explained a spokesman for the union. "Employers contributed 27¢ an hour plus 6¢ per ton handled for both welfare and pension costs. At the end of the year, the amount remaining after a worker's health care costs had been deducted went toward his pension."

Under the new contract, pension and health care contributions are separate with 27¢ an hour being paid by management to cover the cost of life insurance and major medical benefits.

ACCORDING to the spokesman, the $1 per man hour pension cost may run management close to $7 million annually. "When an employe retires he will be eligible for a pension, depending on his years of service, of 1.2% to 1.8% per month of the total contributions made by the employer on his behalf," he said.

Retirement age is 65, but in 1974 a longshoreman will be eligible for reduced benefits at age 55.

"The money in the old plan will remain the same, and the employe will be entitled to it at retirement, or he can take it with him when he leaves the industry if he has worked less than 10 years," he noted. "According to Canadian law, a worker can withdraw only 25% after 10 years; the rest is payable on retirement."

The longshoremen also received an average 3% wage increase in the contract. In exchange for the increased benefits, the workers agreed to forfeit their right to work in gangs, which is a form of featherbedding. ■

No-fault law advances in California

SACRAMENTO—A modified no-fault automobile insurance bill guaranteeing car owners a 15% reduction in premiums by 1975 has been adopted 47-19 by the assembly and sent to the senate.

The measure was introduced by Montebello Democrat Assemblyman Jack R. Fenton, who claimed "the existing auto insurance system is woefully inadequate and returns only 45% of the premium dollar in the form of benefits."

Assemblyman John J. Miller, Berkeley Democrat, and an attorney, called the bill "absolutely the biggest boondoggle I have seen in this legislature in the past six years.

"INSURANCE companies," Mr. Miller said, "will gain the most from this bill, by virtue of no longer having to defend themselves or the persons they insure, in court."

The Fenton legislation would require most vehicle owners to purchase minimum insurance coverage and carriers would be required to pay damages up to $10,000 regardless of fault.

If medical damages exceeded $1,000, the victim could still seek additional compensation in court.

Mr. Fenton told the legislature that no-fault auto insurance measures have been introduced to date in 27 states "and lobbying efforts have headed off passage of such laws in eight of the states.

"The legislatures of eight other states, however, have adopted some form of this kind of law," Mr. Fenton added, "Connecticut and New Jersey approved such laws this year."

No-fault bills remain stalled in Kansas, Hawaii, Wisconsin, Texas, Pennsylvania, North Dakota and New York. ■

WQIS experience 'mercifully light,' but pollution woes continue to mount

NEW YORK—The chairman of the Water Quality Insurance Syndicate, which was formed a year ago to underwrite oil spill clean up liabilities imposed by the Water Quality Improvement Act of 1970, has said that the syndicate's first year's underwriting experience was "mercifully light."

At the same time, however, Francis A. Lewis said that more time is needed to assess actual potential losses under the insurance program. Moreover, figures he cited indicate that while insured losses may have been light they do not accurately reflect actual clean up costs paid by the shipping industry last year.

The Water Quality Insurance Syndicate (WQIS) is a combined facility subscribed to by 27 property and casualty companies and represents a majority of American marine underwriting capacity. Under the program, the syndicate insures vessel owners for liabilities imposed by the U.S. government on the operator of every vessel, American or foreign, navigating territorial waters of the United States. The liabilities are presently set at $100 per gross ton of the vessel, or $14 million, whichever is less.

After 12 months in existence, the syndicate now insures 4,197 vessels for an aggregate sum insured of $386 million. Of the insured vessels, 1,215 are oil-carrying ships and 2,982 are non oil-carrying.

DURING THE first 12 months of its existence, Mr. Lewis reported, a total of 29 claims were made for clean up costs. All but eight of these involved discharges of oil. Claims were in excess of $150,000.

"While this loss experience is mercifully light," said the syndicate's chairman, "it must be realized that, in marine underwriting practice, at least five years' experience is considered necessary to assess the actual loss potential of an account."

Citing figures recorded by the Third Coast Guard District (the New York metropolitan area, and only one of 12 such districts the U.S.), Mr. Lewis indicated that WQIS was involved in only a minute portion of the incidents of reported pollution.

