

# Pension funds buy \$1.3 billion in stocks

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San Francisco police are taking no more chances after an officer was killed in a February bombing of Park police station. A high chain-link fence with guarded entrance now surrounds the station and the lower sections of ground-floor windows have been bricked in. Top halves of the windows are covered with heavy mesh. See pages 19-51 for the *Business Insurance* annual safety and security report to readers. —Wide World photo

## Product safety report issues call for Federal agency to set standards

WASHINGTON—In a sweeping series of recommendations, the National Commission on Product Safety's final report makes a stand for legislation to create a permanent separate agency to deal exclusively with product safety.

In addition, the report names 16 categories of products found to be "unreasonably hazardous," examines Federal, state and local product safety laws, and advocates a wide range of civil and criminal actions the government can employ to assure compliance with stiffer product safety measures.

The report concludes a two-year study of the safety of products used in and around the home. Among the proposals submitted to the President and the Congress was a recommendation that injured consumers be permitted to file claims for treble damages in the Federal district courts against manufacturers who intentionally violate Federal safety standards.

**THE REPORT**, in addition, suggested that Federal class action court procedures be made applicable to these products and the principles of strict tort liability be adopted by state and Federal courts to assure fair compensation for injury to consumers in common law.

To back up this recommendation, the commission urged the Federal government's purchasing agents to look closely at established safety standards, where they exist, and new safety designs in selecting products for government use. These same Federal agencies were also urged by the commission to inform consumers about the product hazards they uncover in discharging their duties for the government.

The commission's final report also included these major recommendations:

- A comprehensive consumer product safety act be enacted to permit Federal technical experts other than those responsible for evaluating industry standards to participate in setting voluntary safety standards.
- The consumer product safety commission be empowered to build and operate a testing facility to

analyze consumer products for safety considerations.

• The U. S. support the development of international consumer product safety standards and assure fair representation of consumer interests in such proceedings.

**ACCORDING TO** the commission's report, the omnibus Consumer Product Safety Act would create an independent safety commission concerned exclusively with the safety of consumer products. In addition to authority to set mandatory product safety standards the commission would be armed with broad civil and criminal powers. For example, the agency could seek injunctions barring the sale of violate products, recall products from store shelves, and set up an injury information clearinghouse to collect and analyze data on prod-

Continued on page 2

## Oil institute proposes risk pool to fight lack of market, exclusions

By STEPHEN GILKENSON

HOUSTON—The oil industry, faced with shrinking markets and new exclusions to coverages, may be on the verge of setting up its own insurance pool, *Business Insurance* has learned.

It has been disclosed that top oil company insurance managers met here a week ago to hear a proposal by a subcommittee of the American Petroleum Institute's insurance committee. The proposal, if adopted, could have immediate impact in London and force a mass exodus by American oil companies that now depend on the British market for practically all catastrophe covers. It is believed, also, although there is less agreement on this, that such a move would also affect the Oil Insurance Assn.'s viability in the marketplace in this country.

The proposal has taken less than six months to formulate and the speed with which the industry got together on the subject indicates the severity of the insurance problems oil firms are now facing.

Underwriters at Lloyd's, for example, recently reduced the premium on offshore rigs in the Gulf of Mexico by a few cents per \$100 of coverage. In doing so, however, Lloyd's also excluded all losses or damage "arising from named windstorms and/or hurricanes" from their standard policy form and then made wind damage available as an endorsement to the standard policy at \$2.50 per \$100 of coverage. The result was that oil companies that were paying \$1.50 per \$100 of coverage for an all-risk policy are now paying almost \$.4 for the same coverage.

**IN ADDITION**, oil companies

have also learned that all-risk policies are something less than that these days. Both Lloyd's and American underwriters have recently moved to exclude pollution liability on an absolute basis.

The developments that the industry has had to confront in recent months were summed up rather sardonically last week by one oil insurance manager. He said: "Suddenly we've found out that the insurance markets we have been dealing with have shrunk at about the same rate as a pair of unsanforized Levi's just taken out of a hot clothes dryer."

The proposal, as presented to approximately 35 member-companies of the American Petroleum Institute, would set up an insurance pool that would cover the following risks:

- All physical property, domestic as well as offshore.
- Oil pollution clean-up costs, such as those resulting from oil spills either on- or off-shore.
- Costs of controlling run-away wells, such as wells that may catch fire and take days or weeks to extinguish.
- Direct damage to offshore drilling platforms, including damage from wind.

About the only thing that the proposed pool wouldn't cover would be business interruption expense.

**"IT WOULD** be more a spread-of-loss type of thing rather than  
Continued on page 2

### Inadequate guards for funds under securities proposal

WASHINGTON—The securities industry proposal to set up a U. S.-chartered, private corporation to insure investors from losses when brokerage houses fail may leave large institutional investors, such as pension and profit-sharing funds, rather short on protection. The corporation, called Securities Investor Protection Corp. would insure investors up to \$50,000 apiece for losses if a brokerage should go under financially. Ralph D. DeNunzio, vice chairman of the New York Stock Exchange, is chairman of the industry committee that came up with the plan and presented it to Congress last week. His office told *Business Insurance* that institutional investors "would be treated like individual investors—up to the \$50,000 limit." (An earlier story is on page 11.)

## special 1970 safety and security report

*Business Insurance* enters the fast-changing world of safety and security with 33 pages of late information on what's being done to stop fires, on-job injuries and hijacked jets, among other losses. The special section begins on page 19 of this issue with coverage of new solutions to trucking industry thefts. Attention is also focused on the reaction of campus security officials to a year filled with student unrest and on nuclear power plant safety. New safety products and the changing corporate status of safety experts are highlighted. A special Info for Buyers column on page 38 is devoted entirely to safety and security items and *Business Insurance* Perspective delves into the problem of shadowy industrial spies.

# 'American Lloyd's' idea raises questions among risk managers

NEW YORK—A quiet, voluntary research committee supported by a number of large insurance companies, the capacity study group, has proposed that an American version of the Lloyd's of London syndicate may be the answer to capacity problems of commercial risks in this country. However, the proposal has failed to generate a solid front of enthusiasm among corporate insurance managers contacted by *Business Insurance*.

The study group, organized in January, made a preliminary report on its early progress at the behest of several of its supporters. B. P. Russell, president of the Crum & Forster group and chairman of the capacity study group, emphasized that the group "has barely completed the first stage of a five or six phase research program. We've hardly had time to firm up a course of action."

The report was careful to point out that the methods of underwriting proposed for the "centralized facility" would be compatible with those already in use. It also added that the new facility would supplement, not replace, current insurance markets in the U.S. However, it would

seem that the more commercial risks that may be shunted successfully to this new facility, the more their loss would be felt on the more conventional markets.

**VIRTUALLY ALL** of the insurance managers contacted were unaware of the existence of the capacity study group before it made its report. "We had about given up on the insurance companies," said one corporate insurance buyer in eyeing the capacity problem. "You know, there's been quite a lot of work recently to get a movement started in private industry to pool available surplus to develop our own additional capacity," he said.

Even though he disagreed with the basic concept of an "American Lloyd's" proposal, John Keefer, insurance manager for Johnson & Johnson, a pharmaceutical house based in New Jersey, said he "definitely approved" of the study. "I don't think that forming such a syndicate as Lloyd's in America would help. It won't change the attitude of the underwriters and that's what the big problem is—the underwriters and their attitudes.

"It's the same in London as it is here," he said. "Underwriters are insuring all kinds of different industries, but they don't have a specialist in any industry who's really able to understand and gauge the risks in that industry."

Mr. Keefer pointed out that his problem is finding additional capacity for products liability. Several underwriters from different insurance companies have already spread bad words about the future of the market's capacity. "But the situation's already bad," he said. "A lot of small companies can't afford to pay for the coverage that is available," he added.

**WHILE DISCOUNTING** the "American Lloyd's" idea, Mr. Keefer felt that the only real answer is to "promote a closer relationship between the underwriter and the insurance manager in different industries. They

need to be given the facts so that they can make some adequate measurements of the true risks involved. Underwriters, for example, don't know that much about the drug industry. They're really at the mercy of the press because drugs are just as much a mystery to them as to the rest of the public," Mr. Keefer said.

"I think it's a great idea," said Frank McCahill, vp for insurance at Bristol-Myers here in New York. "We're talking about our own syndicate and we've been trying to get insurance companies to consider this syndicate idea for years. With the resources we have over here, if we formed such a syndicate we could probably buy Lloyd's ten times," he enthused.

Despite his optimism, Mr. McCahill pointed up some hard-headed problems to be overcome before the syndicate could become operational. "They would have to get some adequate underwriting. Lloyd's underwriters are afraid of our products, our courts and our quality control practices. In the same way, it would be difficult to operate a Lloyd's over here because the underwriters don't know what the risk really is. They simply aren't able to put an adequate price on a risk, and the insurance companies apparently don't have the personnel to develop these adequate rates," Mr. McCahill explained.

Another problem Mr. McCahill pointed up was the fact that insurance companies have, in the past, refused to act in concert. But he felt that the capacity study group was a good sign in the opposite direction.

**ONLY ONE INSURANCE** manager seemed concerned about what the proposed syndicate's effect would be on the price of insurance coverage. "If such a syndicate were to be formed it would no doubt make a splash in the market by easing crunched capacity at first.

"But, you know, there's no real competition within Lloyd's actually. A leader emerges in the rate-making and the others all follow suit. I'm not so sure that something similar wouldn't happen if an American version were to be developed. I think what its effect on prices would be is at least as important to probe as how good it will be at increasing capacity."

Participants in the capacity study group include representatives from the Aetna Insurance Co. and Aetna Life & Casualty, The Continental Insurance Cos., Continental National American Insurance, Crum & Forster Insurance Cos., Home Insurance Co., INA, Kemper Insurance, National Assns. of Insurance Agents & Brokers, Reliance, Royal Globe, St. Paul Insurance Cos. and The Travelers.

## INA insured plane

The twin-engine Martin 404 that crashed into the roof of a car traveling on a highway near Atlanta on Memorial Day, killing the five passengers in the auto and one of the plane's 32 occupants, was insured by Insurance Co. of North America. According to an INA source, the hull of the craft was insured for \$80,000 and is being considered a total loss. Liability limits on the craft are "in excess of \$1 million," although the INA official was reluctant to reveal just how much in excess of \$1 million.

## Oil...

Continued from page 1

a pure insurance pative," said one knowledgeable source who discussed the scheme with *Business Insurance*.

Under the proposal, oil firms would have to assume a fairly large deductible. The minimum deductible would be \$1 million per occurrence. However, it would range upward as high as \$5 million or \$10 million for the largest oil companies. In addition, claimants would have to funnel payouts back into the pool over a period of ten years.

"What this would mean," the source explained, "is that if we were to go into it (the pool) and were to have a \$10 million fire at a refinery in Houston, we would be paid \$9 million by the pool (assuming the company was allowed the minimum \$1 million deductible). We, in turn, would begin paying back the \$9 million the following year and continue the installments for a period of 10 years." While no interest would be charged, he said, there would be 14% added to the total bill, presumably to pay for the pool's operating expenses.

**OIL COMPANIES** are being asked to respond to the proposal—either affirmatively or negatively—by Aug. 1. The target date for beginning operation of the pool, which would most likely be based in Bermuda, is Jan. 1, 1971. However, several persons in the industry queried last week seriously doubt that the target date is a realistic one.

**SAID ONE OIL** insurance manager who seemed to typify the mood in the industry today, "London is squeezing us and the OIA has us in a box. Eventually we end up paying for our losses anyway, so why shouldn't we pay for

them this way—after they have occurred."

One question being battered around was just how an industry pool might affect the London insurance market. Lloyd's and other underwriters have, of course, taken a beating on oil risks in recent years. The "unbelievable increases in premiums," as one buyer described them, reflect losses taken by Lloyd's and also a desire in Britain to recoup some of those dollars.

Nevertheless, one source close to the London market told this magazine that a withdrawal from the British market by American oil companies would probably be looked upon with "relief" by members at Lloyd's.

"It might just be the thing Lloyd's needs at this very moment—a shot in the arm," he said. "If the oil companies were to pull out it would free up enormous amounts of capacity that could then be redirected into more profitable risks. Heaven knows, Lloyd's could use a few more of those."

**ANOTHER QUESTION** being debated is what such a pool might do to the Oil Insurance Assn., the major market for oil property risks in this country.

One insurance manager put it rather bluntly when he said, "I don't see how the OIA could survive if 15 major oil companies pulled out and went into this. This would leave the OIA with the dog risks, and they are the ones giving the association the most trouble now."

Fred A. Gorham, general manager of the Oil Insurance Assn. in Chicago, told *Business Insurance* that OIA's troubles are, in his words, "caused by the big 'dogs' as well as the little 'dogs.'" He declined further comment on the API committee report until he talks to the principals in his association.

## Products...

Continued from page 1

uct injuries.

The product safety commission's report also urged that a special consumer safety advocate be appointed by the President to represent consumers in proceedings before the agency. This marked a direct attack on the manner in which standards are now established by such agencies as the Federal Trade Commission, the Food and Drug Administration, and the Commerce Department.

The commission's view—strongly stated in the report—is that the consumer is often not heard in the continuing dialogue between regulated industry and the regulators in government.

The present system—primarily a government-industry dialogue that arrives at a standard consensus—was rejected as "not suitable for safety."

One section of the report, on product risks to consumers, estimated that injuries in and around the U. S. home include 30,000 killed, 110,000 permanently disabled, 585,000 hospitalized, and 20 million injured seriously enough to require medical treatment.

**"MOST OF THESE** casualties," the report states, "are associated with consumer products." Costs to the economy and to individual consumers and manufacturers, the commission stated, "run to billions of dollars annually."

In discussing marketing practices of manufacturers the report points out that most firms "would like to see unreasonable hazards reduced." Still, the commission noted, the attitude of firms regarding product safety varied "from

unsophisticated systems of quality assurance to ignorance and indifference."

Some companies, the study indicated, were unaware of the scope of their responsibility for safety. Many new products are created with many considerations in mind other than safety, the study concluded. Considerations outweighing safety, the report noted, include marketability, profitability or feasibility.

Whether or not the manufacturer cares or thinks about liability for injuries, the commission's final report points out "his decisions as to new products are not sufficiently conditioned to considerations of product hazards."

**ALTHOUGH ALMOST** all manufacturers surveyed during the study said they carried product liability insurance, the commission found that "as a percentage of sales the cost of such insurance varies widely among and within industries."

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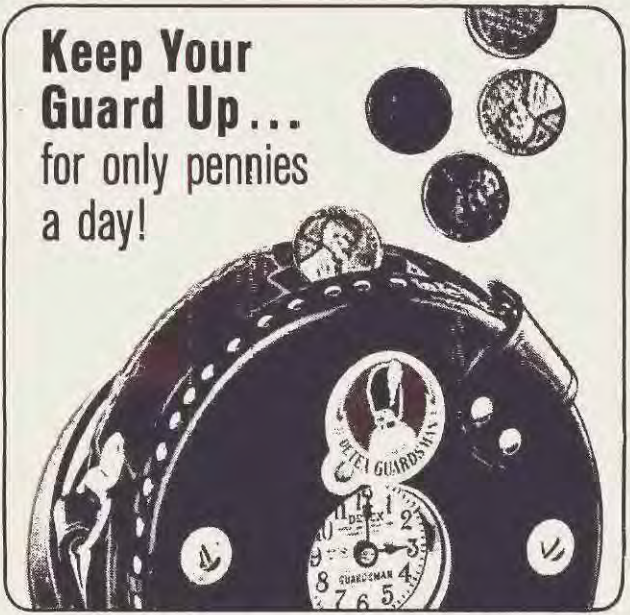
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# Canada official calls for fund investment change

OTTAWA—The Canadian government is said to be looking into the pension laws of the different provinces, with an eye toward generating more mortgage money from pension fund reserve assets.

According to Robert Andras, minister responsible for housing, less than 9% of the more than \$10 billion in assets held by trustee pension funds are invested in mortgage money.

Mr. Andras blamed "outmoded" provincial legislation for the situation, saying many provinces prohibit mortgage investment by some pension funds. He said he has recently urged provincial authorities to review their legislation.

"THIS KIND OF legislation represents an impediment to the effective functioning of the market for long-term capital in Canada," Mr. Andras said, adding that such legislation is harmful not only to the well-being of the country but has more direct effects on those who contribute to such funds and who receive lower rates of benefits than might be possible were mortgage investments available to the funds.

As an example of what might

be accomplished by more mortgage investments, Mr. Andras cited the case of the five largest federal Crown corporations which are not restricted in investments. The five, according to the minister, have pension fund assets of slightly more than \$1 billion, with 30.4% of those assets invested in mortgages.

Mr. Andras also urged similar legislative moves be made to open up workmen's compensation assets to mortgage financing. He said that the workmen's compensation funds have assets similar to those of the five largest Crown corporations but that only one fifth of one percent is invested in mortgages.

One member of a Commons committee before which Mr. Andras recently made his plea, Thomas H. Goode, suggested that it might be time for "more forceful action" by Commons, such as threatening the provinces that other housing funds would be cut off unless legislation is improved.

However, Mr. Andras rejected such a move, saying it might make "pawns" of the elderly and low-income people the government is attempting to aid with housing subsidies.



A bomb that exploded in a second floor men's room of police headquarters in New York caused extensive destruction in the building and injured seven people, but city spokesmen say they have no official damage estimates as yet. "We are still investigating it," said a police officer in the legal department of headquarters. He and several city officials said the building was self-insured. The explosion in the 61-year-old structure was the most recent in a long series of New York bombings that have hit the city in the past year. Windows on the second floor were blown out and several offices were totally demolished. Two cars in front of the building were damaged and so were two stores.—Wide World photo

# Pay card keeps 'floating' workers covered

LONDON—Setting the pace in the field of group corporate insurance in Britain is a fascinating new scheme for 40,000 employees in the electrical contracting industry.

It has been devised by the London office of the Crown Life Insurance Co., of Canada, which is an international life insurance firm with assets in excess of \$600 million.

The scheme, covering operatives employed by more than 3,000 separate firms, became effective June 1, with benefits geared specially for the needs of the industry.

BECAUSE MANY of the employees move from one firm to another in the course of a year's work, there is a kind of "floating population" in some areas of electrical contracting, who have to be cared for as well as their permanent colleagues.

To achieve this, Crown Life pursued the idea of weekly benefit cards which carry stickers, in the form of stamps, for official use as a record of payments.

The stamps are placed on the cards by participant firms for every electrical worker in their employ on every regular payday.

Each worker gets his own card on quitting his job with one firm, and takes it with him to his next company employer, who then stamps it in turn.

BY THIS DEVICE, each worker carries his insurance card with him from job to job, and is always fully insured under the scheme, at the expense of his employers.

The benefits have been graded to fit in with Britain's welfare security schemes. Virtually every worker in the electrical contracting industry will now get up to

80% of his normal take-home pay if he is sick.

Health benefits in this way last for as long as six months. Workers are also covered for life insurance up to \$3,000, as well as another \$3,000 in the event of fatal accident or loss of limbs or sight at work.

The scheme has been developed by Crown Life Insurance Co. in conjunction with the joint employer-worker liaison panel for the British electrical contracting industry, and Lloyd's insurance brokers Howson F. Devitt and Sons Ltd.

R. LORNE Macfarlane, group department supervisor for Crown Life in London, told *Business Insurance*:

"We are able to set the pace for this scheme because of our worldwide experience. The benefits are high, they are transferable as workers move from job to

job, and they are paid promptly.

"We can settle workers' claims on the day they reach us if necessary. Some other insurance firms felt that a scheme like this would be dynamite to run. But in co-operation with the group electrical firms involved, we have cut the whole operation down to simple rules that any employer can operate, and which the workers readily understand."

The scheme is claimed to be the biggest industry-wide group insurance plan ever in the United Kingdom, and vastly hikes benefits under existing insurance that Crown Life has pioneered for the electrical contracting industry, starting in 1963.

IT APPLIES TO all employees who have completed four weeks' service, and cover is offered without medical evidence. Benefits are paid for claims caused

during either working or leisure hours.

Rule books for employers are sent out by Crown Life, and employers are guided with separate pamphlets.

BOTH SICK benefits and premiums are geared to British industrial wage rates, which take into account social security benefits, which can be quite substantial.

Hence the Crown Life scheme, which supplements state payments, provides for around \$12 a week sick benefit at a premium rating of 60¢ a week for each workman, as well as death and disablement pay-outs.

It follows a government pay award that compelled all employers to hike fringe benefits for their workmen. They thought of becoming self-insured, but then decided Crown Life had come up with the best insurance solution.

# Woman may save charred Stanford research material

PALO ALTO, Cal.—An anonymous woman here who knows how to salvage papers damaged by fire may be able to do what Stanford University's insurance coverage could not—restore the charred remains of a lifetime of research.

Much of what was severely damaged by student-set fires April 24 at the Center for Advanced Studies in the Behavioral Sciences is being painstakingly and voluntarily retrieved by the woman.

Dr. M. N. Srinivas, India's leading sociologist, lost all of his research notes for a book which has been 22 years in the planning.

THE MORNING AFTER the student dissent and the fire, a woman called Dr. Srinivas: "I know how to retrieve material from fires and I'd like to help," she said.

Her rescue operations, now un-

der way, are being speeded along with assistance from 32 wives of research scholars stationed at the center.

"Her first instructions," Dr. Srinivas said, "were to keep the materials damp. She explained that radiant heat would make them brittle and they would then crack."

It took Dr. Srinivas and an assistant several years to process the raw data onto cards, which had arrived here from India only three weeks prior to the fire which damaged them so badly.

Dr. Srinivas now estimates that about 60% of the 5,000 research data cards can be retrieved or pieced together, although they will not be in sequence and parts will be difficult to read.

The Ford Foundation has agreed to meet the expenses involved in the retrieval effort for Dr. Srinivas, who is chairman of the department of sociology at the University of New Delhi.

## 'Recession aids insurers,' exec says

LONDON—Effects on insurers in the event of a big U.S. recession have been expressed by Richard Fleming, chairman of the Sun Alliance and London insurance group, in his annual report to stockholders.

He told them: "One cannot discount the possibility of an American recession which could be the severest test since the war of the ability of a modern democracy to control its national economy."

"The economic problems of the U.S. are not confined to its side of the Atlantic. But the insurance industry stands to gain, perhaps more than any other, from a slackening in the inflationary tempo, even if the cure may be a painful one."

"Stock price falls may be disquieting, but as long-term investors of growing funds we stand to benefit from lower prices and higher yields."

# Court says can't assign personal injury claims

LITTLE ROCK, Ark.—"If causes of action for personal injuries could be assigned, then speculators could buy up such claims, perhaps at necessitous discounts, and conduct a profitable traffic in human pain and suffering," wrote Arkansas Supreme Court Justice George Rose Smith this week in a ruling of the court.

The court ruled that personal injuries weren't assignable in Arkansas.

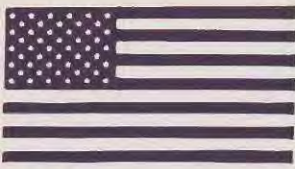
The case involved Mr. and Mrs. Robert O. Hickson who owed \$1,206 to the Wright Oil Co. The Hicksons had filed a personal injury lawsuit—arising from a traffic collision—against Howard Cox and the Southern Farm Bureau Casualty Insurance Co.

THE HICKSONS assigned \$1,206 of their claims to Wright. Wright notified the insurance company of the arrangement and

asked that it be honored in any settlement between the parties. Southern Farm ignored the request and settled with the Hicksons for more money than the couple owed Wright.

Wright sued Southern Farm, won its case in Clark County circuit court, but the supreme court overturned the decision on appeal by Southern Farm. The court said common law doesn't recognize the assignment.

The state does have survivor statutes. The supreme court said that these laws were passed for widows and next of kin and not for the benefit of the injured person. "Yet if the cause of action is held to be assignable by the injured person, the very purpose of the survival statute is defeated," the court said. "We have no hesitancy in joining those courts which hold that a survival statute does not confer the power of assignment."



# washington watch

## 'Consumerist' fears product safety unit will be another inept agency

WASHINGTON—Business and government circles are buzzing with comments about the final report of the National Commission on Product Safety, which calls for the establishment of a powerful independent agency to see that all household products measure up to appropriate safety standards.

Business is jittery. Most consumerists are elated. One militant consumer advocate, however, told *Business Insurance* that

he didn't really have any hope that the agency would be any more effective than other Federal mechanisms that have been established to force manufacturers to market safer products.

"It will just be another huge Federal bureaucracy that will insulate industry from legitimate consumer demands. And it will give the public the false impression that something is being done," he said.

Then he added wistfully, "Ur-

less, of course, they really put some teeth into the agency and provide it with plenty of money to work with."

HE POINTED to a recently-released study prepared for the Product Safety Commission that found that three key consumer protection laws currently on the books have created "the facade of consumer protection but not the reality."

The study said underfunding

was the principal problem connected with the enforcement of the auto safety, flammable fabrics and hazardous products acts. But, it was also highly critical of the agencies that administer the laws and called for "vigorous enforcement actions seeking stiff civil penalties."

One effect such action would have, the study said, would be to "strengthen the hands of those persons within the corporate management charged with responsibility for safe product development and quality control."

The study endorsed the idea that Federal agencies can't carry the entire load, and called for creation of private rights and remedies to supplement Federal activities. An example was given of how the threat of private liability suits can often be an important partner to Federal action.

IN 1961, the Food & Drug Administration required that all

products containing any amount of carbon tetrachloride be labeled "Danger. Poison. May be fatal if inhaled or swallowed. Avoid contact with flame or hot surface." In addition, the label had to include a skull-and-crossbones.

According to the study, industry attorneys told FDA their clients were motivated in their decision to withdraw carbon-tetrachloride products from the market primarily by fear of private liability suits based upon the regulator declaring the product to be especially hazardous rather than the labeling requirement per se.

The study concludes that the principal fault with the auto flammable fabrics and hazardous products safety programs is an "overriding need" for funding and facilities. This shortage of funds leads agencies to almost instinctively seek accommodation with the regulated industry because it can't afford a major conflict, the study says.

The financial, technical and legal resources of the regulated industries are just too much greater than those of the agencies. Thus administrators apparently fear that a major battle would tie up too much of the agency's already-limited resources and hamstringing its other on-going programs, it continues.

HOWEVER, the study admits even adequate funding and facilities would only make more vigorous administration possible, not assure it. The agencies have "contributed to their own ineffectiveness," it charges. "For years, the Food & Drug Administration failed to make open and public demands for adequate appropriations to implement the hazardous substances legislation.

"The Department of Commerce has seemingly bent over backward to erect cumbersome administrative procedures for the promulgation of flammable fabric standards, which have been conducive to delay.

"The National Highway Safety Bureau has failed to take vigorous enforcement action to require stiff civil penalties from manufacturers of noncomplying products, and has thereby impaired the credibility of its enforcement stance."

To remedy this agency ennui, the report suggests that an independent voice speaking for the generalized consumer interest be introduced into the administrative process.

"That voice should be heard in the critical phases of standard setting before specific proposals are published, and later, when formal proposals have been formulated," it states.

"The ubiquitous presence of the consumer spokesman should stiffen the spine of the most timid official," it continues.

## Kai Tak gets liability policy

LONDON—A \$50 million airport operators' liability insurance has been arranged in the London market by the government of Hong Kong for Kai Tak international airport.

The insurance, placed by Stewart, Smith and Co. Ltd., Lloyd's brokers, has been led at Lloyd's, with insurance companies sharing in the cover.

The insurance carries an excess of \$120,000, and the Hong Kong government has provided nearly \$200,000 to cover this.

Under the terms of the policy, the airport operators are insured against controllers' errors and other factors which might give rise to liability.

## Blue Bird speeds along in safety and style with insurance to match from John C. Paige Companies

Blue Bird Company's luxurious "Wanderlodge" captures the attention of a fast-growing "Motor Home Market", adding new dimension to the Company's quality lines of school and transit buses. Result? A multi-plant operation running in high, with a look-ahead insurance program engineered by...

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# Rheingold took its battle against pollution out into the streets.

A lot of people are talking about pollution today. It's very fashionable. Some people can talk about it anytime. Even while they're throwing their own garbage and cigarette butts out of their cars, or onto the street or into the river. They seem to miss the point.

One of our policyholders is Rheingold Corp., a diversified management company whose Rheingold Breweries in eastern U.S. and international soft drink operations make it the world's largest manufacturer/distributor of carbonated beverages.

And they have a philosophy. They feel that they cannot demand respect for ecology from their neighbors unless their own house is in order. To

accomplish this they have turned their attention primarily to litter and pollution.

In the area of litter, Rheingold Breweries has not only been concerned with the cleanliness and beautification of their own property but has involved the entire neighborhood in which they are located. Besides bringing street cleaning equipment to the neighborhood every Saturday, they have invited the school children in the area to participate in poster contests geared to reminding everyone that litter prevention is a responsibility which should be shared by all.

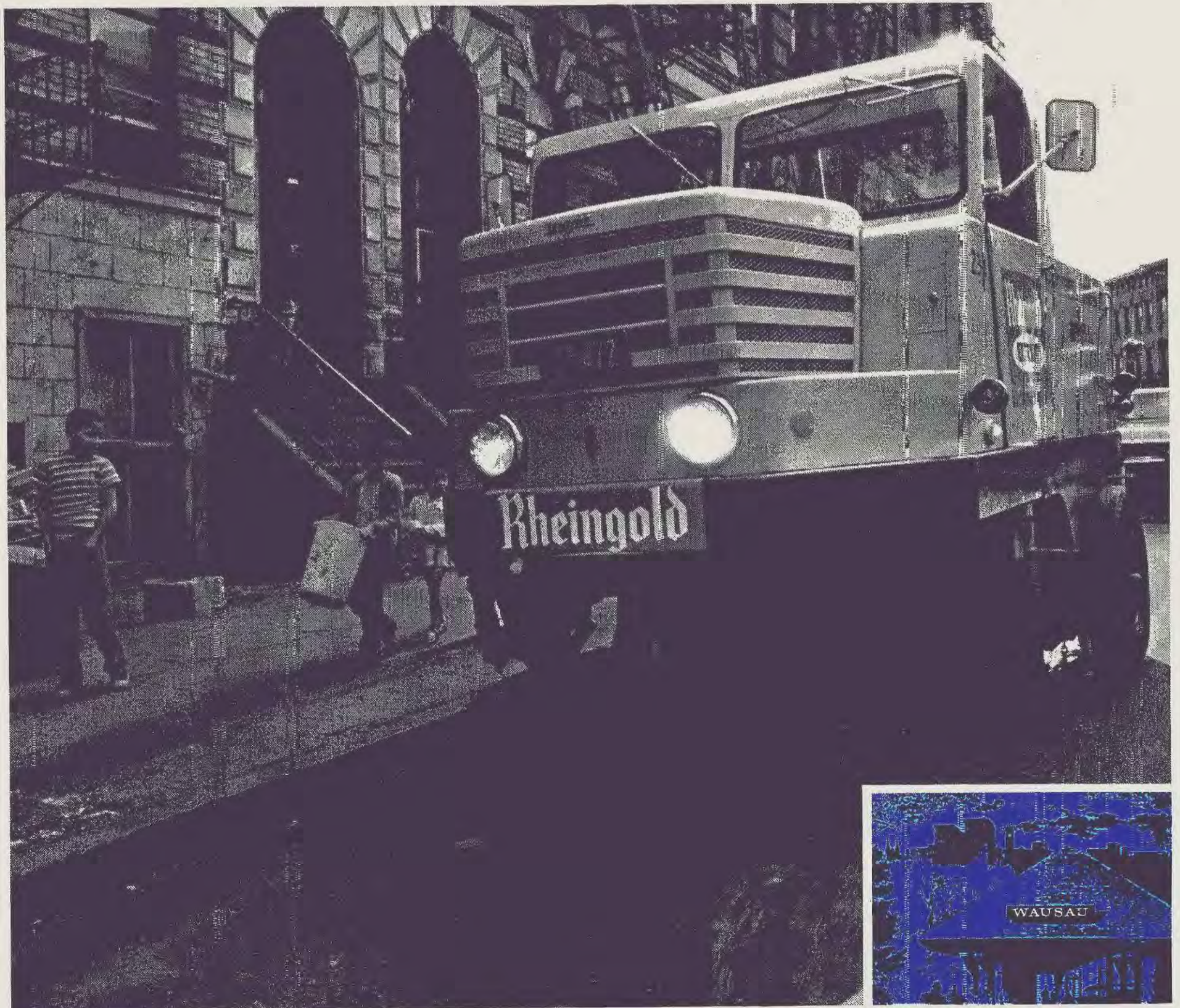
As to pollution, Rheingold has voluntarily changed its entire boiler

operations in Brooklyn, at a cost of \$1,600,000. This project will keep ¼ million pounds of sulphur dioxide and 22,000 pounds of particulates out of the air every year.

Because Rheingold is one of our clients we are especially pleased and proud that they are so involved in this effort. And in our own way we help by providing them with the best possible workmen's compensation and other business coverages. You see, when we do our job right, we leave them free to do their job right. And they seem to be doing their job just fine.

We think insurance ought to work for a living.

That's the Wausau Story.



**Employers Insurance of Wausau**

# Mass. high court reverses verdicts against General Motors and dealer

BOSTON—The Massachusetts state supreme judicial court has set aside \$20,000 verdicts against the manufacturer and seller of a new car involved in an accident fatality.

In a five-to-two decision, the court ruled that although a defective power steering unit constituted a breach of the car's warranty, it was not sufficient to prove negligence on the part of the manufacturer (General Motors Corp.) or Columbia Pontiac Co., the auto dealership involved.

The court said that proof of negligence or reckless conduct is necessary to collect in the event of death.

**THE VERDICTS** had been in

favor of Mrs. Anna F. Necktas of West Foxbury, Mass., whose son, Edward Jr., 20, was killed when the car he was driving veered across the median strip and collided with a car approaching in the opposite direction.

The car, a Pontiac, had been purchased only two weeks previously and had traveled 500 miles at the time of the fatality, Oct. 30, 1962. The court upheld a \$2,500 verdict against Columbia Pontiac Co. for damage to the vehicle caused by breach of warranty.

The court, however, set aside a similar verdict against General Motors Corp., ruling that since Mrs. Necktas had purchased the

car from Columbia Pontiac, it and not the manufacturer, was liable for breach of warranty.

Judge Jacob J. Spiegel, in a dissenting opinion, remarked that this ancient theory "should be entombed."

**"IT IS COMMON** knowledge," he continued, "that automobile manufacturers . . . make direct sales pitches to the public through the media of mass communication.

To fail to recognize that the warranties inherent in this type of mass advertising run directly from the manufacturer to the consumer is to ignore reality."

Judge Spiegel's dissent, joined by Judge Paul G. Kirk, added that the distinction the majority

of the court had drawn between negligence and breach of warranty "is one of shadow rather than substance."

Judge Spiegel said: "It is, at best, illogical and illusory to permit a person to recover damages from injuries to his person or property resulting from any breach of warranty and yet to deny recovery, except on the theory of 'negligence,' for death resulting from the same cause."

The trial, in Suffolk County (Boston) superior court, heard testimony from a research mechanic from the Harvard School of Legal Medicine who had examined the car after the accident. The witness said there was no fluid in the power steering unit reservoir.

## MacDonald promoted

Federal Life and Casualty Co. has named Joseph MacDonald group manager in New York.

# Lloyd's head reviews big risks

LONDON—Large-scale risk factors facing insurers throughout the world were reviewed by Lloyd's Chairman Henry S. Mance in a speech to the American Chamber of Commerce in London.

He told them: "Our activities in modern society seem to involve ever-growing risks to property and people. Examples which spring to mind are jumbo-jet travel and pollution from huge tankers.

"Probably the greatest risks these days result simply from the modern tendency towards concentration of large populations in the confined areas of cities, where hurricanes and earthquakes, fire and even simply unusual fog, rain or frost, can cause great damage in a very short space of time.

"It seems that as man becomes more sophisticated, so the risks of natural and man-made disasters become more significant."

**MR. MANCE** pointed out that in the San Francisco area, lying on one of the earth's major earthquake "faults," there were six huge bridges worth \$700 million, and a new underground railway system now nearing completion at a cost of nearly \$850 million.

The question was whether these were all vulnerable to one single earthquake or not, and whether in dealing with large-scale risks throughout the world it was possible for insurers to find the right answers.

Structural safety might be improved, but size was going to remain a real factor in risk life. Boredom at work, particularly in large factories with repetitive jobs, was another risk factor because it increased the chances of fire hazard through carelessness. There was also a trend towards high claims in lawsuits against wealthy corporations, and the risk of having to pay for someone else's failures or damages had increased substantially.

Comparing insurance to fashion trends, Mr. Mance ended: "Insurance is not only related to large risks. For just as British girls have been taking to miniskirts, so Lloyd's has always underwritten a lot of minirisks. The only thing we have failed to do recently is to develop the minic-claim."

## Computer will save \$80,000 in benefits

SAN FRANCISCO—A computer-based monitoring system has been installed by the California division of industrial accidents to recover more than \$80,000 a year in benefits for injured workmen.

The computer, according to Roy J. Bell, administrative director of the division, will monitor compliance with recent court decisions requiring benefit payments for the first week of disability of the employe who is hospitalized or disabled more than 49 days. A 90-day trial, Bell said, has shown more than 95% of employers paid promptly when notified that the computer had detected their failure to comply with the court decisions.

The computer also monitors employers' reports of payments for promptness as well as for errors in arithmetic.



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## Symbol of American Re-Insurance Strength

For over half a century, we've provided specialized reinsurance service in casualty, fidelity, surety, fire and allied lines, and marine risks. Our complete facilities and skilled specialists offer the capacity, speed, and imagination necessary for today's demanding reinsurance risks. Look for the American Re-Insurance Company eagle. It's a sign of our determination to support progress in the American economy.

## AMERICAN RE-INSURANCE COMPANY

99 John Street, New York, N.Y. 10038

# Pension funds buy \$1.3 billion in common stocks in first quarter

WASHINGTON—Private non-insured pension funds purchased slightly more than \$1.3 billion in common stock during the first quarter of 1970, according to the U.S. Securities and Exchange Commission.

In a report issued earlier this month, the SEC noted that the figure equaled that of the first quarter of 1969, but was slightly less than during the last quarter of 1969. With purchases aggregating \$4.1 billion and sales at \$2.8 billion, the pension funds' common stock activity rate was down slightly from the record rate of the fourth quarter, said the SEC.

In addition to the pension funds, the three other leading institutional investor groups—open-end investment companies, life insurance companies and property and liability insurance companies—also showed activity below that of the record high in the final quarter of 1969. However, first quarter net acquisitions were \$500 million larger than during the comparable quarter of 1969 and almost equal to the 1969 quarterly average. Gross purchases were \$10.4 million, while sales amounted to \$8.1 billion among the four leading institutional groups.

THE ACCOMPANYING chart

## City Hall has no fire insurance

ROCHESTER, N. Y.—City Hall, a great 96-year-old bastion of greystone, has no fire insurance.

Not only does it lack coverage now, it probably never has, according to some bureau heads whose offices overlook Broad Street.

It has no fire escape, no automatic water sprinklers attached to the ceiling, and the wiring, until December, didn't meet the city's building code standards.

**HOWEVER**, there are fire extinguishers throughout the building.

Insurance agencies would probably hesitate to provide coverage, Budget Director George W. Wagner said, because of the building's deteriorating condition and its "great exposure to the public."

Even if insurance could be had, the premiums would probably be "exorbitant," he said.

The chairman of the City County Insurance Advisory Committee disagreed.

"SAFETY STANDARDS for buildings have some bearing—but not directly on the rates" of fire insurance, said John R. Riedman.

City Hall "can be insured," he said. "That's no problem."

Although he wouldn't guess how much a fire policy might cost, he said insurance rates would probably be "reasonable" because City Hall is a "substantial building."

Neither he nor Mr. Wagner could explain why there is no insurance.

"It's not unusual," Mr. Riedman said. "Most of the city's property isn't insured."

The Public Safety Building in the Civic Center Plaza, for example, isn't insured for fire. But a boathouse in Genesee Valley Park has \$20,000 worth of coverage and a three-year premium of \$538, Mr. Riedman said.

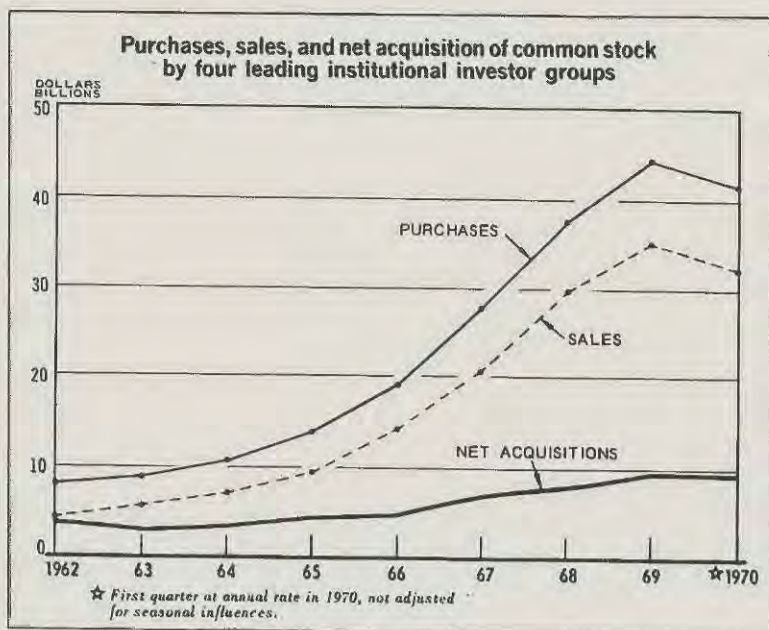
illustrates that the first quarter of 1970 (expressed at an annual rate) shows a downturn in both gross purchases and sales of common stock. However, the SEC notes, the net acquisitions line—representing funds institutions have directed into the stock market—has maintained the 1969 rate of accumulations.

Breaking the acquisitions down further, the SEC noted that mutual funds bought a net \$245 million of common stock during the first three months of 1970, compared to a net liquidation of \$125 million in the comparable period of 1969.

Life insurance companies, on the other hand, made net acquisitions of \$455 in common stock in

the first quarter. The figure is a record high. The previous high, \$415 million, occurred in both the first and second quarters of 1969. However, while life insurance companies acquired larger amounts of stock than ever before, the activity rate was less than in the preceding quarter.

The activity rate of property and liability insurance companies dropped substantially during the first quarter of 1970, the SEC reported. Although common stock purchases (\$850 million) and sales (\$540 million) each were below recent quarters, net acquisitions were \$310 million as compared to the all-time high of \$325 million in the fourth quarter of 1969.



# Does your property damage coverage really fit your plant ... find out for yourself



Write for the Protection Mutual booklet, "Property Conservation." It can be very profitable reading for you and your company.



A FULL SERVICE CORPORATE INSURANCE PROGRAM  
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GEORGE P. HALM, JR.—DIRECTOR

**THINK! PERSONNEL . . .**

**THINK! CORPORATE INSURANCE PERSONNEL CONSULTANTS**

In a two year period, BUSINESS INSURANCE has become the forum for the Corporate Insurance field. The success of this publication is largely attributable to journalistic flair and the satisfying of a previous communications void in the insurance trade paper field.

We at CORPORATE INSURANCE PERSONNEL CONSULTANTS sincerely believe that our facilities will provide another professional medium for the Corporate field—a confidential service that will afford a source of experienced insurance personnel, and an effective vehicle for qualified men interested in Risk Management.

As may be expected, CORPORATE INSURANCE PERSONNEL CONSULTANTS is a division of BELSON, HEMINGWAY AND ASSOCIATES, INC., the foremost national employment service devoted exclusively to the insurance personnel field whose success is evidenced by an impressive roster of leading insurance companies, brokerage houses, and astute insurance men successfully utilizing its facilities.

CORPORATE INSURANCE PERSONNEL CONSULTANTS is not a high cost recruiting or search organization! We work only with employer requisitions and registered candidates.

**Corporate Insurance Personnel Consultants**  
327 South La Salle Street—Suite #1400  
Chicago, Illinois 60604

Gentlemen:

As a prospective employer  (check one)  
employee

I would like to receive additional information regarding your services

NAME \_\_\_\_\_

ORGANIZATION \_\_\_\_\_  
(employers only)

ADDRESS \_\_\_\_\_  
(employee applicants, please use home address)

CITY-STATE \_\_\_\_\_ zip code \_\_\_\_\_

A DIVISION OF *Belson, Hemingway*...AND ASSOCIATES INC.  
*Nationwide Insurance Personnel Consultants*

**info for buyers**

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

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

• **What To Do About The Employee With A Drinking Problem—A Neglected Area Of Loss Reduction** is a booklet prepared by the Kemper Insurance Group as an aid for business and industry on how costs can be reduced and valued employes retained through policies and procedures based on current knowledge about the disease of alcoholism. An initial order of up to 50 copies is free, additional orders are 5¢ per copy. Direct requests to the Public Relations Department, Kemper Insurance Group, 4750 N. Sheridan Road, Chicago, Ill. 60640.

• Thomas F. Sheehan, JD, CPCU, has written **The Liabilities of Directors and Officers: With Practical Solutions For Their Discharge**. The book contains 28 rules of conduct to prevent suits against directors & officers, a table of cases, safeguards to avoid liability, and explains how insurance relates to and overlaps other kinds of insurance. The book also covers examples of common limit and retention under d & o, and actions to limit responsibility of directors. The book may be ordered for \$4 from Directors' Press, 5356 E. 72nd St., Indianapolis, Ind. or from Mr. T. F. Sheehan, c/o Excess Underwriters, 175 W. Jackson, Chicago, Ill.

• The Delta Dental Plans Assn. has compiled some facts about group dental plans in its brochure entitled **Considering Dental Care Benefits For Your Employees?** The brochure lists guides to evaluate dental care programs, the cost and quality control of programs, and information covering the plans offered by Delta Dental. Requests for single copies of the brochure are free. Direct your order to Mr. James Bonk, Director of Communications and Professional Relations, Delta Dental Plans Assn., 211 East Chicago Ave., Chicago, Ill. 60611.

• Machinery and Allied Products Institute, 1200 Eighteenth St., N.W. Washington, D.C. 20036, has released two memorandums in booklet form entitled **Directors' and Officers' liability Insurance—Results of a MAPI Survey of Company Experience**, and **Directors' and Officers' Liability Insurance**. The survey is a compilation of answers to a number of questions concerning d&o liability insurance which perplex corporate executives. Of the 261 companies responding to the questionnaire, 144 carry d&o liability insurance. The second memorandum considers briefly the liabilities of directors and officers, including recent increases in such liabilities, corporate indemnification of directors and officers, some pertinent public policy considerations, the nature

of d&o insurance liability and the possible division of premium costs in the individual case between the company and the officials covered by the policy. Single copies may be purchased for \$2 each and both booklets may be purchased as a package for \$3 from the company.

• **Excellence in portfolio management** is a booklet outlining Bear Stearns Capital Management's investment policies and advisory services, and defining its portfolios. It is available upon request from the firm at 100 Wall Street, New York, N.Y. 10005.

• The National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110, offers a recommended system for the identification of the **Fire Hazards of Materials**, (NFPA No. 704M). The booklet contains key methods to mark containers indicating the reactivity, flammability, and health hazards of materials in storage. The booklet is a 1969 edition, contains 23 pages, and can be ordered for 75¢ from the association.

• The research committee of the National Foundation of Health, Welfare and Pension Plans, Inc., initiated a series of studies in 1965 designed to develop standardized procedures by which investment performance could be compared. The result was a 4-part series of research reports. Parts I and II were released in 1966 and 1967 respectively. Part III, **The Implications of Past Investment Performance for Future Investment Policy of Multiemployer Pension Funds** (April, 1970) analyzes the basic factors that contribute to investment results, highlights the major economic forces which must be considered in making future investment decisions, and assesses the effect on investment policy of a pension plan's financial characteristics and objectives. Cost for a single copy is \$2.75 for members, and \$3.75 for non-members. Copies may be ordered from the foundation at 910 Elm Rd., P.O. Box 898, Elm Grove, Wis. 53122.

• **What Every Lawyer and Accountant Should Know About Business Life Insurance** is a 24 page booklet offered free from Provident Mutual Life Insurance Company, P.O. Box 7379, Philadelphia, Pa. 19101. The booklet covers estate valuation problems, long periods of litigation, conflicting interests, permissible investments, defective agreements, the value of keyman insurance, life underwriters and trust officers, and many other interesting categories. The booklet can be obtained by writing the company.

• Eleven charts dealing with today's credit problems has been compiled by the American Credit Indemnity Co. of New York in booklet form. Bank loans and trade credit, rate of growth in working capital and liquidity of manufacturing corporations are some of the areas covered. **Signs of the Times, 1970** can be obtained from the firm at 201 N. Charles St., Baltimore, Md. 21201. Information in the charts was obtained from Dun and Bradstreet, U.S. Bureau of Labor Statistics, Securities and Exchange Commission, and others.

• George B. Buck Consulting Actuaries, Inc., has released three newsletters: **Treasury Department**

Issues New Social Security Integration Rules Feb. 1969; Retirement and the (High) Cost of Living, May 1969; and Tax Reform Act of 1969 Affects Employee Benefits, Feb. 1970. The 4-page newsletters contain concise and clear information on their subject matter. Free copies are available upon request from the firm at Two Pennsylvania Plaza, New York, N.Y. 10001.

A guide to excess and surplus lines insurance, the **Excess and Surplus Lines Manual**, has been published by Insurors Press, 2417 E. 56th St., Indianapolis, Ind. 46220. The manual has three general sections: general information regarding excess and surplus lines theory, practice and mechanics; an analysis of individual insurance areas within excess and surplus lines of insurance; and excess and surplus lines laws, consent to rate regulations, and FAIR Plan regulations for each state. Costs for the manual are \$100 for the initial annual service (including updating and the monthly Excess Express which presents a general review of covers not specifically analyzed in the manual but which have become available in the excess and surplus lines market) and \$75 per year thereafter. A brochure containing additional information on the manual is free upon request from Insurors Press.

**The Use and Handling of Compressed Gases** is a 30-page booklet covering some of the chemical hazards and properties of compressed gases. General physical properties of gases, specific properties of some industrial gases, design, installation, and operation of systems are some of the material covered. The booklet can be purchased for 25¢ from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

**AFIA Guide Asia**, features a summary of insurance requirements and forms in India, Indonesia, Iran, Lebanon, Pakistan and Turkey. Broad named perils are considered, covering explosion, windstorm, riot and strike or riot and civil commotion, damage by falling aircraft and vehicle impact damage, smoke, malicious damage, and earthquake. The booklet may be obtained by writing AFIA, 110 William St., N.Y., N.Y. 10038.

**The Trustees Handbook** is designed as a basic guide for trustees and administrators of jointly managed employee benefit funds established under the Taft-Hartley Act of 1947. Some of the topics discussed in 14 separate chapters are: trustee responsibility and liability, investment fundamentals, methods of providing health and welfare benefits, collection of delinquencies, communication of employee benefits, and investment of pension funds. A pocket insert is provided for updated supplementary material. The book may be obtained from the National Foundation of Health Welfare and Pension Plans, Inc., 910 Elm Grove Rd., P.O. Box 898, Elm Grove, Wis. 53122, for \$6 per single copy for members, and \$7.50 per copy for non-members.

**Dust, Fumes, and Mists in Industry** is a 16-page data sheet published by the National Safety Council. The illustrated item covers 157 points for control of hazards and evaluation of industrial situations involving air contaminants. A copy may be obtained upon request from Stock No. 123.04-5321, National Safety Council, 425 N. Michigan Ave., Chicago, Ill. 60611.

# Work comp costs skyrocketing fast

SACRAMENTO, Cal.—A pilot study of California's workmen's compensation insurance disability program for state employees has been completed by the so-called "little Hoover commission."

"Fundamental revisions and modifications" of the program have been recommended by the commission on California state government organization and economy. The pilot study, according to the commission, "uncovered the fact that costs are skyrocketing too fast and there should be immediate remedial action."

Benefits under the comparable Federal program, for employees of the U. S. government are substantially higher. Nevertheless, the cost per employee for California, according to the commission,

averages 3.4 times higher than the costs of the Federal program.

**THE COMMISSION** presented five recommendations for immediate action and two additional proposals for "in-depth study by the California Legislature to ensure future adjustments."

The five recommendations included: Possible need for fundamental revisions to eliminate present financial incentives for abuse of the program and to fulfill objectives of the insurance system more effectively; modifications in disability retirement and death benefits required to coordinate benefits with other systems, to eliminate any identified abuses and to facilitate administration.

Total identifiable costs of state work disability insurance bene-

fits, according to the commission, exceed \$20.23 million a year, or approximately 1.3% of the total 1967-1968 state payroll. Total workmen's compensation insurance costs, in the ten-year study period of 1957-1958 to 1967-1968 increased 253% while gross payrolls were increasing 182% and the number of state employees 10%.

The California state experience according to the commission, "compares favorably with the experience of private employers generally, because of relatively moderate cost levels for colleges, universities and large state departments."

The study disclosed that 74% of the losses, excluding colleges and universities, occurred in five California agencies, with 47% of

the employees. Recommendations for "immediate action" included "full implementation of a program to reduce occupational injuries, the establishment of medical standards for employment on jobs that involve substantial physical effort and greater use of existing state facilities for follow-up medical checks and treatment of on-the-job injuries."

## Sheehan president

Thomas F. Sheehan has been named president of Excess Underwriters, Inc. Mr. Sheehan has been in the insurance field for 18 years. Most recently he was manager of the special risks department of the American States Insurance Co.

# Ask the man who can now hear himself think —about Aetna.



Noise level begins with a person's breathing, which registers about 10 decibels. It increases to a lover's whisper or the rustling of leaves at 20 decibels. And goes up to 175 decibels for a rocket launching.

At Aetna we know that noise in industry creates tension and fatigue. Both contribute to accidents.

The engineering people at Aetna are trained to measure noise and recommend ways to suppress it. Industry benefits because lowering any accident risk often lowers the premium. It's another service through Aetna's agents and brokers. Another way we go about solving all kinds of insurance problems.

Quietly.



OUR CONCERN IS PEOPLE

LIFE & CASUALTY

# Business Insurance readers pose 'touchy questions' in poll response

WAUSAU, Wis.—“How come the insurance industry doesn't reflect investment income in the pricing of its products?”

“How can a company tell whether or not it should go self-insured?”

“Why is my office full of insurance salesmen trying to sell me protection I can buy anywhere but not one of them is willing to help me with my problem exposures?”

“When is your industry going to write insurance policies ordinary mortals can read?”

“What are you doing about the capacity gap?”

“Do you try as hard to control losses under retro programs as you do under guaranteed costs?”

More than 500 questions like these, straight from the shoulder and no holds barred, have been flooding across the desk of John Bernick at Employers Insurance of Wausau for a month now. They've come to the company's marketing vice president from readers of *Business Insurance*. The Wisconsin firm asked risk managers and corporate financial executives to submit the queries in an attempt to get an uninhibited response to the question:

“What's bugging you on the insurance front?”

Since October of 1969, Employers has been running a series of ads deliberately aimed at controversial insurance questions. Called the “Touchy Question Series” by the firm's marketing department (sample headline: “What happens when you have to tell 100,000 customers that their brakes may not work at 70 mph?”) the campaign aims directly at a criticism of insurance advertising uncovered about a year ago.

Robert Gunderson, Employers' director of advertising and public relations said, “We did some market research among risk managers and corporate executives who influence insurance buying decisions. Our study revealed that these sophisticated buyers think the messages sent their way are too saccharine and too general. What these knowledgeable professionals wanted, our study showed, was advertising with meat on it. We designed the ‘Touchy Question Series’ specifically to satisfy their appetites.”

To make its series meaningful, Mr. Bernick and his staff in Wausau felt they had to get into a real dialogue with those across the fence—find out what buyers considered to be gut issues. As a first step, Employers asked readers of *Business Insurance* for “Touchy Questions” which could be used in the advertising series. Results of the mailing far exceeded the company's expectations. “When we sent out our letter,” noted Mr. Bernick, “we were far from sure that we would get as many as 12 usable ‘Touchy Questions’. We needn't have worried! The ‘Touchy Question’ we face now is how to pick the best 12 out of so many good ones. We have some of our top people working on it, but it may be a while before we send out the radios offered as prizes

for the best entries.”

A surprising aspect is that so many respondents are not just submitting contest entries hoping to win a prize. A recurrent theme is “I don't care if you use my question or not. Just answer it!” The initial plan to acknowledge entries with a form postcard had to be abandoned; company experts are writing informal, but carefully considered, individual replies to every question. “In some cases we are writing three-page answers to three-line questions,” declares Mr. Bernick. “These problems are being raised by some of the most perceptive risk managers on this continent and we've had letters from as far away as Switzerland. The writers are thoughtful people asking thoughtful questions. Some of these questions defy answer even in a long letter, but we're not ducking any of them.”

The award-winning entries will be used as departure points for further “Touchy Questions” to appear in *Business Insurance*. But Employers of Wausau is now inclined to regard ad copy as merely a by-product of the venture. More important is what the company is learning about what major insurance buyers are thinking. “We didn't know what we were asking for,” admits Mr. Bernick. “But we're darned glad we asked!”

LOS ANGELES—The state court of appeals ruled here that insurance premiums deposited by an insurance agent in a trustee account in a bank cannot be “appropriated” by the bank as payment against debts owed the bank by the insurance agent.

The original suit, filed by attorneys Long and Levit on behalf of Fireman's Fund Insurance Co., of San Francisco, and a number of other insurance firms, was against Crocker Citizens National Bank.

## Bank can't appropriate premiums

Basis of the suit was the contention that the insurance agent involved allegedly had forged insurance premium promissory notes payable to the order of the bank.

**THE BANK, IN TURN**, allegedly had credited proceeds of the notes to an insurance premium trustee account maintained by the insurance agent. After learning that the notes were supposedly forged, the bank applied the balance in the trust account to reduce the agent's debt to the bank.

The insurance companies sued on the basis that the balance in the account consisted of insurance premiums collected for them by the agent. They charged the bank with appropriating the funds and sought return of the money.

The trial court decision, overturned by the appeals court, had ruled that the bank account had been “unjustly enriched by the fraud of the bank.”

The appeal court decision held that an insurance agent is the “trustee” for insurance premiums he collects and that when personal funds are commingled with insurance premium collections the “presumption” is that first funds drawn are personal and those remaining are premiums.

The appeals court decision is, in effect, a major victory for all California insurance companies.

Historically, banks in California have claimed the right to set off balances remaining in trustee accounts of insolvent insurance agents against debts due the bank from such agents.



**THIS OIL WELL IS AN OBVIOUS PLANT**



**Chapter 1 • In the Case of Producers Cotton Oil Company**, oil fields are actually fields of cotton and safflower. And each plant holds a pool of valuable oil in its seeds.

The company, headquartered in Fresno, operates 70 cotton gins and 3 oil-seed mills in California and Arizona. Producers also farms some 115,000 acres.

Their principal crop is cotton. They process it, market its fibers, mill its seed, and sell its oil and seed by-products.

Integrating the roles of grower, processor, and merchandiser of agricultural commodities, Producers typifies the modern agribusiness.

**Chapter 2 • Tracking down the uses of cotton** reveals a list of products ranging from clothing to cattle feed. Cellulose to salad oil. Cottonseeds provide an abundant source of edible oils for the finish food trade. Other by-products go into the manufacturing of synthetic fabrics, plastics, and into furniture trade.

Producers found that the seasonal start-stop of ginning, farming, and milling operations, plus turnover of crews, created a high loss risk. Their search for a workmen's compensation carrier with strong safety engineering services led them to Norman Booth of Booth Insurance Agency in Fresno. Together with Argonaut experts, they came up with a comp program geared to Producers' mode of operation.

**Chapter 3 • The footwork for engineering** a safe plant takes place before peak seasonal production. A Producers safety team and Argonaut safety engineers inspect for potential hazards. Safeguards are checked and warning signs posted. During production, crews attend weekly safety meetings and on-coming shifts receive 5-minute safety talks.

The results? L. D. Bowers, Safety Director of Producers Cotton Oil Company, knows the facts: “Argonaut has helped us achieve an excellent safety record and reduce our net insurance costs. They've always given us ‘number one’ claims and safety engineering service. You can't ask for more than that.”

### Epilogue

If your eye is fixed on sizable workmen's compensation accounts, keep these facts in mind: Argonaut is a workmen's comp specialist. We have experienced underwriters, safety engineers, and claims men trained to handle specific industries. And we back up every policy with expert service.

The conclusion is elementary. Call Argonaut today.



**Argonaut Insurance Companies**

HOME OFFICE: MENLO PARK, CALIFORNIA

Principal offices: SAN FRANCISCO • SACRAMENTO • FRESNO • LOS ANGELES • SAN DIEGO • PORTLAND • SPOKANE • BOISE • DALLAS • HOUSTON • NEW ORLEANS • MINNEAPOLIS • CHICAGO • KANSAS CITY • INDIANAPOLIS • NEWARK • ATLANTA

# Securities industry acts rapidly on own insurance proposal

NEW YORK—The securities industry will establish its own private insurance corporation to protect investors—both individual and institutional—in the event of a brokerage failure.

The move, described as a rare show of unity in the industry, comes on the heels of increased private and governmental pressures that such an insurance scheme be devised. Brokers will, in effect, be self-insuring against such failures through the use of the insurance pool techniques. Private insurance companies will not participate in the plan.

Under the scheme, which must have the approval of the Securities and Exchange Commission, brokerage houses will be assessed through a system that is yet to be determined. However, it is expected that the initial fund will total at least \$50 million. In addition, it was disclosed earlier this month that the Federal government may be asked by the industry to make available about \$1 billion as a line of credit to back up the trust fund.

**THE FUND ITSELF** would be very similar to two now already in existence in the industry. The New York Stock Exchange has a \$55 million fund, \$14 million of which has been committed to the liquidations of several member houses in recent months. However, the NYSE is currently in the process of transferring \$30 million more into the fund from its general reserves. The American Stock Exchange, on the other hand, has a fund totaling \$10 million.