In the Third District 1,066 polluting spills were reported during 1971, or approximately three per day.

"EVEN ALLOWING for improved reporting procedures, the incidence of spills appears to be rising," said Mr. Lewis. "Comprehensive nationwide figures for the past 17 months are not yet available, but for the closing four months of 1970 (the first period in which anything like full reporting was attained) the Coast Guard says there was a daily average of 15 spills in all United States waters."

Continued the syndicate chairman:

"Apart from indeterminable ecologic harm, what is this costing us in hard cash? 'Us' means the insurer in the first instance, the vessel operator who pays in premiums, those who finance water transportation of goods, and ultimately the public which pays for the goods themselves.

"Again limiting ourselves to Third District figures, it was found necessary to mount significant cleanup efforts in 414 of the 1,558 cases reported for 1971 and 1972. Responsible operators did the job themselves in 390 cases, so that the Coast Guard itself had to handle only 24. These cost the government approximately $250,000, a cost passed on to the polluters where they could be found; otherwise, borne by the taxpayer." At present, the Coast Guard estimates it costs about $10 per gallon to clean up spilled oil.

MR. LEWIS SAID that underwriters must direct a massive indoctrination effort at three groups: vessel management, vessel crews, and, "in some measure," at the government.

"Legislation and regulation, however worthy in object," he said of the latter, "must be capable of being complied with to be effective. Otherwise, in ridding the seas of pollution we may rid them of ships as well. Official information on proper procedure, on recommended equipment, and on availability of public services and facilities—especially receptacles for oily water discharges—must be fully and readily available," he said.

"Next," he continued, "we must convince management, which seeks the protection of our policy, that pollution control is here to stay, is in their own best interest as well as the nation's, and must be recognized henceforth as an essential component of company administration, company budgeting, company operation and employe training."

On the point of employe indoctrination, the syndicate chairman noted:

"In every list of pollution incidents, whether compiled by underwriters or by public authorities, the 'cause' column shows, opposite most cases, 'human error.' New York Harbor's worst spill of 1971, requiring two weeks to control and clean up, resulted from someone's failure to make a proper tank-to-tank hookup, so that almost 1,000 barrels of fuel oil were pumped directly overboard." ■

California urges state regulation

The states have been urged by F. Joseph O'Regan, chief assistant California insurance commissioner, to "fight" for changes in insurance laws to improve protection for consumers. Mr. O'Regan told a meeting of the American Mutual Insurance Alliance there also is "a great need for more uniformity in state regulation of the insurance industry, if the policing job is not to be assumed by the federal government." Mr. O'Regan delivered a talk for Richards D. Barger, insurance commissioner, who was unable to attend.

State auto fund is "door opener"

PHOENIX, AZ.—Abolishment by Maryland of the assigned risk plan and creation of a state fund to write automobile insurance for drivers refused coverage by private insurers has been described here as "a major precedent, opening the door to wholesale entry of government into the automobile insurance field."

George P. Tobler, Smithtown, N.Y., president of the National Assn. of Mutual Insurance Agents, made the charge in an address to the annual convention of the Independent Mutual Insurance Agents of Arizona. Passage by Maryland of that bill creating the first state fund in the nation, Mr. Tobler said, "is cause for genuine concern about the future of the private automobile insurance business."

The Maryland bill, effective next Jan. 1, was adopted by the legislature by an overwhelming vote, he said, "in spite of a concerted industry effort to defeat it.

"**OUR** industry's performance in Maryland over the long pull," said Mr. Tobler, "must have been quite bad if we could not rally the public to our side in our time of need. Public reaction to problems of market scarcity, arbitrary cancellations and other practices, however justified they seem to us, apparently left us without enough friends to withstand the onslaught when it came."

In a California speech earlier this year, Mr. Tobler called on the insurance industry to "abandon its self-righteousness and come to grips with the hard core problem of the hard-to-place risk." ■

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Extra hustle. An aggressive, just-let-us-quote attitude. And a management that thinks an insurance company's service should bend to suit the customer instead of the other way around.

The price? That's right—very competitive.

We wouldn't expect you to just take our word for all this. So put us to the test.

Ask us to quote.

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