The \$1 billion line of credit from the government would require Congressional approval and would presumably flow from the Treasury Department to a panel that would administer the fund under SEC oversight. Such a panel, as envisioned by the industry task force that came up with the plan, would consist of industry representatives and possibly one or more members appointed by the President or the Treasury.

The industry task force was formed in April and immediately went to work to come up with an alternative to a proposal by Sen.

# Corroon shifts execs

NEW YORK—Richard A. Corroon Jr. has been elected chairman and chief executive officer of Corroon & Black Corp., New York. He moves to the newly created position from presidency of the company.

At the firm's quarterly meeting the board of directors also moved Robert F. Corroon, vp, to the post of president and chief operating officer.

The new chairman told *Business Insurance* that the moves are essentially "a management change that we feel is in the best interest of the business." Pressed further, Mr. Corroon noted lightly: "Well, I'm 63 and Robert is 47."

The moves were not made in anticipation of further expansion by the New York broker. The chairman said that no acquisitions or mergers were planned "at this time."

Edmund K. Muskie (D-Me.) that would have set up a Federal broker-insurance company similar to the Federal Deposit Insurance Corp. for banks.

Brokers in general, opposed the Muskie proposal, preferring an insurance system of their own. However, Rep. Wayne Moss (D-Cal.), chairman of the House commerce subcommittee investigating the broker insurance situation, indicated that the committee was willing to look at the industry's proposal but warned they would soon proceed to draw up legislation in any case.

# Asks air trip antitrust probe

WASHINGTON—Sen. Philip A. Hart (D-Mich.) has asked the Department of Justice and the Federal Trade Commission to investigate the air travel insurance industry for possible monopolization and price-fixing.

The senator based his request for the antitrust probe on the fact that air travel insurance has one of the lowest percentage payouts of the entire industry. "The bulk of the consumer's dollar," he said, "is going into the pockets of terminals as a 'buy-in' for the business and to the insurance companies." Only 26¢ from every premium dollar goes back to the consumer in the form of benefits, Sen. Hart said. He compared this to the 45¢ benefit payment from auto insurance, which has been under recent attack for

its low payout.

Twelve companies licensed to write air trip insurance in New York were recently ordered to cut their premiums by 60% or to increase their benefits by the same amount by the state insurance department. A spokesman for the department said current rates have been in force since 1961 and in that time claims payments have dropped from 40.1¢ per premium dollar to 5.2¢ per dollar in 1968. (*Business Insurance*, June 8.)

**SEN. HART SAID**, despite the McCarran Act, which exempts the insurance industry almost entirely from antitrust laws, the Federal government should have jurisdiction over air travel insurance. "The McCarran exemption applies only if the states regu-

late," he continued, "and most of the states do not regulate."

From 1961 through 1968, he said in a speech on the Senate floor, the surplus money divided by the terminals and the companies was \$87 million.

A comparison of credit insurance, used to pay off a loan if the borrower dies or is incapable of working, and air trip insurance was drawn by Sen. Hart. "Insurers compete for air trip insurance franchises at terminals by bidding up the rental much in the same way credit life insurers compete for finance company business by bidding up the kick-back to the lenders," he said.

With both of these coverages, he emphasized, "it is the consumer who is overpaying to guarantee high profits to the industry."

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## following the funds

# Institutional investors lead way in buying Chase Manhattan trust

NEW YORK—Large state pension funds and other institutional investors led the way in buying up a \$100 million public offering of the Chase Manhattan Bank's mortgage and realty trust. The trust went on sale officially June 4 and was all gobbled up a week later.

Such interest in real estate on the part of pension fund investment management has been encouraged in recent months by the introduction of a bill by Rep. Wright Patman (D.-Tex.) that would require a fixed level of investments by pension funds in

low and moderate income housing. The purpose of the bill is to lubricate an almost dried-up housing market with much needed building funds.

After discounts and commissions are paid to the underwriters of the offering, Lehman Brothers and Lazard Freres & Co., the trust's capitalization will provide \$95 million that will be invested in construction loans, development loans, permanent and intermediate financing and land loans.

INITIAL investments will sim-

ply "pick up existing paper"—purchase shares of existing mortgages and loans currently owned by Chase Manhattan, the advisor to the trust. A list of the initial investments of the trust contained in a prospectus reveals a heavy concentration on office buildings and shopping centers with only one residential building, a low-income "turn-key" project in the Bronx here, falling into the category being emphasized by Rep. Patman.

An official of the Chase Manhattan Bank's real estate department declined to estimate what

proportion investments in low and moderate income residential housing would take in the trust's investment portfolio. However, he noted that such investments were planned and would be taken where available. "Turn-key" projects in Atlanta, Ga., and Scranton, Pa., were listed among a number of temporary investments currently available to the trust.

Several large state pension funds "reacted rather enthusiastically" to the offering, according to one Lehman Brother's source. This is understandable since the 6.75% debentures (due in 1990), while far from fulfilling any social responsibilities, are able to fulfill certain profit needs.

Such funds are often rigidly controlled as to how their investments are made. Many are required to invest heavily in fixed investments such as bonds. While fulfilling the fixed investments requirement, investments in the Chase Manhattan realty trust

might also garner some common stock-like action.

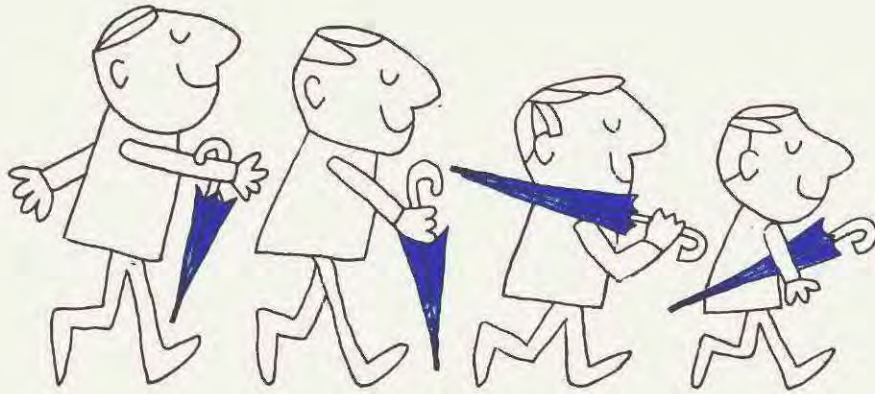
AFTER LISTING a group of initial investors, the prospectus explained that the annualized composite yield of all these investments is 11.5%. It was pointed out, however, that this composite yield "does not represent an estimated composite yield for the initial investment operations of the trust, since the trust will soon be making other investments, many of which will be on a short-term basis at yields less than the estimated yields of the initial investment."

Nevertheless, if the listed investments are any indication at all of the portfolio's typical choice of investment rate of return, the trust will hardly resemble fixed investments. The Chase Manhattan real estate official said that he expects the entire assets of the trust's portfolio to reach between \$1 billion and \$1.5 billion in two to three years.

The trust does not forget about its advisor either. Chase Manhattan will receive a base pay of 1/12 of 1% of the trust's total assets per month. (At \$100 million initially that's about \$83,000 a month.) This base pay is enhanced by other schedules for incentive pay based on the performance of the trust's portfolio.

In addition to this initial public offering the trust may receive as much as 20% of its current total assets in additional capital from subsequent offerings by the underwriters.

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## Mass sales upheld in Washington

SEATTLE—Superior Court Judge Horton Smith has upheld a decision by State Insurance Commissioner Karl V. Herrmann approving the sale of insurance by the mass-marketing method.

The Independent Insurance Agents and Brokers of Washington had filed a petition asking the court to review the commissioner's decision.

The 650-member agencies and brokerage firms in the non-profit organization objected to Mr. Herrmann's approval March 25 of the sale of insurance by mass marketing.

Under this plan insurance is sold at reduced rates to individuals whose employers have entered into payroll-deduction plans with the insurance firm.

Counsel for the organization said the groupings of insured persons was unfair and would damage the business of the agents and brokers.

Commissioner Herrmann made his decision after Standard National Insurance Co. requested approval of the method and a hearing was held for discussion of the matter.

About 20 states now approve of mass marketing, it was reported. ■

## Swedish insurance companies to merge

STOCKHOLM—Hansa and Trygg, two of the largest Swedish insurance companies, will merge on Jan. 1 of next year. The two companies together account for about 28% of the market for property and life insurance in the country.

The new combine, which has yet to be named under the merger agreement, will become the second largest insurance company in Sweden.

# benefit tax slants

## Benefit plans should be reviewed to see if they give choice to the employe

By JOSEPH S. ROBINSON

Staff attorney and tax editor,  
Practising Law Institute

NEW YORK—As we know, lump-sum distributions from profit-sharing and pension plans are taxed differently starting this year. Such payouts are no longer given long-term capital gain treatment. From now on, company contributions are taxed at ordinary income rates when turned over to the employe. The new rules only affect company outlays starting in 1970. Thus, that part of the payout which represents employer contributions before 1970 (and all earnings and appreciation on them), will retain capital gains treatment as before.

As a result of the change in these tax rules, plans should be reviewed to see if they provide a choice to the employe. They should offer the employe an election to take annuity payouts in

lieu of lump-sum payments. In that way, the tax burden could be eased.

Here's another point to consider. Company brochures, in explaining the tax angles of pension benefits, should call the new tax rules to the attention of employes . . . they should not stick to the former statement that lump-sum distributions are taxed at capital gains rates . . . its just not 100% true any longer.

IF YOU'RE planning to take

on part-time help for the summer months—for example, college students—there is a new withholding exemption certificate to take care of such employes. Form W-4E to be filled in by the employe says that he incurred no tax liability for 1969 and that he anticipates none for 1970. If a student who works during the summer (or all year for that matter) will earn less than \$1,725, he can claim the exemption from withholding—provided he owed no tax for the previous year.

\*\*\*  
WHEN AN employe leaves a company that has a pension plan, he usually draws down his vested interest in the plan at that time. Sometimes the parties have a change of heart and the employe is later rehired. What then?

Internal Revenue says that a pension plan may provide that a former employe who returns to the company may once again be covered under the plan. But the employe cannot receive duplicate benefits. What's more, the provision must cover all employes uniformly. (Rev. Rul 70-126.)

\*\*\*  
STRAWS IN the wind: A Congressional committee approved more changes in Social Security for next year. They want to increase the wage base to \$9,000 . . . it's now \$7,800. No suggestion for a tax hike in 1971; but for future years, plans are to raise Social Security taxes. Bear in mind that pension plans tied

to Social Security will cost employers less if proposal goes through. The company's pay-in will drop as Social Security retirement benefits pay pensioners more.

\*\*\*  
TREASURY has in mind to put all pensions on a par—H. R.—10 plans, professional corporations and regular corporations. We are told particularly to look for the H. R.—10 limitations (\$2,500 or 10% annual contributions formula) to extend to the professional corporation. The treasury hopes to knock out the attractiveness of these corporations by applying the Keogh restrictions to professionals who incorporate.

\*\*\*  
RUMOR HAS IT that the next correction in pension payouts will eliminate all capital gains on lump-sum payouts—not just on employer contributions.

## Says auto group didn't supply cover

SAN FRANCISCO—A \$10,000,000 damage suit has been filed in superior court here, charging the California State Automobile Assn. with "collecting millions of dollars in premiums for which it has failed to supply any insurance."

The suit was filed by attorney Jerome F. Downs in the name of two holders of CSAA auto insurance, Richard Lambert and Walter W. Coggleshall, and "on behalf of all of the estimated 500,000 members of the association who hold its insurance policies."

The suit alleges that last March the CSAA announced that "because of the high auto theft rate" it could no longer afford to insure car stereo systems against theft "unless they were installed by the manufacturer."

THE ASSOCIATION announced it was cancelling that portion of its auto insurance policy and that policy holders desiring coverage of their stereo systems could obtain such protection by paying an extra premium.

"Since the company had already collected and accepted premium payments," attorney Downs contended, "the company was bound to provide the insurance or else return a portion of the premium. This was not done and Mr. Lambert and Mr. Coggleshall were unable to get any portion of their premium refunded."

THE SUIT estimates the value of the insurance at \$10 and multiplying this by the number of policy holders produced "a total of \$5 million by which the company is unjustly enriching itself."

In addition, the suit asks for \$10 million punitive damages "as an example to the insurer and to the public that the laws of California will not countenance the low standard of business morality evidenced by the aforesaid acts."

Spokesmen for the association refused to comment on the suit. ■

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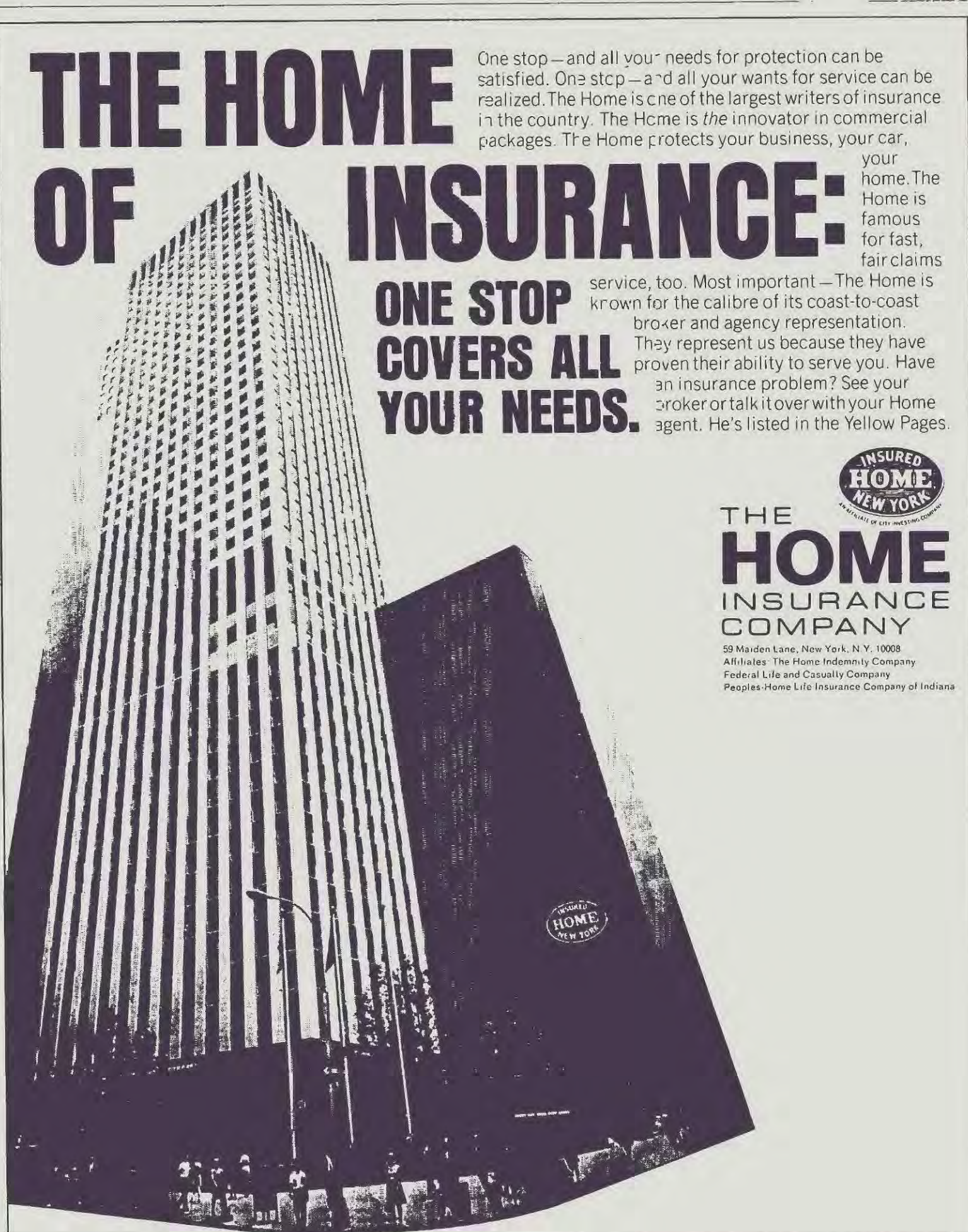
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Giles on the law

# Disagreement in punitive damages for product safety and malpractice

BY JOHN W. GILES  
Attorney at Law

WASHINGTON—What are punitive damages and can you recover them in a products liability case? They are exemplary and vindictive damages which are awarded separately from ordinary damages on account of the malicious or oppressive character of the acts complained of. They are sometimes referred to as "smart money" and were unknown to the civil law—but were allowable at common law as a satisfaction to the injured person and as punishment to the guilty to deter from any such wrong in the future.

There are very few cases where punitive damages have been allowed in this area. However, one case is outstanding and the punitive damages allowed were \$500,000. The case involved a drug, prescribed by a physician and manufactured and marketed by Richardson Merrell defendant under the name MER/29. The drug was developed and marketed by the defendant drug company to be used in the treatment of hardening of the arteries. The plaintiff had used the drug under his doctor's direction for nearly a year and a half, and had developed an inflamed skin condition, suffered loss of hair

over his entire body, and developed cataracts on his eyes, which necessitated an operation and resulted in continuing damage to his eyes.

In a lengthy presentation of the evidence, the court pointed out that the defendant drug company's development of the drug was done in such a manner as to indicate that much information as to its dangerous effects, on test animals—and later on humans, was withheld not only from the Federal Food and Drug Administration and the medical profession, but also from the public. In granting high punitive damages, the court stated that

the California statute simply recognized punitive damages where the defendant had been found guilty of wrongful conduct showing fraud, oppression or malice, and that the malice may be established by showing that the defendant's wrongful conduct was willful, intentional and a reckless disregard of its possible results, provided such charge is supported by the evidence.

However, in another case, similar to the foregoing, involving the same drug manufacturer and the same drug, punitive damages were not awarded to a person injured by the drug. The denial was apparently based on the public policy that such awards are ultimately borne by the public through increased insurance charges for the manufacturers, the cost of which is ultimately passed on to the consumer, and secondly, to allow such damages in that situation might stifle the initiative of such manufacturers

to develop and market new drugs. (*Toole v. Richardson Merrell*—215 Cal App. 2nd 689.)

**IN WHAT KIND** of cases have punitive damages been awarded against a doctor? The list is varied.

Punitive damages have been awarded where the doctor showed "reckless indifference," "wanton recklessness," "malice or wrongful motive," "gross negligence," etc. However, should punitive damages be awarded in this case? The action was brought to recover damages for the reckless circumcision of a baby. The evidence showed that the baby's parents had told a staff doctor and the hospital admission clerk that no circumcision was to be performed if the child were a boy, but a resident physician who delivered the baby, under the supervision of a staff physician and who was only authorized to do surgical procedures as an assistant, performed the circumcision at a time when no one was supervising her.

The trial court entered judgment for the plaintiff and included punitive damages. On appeal, the punitive damages were deleted from the judgment, holding (1) the sanction of punitive damages could be properly used in medical malpractice action where there was a particularly aggravated disregard by a member of the medical profession of his professional duties; and (2) but the award of punitive damages was improper in this case, since the evidence established only negligence or inadvertence, and not the requisite disregard of professional duties. (*Noe, a minor by his guardian v. Kaiser Foundation Hospitals*. 435 Pac. 2nd 306.)

**JUDGMENT IN** favor of an insurer was affirmed in an action on a theft policy brought by an insured bank, as chattel mortgagee, for the misappropriation of a tractor-trailer owned by a chattel mortgagor—when the truck disappeared—while it was being test driven by a prospective purchaser. Neither the bank nor the owner of the truck notified the insurer of the loss until more than one year after the incident.

Their failure to notify the insurer barred their recovery on the policy which required notice within 60 days after the loss. There was no merit to the insured's contention that a bankruptcy creditor's notice to insurer's agent, constituted proper notice to the insurer. The court noted that the purpose of the requirement of notice of loss in a policy of theft insurance is to acquaint the insurer with the occurrence of the loss; the requirement of proof of loss provides the insurer with the necessary data to determine liability. (*Sterling State Bank v. Virginia Surety Co.*—Minnesota Supreme Court—12/19/69.)

**IF YOU CALL** a customer a thief, in the presence of other people, it is not necessary that the other people know the alleged "thief", in order for the thief to hold you liable in a slander suit?

A supermarket claimed that in order for slander to be published the plaintiff must show that the defendant spoke the defamatory words in the hearing of a third person who knew or knew of the plaintiff. This is not so, says the Maryland Court of Appeals.

The court points to 33 Am Jr. Libel and Slander. Sect. 90 which says "It would seem to follow, also, that from the language used, aided, if necessary, by extrinsic evidence, the hearer should be able to identify the person de-

Continued on page 52

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# Mass auto ruled out by Tenn. insurance head

NASHVILLE—Mass marketed auto insurance will not be able to be written in the state of Tennessee, unless written by domestic companies, according to a recent ruling by Milton P. Rice, commissioner of insurance.

Mr. Rice, in turning down the request of Century Indemnity Co. of Hartford, Conn., based his rejection on a law passed by the state's general assembly in 1967.

His decision called attention to Section 56-1226 of the Tennessee Code Annotated. The section states in part that no property, marine, casualty or surety insurance may be written if "based upon membership, employment, or of any person or persons by or in any particular group, association, corporation, or organization."

the issue with a court suit. The company is a member of the Hartford Group.

The law does provide that such insurance may be written by companies that confine their insurance business and operations to Tennessee and provide insurance solely for the benefit of a group of members or members of its parent or sponsoring organization. This would mean that Tennessee Farmers' Mutual, a large auto underwriter that confines its operation to the state, could write on a mass basis, although the company said that it has no immediate plans to do so.

The 1967 legislation, according to Mr. Rice, was procured largely by mutual company agents in the state.

**HOWEVER, IN** his ruling, Mr. Rice noted: "While it is granted that the aforementioned section may be of dubious constitutional validity, I am bound by its provisions until such time as it may be held by the courts of this state to be invalid," and added, "The unfortunate thing is that one possible avenue to lower premiums has been cut off by the legislature."

Hartford Indemnity, a source told *Business Insurance*, may test

## Widow wins \$168,000

BUFFALO, N. Y.—Survivors of an ironworker killed in a 1965 rail siding accident at the Chevrolet plant in the Town of Tonawanda won a \$168,000 settlement in the third week of their supreme court suit against two railroads, an iron works and the Chevrolet Division of General Motors.

Justice James O. Moore approved the settlement for Mrs. Barbara Martin of Brantford, Ont., widow of the victim, and her four children. Harry R. Martin, then 27, was crushed to death Jan. 30, 1965, when a load of four steel roofing trusses weighing 70,000 pounds tipped on a railroad car on the Chevrolet River Rd. siding.

Twelve days of testimony before a jury centered on four main charges brought by the estate's attorneys, Eugene C. Tenney and Joseph M. Crotty.

**THEY ALLEGED THAT** trusses, ordered for an addition to the River Road plant, had been improperly loaded at the Belmont Iron Works, Eddystone, Pa.; that the load had not been properly inspected by either the Pennsylvania Railroad, which accepted it, or the New York Central Railroad, to which it was transferred; that the tracks at the Chevrolet plant were not maintained properly, and that the tracks were tilted.

Mr. Tenney said the gondola car bearing the steel had derailed as a New York Central train crew maneuvered to spot it at the Chevrolet siding and that, "pursuant to orders of Chevrolet," the railroad righted the car in snow and ice and respotted it.

Mr. Martin was atop the trusses to assist in the unloading, the attorney said, when "the load started to tip." The ironworker was caught between two of the 17,500-pound trusses. He was pronounced dead on arrival at Kenmore Mercy Hospital.



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## Regulatory irregularities

ILLINOIS, notorious for its shameful record of insurance company failures, has increased its league-leading record by three with the recent folding of Prudence Mutual Casualty Co. and Freedom Insurance Co. and a request by the Illinois insurance department that Universal Mutual Casualty Co. be placed in liquidation. The request for liquidation of Universal Mutual is the 33rd such request filed in Illinois in the past ten years, an insolvency record that far surpasses that of any other state.

Yet these insurance company insolvencies are different in the sense that all three companies were interlinked, sharing at times the same addresses and the same officers who are now accused of benefitting financially at the expense of policyholders and claimants. The failures are different, too, in the sense that they indicate regulatory irregularities on the part of past and present directors of insurance in Illinois.

Much of the insurance insolvency record in Illinois is properly placed at the administrative doorstep of former Insurance Director Joseph Gerber, who was removed from office shortly before he would have assumed the presidency of the National Assn. of Insurance Commissioners. It was during Mr. Gerber's tenure as insurance director that a number of the insolvent companies were licensed. Indeed, it is quite clear that some companies that were licensed under Mr. Gerber's regime were clearly intended to be what they call in Illinois "six-year companies," firms that are organized, collect premiums, pay handsome salaries and expense accounts, and doggedly resist claims until the court backlog catches up with them.

In the Prudence-Freedom-Universal mess, two successors to Mr. Gerber are implicated. According to a *Business Insurance* report on April 27, "Prudence Mutual was under investigation by former Illinois Insurance Director John F. Bolton at the same time that he licensed Freedom, the second high-risk company, to Mr. (Norman) Howard on Jan. 14, 1969. By October of that year Prudence had been placed in rehabilitation under Mr. Howard, who had been named a special deputy by the new insurance director, James Baylor. A state's attorney's investigator described the move as "quite unusual."

Defenders of Mr. Baylor's appointment of Norman Howard as a special deputy at a time that his company was under investigation by the insurance department maintain that the appointment was made because Mr. Howard is black and Mr. Baylor has a commendable concern about fostering insurance availability in the black community. But this defense hardly seems sufficient because of other regulatory irregularities.

In the course of organizing Freedom Insurance Co., Mr. Howard and his associates obtained a check for \$500,000 from Responsibility Security Underwriters Inc., a firm wholly owned by Ralph Jacobson of Affton, Mo. Officials of the Missouri insurance department told *Business Insurance* that Mr. Jacobson, who registered Responsibility Security Underwriters Inc. as a "fictitious name" with the Missouri secretary of state, is a former insurance broker who had been on the Missouri department's "bad list" for a long time.

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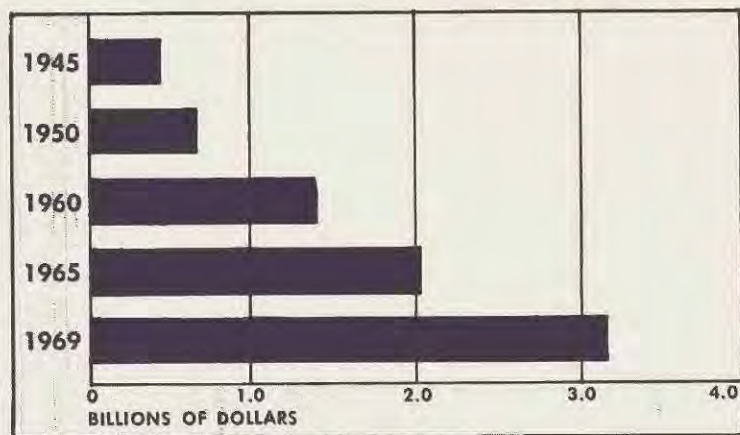
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## WORKMEN'S COMPENSATION PREMIUMS



Workmen's compensation premiums paid to cover the medical care, wage compensation and survivors' benefits for job-injured workers more than doubled during the decade of the '60s. Employers paid in excess of \$3 billion for workmen's compensation coverage last year. A special section in this issue of *Business Insurance* reviews safety and security arrangements that reduce losses from on-job mishaps.

Source: Insurance Information Institute

One wonders why the Illinois insurance department was not on speaking terms with the Missouri department in this instance, especially since Mr. Jacobson's check bounced after it was deposited in the Independence Bank of Chicago, whose officers failed to amend a standard audit submitted to the department confirming that Freedom had \$600,000 on deposit.

It was another case of regulatory irregularity, a case in which the insurance department failed to go behind the balance sheet to question the financial soundness of a company in the hands of a group that was running another insurance company into insolvency.

There are no figures yet available to indicate what the public's loss will be from the failures of Prudence Mutual Casualty Co. and Freedom Insurance Co. as well as the indicated insolvency of Universal Mutual Casualty Co. But it is clear that claimants, both individuals and corporations, will lose substantially when financial affairs of the insolvent insurers are untangled and liquidated.

There is an unfortunate misconception of some businessmen who view insurance company insolvencies with indifference. Some misguided corporate officials labor under the mistaken impression that insurance company insolvency losses fall chiefly on the poor people who must buy the high-risk auto insurance that is typically marketed by the companies that go bankrupt. This idea is simply not true.

Losses imposed by insurance company insolvencies fall upon any individual or company who happens to have a valid claim against the bankrupt insurer. Claims of insolvent insurers are settled on a pro rata basis by liquidators appointed by state insurance commissioners. If there is only 10¢ left to settle \$1 in adjudicated claims, that's what unfortunate claimants get.

The insurance industry, stung by criticism and proposals for Federal action in the insolvency area, is making frantic efforts—particularly in Illinois—to have state insolvency measures adopted that would assuage the headaches of victims of insurance company failures. We are eager to see effective action taken on the problem, whether at the Federal or state level.

However, it should be kept in mind that no form of insolvency protection can be wholly effective if regulatory irregularities continue in state insurance departments in Illinois and elsewhere. The tangled affairs of Prudence-Freedom-Universal were brought about because insurance directors in Illinois were not sufficiently concerned about the integrity of the insurance business to ask the right questions at the right time. We can no longer afford to tolerate a regulatory climate in which one state fails to check with another about guarantors and in which the president of an impaired company is given an opportunity to mishandle the management of another company. Such oversights go to the very heart of the state insurance regulatory mechanism, which is only as strong as its weakest link.

## A better way

WE HOPE that employe benefits administrators read carefully the Washington Watch report of June 8, which reviewed a provision in the House-passed Social Security bill that encourages more "health maintenance organizations."

The provision would permit Medicare beneficiaries the option of having their health care provided by organizations like California's Kaiser plan. Adoption of this provision in the Social Security program would encourage health maintenance organizations and group medical practice, thereby providing an attractive alternative to commercial health insurance and Blue Cross-Blue Shield plans.

The chief economic advantage of the health maintenance organization approach is that it provides economic incentives to treat enrollees in the least expensive way consistent with their needs. The House ways and means committee also points out that such organizations help enrollees maintain better health by deciding what services they need and then seeing that those services are promptly provided.

In a time of skyrocketing health care costs, particularly for hospitalization, and in a country whose health care facilities are frequently overcrowded, there is much merit in encouraging innovative, less costly ways to provide better health care. This is the aim of the House action.

## letters

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

### 'No junket'

To the Editor: I had a very enjoyable visit to the American Society of Insurance Management conference in Miami, not only from the point of view of the hospitality showered upon me, but also from the high quality of papers at the conference.

As one who traveled 5,000-odd miles to attend the conference, I take issue with the comment in *Business Insurance* (April 27, page 30) which seemed to suggest that most people went to conventions and conferences for "junketing" but after a few days all was forgotten.

I think the value of these conferences is in the subject matter of the papers. One cannot possibly hope to assimilate the information contained in such a variety of papers over the course of three days, but on returning from the conference, one is able to quietly reappraise what has been said. There is much of value that can be stored in the memory for long-term use. This is particularly so if the papers are sensibly and responsibly reported by the insurance press, in which I especially include *Business Insurance*.

W. Nuttall

Chairman, Assn. of Insurance Managers in Industry and Commerce, London, England.

### 'Breakthrough' reprint

To the Editor: Breakthrough Magazine hereby requests permission to reprint the article entitled "He wants to get black man into 'the richest parts of our economy.'"

Breakthrough is a black owned and operated publication which deals with employment recruitment, business development and education. We have a distribution number of 25,000 in the Greater San Francisco Bay Area. A similar number of magazines are also distributed in the Chicago Area.

We would appreciate hearing from you as soon as possible.

Tiger Slavik

Editor-in-Chief, Breakthrough, San Francisco, Cal.

Editor's note: Permission granted.

### ASIM membership

To the Editor: Please send to my attention information regarding the American Society of Insurance Management and its membership requirements.

Eugene W. Faust

Assistant to the Treasurer, Lamb-Weston Inc., Portland, Ore.

Editor's Note: Those interested in information on ASIM membership are advised to write to: Ron Judd, Managing Director, American Society of Insurance Management, Room #308, 500 Fifth Ave., New York, N. Y. 10036

### Group malpractice

To the Editor: We enjoy your magazine and know you wish to be accurate, even in small matters.

The article on page 1, April 27 issue says the group malpractice policy issued to the Los Angeles County Medical Assn. was the first group malpractice policy.

William M. Eberle of the Eberle & Co. General Agency in Oklahoma City worked out a

Continued on page 18

# financial services

## Zenith signs up 50 accounts with mutual fund/life insurance package

NEW YORK—About five months ago Zenith Funding Corp. of Los Angeles introduced a product it called Balanced Capital Accumulation Plan. But don't let the name turn you away. Financial companies—and Zenith is no exception—seem to delight in giving simple little things long, complicated names.

Essentially, Zenith's Balanced Capital Accumulation Plan is dollar cost averaging or, as Maxwell L. Rubín prefers, "enforced savings."

Mr. Rubín is chairman of Zenith Funding, which recently set up Zenith Planning Corp., which in turn is now marketing a package of mutual fund shares and life insurance on the payroll deduction basis. So far the firm has signed up about 50 accounts, most of them small California firms employing an average of 15 persons.

"THE FUTURE OF the fund business is in the mass marketing field," Mr. Rubín declared over lunch the other day and, he needn't have added, Zenith is going after the future.

Zenith Funding Corp. is a national financial services complex that had some rather critical management problems a few years ago that almost caused its dissolution. However, the company has gallantly fought back and now includes several subsidiaries. Among them are Zenith National Insurance Co., Zenith National Life Insurance Co., Finsec Securities Corp. and Financial Security Funding Corp., among others.

Its insurance company is a large writer of workmen's compensation and general liability in California, with about 25,000 industrial and commercial accounts that average about 15 employes. About 375,000 employes are currently covered by Zenith. This, in turn, is the market the company is originally tapping for its new Balanced Capital Accumulation Plan.

"This," Mr. Rubín said of his company's workmen's comp business, "has given us a natural entree, through our 1,500 agents, into these companies."

UNDER THE TYPICAL program, the chairman noted, Zenith funding offers the balanced payroll deducted plan to an employer. The employer then offers it to his employes and provides the necessary administrative facilities. No contribution is required on the part of the employer, although Mr. Rubín believes that such plans will be contributory in the future.

Under the program, a minimum of \$5 per week is deducted from an employe's salary. Of the \$20 per month (the employer remits one check on a monthly basis), \$10 goes into a life insurance policy with Zenith National Life. (\$10 a month buys about \$15,000 of life insurance for the average 30-year-old male employe). The other \$10 is used to buy a mutual fund. Zenith does not have a mutual fund at present but anticipates starting one. The two funds it uses mostly are the Keystone S-4 Fund and the Winfield Fund, "two good growth funds," Mr. Rubín said.

Mr. Rubín believes wide acceptance of the new program is assured because of its advantages for the employer.

"Today's employer is spending

30% to 40% of his payroll on various types of fringe benefit programs. He cannot afford to increase these costs, yet he wants to provide more benefits to his employes to reduce turnover, create high morale, improve employe relations and establish a genuine concern on the part of the employe regarding the operating costs of his business", Mr. Rubín said.

AT THE SAME TIME, however, the Zenith chairman admits that employe benefit programs that begin on a noncontributory

basis often end up being paid for at least in part by the company.

"We offer it to our 200 employes. We don't contribute to it yet but I think we will within the next couple of years. Eventually I think many companies will get involved this way, perhaps on a 10%, 20% or 25% basis at first, but they will get involved. And, of course, it may even become a negotiable item with some unions. Any employer who cannot face this as a reality is not a forward-thinking employer."

In the companies that have

taken on the Zenith program since it began in January there has been a rather enviable record of participation on the part of the employe, Mr. Rubín said. In those companies that have offered it about 70% of the males have signed up, while about 40%

time. Or, if he leaves the company with which he participates he can move the program to his new employer (provided they also have a Zenith program) or continue it on a personal basis.

Generally, Mr. Rubín has been pleased with the results after the first five months of operation. However, some kinks are still being worked out. One of those kinks involved the chairman himself. He has \$50 a month deducted from his salary under the plan for Zenith employes.

"Last month I got my statement from Winfield and it showed no contribution (or purchase of mutual funds) for April. I called our office to check up on it. There was a goof-up somewhere. The shares weren't purchased in April. As a result they doubled up on my purchases for May and I'm getting more shares than I would have gotten in April because the market has gone down even more."



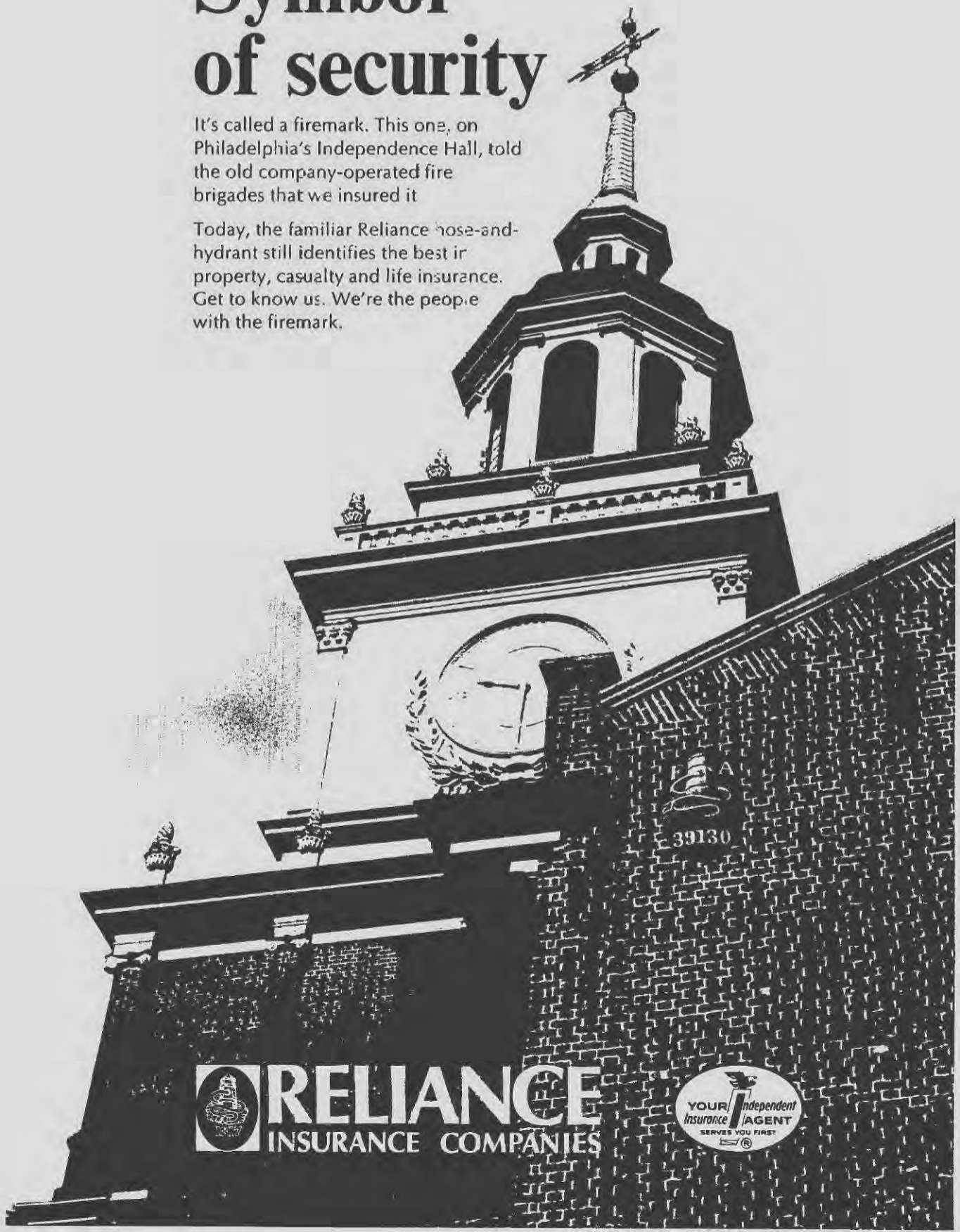
Maxwell L. Rubin

female employes participate. THE EMPLOYEE may withdraw from the program at any

# Symbol of security

It's called a firemark. This one, on Philadelphia's Independence Hall, told the old company-operated fire brigades that we insured it

Today, the familiar Reliance hose-and-hydrant still identifies the best ir property, casualty and life insurance. Get to know us. We're the people with the firemark.



# RELIANCE INSURANCE COMPANIES



# letters

Continued from page 16

physician's malpractice policy for the Oklahoma Medical Assn. in the early 1940's. I was a special agent with Eberle & Co. at the

time.

Mr. Eberle was an innovator. He was probably the first to finance 3 year fire policies on an annual basis, a plan which met much resistance at the time.

He also helped me work out a package plan in the late '30s which we called PACKET Insurance. I still have some of the envelopes and booklets. It was a

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Consultation invited also on Theft, Fire  
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preview of the homeowners policy but conceived to make the small purchases worthwhile by combining policies and putting the packet on a monthly payment basis.

**Robert Duncan**

Sergeant, Duncan & Rine Insurance,  
San Antonio, Tex.

## Canadian conference

To the Editor: In the March 16, 1970, issue of *Business Insurance*, an article appeared on Page 35 summarizing the meeting of the Canadian Pension Conference held in Toronto, Ontario.

I would appreciate your advice as to how I might obtain a copy of the minutes of this meeting.

**R. E. Humes**

Administrative Assistant, Em-  
ployee Benefits, Bristol-Meyers  
Co., 345 Park Ave., New York,  
N. Y.

*Editor's Note: Request informa-*

*tion on the meeting from the Canadian Pension Conference, 8 King East, Toronto, Ontario.*

## A waste of time?

To the Editor: I won't waste time of busy men reading this but will get right to the point. General average must go.

It is a waste of time, effort and requires useless extensive record-keeping over a long period of time since its provisions serve no useful purpose. No matter what relief accrues to an assured in any given instance, in the long run, no assured or insurance company gains. The only ones who derive any benefit from it are the average adjusters and legal counsel who might be called in if the settlement results in need for arbitration.

A simple alternative is that each insurer will be responsible to his assured under the terms of his applicable hull or cargo policy

which will exclude general average provisions. However, the shipowner will be responsible for advising each shipper of any incident that would normally have resulted in declaration of general average under present conditions. In this way, should the shipper incur any loss or damage, he will be able to advise his insurer of possible basis for his claim when submitting notice of loss. Subrogation thus becomes a possibility.

**James O. Moore**

Smithtown, LI, N. Y.

*Editor's note: General average is the sacrifice of cargo or expenditure of money to minimize loss in the common interest of all parties involved. In insurance it is the total of all the expenses resulting from the mishap. The expenses are divided equally among those involved. Any readers wishing to comment on general average may write the editor.*

## Where's ARIA?

To the Editor: Can you advise me of the address of the American Risk and Insurance Assn.?

**Carlton B. Laing**

Chief, Insurance Division, California State Employees' Assn.,  
Sacramento, Cal.

*Editor's note: The address of the American Risk and Insurance Assn. is 112 E. Washington St., Bloomington, Ill. 61701.*

## A sad policyholder

To the Editor: Perhaps it's about time that the pompous Blue Shield organization take a hint from the socially conscious Red Cross and gain a little pink-faced humility. Blue Cross is an anachronistic, unresponsive, socially harmful firm that continues to ire consumers and customers.

Case in point: I recently became severely ill with what appeared initially to be a case of "hives." Treated and inoculated in a doctor's office, I still had the "problem" 24 hours later. The doctor indicated hospitalization was recommended, but that with "constant, complete" care I might stay home. Emphasize "might."

Being fully conscious of the rising cost of medical care and somewhat leery of insurance companies' lackadaisical payment procedure for hospitalization, I chose home. An unwise, expensive choice I'll never make again. And it's a choice I hope increasing numbers reject in the future.

Blue Shield refused categorically payment for any expense: "Your case was carefully reviewed to see if United Medical Service could provide benefits for the care your doctor rendered." A functionary in the claims operations replied further: "I am sorry to tell you, however, that we are unable to be of service at this time."

This gobbledgook, single-spaced and computer written, tells me that from now on I go into the hospital for everything that ails me. Apparently strong-willed people who are socially conscious enough to keep out of the hospital, save for the most extreme situations, receive no consolation from the great Blue Shield.

The firm is categorically shielding itself from its responsibility to its patrons and potential customers by such archaic policies. Only when it—and other like firms—realizes its full obligation to policyholders will the American public be receiving "proper treatment" from this profit gobbling monster perpetrating such a hoax in this vital field.

**Paul Johnson**

Blue Cross policyholder, New York, N. Y.

# Faster relief for directors' headache #68

Stockholders are filing hundreds of suits against corporate officers and directors. The accusations are many. The damages asked are staggering.

How well protected is your board against liabilities while acting in a corporate capacity?

To find out, call Marsh & McLennan. As industry's leading insurance brokers, we have more specialists in this field, more experience than anyone else in the business. That's the simple reason why we can get you the most complete directors and officers protection at the lowest possible cost. No matter what industry you're in. Regardless of size.

Can your present broker give you this experience, specialized service? If not, contact Marsh & McLennan. We give your directors one less thing to worry about... coast to coast or anywhere in the world.



One of Columbia University's protection problems during recent student disturbances is its urban location with easy access to mass transit. For details on how schools across the country are increasing security see story on page 22. —Wide World photo

## New gadgets used to find jet hijackers

LONDON—Scientific devices to check airline hijacking are being speeded up by British research workers as news reaches them of the \$100 million ransom threat to a Boeing 727 airliner at Dulles airport in Virginia.

Both government experts and commercial firms are trying to find solutions to the fear that bomb incidents and gun outrages may become still more prevalent on world airlines.

Explosives experts at a British government research center at Waltham Abbey, near London, have been engaged on a new sensitive device which may be able to detect one part of nitro-glycerine in 20 million parts.

**IT IS BASED** on a small disc which turns pink—if it detects the presence of dynamite in a sealed container—by the use of a simple probe that can be pushed into a suitcase, ships' holds or airline cargo spaces.

The British industrial Rank organization, at one of its scientific laboratories, is trying out a novel "security door" as a means of combatting airline piracy.

This consists of a magnetically operated door frame which can "scan" passengers for suspicious ferrous or nonferrous metal objects as they pass through airport terminals.

Colored lamps light up if there is any unusually large amount of metal present, so that security guards can then frisk any traveler more definitely than by adopting merely random checks.

**THE DEVICE**, which may cost \$5,000, is still in an experimental stage, but will be tried out at a British airport to see if it is a marketable product, says John Griffiths, general manager of Rank Pullen Controls, of Brentford (Middlesex), who is producing it.

Other anti-hijacking moves were discussed by Knut Hammarskjold, director-general of the International Air Transport Assoc., who called for stricter airport security measures while visiting London recently.

He urged every airport to have a government-backed security chief so as to coordinate efforts to fight hijacking and bomb scares.

This would lead to closer cooperation between all airport agencies, such as customs, police, immigration and postal authorities, as well as with airlines themselves.

# special 1970 safety and security report

## Electronic systems being developed to help solve trucking industry thefts

**NEW YORK**—The most ambitious approach to the problem of cargo thefts and hijacking in the trucking industry is a scheme by which all trucks everywhere might be monitored on a continuous basis from the time they are loaded until they reach their destination and are unloaded. At least three companies have such systems under various stages of development.

Each of these three systems proposes to keep close tabs electronically on a vehicle's progress toward its destination so that hijacking the entire truck or stealing all or part of its contents can't go undetected. All three systems eventually rely upon small and fast digital computers to simultaneously keep track of the thousands of trucks that are operating at the same time. The system is known as the automatic vehicle monitoring system (AVM).

Last January, Hazeltine Corp., an electronics design and manufacturing firm located in Little Neck, N.Y., demonstrated a prototype of its AVM system that relies on a small, transceiver installed aboard each truck. Each transceiver automatically replies to an electronic "roll call," that's periodically made by the central watchdog computer.

**THE TRUCK'S** reply, transmitted in digital computer "language," provides a location fix, the identity of the vehicle, a call for help if needed and other information such as the truck's operating condition (a flat tire, for instance, could be detected) as well as the number of passengers aboard the truck.

These different "messages" (May Day's and flat tires) are prepackaged and ready to be sent in the event they're needed. This information is then fed into the computer. The computer compares the location of the vehicle to the prescribed route the vehicle is supposed to be following. If the vehicle's direction or undue stops or

delays—the computer lets the monitoring officials know so they may then contact police.

Hazeltine's test of its prototype was conducted for government, law enforcement and transportation industry officials in New York City. Jerome Zauderer, Hazeltine's product line director, explained that a dense area of tall buildings in midtown Manhattan was selected as a test site to demonstrate the ability of his company's system to operate in the most adverse conditions. The system proved able to pinpoint the location of the test vehicle within 300 feet about 95% of the time.

Mr. Zauderer noted that the system had the capacity to monitor all vehicles in an entire metropolitan area, even the size of

New York. The computer used in the system can conduct a "roll call" of each thousand vehicles every second, he pointed out.

**ANOTHER AVM** system, designed and being produced by Detektronic Systems Inc. of Newark, N.J., relies on an electronic device that transmits a "canned" message to a central receiving station when the trailer of a truck has been improperly entered. Presumably, only officials at the receiving terminal could open the trailer correctly. Paul A. Goldman, executive vp of Detektronic Systems, explained that the system operates independently of the driver.

Once a signal is received indicating that the trailer is being

*Continued on page 24*



Paul Aaron, research technical presentations group artist, Caterpillar Tractor Co. draws the cartoon character Johnnie Wonderful for upcoming safety posters, used at the industrial division, technical center and Peoria proving ground. Jack Workmar, safety supervisor and Jerry Haven, personnel assistant, of the industrial division initiated the idea of Johnnie Wonderful to increase awareness of good safety practices.

## University establishes peace school

**SAN FRANCISCO**—A school for peace-makers being established here by the University of San Francisco may help insurance companies reduce losses from the violence of dissent.

In the crash-course beginning Oct. 14 some 50 people will learn how to mediate neighborhood and campus disputes. It will be the first such course ever offered on the West Coast and will be free of charge.

"Many of the students in the eight week course," explains the Rev. Andrew C. Boss S.J., director of the Labor Management School at the University, "will be ghetto leaders. Others will be mothers on welfare, or people learning how to organize groups."

**POLICEMEN** assigned to community relations units also will participate in the course, as students.

The participants will be taught by Robert Charlebois, regional director of the American Arbitration Assn. and Warren Taylor, Washington, D.C., assistant director of the AAA's National Center for Dispute Settlement.

Training of neighborhood peace-makers has been started by Federal City College in Washington and Temple University in Philadelphia.

## Microwaves protect Windsor Castle, mint

**LONDON**—Radar protection devices developed by British scientists are now being used to guard Windsor Castle, and major government buildings like the Royal Mint.

The latest idea to cut down crime losses in offices, factories, warehouses and car parks is based on the theory of "doppler" radar waves which bounce off the wall of a room and detect intruders by changing frequency.

This involves microwaves that work off a six-volt torch battery and cannot be jammed. They can be programmed to distinguish between a human intruder and accidental happenings.

One firm claims that it has been able to cut down the cost of alarm devices substantially by the use of microwaves.

# Airport security: locking the barn door after . . .

NEW YORK—Perhaps the fastest growing cargo transporter today is the air carrier. Probably, that is. No one—including the airlines and the government—knows exactly how much cargo is being transported each year by air in the U.S. Another thing no one knows is how much of that cargo being shipped by air gets where it's going.

Said Alvin S. Roberts, secretary for underwriting for Insurance Co. of North America, a company that writes considerable cargo liability coverage: "In air cargo, the cost of theft, pilferage and hijacking losses is currently greater than the combined cost of losses from all other causes.

"How serious are cargo thefts here? Well they're important enough that the FBI stationed four permanent agents here three

years ago," remarked a security officer at the Los Angeles International Airport. Similar, rather subjective evaluations of the theft problem came from other international airports in the country contacted by *Business Insurance*. Everyone vaguely acknowledged there were some problems between thieves and air cargo departments. However, few were able to really say how extensive or significant the problems were.

A NOTABLE exception is the John F. Kennedy International Airport. There's good reason for this since no other airport has come under as hot or as sustained a fusillade for its high theft rate as has JFK. A damning series of articles in a New York tabloid threw some harsh light

on the rapidly growing monster of an airport.

JFK services some 38 foreign and domestic air carriers, includes 57 freight forwarders, customs house brokers and cartage firms. The airport handled some 753,000 pounds of air cargo last year. The airport employed 44,000 last year. However, according to one account, the effective airport security force totaled 28, including four city detectives, six FBI agents, 10 Port of New York Authority detectives, two men from the Queens' District Attorney's staff and four customs officials and postal inspectors.

One of the more difficult tasks they were faced with was how to compensate for the fact that 16 of the airlines serviced by JFK international airport had no security men of their own.

The cargo losses to theft would appear to correspond roughly to the image-conscious carriers' diligence in security: \$3.4 million was reported lost in 1969, double that reported lost in 1968. However, the newly-organized Airport Security Council sharply contradicts this conclusion—saying that the higher number of cases of cargo theft is the result of a more dedicated air carrier's concern about theft losses and, consequently, a better reporting system, rather than to any real crime increase.

BEGUN IN 1968 (March) the council is directed executive by Mario Notto, a former head of the Justice Dept.'s U. S. Immigration Service, and consists of his administrative committee as well as an executive committee

supplied by representatives of the 42 member airlines. Membership also includes the Airfreight Forwarders Assn. The council's jurisdiction covers the airports of greater New York: JFK, Newark and LaGuardia.

It has taken the council about a year to get all its wheels rolling, said Mr. Notto in an interview with *Business Insurance*. "The first thing we had to do was to institute a reporting system by which we could find out exactly what kinds of loss problems the airlines were having. A system was worked out using a standard form whereby the carriers were required to report losses in excess of \$100, regardless of their cause," Mr. Notto explained.

In modest offices in Queen's, Mr. Notto directed a trio of his staff in a smoothly-presented explanation of what was obviously a complicated picture of what kinds of losses are occurring at the three airports. In a sense, Mr. Notto's outfit resembles a "traffic control tower," determining where the current security hang-ups are taking the appropriate corrective action where necessary.

"I have every reason to believe that the airlines are cooperating fully with the reporting system," Mr. Notto asserted. "In fact, I've had reports that some airlines have reported losses as small as \$19. That makes me think we've got some pretty accurate information," he said.

MR. NOTTO TOOK great pains to explain why an increase in crime is really a good indication that the council's plans were going into effect, rather than indicating a serious crime wave. "You only know whether crimes are being committed according to what's being reported," he said. "We feel that the increase is because our reporting system is working well."

Predictably, Mr. Notto and his group were neither pleased nor impressed with the barrage of publicity the airports' have attracted in recent months. "I want to put this theft problem into perspective for you," he said, indicating what might have been lacking in some other accounts. "First of all, from March 1969 through February 1970, \$9.5 billion worth of cargo—and that is not an estimate mind you—passed through JFK International Airport. The losses for that same period amounted to \$3,368,480, and that's no estimate, either. The loss represented .035% of the value of the total cargo handled at the airport. Or, in other words, 35¢ of every \$1,000 of cargo that came through the airport was either lost or stolen. This is the kind of problem we have to deal with," he said.

The council uses the reporting system as the backbone of its intelligence analysis and dissemination operations. News of current trends of theft are broadcast daily to all members so that if a thief has repetition on his mind his campaign is more likely to be cut short. Mr. Notto readily admits that there's laxity in the security of the airports. "But the gaps are in very specific areas and specific airlines are responsible for them, therefore they can be corrected," he says.

In addition to simply receiving information sent in by the member airlines, the council's staff also makes periodic inspections of the members' facilities. Mr. Notto, in answer to a query, leafed rapidly through a small but apparently well-documented

Continued on page 34

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# Hail new legislation dealing with cargo security

By GEORGE LANGWORTH

WASHINGTON—New legislation proposed by Sen. Alan Bible (D.-Nev.), chairman of the Senate Committee on Small Business, which would establish a special five-year cargo security commission to study the problem and find new, more effective solutions, has met with unanimous approval from truckers and other cargo handlers.

Even though Sen. Bible has criticized segments of the transportation industry for their high losses and seemingly lax security measures, spokesmen from all branches of the industry were quick to support the senator's new bill.

At a recent meeting of the Commerce and Industry Assn. of New York, Sen. Bible called for a "hard look" and action on this "growing problem which is the heart of the biggest multi-billion-dollar racket nationally today—stealing from business." He charged that "poor cargo transport security is endangering the whole public carrier system. The tail is almost wagging the dog," he declared.

**PROBABLY THE** most difficult crime to measure, cargo thefts range from daily pilferage ("nickel and diming us to death," one trucker put it) to bizarre hijackings, like a \$1 million loss experienced at New York's John F. Kennedy Airport during one week last year.

Sen. Bible blamed the lack of accurate cargo crime loss estimates on "some carriers who have fought against loss-reporting" and the fact that there have never been loss-reporting systems in use for the entire transportation industry. "Too little attention has been paid by carriers to fundamental efforts to achieve security and safety of cargo," he charged.

A search by *Business Insurance* corroborated this charge and pointed up the surprising fact that no government agency (not to mention any trade or service organization) keeps comprehensive records of the total tonnage or value of freight shipped in the country. Even the figures of the Interstate Commerce Commission (and the Dept. of Transportation) were incomplete and, as a departmental staff member there admitted, of uncertain value. If it is not known how much cargo is being transported, it must be difficult if not impossible to determine how much is being stolen.

Sen. Bible's staff, however, after some research, revealed an appalling estimate that surprised some. "Upwards of \$1 billion worth of goods were stolen from truck, rail, air and marine carriers in 1969," one member of the senator's staff said. He explained that the figure included over \$700 million taken from truck and rail carriers, \$100 million stolen from air carriers and some \$200 million taken from the nation's maritime carriers.

**ONE OF THE TARGETS** which Sen. Bible has chosen is the airlines. He charged that, "air carrier thefts have tripled during the past year." One of their regular customers, the American Watch Assn. had cargo losses of \$2.5 million for one year. The members of the association which comprise the bulk of the U.S. watch industry realize a yearly profit of only \$10 million. Said Sen. Bible: "This is comparable to General Motors losing \$300 million worth of automobiles."

The senator noted that "there is every evidence that cargo

thefts from airports, from waterfront piers, and from trucks serving both, have become the favorite target of organized and unorganized crime. The answer (to this) is simple. The pickings are richer and easier. Cargoes have overwhelmed facilities. Security efforts do not provide security."

The cargo carriers are by no means insensitive to these problems. Last year, the American Trucking Assn. Inc. (ATA) created a special Trucking Industry Committee on Theft and Hijacking. In its first report to the ATA of its progress last fall, the committee noted that "a widespread general apathy toward the problems and challenges of security has been found at all levels among shippers, receivers, manu-

facturers, carriers by all modes, and warehousemen. Indisputably, such apathy on the various other levels of the individual companies concerned stems from and is fostered by the indifference and apathy of the top echelon of management."

Paul Shuster, vice-chairman of the truckers' committee on theft problems and president of his own Shusters Express, Inc. in Colchester, Conn., concurred with the senator's estimate. "I think it's fair to say we're losing cargo worth 3% of our revenue a year now," he said. Last year the trucking industry had \$13.4 billion in profits.

"**MOST PEOPLE** hear a lot about the hijackings," remarked Mr. Shuster, who clearly felt the only reason these bizarre thefts

of entire trucking units made news was because of their 'romance' value. Apparently, the press' interest was caused by an added factor in some areas, however. As reported elsewhere in this issue, at the beginning of the year, hijacks in the New York-New Jersey area were averaging 10 per week.

"What really costs us the money, though, is the day-to-day pilferage. And a lot of insurance companies just won't insure this kind of a loss," he added.

Mr. Shuster explained that his committee had offered a series of recommendations that will help the trucking industry to help itself in slowing its theft problems from a gallop down to a brisk trot, at least. "The foremost of these recommendations falls directly in line with Sen. Bible's

cargo security commission bill. The truckers themselves, organizing around the existing ATA national framework, had developed state committees which will coordinate the efforts of a national subcommittee network composed of groups working on industry cooperation between a myriad of trucking associations, tariff bureaus and other industry groups to develop a more reputable and more comprehensive system of reporting incidents of theft and hijacking on local, state and national levels.

**OTHER NATIONAL** subcommittees include groups devoted to employ security systems, physical security systems, shipper coordination with carriers, inter-  
*Continued on page 26*

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# Electronic systems being developed to help solve trucking industry thefts

Continued from page 19

broken into, patrol helicopters and/or surface vehicles would begin monitoring the truck's signal in order to pinpoint its position, Mr. Goldman explained. Once this is accomplished, the patrol agents then notify appropriate law enforcement officials and move in on the truck being hijacked.

"We have received extensive critical acclaim and comments," Mr. Goldman declared. Indeed, executives in two large trucking organizations contacted by *Business Insurance* praised the Detektronics system, terming it a "practical" and "innovative" idea. "The basic principle of our system is apprehensive in nature as opposed to deterrent; that is, we use silent radio signals that will permit us to monitor unauthorized taking of, or entering into, a truck, tractor or trailer and through the use of the monitoring device, specifically fix the location of the unit "with the help of our patrolling agents," Mr. Goldman explained. He added that Federal Communications Commission cooperation will be required for the assignment of radio frequencies in order for system to work.

**EACH DETEKTRONIC** monitoring station would be able to handle 2,400 individual vehicles. Initially, the monitoring will be processed manually by operators manning receiving equipment. However, as the roll swells, Mr. Goldman noted that it would be necessary to revert to a computer in order to keep up with the massive demands of such a large volume of monitoring.

Installation of the Detektronics device would cost \$300 a year, while an addition fee of \$15 or \$16 per month would be added for the monitoring costs, Mr. Goldman said.

Integrated Traffic Systems Inc., a Burlington, Mass., engineering firm, has come up with a somewhat different approach than those mentioned previously. The company is currently involved in a feasibility study, which may lead to the adoption

of an automatic vehicle monitoring system by the Detroit police department. The law enforcement agency is interested in such a system in order to increase the efficiency of vehicle deployment throughout its jurisdiction.

Integrated Traffic Systems vp Joe F. Lusk explained that while an automatic vehicle monitoring system could solve many of the trucking industry's theft problems, proper planning was necessary in order to prevent "loop-holes" that would render the system ineffectual.

**THE ENGINEERING** firm has developed its own automatic vehicle monitoring prototype plan that, rather than emphasizing

specific equipment usage, has focused upon special problems such a system faces. "We haven't chosen any specific equipment to go into our system," said Mr. Lusk. "Everything called for in the plan is already in use either in private industry or in the aerospace industry," he explained.

The Integrated Traffic Systems' plan emphasizes raising the cost of thievery, explained Mr. Lusk. "As the thefts increase, truckers are being forced to pay higher insurance premiums—15% to 25% within the past year. ITS has adopted the philosophy that a thief will not steal a \$500 diamond if it costs him \$500 to steal it."

Using a central digital comput-

er for the control station, data is obtained not only by area antennas but also by strategically placed "point sensors" throughout the monitoring area. These "point sensors" are needed to overcome topographical variations such as mountains or tall buildings, Mr. Lusk explained. Each monitored vehicle's position would be compared with that day's routing that is programmed into the computer prior to the vehicle's leaving its point of origin. Routes would be filed with the central control station by the truckers each day.

**"THE MOST** important thing such a system will have to have is compatibility between one region and another, compatibility between the system operated in a rural area and the system operated in an urban situation. Otherwise the gap between the two will provide an excellent cover for the thief to continue his work," Mr. Lusk explained. In

illustrating the importance of regional AVM compatibility, Mr. Lusk pointed out that the major highways linking Atlanta, Ga., and Portland, Me., were known as "the thieves' corridor."

The trucking routes were tagged with the name because thieves' activity against the trucking industry seems bounded only by those two points. "If you want to protect a truck on a long haul anywhere in this area, your monitoring systems in every segment of the route simply have to be interlocked," Mr. Lusk explained.

It is necessary to begin on only a regional basis in setting up an automatic vehicle system because of the enormous costs involved—ITS estimated the cost of a prototype plan servicing all boroughs of New York City, 10,000 vehicles a day, at \$12 million. However, national coordination of such a system is necessary if it is to prove really effective in combating crime. ■

# Design for hazards control



## Safety Services completes the design



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## Textile firms have few accidents

COLUMBIA, S.C.—The South Carolina Textile Manufacturers Assn. reported an accident frequency rate of 2.8 per one million man hours of work in its survey of 153 plants and noted that the industry ranked as the safest in the state for the third straight year. In 1968 the accident frequency rate was 2.89 and in 1967 it was 4.3.

**THE SURVEY** also pointed out that employees in 32 of the 153 plants had perfect 1969 records, showing two million man hours worked without any lost time for accidents.

"The textile industry is generally safe everywhere," James McAden, associate manager of the South Carolina Textile Manufacturers Assn., told *Business Insurance*. "Not only are employes in excellent safety programs, but they are working with less dangerous machinery than other factory workers handle. There are no stamping machines, shredders or cutters, which cause a lot of accidents in other fields." ■

# New fire extinguishing system is catching on with U.S. companies

NEW YORK—A new fire extinguishing method, the Halon 1301 system, was recently assigned an official standard on its use by the National Fire Protection Assn. and official approval by Factory Mutual Research Laboratories, thereby serving public notice of its ability to perform.

Halon 1301 is a gas in its normal state. In fire extinguishing systems developed by Fenwal Inc., a subsidiary of Walter Kidde and Co., the gas is held in a container in a liquified state. The detection component of the system is typically either a heat detection or ultra-violet radiation sensor device. The latter, however, is the faster of the two. The

system will quench a lighted match in normal atmospheres, high-pressure air and oxygen-rich atmospheres at 6' in less than 100 milliseconds without water.

The system is much faster than any other form of fire extinguishment, stopping a fire in only a small fraction of the time CO<sub>2</sub> or dry chemicals take to operate, the developers say. Halon 1301 (developed and manufactured by Dupont) unlike other fire suppressants does not act as a coolant or as a fire suffocation agent. Actually, no one is quite sure just how it works—as in the case of aspirin. However, it's thought that the gas reacts chemically to break the radical chain

reaction of a fire, thus stopping it at its most basic level.

**THE HIGH-SPEED** ultraviolet sensor has a window that allows ultraviolet radiation to pass into a cell where it ionizes the gas contained there to produce a current that discharges the starter of the system. The typical extinguisher is composed of a sphere containing 10 gallons of the liquified Halon 1301. When set off by the ultraviolet sensor, the actuator applies a force to a small thin-scored disk which releases the atomized liquid suppressant.

Although Halon 1301 systems seem to have a lot going for them in their speed and thoroughness, NFPA officials were quick to

point out that they have their limitations as well.

"Don't get the idea that Halon 1301 systems are a panacea," said Rolf H. Jensen who headed up the NFPA committee on the Halon development. He is also chairman of the department of fire protection engineering at the Illinois Institute of Technology in Chicago. "It has to be evaluated for the potential user in each possible application with the alternative systems," he noted.

The most uncompetitive aspect of the system is the cost of the Halon 1301 suppressant. "Halon 1301 competes with CO<sub>2</sub> and dry chemicals in a total flooding system," Mr. Jensen said. "In bulk quantities, CO<sub>2</sub> costs between 4¢ and 6¢ per pound and dry chemicals go for 18¢ to 40¢ per pound, whereas Halon 1301 runs between \$3 to \$3.25 per pound. This comes into play as an import factor primarily in the cost of the recharging of the system.

Also, you have to realize that it takes six times as much CO<sub>2</sub>, for example, to put out a fire as it takes to put out the same fire with Halon 1301," he explained.

**THE CHIEF ADVANTAGE** of the Halon 1301 system is that it still allows for a life supporting atmosphere. "You see, the Halon 1301 fire suppressant is a total flooding system," Mr. Jensen reiterated. "It totally permeates the closed environment under protection. If you were to use CO<sub>2</sub> in such a case any one caught in the compartment when the fire ignited would have a hard time breathing.

"Since Halon 1301 has only a slight anesthetic effect in concentrations over 7% and is normally used at only 5% concentration in most applications, the danger it represents is very low," Mr. Jensen pointed out, adding that his NFPA committee had spent a great deal of effort to make sure that the fire suppressant was not toxic. The anesthetic effect discovered when concentrations of Halon 1301 of over 7% are used is due to the production of small amounts of toxic wastes, he explained.

Aside from its relative safety, for people, Halon 1301 does not damage any of the equipment it might be protecting. The gas is non-corrosive to most metals and other materials, Mr. Jensen noted. Also, the fire suppressant's relatively fast reaction time (100 milliseconds to put out a match at 6') largely prevents major damage from occurring by stopping the fire before it has actually gotten fully started.

Because of its expense and current design limitations the Halon 1301 fire suppressant system is normally used for protecting closed environments containing extremely high-value equipment, Mr. Jensen noted. "These days it's not hard to concentrate \$4 million in value in a space barely 4' by 10'," he noted.

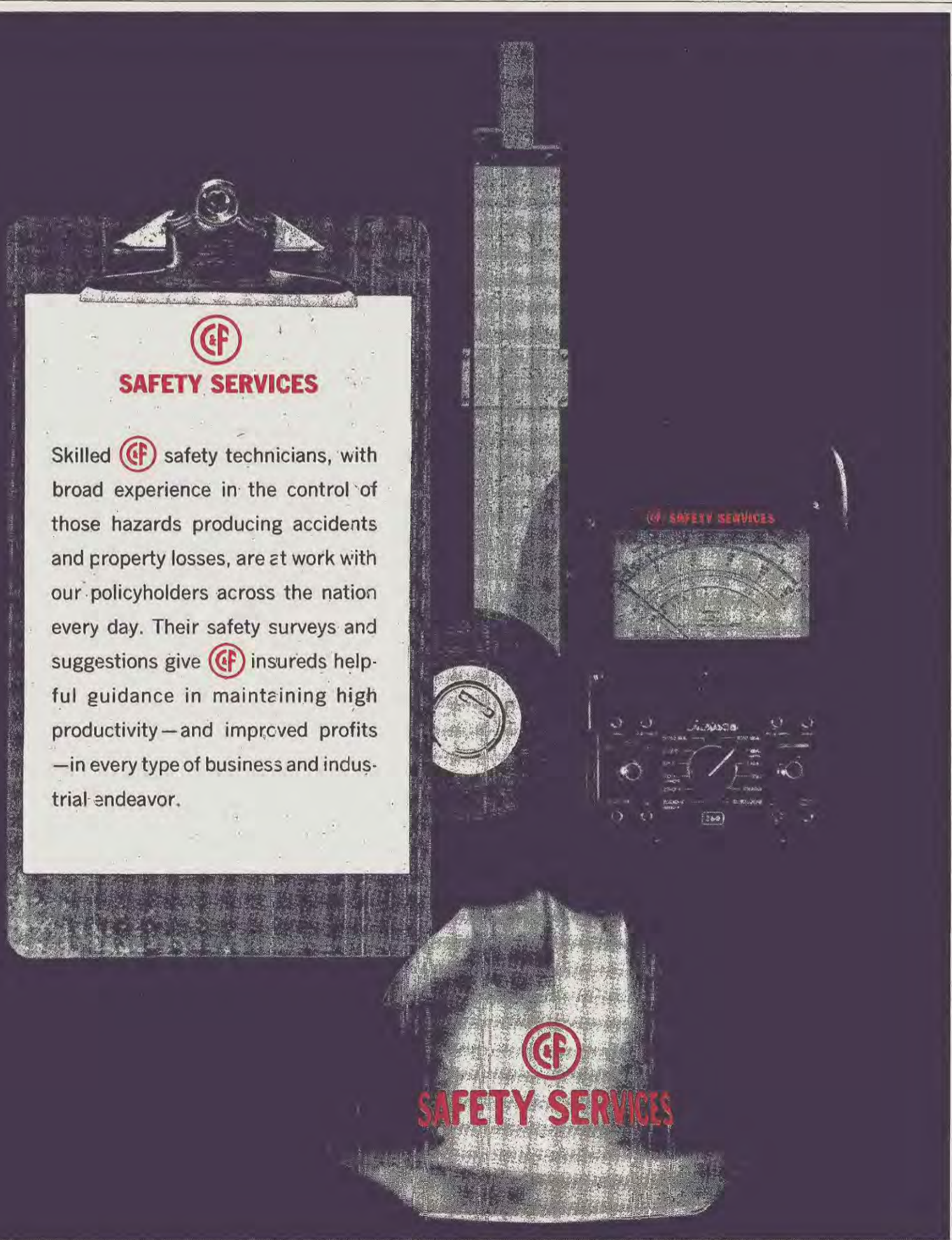
**TYPICAL** applications of the system include a computer room at Harvard University, and a computer tape storage area at a Philadelphia office of Johnson & Higgins. Also, the National Aeronautics and Space Administration (NASA) is using Halon 1301 to protect the Saturn-LEM Adapter on the Apollo project at Cape Kennedy. Halon 1301 protects personnel during the system's checkout just before a vehicle is launched. The Halon 1301, however, does not "fly" in the vehicle after take-off.

Pratt Whitney Co. uses a Halon 1301 fire suppressant system to protect its gas turbine modular unit. The company builds the aircraft gas turbine adapted for boosting flagging pressure in long, underground gas lines, in its plant in Farmington, Conn. "Our turbine units are compact so that they can be transported by rail or truck to where they are needed. So the Halon 1301 system's compactness is very important to us," Charles Thompson, Pratt Whitney's design supervisor, told *Business Insurance*.

"The fire extinguishing system is one-third smaller than any other system. And, of course, it uses a lot less chemical to do the job. It's slightly more expensive than CO<sub>2</sub>," he added.

Mr. Thompson revealed that there was some problem encountered in recharging the Halon 1301 system. "Dupont Halon is just not available everywhere in the U.S. yet," he said. However, Mr. Thompson feels that as the system gains wider acceptance throughout industry this problem will "take care of itself." This hasn't really been much of a

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# Cargo laws...

Continued from page 23

modal relations between the various types of carriers, and a legislative and regulatory affairs group based here in Washington.

Representatives of the trucking industry contacted were seldom as eager to define just who the cargo thieves are, as was Cecil D. Webster, security officer for Associated Transport Inc. in Burlington, N.C., and secretary of the National Assn. of Transportation Security Officers. Mr. Webster stated flatly that most cargo crimes were perpetrated by one or two trucking employes working in concert with one another and an outside buying source—in some cases the very retailers being serviced by the victim trucking firm.

The trucking industry, trying to cope with this problem nation-

ally, has found it rough going. Mr. Shuster pointed out that many trucking employes, after committing crimes in one area, simply disappear from there, later turning up in a completely different part of the country. Their records rarely, if ever, follow them.

The total lack of national coordination of employe investigations is being reversed in New England, however.

**MR. SHUSTER** explained that a trucker anywhere in New England can now check on a prospective employe through a central office of the state motor carrier council located in New Haven. The subcommittee on employe security reported that "one carrier currently fingerprints all employes and runs very thorough checks on the criminal record of each. This company's long-continued work along these lines results in the rejection of about 28

cut of every 29 job applicants." The subcommittee is currently working on a national personnel information file.

Many carriers are also installing a two-way radio system in their trucks as a means of alerting drivers to be on the lookout for trucks that have been recently stolen. Plans are also afoot for an automatic vehicle monitoring system that will keep track of all cargo vehicles' activity from the time they leave one terminal until they arrive at another.

Most sources in the transportation industry despaired of ever really stopping cargo thefts, even though an ongoing series of security devices and other preventive measures are being used. "These thefts can only be restricted, never prevented, because the thief always develops new methods to counteract your counter-attack on his last tactical 'improvement,'" explained Carl McDowell

of the American Institute of Marine Underwriters in New York.

As Mr. McDowell sees it, however, the big problem is really with top management. "Techniques that can adequately curb thefts exist," said Mr. McDowell. "And if there's enough demand for them, they'll be called into play. Unfortunately, neither manufacturers nor the carriers are enough aware of the problems. Until top management in both these categories interests itself in the theft problem and appropriates enough money to adequately fight it, the theft problem this industry is plagued with will never be solved," he pointed out, apparently dissatisfied with the transportation industry's efforts to date.

**AN INCREASE** in the speed and in the movement of goods multiplies the number of jurisdictions through which the cargo must pass and heightens the

problem, Mr. McDowell added. Long-distance movement of goods inhibits good security procedures since responsibility for security switches not only from one area of jurisdiction to another but also from one type of law enforcement organization to another, he explained. Coordination of the security problem must be handled on a larger than regional basis so that the "security-block" or jurisdictional lines can be broken, he pointed out.

Another problem the industry faces is one of indifference on the part of law enforcement agencies. Police tend to be more concerned about fixed property such as the local jewelry store than about moving trucks (sometimes carrying hundreds of thousands of dollars in goods) that may spend only a scant few minutes in their jurisdiction.

Mr. McDowell also warned of an alarming increase of organized crime's involvement in cargo thefts. "Organized crime is what is growing in our cargo thefts," he said, contradicting what some industry contractors contacted felt about pilferage being their largest source of losses. This form of loss is typically attributed to dissatisfied employes.

However, Mr. McDowell doesn't see a very active role for his industry in the problem. "The insurance industry can and is making a lot of noise about these cargo thefts. But we simply have to live with the fact that the solution to the problem is in other people's hands."

**SEN. BIBLE** is concerned about another controversy involving cargo transportation—that of cargo liability. Said the senator: "The Interstate Commerce Commission must decide the propriety of another example of a crime-induced hardship on both the carrier and the retail businesses—a pro-rate policy newly adopted by rail and truck carriers seeking to spread liability among all carriers in the transport chain on concealed losses and damage claims.

"This policy, tied to the insurance coverage problems, brought on by increasing thefts, dictates an alleged arbitrary conclusion that loss and damage do not occur at a single point, but that liability should be spread and borne one-third by the shipper, one-third by the truck or rail carrier, and one-third by the consignee."

Many truckers disagree that the full liability for the cargo should be placed on their shoulders. Two common reasons cited by executives contacted by *Business Insurance* are (1) truckers rarely know the worth of the goods they carry, and (2) cargo thefts are much closer to an "act of God" since they are harder to prevent than an accident and therefore truckers should be held only partially liable for the goods stolen.

Under current tariff regulations a number of items have a "released liability." This term refers to an agreement whereby the carrier has to pay only a portion of the worth of a stolen article. For example, garment cargo is "released" at \$1 a garment. This means that in the event of theft, the reimbursement to the shipper for the goods stolen would be limited to \$1 per garment.

**THE AMERICAN** Retail Federation is not exactly in agreement with this "maneuver."

"The way to reduce the thefts of cargo is to make the carriers 100% responsible for these losses," said Charles Washer, special consultant on transportation for the retailers' national

Continued on page 32

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# Insurance company keeps own house clean

PHILADELPHIA—At least one insurance company is practicing what it preaches about safety. Others, no doubt, are making attempts to "keep their own houses clean," but Insurance Co. of North America recently released figures to back up its claim.

INA, which introduced a nationwide safety program for its own offices and employes in 1968, recently reported that since 1967 the company has shown a decline of 38% in auto accidents involving its company vehicles. Similarly, disabling injuries were down 36%. National statistics among all industries indicate an increase in each of these areas during the same period.

INA's workmen's compensation costs in 1969 were \$17,073, compared to costs of \$53,497 in the base year, 1967. During the same time automobile damage costs declined to \$138,073 in 1969 as compared with \$260,770 in 1967. In addition, off-the-job injury costs declined to \$177,141 in 1969, while the 1967 figures were reported at \$237,520.

ACCORDING TO Frank E. Bird Jr., director of safety and security for INA, the reductions can be largely attributed to "employee participation in safety meetings, proper investigation of accidents, effective facility investigations and 'safety for sharing' programs for employes and their families.

"Setting up standards by which we measure our safety performance enabled us to identify our weaknesses and develop programs to improve employe awareness of safety problems," said Mr. Bird.

Mr. Bird's office also came up with a program that has been dubbed the VIM (very important motivator) program by INA. Under the program, which was established in each service office throughout the country, as well as in the Philadelphia home office, employes were encouraged to hold safety meetings for employes and families, civic organizations and schools. INA also distributed two pamphlets throughout the organization, "Supervisory Responsibilities" and "Office Safety."

The VIM program also rewards

# No sprinkler to be found

LONDON—Sprinkler systems have never been installed at 12 factories where Britain's most disastrous fires so far this year broke out. They involve heavy insurance claims, totaling more than \$12.5 million.

Now Ernest Bigland, chairman of the fire-prevention panel set up by the British Insurance Assn. and other organizations, has called for a probe into the failure of businessmen to realize the value of such loss-prevention systems.

He says: "We want to know why some firms wisely decide to install sprinkler systems, or at least some other automatic alarm devices, while other businessmen ignore the financial logic of such installation.

"The survey will help us to plan even better ways of telling industrialists of the needs for modern fire defense. The widespread installation of modern fire fighting equipment is essential if we are to see a real reduction in fire damage."

employes for "efforts considered actions beyond those required by the corporate safety program standards." The efforts are evaluated and extra points are given to those service offices responsible for initiating a comprehensive safety program. Annual awards are also given.

Mr. Bird said that perhaps the biggest reason for INA's enviable motor fleet record in 1969—the best in the company's history—is the fact that 1,500 INA drivers have completed the National Safety Council's defensive driving course. The company safety department also campaigned vigorously for the use of safety belts and other restraining devices by INA drivers



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# Colleges . . .

Continued from page 22  
tems." He said the department is considering leasing telephone lines to each of the older buildings. One line could accommodate burglar, fire and heat indicator alarms and would cost approximately \$4.50 per mile per month, he said. The alarms themselves would cost between \$50 and \$100.

For protection of larger buildings on campus, and also for all new construction, the Northwestern security department is looking into an electric lock system to close all doors in the buildings by remote control from a central point. Mr. Harrington told *Business Insurance* that two or three companies will be visiting the campus this summer to review the possibilities with him.

"ONE COMPANY offers a sys-

tem that uses a cable 'loop' to surround all the buildings on campus," he said. "A radio connection with each location can be beamed back to the control point without the necessity of miles of wiring to link each building separately to the monitoring station." He explained that a scanner would be able to pinpoint the exact location of any disturbance in seconds and that the entire system would do away with the use of telephone wires in the future.

Ken Buric, project engineer at the University of Illinois Circle Campus in Chicago, has designed and implemented an electrical security system very similar to the type Northwestern is considering. The entire system, manufactured by Universal Sentry Systems Inc., has cost \$100,000 over the two years since it was installed, he said.

According to the engineer, one

console in the police office is equipped to do a variety of things. It carries a radio network for the campus police and for the Chicago police, as well as the Chicago emergency frequency, which would be used in case of a mass riot, and emergency telephone hook-ups with selected sites on campus. The console also houses an alarm system for the majority of buildings on campus and is capable of producing a printout of all past alarms at each building. The alarm signal on the central console is audio as well as visual so that if the buzzer connection fails the back-up light will alert the police.

Mr. Buric designed the remote-control locking system to allow for students and professors who sometimes must enter a building after the locking hour. One door in each building is designated for late entries and a telephone, connected only to the

police office, is installed next to it. Anyone entering the building calls the office and reads his student or faculty identification number to the officer in charge. "Eventually we'll have closed-circuit television at the late-entry doors also," Mr. Buric told *Business Insurance*, "So that we will be able to make visual identification, too."

**LOCKING AND** unlocking tones, at different cycle levels, indicate the state of each door to the person manning the console. To register an all-safe signal, Mr. Buric said, the door must be completely closed, the electric strike must be activated and nothing must jam the strike open. A different tone is transmitted to indicate successful completion of each phase.

The cost of alarming and remotely locking all exterior doors depends on the size of the proj-

ect, he explained; the initial outlay may seem high but the amount will decrease with every door covered with the locking system. "We have underground utility tunnels here so our original installation cost was high. But in the long run," he added, "it will be lower because we can re-use the same tunnels."

"The cost of the lock for each double door, which is what most schools use," Mr. Buric said, "is approximately \$250. We use Folger-Adams' strike lock, which we tested extensively before installing."

At Columbia University in New York one of the primary security precautions taken in the wake of student disturbances has been increased use of high-intensity lighting on campus buildings. "We have had more than \$60,000 in property damage alone since January," said Warren H. Munroe, assistant director of buildings and grounds, "and we have to use photography to a large degree to identify the troublemakers. Being an urban university near mass transit, it is relatively easy for non-students to get into a crowd." He noted that, while it is easy to identify the students, it is the outsiders the police want to keep track of.

"**WE HAVE** recently installed high-intensity lights to kill the shadows around buildings where crowds congregate and to make photography possible," Mr. Munroe said.

Access to buildings has also been tightened at Columbia. "I've replaced broken or critical windows in first priority locations with polycarbon windows and those in second priority sites with plexiglass," he told *Business Insurance*. "Around our reactor and our \$10 million computer center we have installed steel shutters and all new electric alarms." He said, however, that he thought the campus had too many buildings (84) to make a central, remote-control locking system feasible.

"In the past eight years we have tripled the size of our campus police force," he said, "and now we have more than 100 men  
*Continued on page 36*



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# Mutual . . .

Continued from page 22  
"Look at the problems of the homogeneous air industry and their carrier," he continued. "And college risks may be even more homogeneous than that. Special purpose mutuals for a particular industry or a part of a particular industry have usually had to have well-financed business loans to carry them through the initial phases."

The public and institutional property plan (PIP), developed and introduced about ten years ago by the Western Actuarial Bureau, once offered lower rates to schools, hospitals and government office properties that were willing to conduct their own fire protection programs and inspections and accept a low deductible. "There are still rather substantial credits for the PIP, although recent events have reduced them," said Edwin Searl, manager of the bureau, "for those institutions who meet the requirements."

The original plan, which was for property damage only, required regular fire inspection reports to the bureau and acceptance of a modest \$1,000 deductible to avoid reporting of nuisance damage. This was later changed to \$100 per building. The expectation, said Mr. Searl, was that these requirements would make the institutions better risks by making them more aware of their own hazards.

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## New fire ...

Continued from page 25

problem yet, however, because very few of the Halon 1301 systems have been used, he added. Those systems that were activated by fires did their jobs well, he said.

**IN INCORPORATING** the Halon 1301 system into the gas turbine unit, Mr. Thompson pointed out that another limitation of the system was detected. "We discovered that we were putting the unit too close to the source of radiation. The atmosphere of the detector's immediate environment has to stay below 150 degrees Fahrenheit or the sphere will relieve itself of the fire suppressant it contains. Since the combustion chamber of the turbine develops temperatures up to about 1,000 degrees, we had to move the Halon 1301 system away from the chamber and closer to a ventilation source. This did the trick, it turned out," he explained.

Brookhaven National Laboratories in Upton, N.Y., operates, under the auspices of the Atomic Energy Commission, a 31 billion electron volt particle accelerator or, in other words, the nation's largest atom smasher. Through a series of magnetic fields the mammoth contraption accelerates tiny fragments of atoms up to speeds approaching the speed of light inside a half-mile long tunnel that's large enough in girth to run a New York subway through—comfortably.

The entire outfit is controlled—with the precision of miniature surgery—in a main control center jammed with a maze of electronic gear to handle the job and three people oversee the gear. The continued operation of this room keeps millions of dollars worth of equipment in use and hundreds of people in the laboratory complex busy. Brookhaven uses Halon 1301 portable fire suppressant systems to protect it.

"We've been using them now for a couple of months. I haven't seen these work because we haven't had any fires," Leonard Baker, manager of safety services at Brookhaven remarked. "We've got nine of the portable Halon 1301 extinguishers in use in the main control room and a small adjacent rectifier room," he added.

**NINE PORTABLE** extinguishers to protect one room may seem to be a case of overkill. However, Mr. Baker explained that the Atomic Energy Commission's fire protection standards have become considerably more strict recently—since the AEC suffered a large fire at its weapons production plant at Rocky Flats, Colo. "These portable units are scheduled to be replaced by a fixed system. We have a number of other uses for the portable units after the fixed unit's been installed," he pointed out, adding that there were several other electronic control rooms that warranted such protection.

"We didn't feel CO<sub>2</sub> was appropriate for the job, even though the Halon system is more expensive in general. We'll also be using the Halon 1301 system for the control room for our seven foot bubble chamber soon. Each new application will involve a separately engineered fixed Halon 1301 system," Mr. Baker said.

In addition to Fenwal Inc. other companies that produce fire extinguishing systems that use Halon 1301 include Norris Industries (Fyr Fyter), Walter Kidde and Co. and Pyrotec.

# 'Loss control vital:' Nestle risk manager

LONDON—Loss prevention measures are a vital part of a risk manager's job because they can save hidden wastage as well as cutting insurance costs.

This view of a corporate insurance department's function was expressed to *Business Insurance* by Albert S. Cross, insurance manager in Britain for the internationally-famous Nestle food group.

He said: "Efficient loss prevention can obviously have a favorable effect on claims experience, and therefore improve premium levels. But there is another advantage to management which is not always realized. This is the saving in time and manpower which is involved in handling seriously-damaged cargo and materials.

"The handling of damaged cargo means a wasteful use of resources of labor, materials and floor space for nonproductive purposes.

"**SUCH LOSSES** are often not recoverable from insurers, because they are a separate involvement, but they can often be larger than the actual material loss paid out by underwriters.

"In my opinion, any insurance manager who is doing his job properly must emphasize this attitude to corporate management at every opportunity he can."

How can he successfully achieve this situation?

Mr. Cross replied: "One highly effective way in which the risk manager can assist is to suggest improvements in packaging goods.

So many new kinds of container materials are now available that distribution departments can overlook them if they are not reminded of their value.

"**NOWADAYS** this applies particularly to goods which are being shipped to foreign countries, for traditional packing is often used in most unsuitable circumstances.

"The fact that underwriters have tended until recently not to interest themselves very closely in loss prevention measures may have obscured this development.

"This has led to higher ratings being charged after bad loss experiences, rather than efforts to improve preventive measures. The new role of the corporate insurance manager can be very useful in reversing this trend."

Mr. Cross, who as a leading member of Britain's Assoc. of Insurance Managers in Industry and Commerce, has many year's experience in his role, pointed to the way the fire insurance market in the U.K. is cooperating with industry to combat fire losses.

He pointed out that its members must have a vast background of knowledge on risk prevention in both domestic and international shipments that would be of tremendous aid to industry generally.

Such organizations as Lloyd's Underwriters Assoc. and the Institute of London Underwriters ought to think of ways of passing on their storehouse of knowledge about cargo loss prevention measures, so as to supplement the insurance managers' information. ■

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# Cargo laws...

Continued from page 26  
trade organization. "As things are now, when thefts go up the carriers will either raise premium rates or reduce the released liability value," he pointed out, adding that rather than trying to reduce thefts, carriers are really trying to reduce their liability.

"Of course there may be some collusion between the shipper and the carrier or at the other end between the carrier and the retailer in some of these thefts," Mr. Washer conceded, but he stuck to the premise that cargo thefts were primarily the carriers' problem. "There are a number of things the shipper can do to help out with the theft problem, though. For instance, the organization has recommended that all exterior identification of what a container holds be dis-

continued. This will make it difficult if not impossible for a potential thief to tell what's worth stealing and what's not," Mr. Washer explained.

Sen. Bible has also singled out the air carriers for their "lackadaisical and slipshod" attitude toward their public responsibilities to cargo shippers. The senator charged that the "airlines panicked in March when ground delivery service for thefts brought on insurance cancellation threats. The airlines countered by asking the Civil Aeronautics Board to cancel all normal fur shipment pickup and delivery service for the Greater New York City area, the country's fur manufacturing center, threatening paralysis for that industry.

**"THE BOARD RULED** that pickup-delivery service must be continued pending further investigation. Meanwhile, the airlines'

own cargo service would not pick up or deliver fur shipments, contrary to the board's order. In late April, the airlines admitted error—error which cost fur manufacturers profit dollars. The airlines blamed it on confusion and are now back handling furs again. Meanwhile, they are working on an insurance program to permit handling fur shipments normally."

The airlines were also criticized because their admitted liability was quite low. One of Sen. Bible's staff members pointed out that the air carriers' domestic liability limitation of 50¢ per pound of cargo was first adopted and approved in the 1880's for the railway express. International liability (with a maximum limit of \$7.50 per pound of cargo) was set by the Warsaw Pact convention in the 1930s. Cargo carrier by air is worth, on the average, about \$100 per pound, he added.

However, shippers can obtain adequate excess coverage on freight he ships by air. "The shipper must pay a premium for coverage in excess of this amount the air carrier assumes as his liability," said Normal Phillian, vp of traffic of Washington's Air Transport Assn. "Besides, any rise in the air carriers' assumed liability would be passed on to the snipper in increased costs," he added.

It is clear that there are few pat answers to the problems of cargo theft in the transportation industry. Sen. Bible noted that a "broad, businesslike examination must be made of the whole cargo spectrum, with a government, carrier, labor, and businessman-shipper partnership involved."

**THE SENATOR'S BILL**, introduced in mid-March, proposes to establish a nine member, Presidentially-appointed Federal com-

mission to investigate and recommend steps to curb cargo crime. Its members would be chosen from the ranks of air, truck, water and rail carriers, cargo labor unions, terminal-warehouse operators, the Attorney General as well as the Secretaries of Transportation and Commerce. Exofficio members would include Federal transportation regulatory agencies and the insurance industry.

The commission's duties would include:

- Defining the causes, scope and value of cargo losses and their disposal methods.
  - Evaluation cargo theft deterrents, including packaging, containerization, personnel security, physical security, law enforcement liaison.
  - Establish a uniform, centralized, loss-reporting system for all cargo.
  - Examine insurance liability limitations of all parties concerned.
  - Encourage development of crime prevention technology.
  - Recommend appropriate legislation to Congress.
- The bill proposes to maintain the commission in existence for a period of five years, its expenses controlled by appropriations by the Congress. ■

## Space safety expert will give citation

WASHINGTON—Jerome Lederer, safety director of NASA's Office of Manned Space Flight, has established an award that will be given annually to the design engineer, product safety specialist or other person or organization who effectively employs some of the wealth of accident prevention information that has been lying dormant for years.

The "Jerry Lederer System Safety Implementation Award," according to its namesake, is designed to overcome the non-use of such data during new product or system development stages.

"Good ideas should not be allowed only to migrate; they should be propelled," Mr. Lederer said recently. "Tomes full of safety studies, reports, innovations and awards are produced every year, to lie unused and unsung in desks, cabinets, files and libraries."

**THE IDEAS** Mr. Lederer refers to are the result of investigations into the circumstances surrounding accidents and product malfunctions that have occurred in numbers and that have similar causes and effects. The information, the safety expert feels, can be applied to prevention of accidents, especially where they have been found to stem from defective engineering or manufacturing.

More information on the award may be obtained by writing to Mr. Lederer at the Office of Manned Space Flight, NASA, Washington, D.C. Entries may be based on systems other than aerospace, including consumer and industrial products safety. ■

## Named vp

Dean A. Graham has been elected a vp of American Guaranty Life Insurance Co. He will be responsible for mass merchandising programs of the firm. For the past several years he has administered the credit group life and disability plans offered through the company's financial institutions.



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# Most U.S. companies called lax in security of data processing centers

NEW YORK—"Computercide" has not yet been defined or dignified by Webster but it may well be, according to a Chicago man who hopes to fill a security gap that he says exists at "over 90%" of computer U.S. installations.

Computercide can be loosely described as the willful or accidental destruction of data processing equipment. It is occurring at an ever increasing rate and costing U.S. business dearly, says Louis Scoma Jr., founder of Data Processing Security Inc. of Hinsdale, Ill., which is believed to be the only firm of its kind. Mr. Scoma adds, insurers are becoming more reluctant to insure for "recreation expenses" when a firm has its data processing tapes destroyed.

"The heartbeat of most corporations in this country is lying in that computer room," said Mr. Scoma during an interview here



Computer room security is improved with the use of pass cards issued to authorized personnel who insert them to unlatch the computer room door.

the other afternoon. "Everybody has put his eggs into one basket, but little is being done to protect the data in those systems." Mr. Scoma is particularly disturbed that many companies are putting their computers into a "fishbowl" (surrounded by glass) and out in the open where they can proudly show it off to everyone who walks in the firm's doors.

**THAT, ESSENTIALLY,** is the reason for the birth of Data Processing Security Inc. The firm, with headquarters in Chicago, consults on the proper location of data processing centers and sets up an elaborate security system that includes the use of double doors to prevent unauthorized entry and the use of electronic sensors to prevent theft of valuable data processing tapes stored in the computer room vault. Eventually the firm will also establish secure computer library-vaults in major metropolitan areas in this country where clients can store the vital back-up tapes for their data processing operations.

Mr. Scoma, who headed the data processing operations of a number of companies, including Montgomery Ward, before going into the security business four months ago, has good reason to believe his business will be successful. He can cite numerous examples where lack of security has caused companies a lot of grief—and dollars.

"A magnet the size of a quarter," Mr. Scoma cites as an example, "can destroy a magnetic tape data library of anywhere from one to 50,000 tape reels in a matter of minutes. Students studying engineering, computer sciences and even chemistry know this."

Recent developments that made headlines underscore the problem business and industry now faces.

For example:

- SDS members invaded the Midland, Mich., control center of a Dow Chemical data processing operation, used small magnets throughout the tape files and caused damage estimated at \$100,000.

- University of California campus dissidents tore through the offices of a Bank of America branch and destroyed filed tapes and records of many thousands

of the bank's customers. The damage cost the bank thousands in computer recreation expense.

- A disgruntled employe of a major book publishing and distribution company stole a magnetic tape file of customer records and then sold the information to a direct mail sales company.

- An Army officer, dissatisfied with his assignment and pending retirement, erased pur-

chasing data recorded on magnetic tape in files at a data processing center in St. Louis.

- A computer service engineer carried a magnet in his tool box. While performing computer repairs he unknowingly scrambled the records of 80,000 credit firm customers which were filed on a disk pack. The accident cost the firm \$10,000 to recreate the files.

- Recently, student rioters broke into the computer center at New York University and held the computer "hostage." When ejected, officials found a number of fire bombs placed strategically near the computer ready to destruct.

MR. SCOMA is especially critical of the haphazard way some companies store their vital back-up or grandfather data processing tapes.

"In 95% of the companies in this country if you want to get to the tapes all you have to do is get to the librarian for the firm's data processing operation." The librarian, a girl earning perhaps \$3 an hour, would be an easy prey for anyone bent on misappropriating or destroying a company's vital information. He also noted that in several instances companies records have been stolen or "borrowed" and several weeks later a new and similar

Continued on page 32

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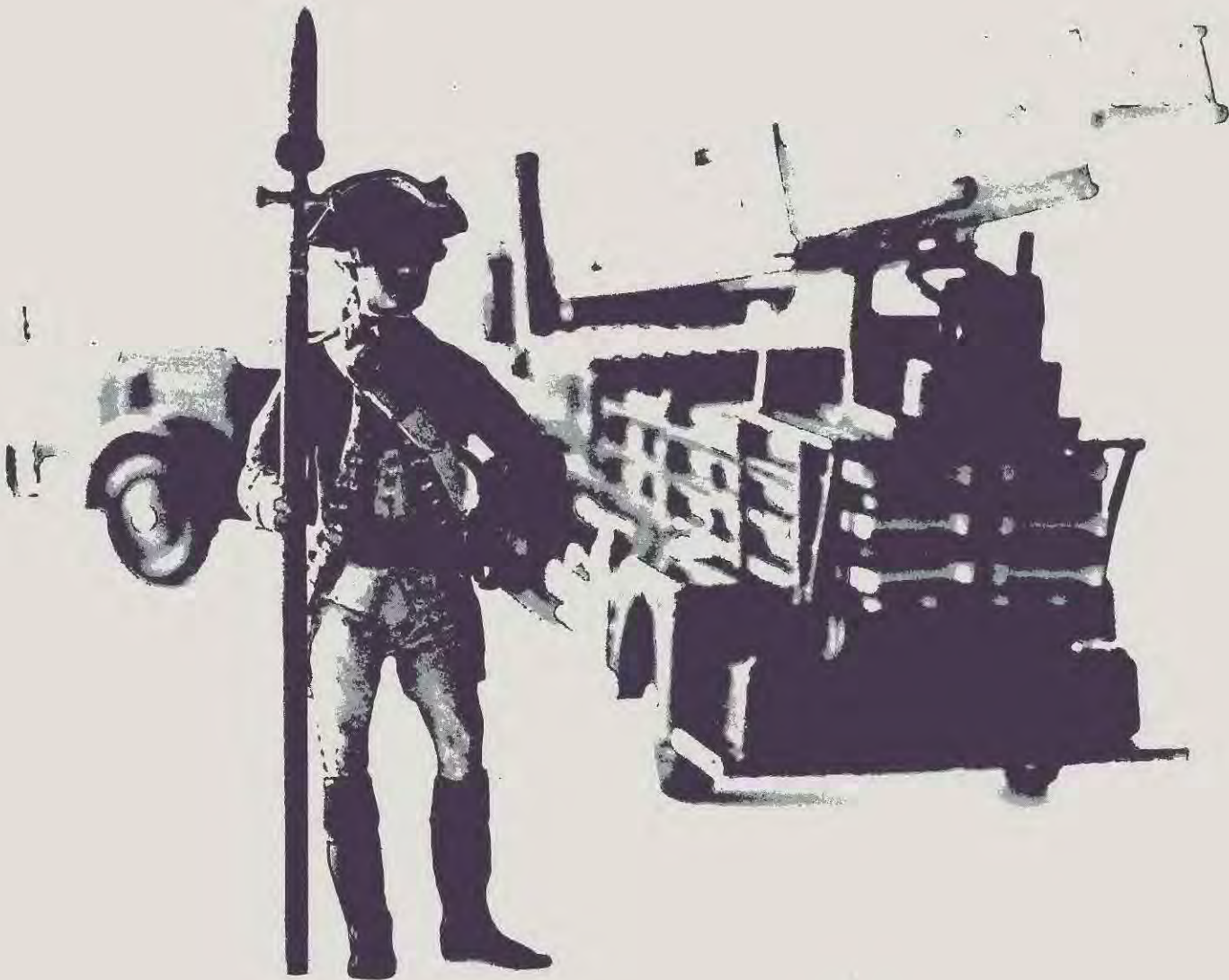
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# Airport . . .

Continued from page 20

report he continually referred to during the interview and noted that his staff had made 95 inspections of the council members in the last year, from which resulted nine compulsory procedures for all airlines to follow, 49 recommended procedures to be followed according to how well-heeled a security budget each individual member happened to have, as well as 385 specific recommendations on security problems of individual airlines.

**SEVERAL THINGS** have been changed in the council's first year of operation. For example, airline personnel departments have begun delving into prospec-

tive employees' backgrounds for possible criminal records. They have also begun forwarding pertinent biographical data to appropriate law enforcement agencies in a move similar to the military's National Agency Check, a prerequisite for a secret security clearance.

In addition, the member airlines have adopted and implemented a photographic identifying badge system, authorizing access to cargo, terminal and ramp areas for over 14,000 airline cargo employees. This has turned out to be quite a job—both in time and expense—because it was discovered that cargo employees turnover at the rate of about 20% a year. Non-airline organizations such as truckers, customs brokers and others engaged in peripheral services in

cargo areas at the airports are complying with the photographic ID badge system, allowing such access to employees of those services only when they are wearing such a badge. Port of New York Authority detectives enforce this rule.

Under the aegis of the council, additional security officers and guards have been (and are being) hired by the member airlines to bolster their cargo security programs. The system of the cargo handling process is being reworked according to the recommendations of the council. Said Mr. Notto: "One of things that was surprising about the airlines for me was that they have no idea how much it cost to ship a piece of cargo. I'm used to a more analytic approach."

Extra security protection is

being developed (where it is not already being used) for high value shipments. But this is only as effective as the cargo shippers allow it to be. "Shippers have to declare the true value of their goods. The airline's not going to take the same security precautions with a box of screws as it is with a box of rare gems," said Mr. Notto, objecting to some apparent ill-conceived attempts to camouflage the value of goods to escape higher insurance rates or to escape the heightened likelihood of theft. Currently a high value "cage" is used aboard an aircraft to segregate high-value cargo. It is transported on receipt at the airport to a sealed-off security area. A television monitoring system is being installed in strategic areas to help fill up gaps in the seven square miles of JFK where security officers cannot be at all times.

**PERHAPS THE MOST** important thing the council achieves is a highly-efficient coordination of the available security forces of all the interested carriers, peripheral agencies and law enforcement services. Mr. Notto unveiled the council's system of daily reports that keep up with

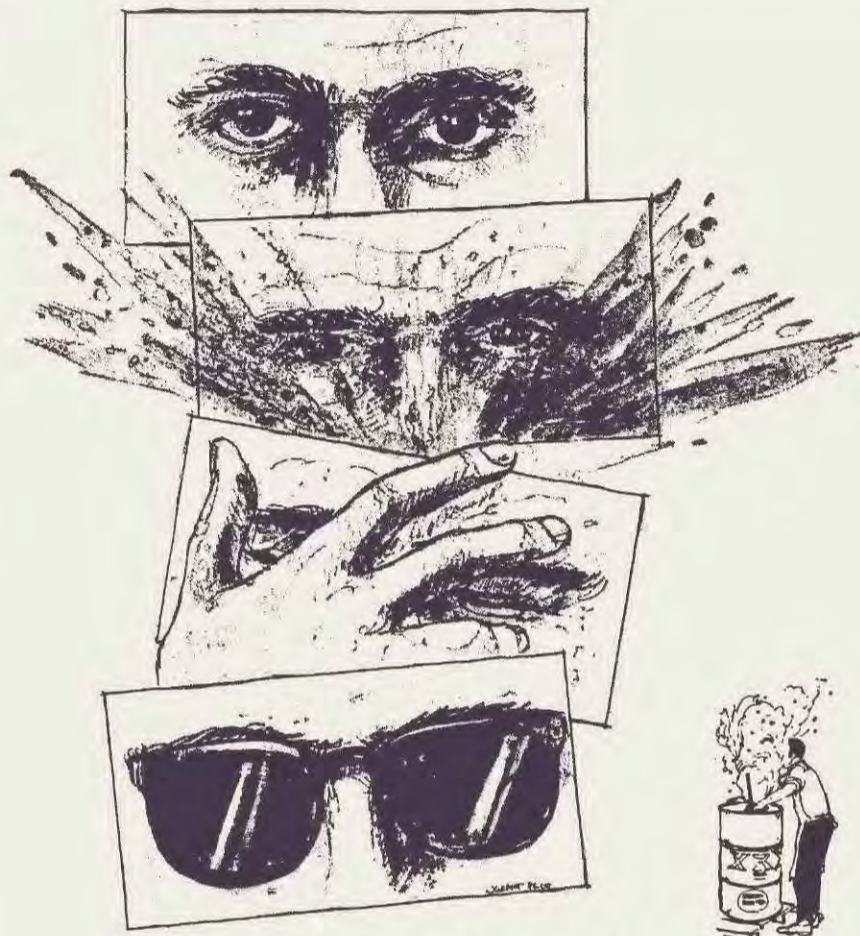
an unending tide of information about what kinds of crimes are happening and where new areas of criminal attack on the cargo system are. These reports are sent to all security offices throughout the airport systems.

Mr. Notto didn't hesitate to allude to the similarities between his own approach to the cargo theft problem and the directions contained in the popular cargo security commission bill introduced recently by Sen. Alan Bible (D-Nev.) "But which one came first?" he asks.

While the greater New York airport security program has been fully launched, other airports are lagging behind. A security officer contacted at Los Angeles International Airport noted that there was no reporting system similar to the Airport Security Council's program in operation at the LA airport. However, he mentioned that periodic meetings were being held between representatives of the airlines, FBI, federal operations and the Los Angeles Police Dept. in order to coordinate the security efforts.

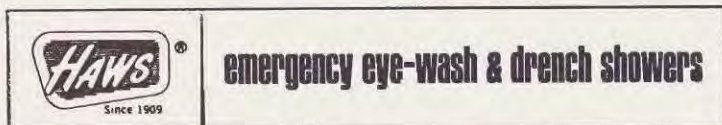
Similar reports came from other international airports around the country. A spokesman for the

Continued on page 44



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TRADEMARK

# Uptight with under 30 set? Keep cool with some groovy safety signs

NEW YORK—While safety slogans still live primarily in a stiff, grey "Please hold handrail" world, there are a few creative writers around using groovy talk and Peter Max colors to sock safety to people under 25.

One of these is Lawrence Howe, director of Howe Services Inc., Birmingham, Mich., who believes safety should swing. He provides 350 companies throughout the U.S. with slogans directed specifically to the young worker.

"Safety doesn't have to be dull," Mr. Howe told *Business Insurance*. "About 30% of today's work force is under 30 and these people want to hear it like it is. They don't want to be bowled over with a lot of traditional stuff. The old sop effect of 1940 sayings such as 'Bring daddy home safely' is out as far as today's young people are concerned."

Two of Mr. Howe's creations are, "Safe is a nice four letter word," and "Uptight? Keep cool. Be safe on and off the job."

ONE OF his illustrated posters shows a Cleopatra-type girl reclining on a divan. A caption in bold letters reads, "Desire," and under that the words, "To do your job better." Another poster, which promotes work efficiency, shows a girl in a bikini and the caption tells the employe to be a "waste watcher."

"We try to hit on the feelings of young people," Mr. Howe said. "And when I say young people, I don't mean hippies. I mean the average, young worker. There are a lot of pressures on the young today. We feel that signs that talk a young person's language stick in his mind, not only on the job, but when he goes home."

He explained that the signs are big, have bold designs and are illuminated. They are placed in a main hall or congregation place so that they don't distract workers while on the job. Signs are changed twice a month.

Mr. Howe, who has been in business 20 years and has 125 people working for him, noted that he supplies half of the top 100 companies in the U.S. with his service.

"THE SIGNS definitely attract attention and keep people thinking about the safety message," said John Kane, safety director for General Motors in New Jersey. He has used the Howe Service for about seven years.

He explained that he uses the signs to run contests among employes. After a new sign has been up for a while he goes around and asks workers at random to give him the message of the sign that was up two weeks before. Twenty-five small prizes are given for correct answers.

"There's no question about it," Mr. Kane said, "times are changing and thinking has to be redirected in a lot of areas to capture the imagination of the young."

He noted, as other Howe clients did also, that it was hard to prove that the signs actually cut down on accidents.

"THE POINT is, we know employes are thinking about the messages in the slogans and when your workers are thinking about safety, that's half the battle."

The assistant to the safety director at a New Jersey RCA plant agreed.

"I don't think safety reminders

should be dull," she said. "People like something lively. We put our safety slogans in the main hall near the coffee machine and they go over very big. The signs are so attractive and appealing that often when a new one is put up some employes come in and ask if they can have the old one. Sometimes they'll use it in a private club or organization."

Paul Bantz, industrial relations manager for the Driver Harris, a manufacturer in New Jersey, has been using the Howe Service for three years, but still feels that safety should speak in conservative, quiet tones.

"I REALLY don't go for wild

signs," he said. "True, they're attractive and a lot of the employes like them, but I think the plainer the better. The wild type of thing really doesn't belong in industry."

Mr. Howe said that most safety people thought along these lines too.

"This is not meant as a criticism of what people are doing in the safety field," he stated. "They're doing excellent jobs. But the thinking is primarily conservative."

A spokesman for the National Safety Council told *Business Insurance* that most of their work is on the program level rather than in slogans.

**KEEP YOUR  
COOL**  
SAFETY IS THE GREATEST



These are examples of "tell it like it is" safety signs produced by Howe Services Inc., Birmingham, Mich., which writes for the groovy set.

Mr. Joseph Niland of the American Automobile Assn. said his organization was very involved in high school driver education programs, but was not aiming slogans at any special age group.

"True we've updated our movies shown to driver education classes. We've made the dress and cars modern and dubbed in folk songs as background music," he said. "But we're not writing slogans for the under 25 set specifically. We

want to reach all drivers."

According to Max Fox of the Advertising Council, the group which coordinates the volunteer program for advertising agencies to write public service campaigns, the only swinger in their program is Smokey the Bear.

"If you want to reach people and continue to be effective, you have to explore and change with the times," Mr. Nagle said. "Smokey is 26 years old, but he's still effective."



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Time was when a fellow felt lucky if a lifetime of loyal service was appreciated and rewarded. (And if it wasn't appreciated, he'd better not ask for the reward.)

But these days the shoe is on the other foot. Most people have come to

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Financial and Insurance Planning

# Colleges . . .

Continued from page 30  
on it. This includes two retired police captains, one a lawyer, and a retired army colonel. But a quantitative figure doesn't tell

the whole story. What we have done is increased the number of supervisors of the various guard shifts. We emphasize their training and executive abilities because we've discovered that control of the guards has to be decentralized and on the spot."

Mr. Munroe conducts his own training programs, as well as sending his men to outside classes. He himself is a safety engineer and teaches at New York City College. He also relies on job rotation to keep the force up to par and prepared to function in all areas.

"Our motor bike patrol has been very effective here," he said. "They carry fire extinguishers and radios and, of course, a bike can out-run a fleeing person any day."

**COLUMBIA'S** policemen carry clubs and cuffs and wear riot helmets. "They carry no teargas or Mace," Mr. Munroe said, "and would never be issued guns under any circumstances. We've also switched to dry chemical fire extinguishers because they are more effective against Molotov cocktails.

"We do work with the city police," he continued, "but if they are on campus their authority doesn't supersede ours. We make the decision as to whether or not to call in outside police in cases

of criminal acts but it is the president's decision if student demonstrations are involved."

Harvey F. Yorke, director of public affairs at San Francisco State College in California, said the campus police force there is too small to maintain order and the school relies on San Francisco police every time a disruption is threatened. "But it takes fewer and fewer policemen to maintain order every time."

The "time, place and manner technique" is his name for the style in which students are handled. Students are not allowed to hold a rally at any place or time that will disturb the classrooms, he said. "We have done nothing to inhibit the freedom of speech. We just don't allow any class disruptions. And we have had no major trouble for a year."

"**OUR PRESIDENT** is in favor of using city police when they are needed," Carl Levin, business manager for Fresno State College in California, told the magazine. "The police have been on campus once and with their help we arrested rioters through photo identification."

Fresno has 12 campus policemen and Mr. Levin wants to increase the staff to 15, although he believes there should be 18 men on the force to provide "complete 365-day-a-year protection. If we needed more than 18 men," he said, "I think we would rely on city or sheriff's police.

"Almost all our men have passed advanced training courses and they are required to go through the FBI pistol training and also

to take crowd-control courses," Mr. Levin said. "Fresno campus police have always carried a gun and cuffs. He said that advanced training courses will soon be required for all state college police because of a reclassification of job requirements and salaries.

Decision making in security matters on the campus falls first to President Karl Falk, then to Dr. James Fikes, exec vp, and then to Mr. Levin.

**STUDENT FIREBOMBS** at Fresno recently caused an estimated \$700,000 loss to a computer the college leased from Control Data Corp. Mr. Levin said it will cost approximately \$10,000 to refurbish the rooms that housed the \$17,000-a-month equipment. He added that a replacement is expected shortly but that the windows in the building will first either be covered with hard-tempered steel screens or blocked out entirely. He favors the latter.

Chuck Mattison, manager, operations liaison, at Control Data in Minneapolis, said "Our insurer, Factory Mutual, makes suggestions to us and then we work with the customer but the cost of the computer involved has a bearing on the kind of recommendations we make."

The company looks at three main areas of loss prevention: Site location, construction, and housekeeping. "The last is the biggest problem because it's hard to establish the necessary discipline. It is important to keep no more than one day's supply of paper at the computer site and to use noncombustible paper containers."

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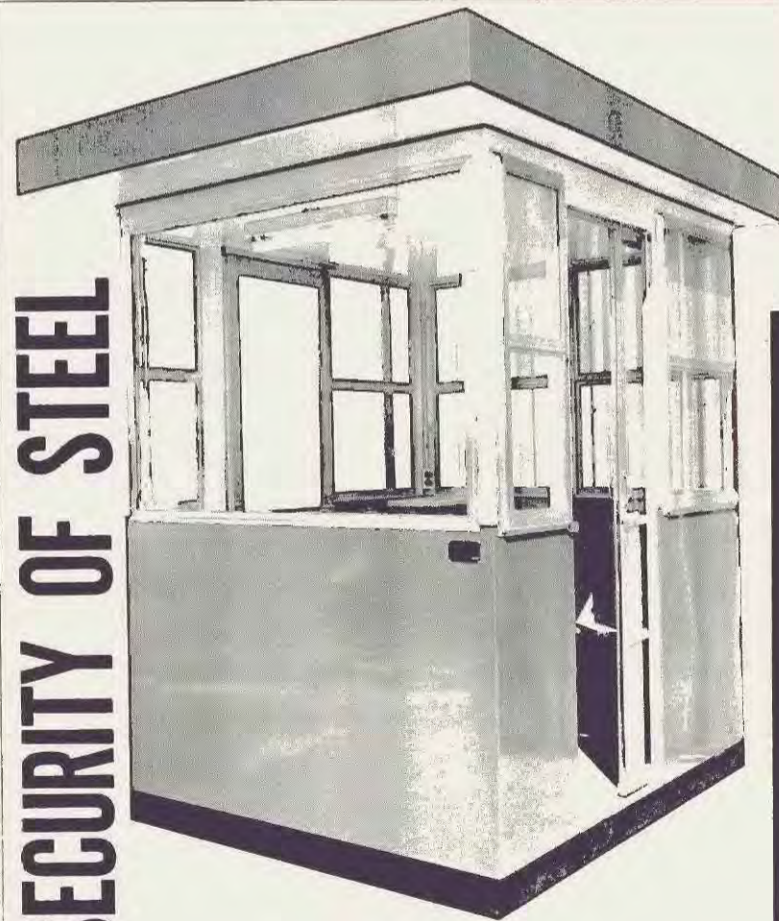
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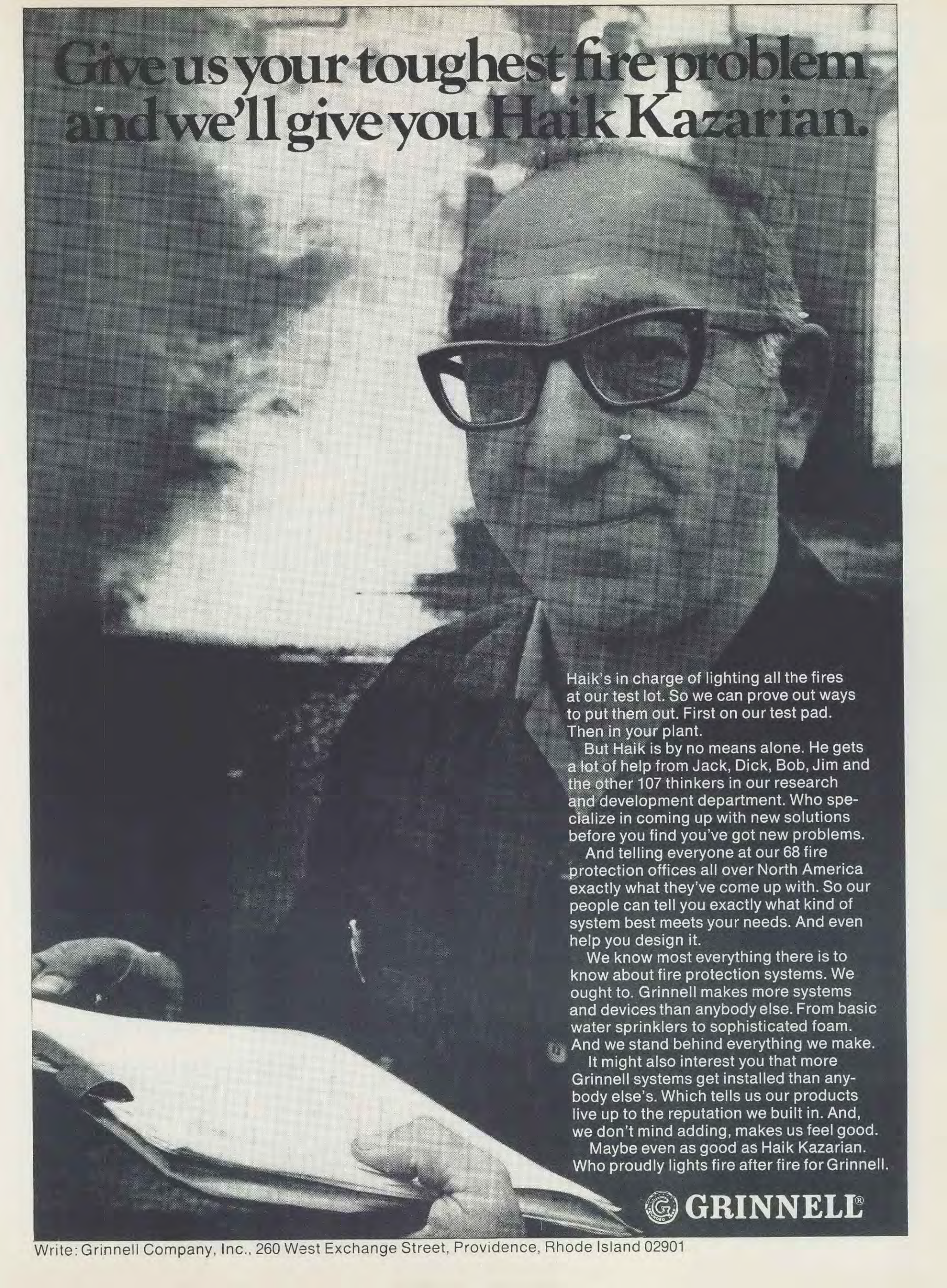
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# info for buyers

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

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

• **Basic Planning for Pilferage Control** is a booklet furnished by Wells Fargo Security Guard

Services, 1775 East Center St., Suite 202, Anaheim, Cal. 92806. The object of the booklet is to provide methods and procedures for the protection of industry's assets through security measures. For a free copy write the firm.

• **The Honeywell Building Security Catalog**, gives general descriptions of the various systems and components the firm provides for such security. The booklet also provides a building security checklist. For a free copy of the catalog write Honeywell Automation, Tom Probst, 2701 Fourth Ave. South, Minneapolis, Minn. 55408.

• **Loss Prevention Program** is a booklet outlining authoritative

recommendations that will help effectively safeguard business against embezzlement, forgery, burglary and robbery. Plans for internal controls are provided covering audit reports and other similar material. Single copies are free. Address requests to the Public Relations Department, Fireman's Fund American Insurance Cos., P. O. Box 3395, San Francisco, Cal. 94120.

• **The Chemical Safety Slide Rule** (stock no. 129.91) contains a guide to 166 chemical substances. **Injury Rate Calculator** (stock no. 129.92) can calculate accident frequency rates, severity rates, hours of exposure, and average days charged. **Safety Standards Locator** (stock no. 129.93) contains a guide to the most commonly used standards: USA Standards Institute, NFPA, American Society of Mechanical Engineers and codes applicable to industry.

All three slide rules can fit in a shirt pocket and can be ordered from the National Safety Council, 425 N. Michigan Ave., Chicago, Ill. 60611. Single orders each are \$3.00.

• **The William J. Burns International Detective Agency, Inc.** has published a booklet **Protect Your Profits with modern security techniques**. The booklet contains information about the security services of the firm and a list of its clients. Send requests to Jack Shannon, Marketing Director, 320 Old Briarcliff Rd., Briarcliff Manor, N.Y. 10510.

• **Early Warning** is a free brochure offered by Mosler Electronic Systems, 9 South Street, Danbury, Conn. 06810. It is concerned with integrated monitoring systems, their advantages, typical functions with photos of various systems offered by the company. For a copy of the brochure write the company.

• **Normda Industries, Inc.**, 6330 Riversdale St., San Diego, Cal. 92120, has published a brochure discussing the principle of ultrasonics, the difference between ultrasonics and microwaves and other frequency radio systems, placement and procedural notes. **Ultrasonic For Security** may be ordered from the firm to the attention of C. H. Peterson.

• General descriptions of the various systems and components Honeywell provides for fire detection and alarm are available free of charge in the **Honeywell Fire Alarm Systems and Components**. It is designed to assist the owner or manager of any facility in determining his particular requirements for fire alarm equipment. For a copy of the catalog write Honeywell Automations, Tom Probst, 2701 Fourth Ave., South, Minneapolis, Minn. 55408.

• The slide rule **Sound Level Calculator** (stock no. 129.94) was prepared to assist safety professionals in performing calculations required in implementing an industrial hearing conservation program. Slide 1 is of use to the safety professional interpreting noise levels, and Slide 2 is of value to doctors, nurses, and safety professionals with compensation responsibilities. Instructions are included with the slide rule. The calculator may be ordered from the National Safety

Council, 425 N. Michigan Ave., Chicago, Ill. 60611. Single orders are \$6.75 each, orders of 10 are available for \$3.00 each.

• **Wells Fargo Security Guard Services** has released **Pre-Planning for Civil Disorders** to help business and industry prepare an established system to handle these conditions. For a free copy write the firm at 1775 East Center St., Suite 202, Anaheim, Cal. 92806.

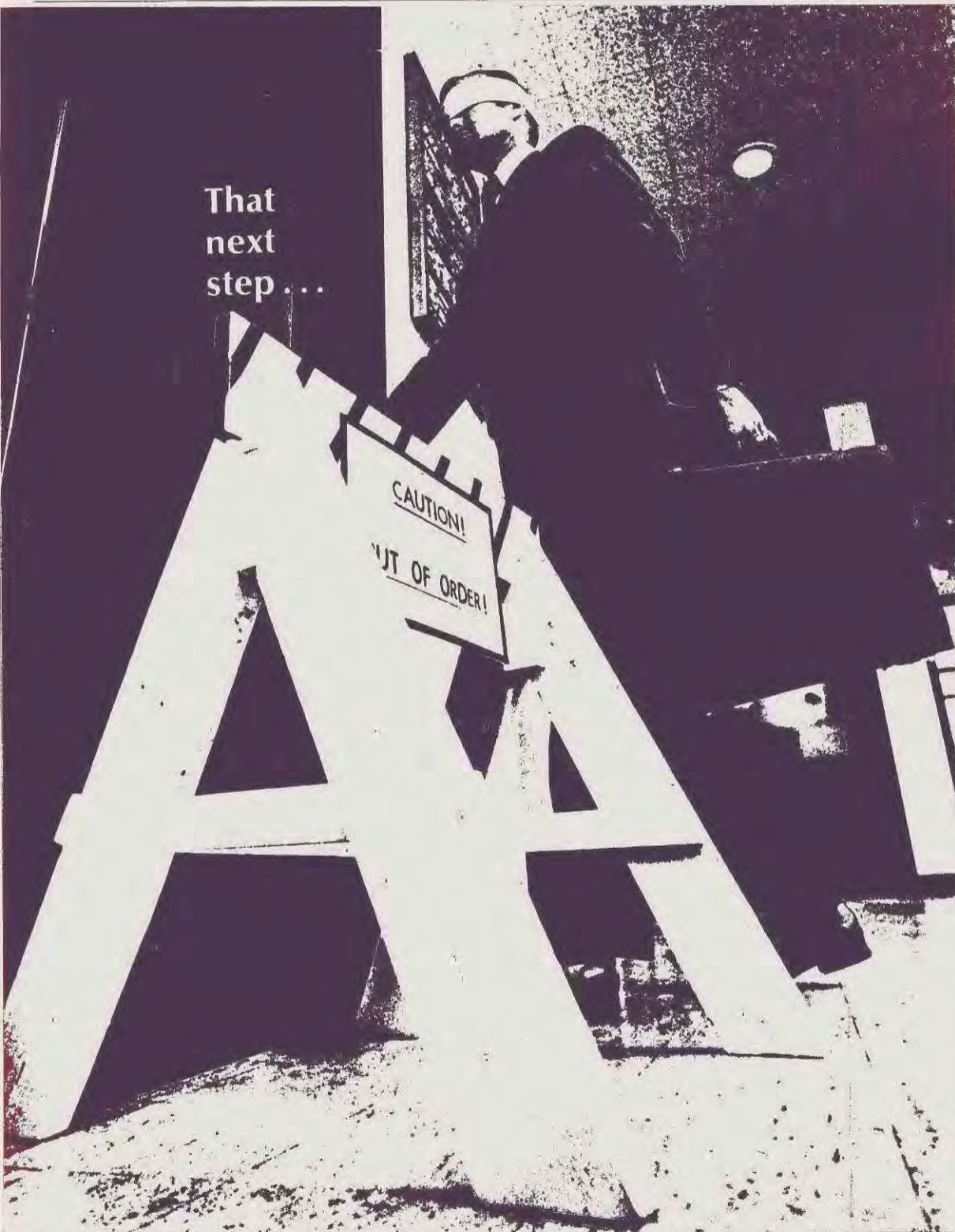
• A standardized control console has been designed to fill the need of large building complexes for central monitoring and control of fire and security systems by Honeywell Automation. **Honeywell System 4 Control Center** is a fold-out provided free of charge by the firm describing its control console. For a copy write the firm to the attention of Tom Probst, 2701 Fourth Ave. South, Minneapolis, Minn. 55408.

• **Advanced Devices Laboratory, Inc.**, has prepared a brochure on its **Microwave Intruder Detector**, a one-piece, solid-state microwave radio transmitter and receiver. The brochure compares this type of system with other detection systems and carries a few installation diagrams for department stores, banks, etc. For the brochure write the firm to the attention of Charles Handley, 316 Mathew Street, Santa Clara, Cal. 95050.

• Information on do-it-yourself safety program material is free by writing Don Chase Safety Dir., The Statesman Group, Box 394, Des Moines, Iowa 50302. Items include bulletins for management, supervisors, employees and drivers as well as safety posters and speeches.

• **Insurance and Restaurant Fires** is a 16-page, full color booklet on fire safety for restaurants from the Pacific Fire Rating Bureau, 465 California St., San Francisco, Cal. 94104. Especially written to provide an educational tool that could be used by agents, brokers, company personnel and rating bureau people, it explains the reasons and the need for some of the newer fire safety requirements and their effect on restaurant fire insurance rates. Copies are 25¢ each (minimum order of four copies). The order must be accompanied by a check made out to the PFRB.

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# Transportation Safety Board worries over lack of pressure vessel tests

WASHINGTON—Those pressure vessels that haul hazardous materials—how safe are they? No one, it seems, is really sure. So the makers of the vessels and the people who use them—manufacturers, truckers and railroads—are sitting on top of a contro-

versy that could explode at any time. "We've never had any testing of pressure vessels," warns John H. Reed, chairman of the National Transportation Safety Board, an arm of the Department of Transportation.

His concern underscores new attention from Federal and industry officials. What's bothering them is the feeling that the only information on vessels used to transport petroleum gas and other hazardous liquids and gases is gathered at the scene of accidents.

**ACCIDENTS** involving tank cars spew headlines across newspapers all over the country. Re-

cent controversy over military movement of chemical warfare agents by pressure vessels adds fuel to Mr. Reed's comments.

According to the safety board chairman, recommendations for improved construction and design of rail cars and truck trailers are made only after careful scrutiny of accidents.

"This procedure, of course, involves far higher cost to the public—not only in dollars, but also in death, disability and suffering," he says.

Reports from the Department of Transportation last year indicate that 80% of public highway rail grade crossings are unsafe, and that railroad accidents have increased 66% from 1963 to 1968.

That's an average of 700 accidents per month in 1968, compared to 400 per month in 1963.

**AT A MEETING** of the Compressed Gas Assn. Inc., in New York, Mr. Reed said, "Our study of a number of railroad accidents indicated one common denominator. In each instance, the train was carrying hazardous cargo involving highly flammable or toxic materials.

"In each case, the resultant violent explosions and spreading fires, as well as the release of noxious and dangerous fumes, caused large-scale evacuation of townspeople from their homes and from the immediate areas."

The Assn. of American Railroads and the recently-formed Tank Car Research Council are two groups planning some research and testing.

The safety board has urged them to study "the feasibility of providing cars that will resist

mechanical puncturing; the problem of controlling the flow of flammable liquids from punctures" and a probe of "adequate capacity of safety valves on tank cars."

**IT ALSO** recommended fire resistance regulations for tank cars carrying flammable fluids—"to prevent low-order explosions and rapid propagation of flame from ruptured tanks."

But to find out how safe tank cars really are, full-scale research and testing is needed. That hasn't happened yet. Who's going to foot the bill?

Mr. Reed comments: "Neither the Interstate Commerce Commission nor the Department of Transportation has had sufficient technical capability to make such independent technical tests or analyses to guide regulations.

"Nor have they ever had the necessary expertise to independently evaluate hazardous material regulations in general."

# Thieves too close to employes

CHICAGO—The major problem facing credit card firms is the alliance between thieves and the service establishment or its employes.

Milton Lipson, vp of corporate security for American Express, estimated that \$25 billion to \$40 billion is spent through the use of credit cards annually in a speech to the International Security Conference here on credit card fraud.

Another problem facing credit card security is law enforcement.

**DURING** 1968 Weinstein Farar, then a professor of law at Columbia University, released a report on credit card fraud that resulted in a model law statute adopted by 23 states.

Mr. Lipson explained that the model statute makes possession of a credit card not belonging to you presumptive of fraud; the carrier of the card is obligated to prove his intent.

The security staff for American Express was established in the 1840's. Mr. Lipson's staff numbers around 300 and is situated in 25 cities around the world. According to the vp, American Express has more investigators than all the other credit card companies combined.

American Express does not hold its credit card owners responsible for anything charged on a stolen credit card after the theft has been reported, and only up to \$100 of the charge before it is reported.

**IN EFFECTIVELY** combating credit card fraud, American Express has progressed from a stop-list carrying the names of stolen credit cards to a computer located in New York. Every service establishment, according to Mr. Lipson, is obliged to phone in to the computer to receive an authorization from American Express to accept the charge whenever a charge over the limit set for the particular center is being made.

Mr. Lipson said that his firm received approximately 140,000 phone calls per month, for which they pay. If a service center does not confirm the charge on such occasion and it is a stolen card, the service center is responsible for the charge.

American Express reported a decrease in credit card fraud from 1968 to 1969 even though the volume of business showed a one-third increase.

## Group consultant

Fred Mango, district group representative in New York for Massachusetts Mutual Life Insurance Co., has been advanced to group sales consultant, New York.

## Waters to J&H

William H. Waters, a vp with Marsh & McLennan, has joined Johnson & Higgins, New York, in the same capacity.

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# LIBERTY MUTUAL



# Safety program at Stauffer is decentralized

NEW YORK—The trend in loss prevention today may indeed be heading in the direction of having one man responsible for safety, security and products safety, but some companies are still clinging to a more decentralized form of management—and with results. If you have a winner, in other words, you stick with it.

An example of the latter is Stauffer Chemical Co., with interests in industrial, specialty and agricultural chemicals and in plastics. Its multi-plant locations each have a man on the premises who is responsible for safety and security. The firm also has a corporate safety engineer at its headquarters at 299 Park Ave. here, but he, by his own admission, acts mostly in an advisory capacity. It's sort of a fa-

ther-son relationship, Joseph N. Schindler said the other day.

Mr. Schindler summed up Stauffer's management philosophy in the area of safety in one sentence:

"The best decisions are usually reached when some disagreeing factors are involved," he said.

**THIS IS NOT TO SAY** that Stauffer safety men scattered around the country are usually at odds with the home office. They may be at times, of course, but Mr. Schindler believes that two, three or four heads are better than one and that the best solutions can be worked out when those heads come together.

"When we go into a plant we are, in effect, there to criticize. No one likes to be criticized. But

we go in like a father who must criticize the child. 'Okay,' we say, 'something went wrong. Now let's find out why and prevent it from happening again,' Mr. Schindler said. "Our purpose," he added, "is primarily one of guidance."

The corporate safety department at Stauffer is a satellite of the employe relations department. Working with Mr. Schindler is a safety coordinator.

"It's his job to gather information and disseminate it. My duties are more heavily involved in evaluating the effectiveness of the safety program on the plant level"

**THE STAUFFER** insurance department, on the other hand, is an arm of the financial department and reports directly to the

vp of finance. Its function is geared more to the purchase of insurance and not to loss prevention, although the department does work closely with Mr. Schindler and others concerned with loss control.

In addition, the firm has one other department that falls into the area of loss control and prevention. This is an environmental control unit that reports to the company's technical vp.

"The biggest function here," Mr. Schindler said of his duties, "is to evaluate the effectiveness of a safety program at a particular plant."

"All of our plants have their own safety functions. We operate somewhat autonomously at the plant level," he said, adding that his job is to determine the degree

of effectiveness of those programs and at what point they can be improved.

**"I THINK WE'RE** past the basics of safety at this point—fire protection and that sort of thing," Mr. Schindler went on. "We're now getting into the area of human behavior, communications, the attitude of supervisors and their employes. This is the big gray area of loss prevention."

"Nine out of ten times, when a loss occurs, it all boils down to human nature," the safety engineer said. "Maybe you think I've gotten off the subject of safety," he added, "but safety is a people-to-people operation. Sure, there are technical matters, mechanical things to consider, but for the most part safety concerns the human factors."

No small part of the Stauffer loss prevention program is an accident control board that reviews loss and accident records on a monthly basis. The board includes the vp of employe relations, the insurance manager and several other company executives and it reports directly to the president of Stauffer.

The various safety people on the plant level, in addition to Mr. Schindler report on a loss and perhaps even suggest solutions to a particular problem. These are then considered and weighed by the board before some final recommendation is established.

**"THERE IS NO** table pounding," Mr. Schindler said of his relationship with top management. "This is where the real support lies. These people are all very conscious of safety problems."

Mr. Schindler's office also sends out a monthly "doctor's digest" that reports on various accidents that occurred the previous month, tells what happened, in capsule form, and recommends ways to avoid a recurrence.

In addition, a monthly "safety topic" is issued by the department. Each edition focuses on a particular injury, suggests ways to avoid that injury and follows it up with posters and payroll envelope stuffers. In May, for example, the report noted that 25% of all disabling injuries—such as hernias and strains—are caused by improper handling of materials and the proper procedure for lifting various objects was outlined.

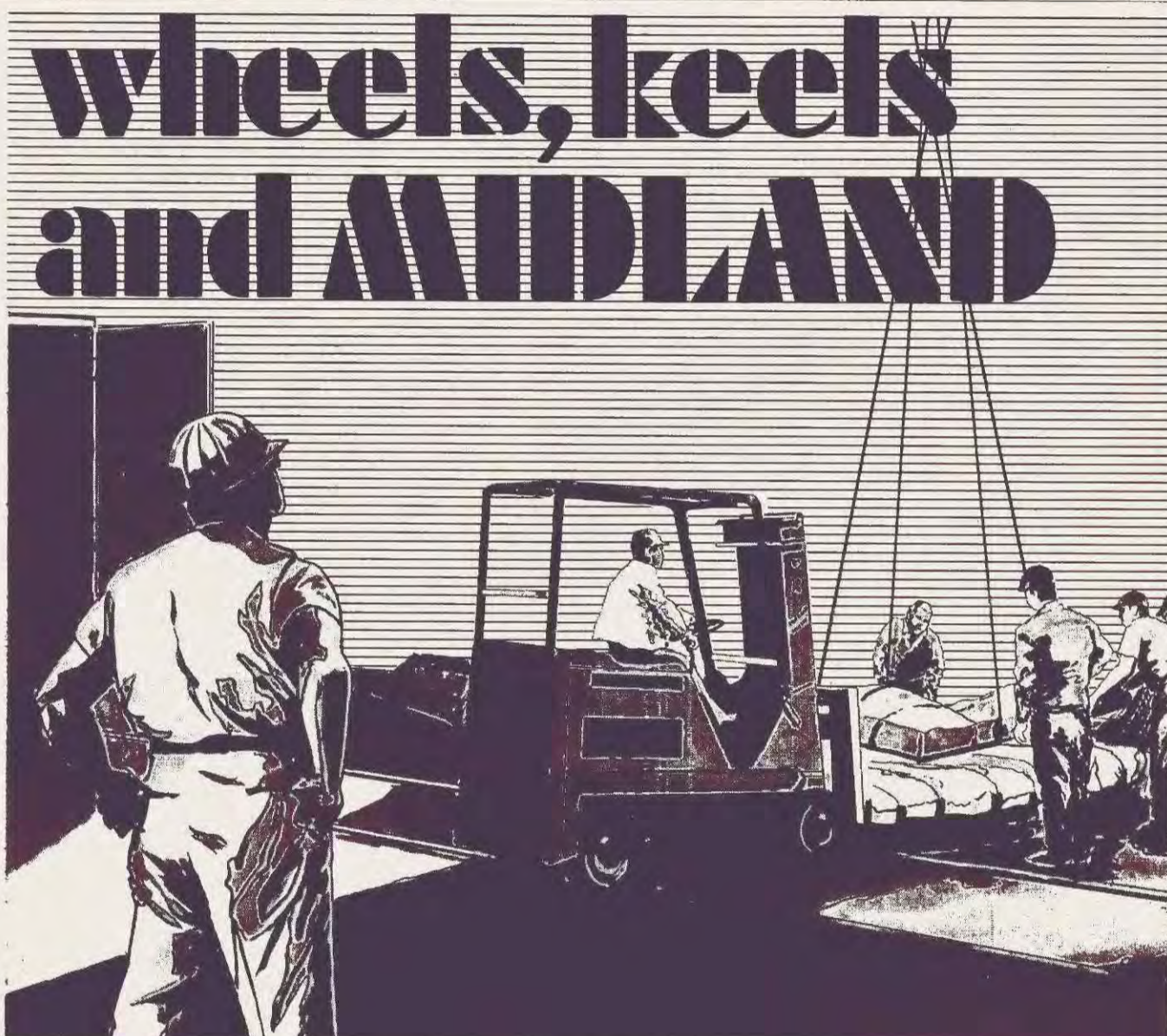
Mr. Schindler began his safety engineering career with a Texas gas company. Later he worked in similar capacities with two insurance carriers, Liberty Mutual and Royal-Globe. He has been with Stauffer a year.

**AT PRESENT** he does get involved in products safety, but only on a limited basis and mostly in Stauffer's agricultural chemical area.

"The researchers are more involved with product safety than we are. We get reports on losses, of course, but most of our concern is in the usage and labeling area—seeing that proper warning labels get on a chemical product, for example. This," he added, "is where our job differs somewhat from the safety people with an industrial concern. They would have to get more deeply involved in the design of a product that we do."

Generally, Stauffer has a safety administrator or coordinator at each plant location. However, Mr. Schindler noted, he usually wears

Continued on page 49



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# business insurance/perspective

## Industrial spies: You can thwart them

by Harvey C. Smith  
and Guy R. Banville

A SUBSTANTIAL part of marketing research effort consists of obtaining competitive information. Often such information is acquired, analyzed and interpreted in terms of the relevant competitive environment. However, in an oligopolistic industry in which few firms compete, a large percentage of one's competition may well be a single firm. It is reasonably appropriate and ethical to study a total product market, or one's competitors as a group, but when gathering data and/or information about one competitor, ethical questions arise. Furthermore, the more valuable the information one seeks about a single competitor, the more likely such information will be confidential and very difficult to obtain.

It is mandatory that all marketing researchers are aware of and cope with their own personal code of conduct while conducting their work of fact finding and information seeking. Otherwise, marketing research is likely to pass beyond the stage of being competitive and become marketing espionage and industrial spying.

The term "competitive intelligence" connotes various ethical and worthy research activities. All respectable marketing researchers must view competitive intelligence as the activity of obtaining competitive information by open, ethical and legal means. On the other hand, industrial espionage or spying should be recognized

as the collection of data and information by means which involve the violation of the basic right to privacy of one's person and property.

The problem of distinguishing between ethical and unethical intelligence practices is not easy. There is a questionable area in which definition becomes a matter of conscience. For example, one of the most widely used approaches, compar-

ative shopping, has become ethical in the

**'Distinguishing between ethical and unethical intelligence practices is not easy. There is a questionable area . . .'**

ing researcher. The practice of bribing a competitor's employe to reveal private information is considered highly unethical by most company managements. Nevertheless, one flagrant case was reported in the Harvard survey by a bank executive. He said that when he asked a loan-seeking oil company executive, "Why don't you hire a geologist?" the reply was, "Why should we?

ative shopping, has become ethical in the minds of some researchers through its wide use. Nevertheless one must recognize that this approach empolys false pretense concerning the reason for entry into another person's business premises.

**INDUSTRY DOES** not hesitate to condemn the hiring of a person to tap a telephone line, to use bribery, or the blackmailing of subordinates who are in disagreement with their superiors. One's personal definition of the differences between effective business practice and good business practice focuses on the reason for this controversy. Practically any method can be rationalized to some degree depending upon the strength of a company's profit motive—or on the ethics of the mar-

We have five geologists from five different competitors and all of them cost us only \$500 a month on a part-time payroll. Any one of them would cost ten times as much if we had him full time." By these means, the oil company was paying for spy work as well as geological services and, in addition, it had a blackmail threat to hold over the head of each moonlighting geologist.

Most progressive firms are interested in productive sources of competitive intelligence. The most valuable source is the firm's own marketing and sales personnel. Competitive trends and policies, which may escape detection at higher levels of management, are usually sensed on a day-to-day basis by the company's sales force.

The initiation of short-form competi-

tive strategy reports, the implementation of "lost business and reasons why" reports, an automatic reporting of useful intelligence in "call reports" . . . these steps can greatly increase prompt awareness by top management of competitor moves. But if top management does not have this information because the sales force does not like paper work, the whole enterprise may be the loser. An uninformed management will put the firm at a disadvantage in the marketplace.

One splendid virtue of a good trade association is that it has installed among its members a system of true and valid reporting of members' monthly orders and sales so that total market fluctuations can be distinguished from changes resulting from competitive action; and at the same time each producer has complete confidence that no other producer will ever see the figures he contributed. Imagine employing a spy to find out whether last month's drop in sales was or was not an industry-wide experience. It could not be done. But an effective trade association, working legally within the present trade association laws, could report on a regular basis how each member company fared in its share of the market. These approaches are the ethical methods of obtaining information. But now let us consider the industrial spy.

The fact that many companies have little or no conception of the shrewd workmanship of the industrial spy only makes his job easier. To quote a member of the Pinkerton Agency: "A company which spends \$250,000 doing product and market research to decide that the time is now right to market yellow lipstick . . . often this company little realizes that this \$250,000 is to them an investment that provides only six months' lead time on their competition. To treat such research lightly, or leave it unprotected in such a manner that an unscrupulous competitor has access to it, is gross negligence, for the competitor will be in a position to

*Continued on following page*

## The measurement of investment performance

by Dr. Randall S. Robinson,  
director of research,  
Bank Administration Institute,  
Park Ridge, Ill.



Randall S. Robinson

HOW DO you know what investment performance has been achieved in a pension fund, profit-sharing fund, mutual fund, or some other fund? And how do you give a report card to the manager of such a fund? Aware of the fact that these are largely open questions, Bank Administration Institute recently undertook a major research project to find the answers for pension and profit-sharing funds.

We had two goals in mind. First, we hoped the methods developed would be adopted for general use by banks and their customers. That way you could have a fair comparison of the performance of one fund with another, and the performance of one fund manager with another.

The second goal was that we hoped the methods would be extended from pension and profit-sharing funds to other portfolios managed by banks, including personal and corporate trust accounts, agency accounts and banks' own portfolios. In other words, we thought that once the basic job was done, the extension to other kinds of investment portfolios might be relatively simple. And we thought that as a result of

this extension the benefits of the original research would accrue to all investing in banks and, indeed, to all investing in the financial community.

The first phase of our study was completed in January, 1969, with the publication of three books. The first, a complete technical report entitled "Measuring the Investment Performance of Pension Funds," is fairly difficult to read. The second, a summary of the complete report, was written especially for management and is quite readable. We feel that the section of the complete report dealing with the controversial subject of risk measurement deserved to be published under separate cover, which it was. All three publications are available from the Bank Administration Institute.

**THERE WERE** two main conclusions that came out of our work. One of these was that investment performance should be measured not in just one dimension—the customary rate of return—but in two dimensions: rate of return and risk. The second conclusion was that there should

be not just a single rate of return but two rates of return—one for the fund and one for the fund manager.

Everybody is familiar with the concept of rate of return. It gives us the number of dollars earned for each dollar invested. If we have that, we can compare the results of people who invested different numbers of dollars.

You may feel that since there are a number of ways to compute rate of return it doesn't matter which way you do it, as long as you use a popular way of return. Well, our research people said no, that's not true, that it does make a difference. And we recommend the two rates of return I've mentioned—one for the fund and one for the fund manager.

The recommended rate of return for the fund is known in academic literature as the "internal rate of return." You may recognize it by other names, such as the "yield to maturity of a bond," or the "discounted rate of return" or "average compounded rate of return." Whatever it's called, we feel the internal rate of return is the best available way of sizing up a fund's overall performance, taking into account the combined impact of principal and income, and taking into consideration the flows of cash between the contributors and the fund and between the fund and its beneficiaries. So, we recommend that you measure the internal rate of return to assess the results achieved by the fund.

Why is another rate of return needed? The internal rate of return, or the fund's rate of return, is influenced by

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 compete immediately at a cost saving of \$250,000. Often the results of hundreds and thousands of dollars of research are boiled down to a one-paragraph message written in an internal communication by the president of a firm, whose secretary innocently tosses a surplus carbon copy into the wastebasket and thus into the waiting arms of competition."

**THE REQUIREMENTS** of information security demand that one must regard confidential information as packages of invested dollar bills and that appropriate protection be given them. This involves the labeling of printed material and important notebooks with the word "confidential," and the imposing of restrictions on their circulation. In some companies, such reports are numbered and are always on "one-week-only" loan.

Another requirement of security is the hiring of trustworthy employees with a close check on their previous experience and also on their ethics. It is necessary to create a clear understanding with new employees, as well as with old employees, of their legal position vis-a-vis trade secrets of the company and the disclosure of them to competition, not only during their employment there but also afterwards.

In addition, the company's telephone operator and receptionist should be aware of the possibility that revealing the presence of the company's president in Sweden may indicate to a smart competitor

that a license is being negotiated for the production of some new product.

Executives and employees alike should understand clearly that tape recorders, bugs and parabolic microphones cannot possibly hear what is not said. Many corporate executives have developed the technique of never uttering confidential data or figures, especially in unfriendly territory such as hotel rooms. They write confidential numbers or words on paper and later burn them in ashtrays, or flush them down the drain.

There is no reason for overlooking the physical security of locks, paper shredders, anti-bugging scramblers for important executive phone lines—or the omission of such vulnerable lines—and the establishment of competent security personnel.

In spite of all these security precautions, if a violation of property rights occurs, one is only furthering industrial espionage if he does not institute appropriate legal action available to him.

Legal remedies are available to fight employe pirating. Employment contracts that contain employe pledges not to disclose trade secrets and other confidential data have been successfully enforced. One company successfully sued a former employe who took their process for making synthetic gems as a basis for forming his own company.

To some extent, however, federal laws in this area have been recognized as being somewhat antiquated and improvements

are being made currently. However, a large clamor has arisen in recent years for proper recognition of the Fourth Amendment to the Constitution "to be secure against unreasonable searches and seizures," which makes this task hard.

**HOW, THEN, CAN** we make the competitive intelligence arm of the enterprise serve the company to its best advantage as well as serve the honest progress of industry as a whole? It goes without saying that the principle of the Golden Rule, "Don't do it unless you want it done to you," should attend one's efforts. Further, there should be discouragement of rewards for, or denial of advancement for those ingenious, but nevertheless, unethical researchers who resort to dangerous illegal approaches.

There is a need for education in professional ethics among some of the younger personnel, a need that should be further emphasized in American universities and colleges. Employees must realize that unethical means can have far reaching effects on the company's reputation and its acceptance by customers, and can result in financial loss.

In one's approach to competitive intelligence, he must recognize the dangers of the "mockingbird" orientation to one single competitor, with the danger of most research activities that they become defensive counter-moves instead of original moves.

The continuing importance of the dy-

namic development of originality must be emphasized. Marketing and product research programs must be based on the assumption that originality contains only so much lead time, and when that lead time expires, the company must be in the lead time of new originality. In a similar manner one should not become so absorbed in protecting old secrets that there is not time to develop new ones. Research and ingenuity must be ever producing.

Marketing researchers must also develop more of the needed competitive information and, at the same time, do it less expensively and with more accuracy and validity through the establishment or increased use of the legally constituted and legally operated trade association.

Finally, the answer to the "mockingbird" orientation may be found in one of Rudyard Kipling's poems. He wrote:

*And they asked me how I did it  
 And I gave them the Scripture text  
 'You keep your light so shining  
 A little in front of the next!  
 They copied all they could follow  
 But they couldn't copy my mind  
 And I left 'em sweating, stealing  
 A year and a half behind.*

*This article is reprinted from Alabama Business. Harvey C. Smith is manager, marketing administration and research, Vulcan Materials Co., Birmingham. Guy R. Banville, a PhD candidate, is an instructor at the U. of Alabama's School of Commerce.*

*Continued from preceding page*  
 two sets of factors. One set is under the control of the fund manager and the other set is more or less out of his control. Thus we should not hold the fund manager wholly responsible for the score he gets from measuring the internal rate of return. You may find two fund managers who do exactly the same thing, yet who get different scores using the internal rate of return, simply because they had different cash flow timing and different cash flow amounts. We felt that you ought to be able to take that out of the picture and have a score that just reflects the results of the investment decisions made by the fund manager. The rate of return that was cooked up for this purpose is called the "time-weighted rate of return." It's identical in principle, really, to the familiar unit method used for mutual fund performance, except for technicalities here and there.

Just to clarify with a simple example what we're getting at with the time-weighted rate of return, let's imagine you have two fund managers, A and B, and that you've divided the year into halves. Suppose for simplicity that both managers invest fully in a single security as soon as they get money from a contribution to the fund. Suppose, further, that both receive contributions at the beginning of each half year, and suppose the price of this single security rises during the first half year and falls during the second half year. Now, let's assume A and B start with nothing, and at the beginning of the first half A receives a big contribution while B receives a small contribution. Both invest fully in the same security whose price then rises. Both invest fully in the same security whose price then falls. At the beginning of the second half it's the opposite: A gets a small contribution while B gets a big contribution and the price falls.

The scores? A would do better than B as measured by the internal rate of return because A got most of his money before the market went up. But the time-weighted rate of return would give the same score to both managers because they did the same thing, namely invest fully in the same security. Now, this is not meant to be a realistic example, but it shows you the basic idea of the time-weighted, or fund manager's, rate of return.

We did much more on rates of return than deal with concepts. We investigated how to calculate and estimate rates of return when you don't have all of the

required information. A substantial part of our research dealt with this question.

**SO MUCH FOR** rate of return. This subject is pretty well settled. Now, risk is an entirely different story. With risk, we're just scratching the surface. The institute's contribution to risk measurement is, first of all, to invite people's attention to the fact that it's got something to do with measuring performance, that it's important, and second, to stimulate work leading to better methods of taking risk into account.

Our fundamental recommendation concerning risk is that you should measure performance in two dimensions, not one. You should measure the rate of return achieved and you should measure the degree of risk assumed by the fund manager in achieving that rate of return.

There are two questions that readily come to mind about risk. One is "What is it?" and the second is, "Who needs it?"

Let me start with the first question. Risk is a word that's used quite a bit in

**'... you should recognize that performance measurement is only a piece of a larger pie ... overall fund management.'**

the investment community. Our use of the word has to do with the concept of uncertainty or unpredictability in future events. When we say one security is more risky than another, we mean that we believe future values of that security are, somehow, more uncertain or more unpredictable than future values of the other.

**TO HELP EXPLAIN** what we mean by degree of uncertainty or unpredictability, I'm going to introduce two other ideas: the idea of an uncertain event and the idea of odds or probability.

An uncertain event is any event whose future status is not known in advance. For instance, the result of tossing a coin may be heads or tails. The result of spinning a wheel of fortune may be any one of a list of numbers. The closing market price of a given security on January 1, 1970, may be any of a large number of possible prices. All of these are uncertain events.

The second idea, that of odds or probability, has to do with how likely it is that a particular uncertain event will occur. For example, the odds of getting heads on the toss of a coin is 50%, if the coin is not warped. The odds, or probability, of get-

ting one particular number out of ten possible numbers on a wheel of fortune, given that one of these 10 numbers will be the result of a spin, should be 10%. The idea of odds or probability is now influencing tv weather forecasts in which the forecaster makes such statements as "the chance of rain tomorrow is 20%."

So we have uncertain events and associated with these events we have odds or probability. Now, risk has to do with how the odds are distributed over possible uncertain events. There is more uncertainty if the odds are spread around among events than there is if the odds are concentrated on a few events. To illustrate, suppose you had a well-balanced coin for which the chance of getting heads from a toss is 50%, and another warped coin which nearly always came up heads, so that the odds of heads are, say, 90%. Clearly, with the warped coin in which the odds are concentrated on heads, there is a lot less uncertainty about the results of a toss. Using the warped coin you would feel more confident about making a

guess that heads will come up.

**WELL, THAT'S THE** basic concept of risk. I might mention parenthetically that the notion of risk I have just described departs from the popular vernacular in which risk refers to the chance of an unpleasant event occurring. As I said, we are referring to how the odds are distributed among all possible events, not just the unpleasant ones. Consequently, a word such as "uncertainty" would probably be better than "risk."

Let's turn now to the second question about risk: "Who needs it?" You might say, "Why clutter up performance measurement with that type of thing?" The answer is because people who have studied investment results have evidence to show there is a strong relationship between rate of return on the average and the degree of risk assumed. In fact, one of the best documented propositions in the field of finance is that investors, on the average, can receive a higher rate of return by assuming greater risk.

You might say, "Well, why not just try to get the highest possible rate of return and if taking risk is the way to do it then take lots of risk?" The answer is that

there are perfectly good reasons why people might not wish to assume an unlimited amount of risk. The legitimate desire to avoid having the fund go broke or having its value depleted below some stated limit are perfectly sound reasons not to assume an unlimited amount of risk. The problem is we want two conflicting things. We want, to be sure, a high rate of return, but we also want to have safety in the portfolio. And we have to have an adjustment that balances these two desires. Therefore, when we measure performance we have to know where we are in both the rate of return dimension and the risk or safety dimension in order to see whether the balance is suitable to the people who have responsibility for the fund.

The institute's technical report covers many other topics, which I will not go into. If your curiosity has been aroused, you will find the complete story in our publications.

**LET ME CONCLUDE** with two comments about the managerial implications of this work called performance measurement. I think, first of all, that people with responsibility for pension funds or profit-sharing funds will want to take advantage of these technical developments, look into the matter, get familiar with it, and put it to work in their companies. Second, I think you should recognize that performance measurement is only a piece of a larger pie and that larger pie has to do with the overall management of the fund.

Ideally, you would like to manage a pension or profit-sharing fund in somewhat the same spirit as you manage an operating division of the company. If you do that you will be doing such things as establishing goals, measuring performance, and you'll be trying to explain or diagnose performance to give you some understanding of why good results or bad results were achieved. Then you're going to take appropriate action and sooner or later you'll be establishing new goals and starting this control process over again.

The measurement of performance will be an integral part of your control process, but you need other things, too. You need to establish goals. You need to have a provision for studying results and getting some understanding of what gave rise to good or bad performance. You need to have some ideas about what you're going to do if things don't work out and have some ideas about how to reestablish goals.

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# Airport . . .

Continued from page 34

Port Authority at Miami International Airport alluded to a new reporting system that was about to get started there. He was somewhat pessimistic about the possible results however, because, "we have a lot of really pretty carriers that are Latin pretty reticent about reporting losses."

**THE MIAMI PORT** Authority

spokesman couldn't give an estimate of cargo thefts at the airport there. However, he referred to those that are reported as the "tip of an iceberg."

The Air Transport Assn., a service organization for the airlines based in Washington, has begun a nationwide effort in coordination of security programs. "We are trying to coordinate every loss prevention program of each airline with every other airline's program," said Franklin Oelschlager, director of the Air

Transport Assn.'s office of enforcement. "You can see that our task is of much greater scope than that of the Airport Security Council," he added.

Initially, international airports in 12 cities are participating in the preliminary planning stages of the Air Transport Assn.'s master airport security program. They include: Boston, St. Louis, Atlanta, Miami, Detroit, Los Angeles, San Francisco, Houston, Dallas, Chicago, Seattle and New Orleans.

Mr. Oelschlager declined to reveal any specific security measures under discussion by the security committee, but, he felt assured that all those appropriate would be duly reviewed. When asked if Sen. Bible's proposed cargo security commission bill had been taken into account, Mr. Oelschlager noted that Sen. Bible had lifted his approach from that used by Mr. Notto, indicating that the reporting system approach had some merit.

Mr. Oelschlager denied that the recent upsurge in tightening security by airlines was belated. "This is all new! Why, up until a few years ago, thefts were hardly any problem at all," he said. Mr. Oelschlager expressed doubt that there was much difference between the various carriers' security programs. He predicted that once the Air Transport Assn.'s nationwide program gets under way the risk experience of air cargo transport should warrant reduced theft premiums. ■

# Catching the little things pays off big

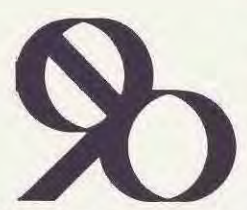
LONDON—Crime prevention men working for one of Britain's largest security firms, Securicor Ltd., have stopped robbers that would have lost industrial corporations millions of dollars in cash and goods in the past year.

By checking all the factory entrances they guard, they helped police by shutting 220,000 windows, 12,000 office doors, and 1,200 safes employees had left open.

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# Occupational disease research won by rubber workers in new contract

AKRON—In addition to more conventional benefits improvements, the United Rubber Workers have succeeded in negotiating into the new three-year contract an occupational health research and development program to be financed by a yearly contribution of almost \$1 million by the rubber industry.

"We've completed arrangements in our negotiations with Goodyear (largest rubber producer) as well as the five other rubber companies on the URW Joint Occupational Health Program," Peter Bommarito, president of the 71,500 member union, told *Business Insurance*.

"The agreement calls for an independent health survey of the work environment by a recognized university school of public health. We will establish at Johns Hopkins School of Public Health an occupational health study group that will conduct the preliminary epidemiological survey," Mr. Bommarito explained.

The study group, picked presumably from the university faculty, will visit each of the plants of the rubber companies signing contracts with the URW. Under the leadership of a chairman, the study group will conduct an exhaustive series of tests to determine to what extent occupational hazards exist in the environment of the workers, if any.

"THIS chairman of the study group will also act as chief consultant to our occupational health committee. The committee will be made up of three representatives from the companies. It will be responsible for recommending ways to implement the findings of the study group. Also the committee will recommend methods for obtaining statistical data on the health records of all employees. The committee will have access to the experience records of the insurance companies involved as well as the rubber companies' files," Mr. Bommarito explained.

The committee will field the questions and recommendations from local occupational health committees to be set up at each plant. The primary responsibility of the committee will be to set up and maintain a continuous reporting system on occupational health from all the participating plants.

The university study group will carry on a continuous research program to investigate the toxicity of all new chemicals and processes, existing chemicals and dusts of recognized toxicity as well as other working conditions that may warrant looking into. The research team is being given the right to conduct independent studies at any and all plants when they feel it necessary. Once a new hazard is identified, the study group will be responsible for conducting a study to determine appropriate handling procedures of the new chemicals considered toxic.

"Johns Hopkins is where we're starting the program," Mr. Bommarito said. "It's going to be continuous—we're not going to stop it after one or two years. If they can and want to continue to handle the project they probably will. However, other universities and schools of public health will probably be called in to assist on the project," he added.

**THE PROJECT** on occupational health, first of its kind in any industry, will be financed by a

company contribution of one-half of a cent for each hour worked by all the employees covered by the new contract. According to Mr. Bommarito, this amount will reach over \$1 million each year. The money will be used to finance the ongoing research as well as a follow-up program of preventive medicine that will be established at all the plants of the rubber companies signing the contract.

The project will begin as soon as the agreement with the university is finalized. The membership of the unions just ratified the contracts negotiated earlier this month.

In addition to the occupational health research and development

program, the new contract called for an increase in the term life insurance provided by the company from \$7,500 under the old contract to \$8,500 under the new one. Occupational accidental death and dismemberment coverage maximums were increased from \$3,750 to \$8,500.

The formula governing pensions was increased from \$5.50 per month for each year of service with the company to \$7.75 per month for each year of service. Those already retired under the old contract limits will receive a pension increase of \$1.25 per month for each year of service.

Early retirement benefits under the old contract were revised to be based on the amount of

service an employe has, rather than how old he is. Any employe with 30 years or more service is eligible to retire, subject to a schedule of pension levels geared to how long he has worked.

**IN ADDITION** to the pension benefits, Goodyear provides what the company calls a "bridge in transition" benefit. The benefit is actually a survivors' benefit in that it pays the spouse, children or dependent parents—survivors—of an active employe who dies \$150 per month for a period of 24 months. The \$150 per month is continued to the widow or widower who is at least age 50 when the employe dies until the widow or widower remarries, reaches age 62 or becomes eligible for unreduced social security.

Goodyear is self-insured on hospitalization benefits. Changes in medical benefits brought on by the new contract include an increase in the payments to doc-

tors for visits to the hospital. Under the old contract the company would pay a doctor \$5 per visit for up to 365 days of the patient's confinement. Under the new contract the company will pay \$7 for each doctor's visit up to 730 days of the patient's confinement. The benefit also covers dependents.

Maximum diagnostic and laboratory benefits for the employe and his dependents were increased from a flat \$100 for all dependents to \$100 for each dependent in any one year. X-ray and radium therapy payments from \$300 maximum for the employe and all his dependents to a \$500 maximum.

A new benefit will pay for all miscellaneous medical devices such as braces or trusses, their initial fitting as well as later adjustments if needed.

**ANOTHER** new benefit is a \$1 deductible prescription drug plan

*Continued on page 46*

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# Long hair and safety? Hair nets may solve it

NEW YORK—Safety directors and personnel managers say they haven't had much of a problem with long hair in business and industry, but when they do, they may even slap a hair net on it.

"He'd cut it or he'd wear a hair net, that's all," said the safety director at a food manufacturing firm. "It's against the law to work around food with loose hair. Luckily, we haven't had the problem, though. We have a few moustaches, but that's about it."

Another food company safety man said he wouldn't even allow a whisker in the place.

"They're shaven, well groomed and clean or they don't work here. We don't hire hippies," he stated.

JAMES CRELLIN of the public information department at General Motors in Michigan was a lot more liberal. GM was the only plant contacted that had some long haired workers.

"We've recognized it as a safety problem since about 1966," Mr. Crellin said. "We make men wear hair nets or caps if they work around machinery. We've had a few instances of hair getting caught in equipment, but you can't refuse to hire someone who has long hair. Most young men today are wearing it. You'd eliminate a lot of good people that way."

Fred Pisani, a personnel manager for ITT in Nutley, N.J. agreed.

"If a guy came in who was intelligent and capable and happened to have long hair, I'd hire him," he said.

BUT, HE NOTED that hippie types weren't usually turned on by industrial work.

"They're in liberal arts fields mostly, such as philosophy or journalism," he pointed out. "In fact, I've been in this business for 14 years and haven't even interviewed anybody with long hair."

He sounded a little disappointed when he said that, and added with a touch of true rebel spirit, "I have sideburns."

## Keeler named vp

Fred A. Keeler has been appointed employe benefits vp, Norman G. Bercich has been named assistant vp, and Paul Howell has been named loss prevention engineer of The Clarke Co., of National Environment Corp.

## Sees rise in hijack exclusions required

CHICAGO—By the end of 1970 approximately 80% of all aviation insurance policies will contain an air piracy-hijacking exclusion. This was the prediction of Waller B. Smith, United Air Lines director of corporate insurance, at the Insurance Information Institute's college professors' conference here.

Mr. Smith told the conference that London insurance underwriters were already beginning to require such exclusions. He attributed the emphasis on air piracy-hijacking exclusions to troubles in the Mideast, where planes have been shot up or blown up and passengers have been killed and injured.

The conference, which presented insights into the practical approach to insurance, was attended by 23 college professors of insurance and finance from universities throughout the Midwest.

## Hijack heist out-of-pocket for TWA

WASHINGTON—The bizarre drama that was played out on board a Trans World Airlines 727 at Dulles International Airport here early this month will cost the airline less than \$25,000. The cost is for repair to the craft, which was riddled with bullet holes. There will be no insurance claim, since the amount will be absorbed by the airline's deductible.

It could have been worse, however. An unemployed bread truck driver, Arthur G. Barkley, hijacked the plane while enroute from Phoenix and held the craft and its passengers hostage, demanding \$100 million in ransom money from the U.S. government.

Before he was subdued TWA had rounded up \$100,750 from banks in the neighborhood of Dulles International. Had he gotten away with the heist, a TWA source told *Business Insurance*, it would have been an "out-of-pocket" expense for the airline. "We gave it of our own free will," he added, noting that the sum would not have been an insured item under TWA's corporate insurance program.

## Stations have no-cash rule at night

SAN FRANCISCO—A policy of "no cash on hand" during night hours at Standard Oil stations throughout the West is expected to "substantially" reduce the petroleum firm's self-insured losses from robberies.

The company policy, started in the Southern California area as an experiment, "obviously has been a success" according to W. E. Beaton of Standard's insurance department, and was extended to all of the company's hundreds of service stations in the Western marketing area.

The plan, which also calls for staffing Standard stations at most locations by a minimum of two men, is aimed at "reducing the incidence of service station robberies by removing the source of temptation."

## Company offers fire-fighting class

ELMSFORD, N.Y.—Safety First Products Corp. sells a variety of fire extinguishing materials. However, the firm is the first to admit that selling a particular fire extinguisher is one thing and making sure that the buyer knows how to use it is another.

For several years now the firm has been running a fire school on the company's training grounds here in a secluded area of Westchester County. The most recent sessions were held for safety men in the steel industry in mid-May. Another three-day session gets underway Wednesday, June 24, for safety men in the petroleum industry. Utility company safety experts will have a three-day safety session available to them in late September.

Limited to 35 students, the classes "offer maximum individual exposure to a great variety of industrial fire protection problems," according to Roger R. Cholin, president of Safety First. "The accent is on technique, teamwork, and leadership. We are dealing primarily with the men who manage, who are responsible for fire protection in their organization," he added.

The safety training programs are offered at no cost or obligation to industrial and commercial organizations. However, noted Mr. Cholin, they are usually oversubscribed and placement is on a first-come, first-served basis.

In addition to the specialized sessions for petroleum and utility companies other general sessions will be held this year on July 16 and 17, Aug. 6 and 7, Sept. 10 and 11 and Oct. 15 and 16.

## Rubber pact...

*Continued from page 45*  
It is scheduled to go into effect on July 1. However, just how it is going to work, or who will write it, has not been determined. This benefit also includes the employe as well as his dependents.

The new contract provides the employe with a new choice about what kind of medical care he wants: He can choose between a group medical practice plan, where available, or individual care. The company will pay an average of the cost of the individual care into the group plan if it is chosen by the employe.

In the supplemental unemployment benefits program, the companies agreed to increase the annual contributions so that the maximum funding of the trust will be increased from \$300 per employe under the old contract up to \$375 per employe. Contributions will be resumed to the fund once the fund goes below \$260 per employe—thus providing a new "floor" for the fund, something it's never had before.

Benefit and wage increases have been estimated to be worth \$1.30 per hour per employe over the life of the contract. Goodyear estimated its wage and benefits cost under the new contract at \$150 million for the three year period.

## Wis. CPCU elects

The Wisconsin chapter of the Society of Chartered Property and Casualty Underwriters has elected John D. Rowland, Carpenter-Roland-Batenburg, president, John M. Haker, Northwestern National Insurance Group, vp, John Hinze, T. E. Brennan Co., secretary, and Wilbert Kedrow, Milwaukee Insurance, treasurer.

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Utica Mutual Insurance Company

# Expect Congressional approval of job safety bill

WASHINGTON—It seems certain now that Congress will pass an occupational health and safety bill this year. This feeling has even extended to the Department of Labor, which is busy gearing up to administer the measure—"at least as well as we can without knowing what the final bill will contain," a high ranking official of the department told *Business Insurance*.

The House Education & Labor Committee is locked in heated combat over the provisions of the bill, but the debate is expected to end soon and the adopted version sent to the floor of the House. The problem is basically to work out a compromise between the very strong bill reported out of Rep. Daniels' House labor subcommittee and the revised proposals made by the Nixon Administration following the Daniels hearings.

House action will prompt the Senate labor unit to move, as it is understood to be waiting to see what the House does with the bill.

**THE LABOR** Department is developing ideas and layouts for implementing almost every possible combination of rules that Congress might finally adopt, the official said.

He speculated that it would take at least five years from enactment to get the full program really rolling.

First, he said, the department will be engrossed for about two years in developing standards, regardless of the method Con-

gress designates for this task to be accomplished.

Most versions of the bill call for interim standards to be used while full standards are being developed. These interim standards will undoubtedly be borrowed from Walsh-Healey, he speculated. The Walsh-Healey Act was passed in 1936 and sets basic labor standards for work done on Federal contracts over \$10,000 in value.

**DURING THIS FIRST** two years, the states will have a chance to form their own programs and submit them for approval as substitutes for Federal controls, he said.

Then, he continued, it will take a great deal of time negotiating with the states over the acceptability of their various plans.

A lot depends on how much money Congress appropriates to administer the law. The final version of the bill will probably contain a provision under which states can get up to 90% of the funds needed to develop their own plans.

But, if Congress fails to give the Labor Department money enough to provide these funds, state action will be slowed considerably. The department is right now studying the types of grants it will allow states.

**ANOTHER AREA** being closely studied by Labor in anticipation of a safety bill this year is which safety research and development projects should have a priority call on Federal funds. Also, study on

the establishment of safety training programs for industry is underway.

Besides Walsh-Healey, the Labor Department administers the newly-passed construction act (which sets safety standards for firms with federally-financed construction contracts), the McNamara O'Hara service contracts act (which does the same for firms with service contracts) and the maritime safety law (which covers longshoremen and harbor worker activities).

There are currently about 1,800 state and Federal safety inspectors. Estimates of how many it would take to do an adequate job policing an omnibus safety bill run as high as 6,000.

The provision allowing states to pre-empt the Federal program by developing their own plan which is at least as strict as the Federal one, presents the business community with a difficult problem.

**TRADITIONALLY** business has favored state rather than Federal controls, but pragmatists in U.S. industry now see trouble arising from having to face the prospect of as many as 50 different sets of state standards, all based on minimum Federal requirements.

This, they point out, would result in manufacturers having to meet the highest state standard. To make it worse, this maximum standard could be a very elusive, constantly changing animal as states regularly update their safety codes.

This philosophical paradox of business has many lobbyists un-

easy, and some really squirming. They are generally sticking to their guns however in favor of states having the right to pre-empt Federal controls, while talking vaguely about exemptions for certain goods moving in interstate commerce. The problem is present in both the Daniels and the Administration bills. Regarding other provisions in the safety bill, the business community has no problem defining where it stands. There is almost universal opposition to the Daniels bill and general support for most of the provisions in the revised Administration proposal.

**HERE ARE SOME** key differences and similarities in the two bills:

- Under the Daniels bill the Secretary of Labor would set safety standards. The Administration proposal—supported by the business community—would establish a five-man National Occupational Safety and Health Board, all members of which would be required to be technically competent in the field. The original Nixon bill would have required only three members to be experts.

- The Daniels bill would give the labor secretary the choice between national consensus standards, established Federal standards or standards developed other than by the consensus method.

- The Administration originally went along with industry, asking that existing national consensus standards be required to be used

as a starting point. It now would allow the board to depart from national consensus standards if it can show why its new standard would provide a better safeguard.

- To the chagrin of industry, both the Daniels bill and the Administration's would give the labor secretary the investigation and enforcement responsibilities. The original Nixon bill agreed with industry's view that while the Labor department should handle investigations, the board should judge violations and assess penalties.

- The Daniels bill would allow inspectors to shut down a business for up to five days, under certain conditions. The Nixon bill requires that a shut-down order be issued by the court, a safeguard strongly supported by business.

## New safety products

# Hearing conservation is current 'hot spot' of steady, sedate safety products industry

NEW YORK—The quiet, steady safety product industry is not one for racing to the rooftops to announce revolutionary equipment developments, but there are some interesting improvements in hearing protection devices and security protection systems.

"When you ask what's new in safety equipment, I can't really point out any bang-up, super-hydro-propelled developments," said Charles Sumwalt, an official of the Industrial Safety Equipment Assn., the trade group for all safety product manufacturers except the makers of clothing. "The standards in the industry are very high to begin with, so it's a matter of research and improvements on what we already have."

Greying, dignified, slow talking, Mr. Sumwalt seemed to characterize his industry. He had a yellow and black sign on his wall reading, "Hard hats must be worn on this job," and had a pair of safety glasses on his nose. Safety glasses for a job behind a wide mahogany desk in a carpeted, air conditioned office?

"That's right," Mr. Sumwalt said. "I believe the cobbler's children shouldn't go without shoes. No one anywhere should have glass in front of his eyes that is not safety glass."

**HE NOTED** that safety glasses as well as hard hats and face masks had not changed much in the last 25 years and if he had to pick the hot spot of the industry it would be in the area of noise protection.

"With Federal legislation such as the Walsh-Healey Act, the field of hearing conservation is



An industrial nurse instructs this worker in making a cone-shaped ear plug. The material consists of thousands of overlapping glass fibers 1/25,000th of an inch in diameter.

getting a lot of attention from employers and is becoming quite exciting," Mr. Sumwalt said.

He pointed out that hearing protection devices have been around a long time, but the problem has been one of getting people to wear them.

"Loss of hearing is such an insidious thing," he said. "It goes gradually and a lot of workers just accept the fact that it's going to happen to them. I think companies are now trying to educate their people better in this area. Also, manufacturers are coming up with more attractive and comfortable protection."

**DR. ROGER MAAS**, director of hearing conservation of Employers Insurance of Wausau, said that a new plug-type sound silencer from Wilson Products Division, ESB Inc. of Reading, Pa., was very effective.

"It doesn't work out of the ear with jaw movement," Dr. Maas said. "That's often been a problem with ear plugs before. They fit securely when the worker puts them in, but after a few hours he's not getting the protection he should because the plug has loosened."

He pointed out that Swedish Wool, which is a fluffy angel

hair-like material that is inserted in the ears in the same way as cotton wads are, is lightweight and more effective than cotton. It has been in the European market for about 10 years, but has come

*Continued on page 48*

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# Systemed to study effect of human factors on safety of rail operations

WASHINGTON—An examination of how factors such as fatigue, age, state of health, and training or experience affect the safety and efficiency of railroad operations will be the focus of a study contract to be undertaken for the Department of Transportation's Federal Railroad Administration by Systemed Corp. of Newport Beach, Cal. The contract is for \$125,000.

According to FRA Administrator Reginald N. Whitman, 27% of train accidents in 1969 were attributed to human factors. "Lack of specific, detailed information in this area, however, has deterred any serious attack on the overall railroad safety problem," he said.

The four-month study, first of its kind on U. S. railroads, will include: identification areas requiring research on psychophysiological factors specifically re-

lated to railroad operations; and formulation of a research approach and program on these factors relative to health and safety in the operation of trains.

**THE STUDY** will also make a comparative review of analogous laws regulating human factors in the railroad industry and other modes of transportation to determine deficiencies at the Federal level pertaining to railroad operations in the U. S. and alternatives for new approaches to better health and safety practices.

The FRA administers the Hours of Service Act, which limits the hours of service of train and engine crews, dispatchers and operators. There are no other Federal laws, regulations, policies or procedures applicable to hu-

man factors in railroads such as are applicable to other modes of transportation.

Mr. Whitman said that the study will involve a digest of all available and pertinent information on human factors research concerning the railroad industry and other modes of transportation.

The study will also attempt to provide useful data on human factors affecting the health, fitness and effective work performance of railroad personnel directly involved in, or connected with, all train movements.

## Hall names executives

Thomas Livingstone, vp and director of Frank B. Hall & Co., has been named general manager of the firm's New York office. In another appointment made by Melvin A. Holmes, president of the brokerage, James J. Innes, vp and director, has been named director of regional office operations.

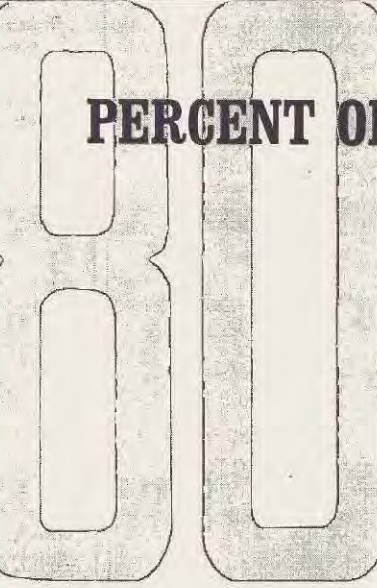
## Air group offers \$10,000 reward for hijacker arrest

BURLINGAME, Cal.—Insurance industry concern over the hijacking of commercial aircraft welcomed the posting of a \$10,000 reward for information leading to the arrest and the conviction of airline hijackers of the future.

The reward was posted by a new Air Travelers Assn. organized here by attorney William A. Jennings, president of the new group.

Mr. Jennings said "Lloyd's of London will guarantee our new reward program for payment when and if someone earns it."

He added that the reward would not be paid any airline employe or passenger-in-interrupted-flight or to any law enforcement officer.



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## New safety ...

Continued from page 47

to this country just in the past year. It is made by the I.C. Webb Co. in Rockford, Ill., and by Flents Products in New York.

Flents has also come out with a lightweight (6-oz.) ear muff, which is similar to the new muffs being produced by Bausch & Lomb and American Optical.

"**LIGHTWEIGHT** muffs, especially American Optical's 1600, are going like hot cakes now on the market," Dr. Maas said. "Previously one of the big complaints of employes was that muffs were too hot and heavy. Now ear protective devices are a lot more comfortable."

While making an employe more comfortable, Dr. Maas said that management and the industry was also making the worker more aware of the noise pollution dangers.

"The hearing conservation field has improved 100% since 1962," Dr. Maas stated. "Before that it was terribly neglected. The big hurdle, of course, was people's attitudes. They grow up

learning things such as, 'Don't put anything in your ear but your elbow,' and lots of other no-no's. If a guy wore his ear-protectors, he felt he was doing it to get brownie points with the boss."

He said that about 20 million people in the United States were going deaf because of noise pollution on jobs. Ear damage occurs when a worker is exposed to over 90 decibels of noise for a long period of time. Exposure for more than five hours a day for eight to 10 years could cause deafness.

**PEOPLE THINK** deafness is just part of the job and that they can always get a hearing aid. But once hearing is gone, it's gone," Dr. Maas said. "My own father went deaf working in a saw mill. Loss of hearing creates a lot of problems and frustrations at home, and it's all so unnecessary. But I think employes are getting better educated now. They're realizing they don't have to retire deaf. My slogan is, 'Ears alive at 65.'"

In addition to hearing protection, respiratory equipment is also a big market. Frank Ash of

American Optical said that his company came out with a new pocket mouth piece respirator, designed specifically for emergencies.

"It could be used by trapped miners," Mr. Ash pointed out. "It totally eliminates the possibility of improper fit or of breathing the contaminated atmosphere. A nose clamp shuts off that passage and a filter apparatus is inserted into the mouth so that the person can only breath processed air."

Mr. Ash said the product came out about two months ago.

**THE MARKET HAS** not only came up with new protection for employes, but also with some new security devices to protect buildings.

J. Marrett of Unican Security Systems in Montreal said his company has come out with a unique mechanical combination security switch.

"This can be used to lock machinery or to protect entrance ways," Mr. Marrett said. "We originally had planned to market them to apartment houses, but industry seems to be more interested in them."

Mr. Marrett explained that the switch has buttons on it numbered 1 through 5. By pushing a certain combination of these numbers the employe unlocks the machine. As an added precaution the device is also secured with a regular lock and key.

"**THERE ARE OVER** one thousand possible combinations for the switch," Mr. Marrett said. "So it's almost impossible to break through it. Also, an automatic alarm on it prevents tampering. If the combination is tried more than three times, the alarm goes off."

He said the switch is being used at Cape Kennedy and at several banks.

The 3 M Co. has also developed a new lock. Theirs is equipped with tear gas in addition to an alarm. The lock, which is still in the development stage and not widely marketed yet, is designed for small shops, trailers and tool sheds on construction sites.

"Theft on construction sites is a big problem," said Robert Johnson at 3 M. "People get into the tool sheds and steal small things such as copper wires, hammers and nails. Our lock is equipped with a tear gas vial on the inside of the door and when the lock is tampered with, the gas is released. There is also a tear gas warning on the outside of the door, which should work as a deterrent to thieves before they begin."

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# Arkansas uncovers solicitation of lawsuits

LITTLE ROCK, Ark.—A sudden rise in alleged personal injury claims against Little Rock taxicab firms brought a quiet investigation by the Arkansas Insurance Department. Probers found widespread solicitation of personal injury lawsuits by lawyers in Pulaski County and the cooperation of several physicians in the illegal practices.

Arkansas Insurance Commissioner Allan W. Horne said this week that he is furnishing his findings in five cases to the committee on professional conduct of the Arkansas supreme court, which is empowered to bring disbarment proceedings against four attorneys involved in the cases. He said three physicians were involved in the five cases and that he would also provide his information to the Arkansas Medical Society.

Mr. Horne refused to name the lawyers and doctors pending more investigation and action of the supreme court and the medical society. He said the evidence in the five cases showed fraudulent practices and was "incontrovertible." Arkansas law prohibits solicitation of lawsuits by lawyers.

**JOHN W. HALL**, president of Black and White Cab Co., said that his firm has been swamped with about 100 personal injury claims in the last three years. When the Insurance Department's investigation began last fall, Mr. Hall said, the word drifted back to lawyers and doctors. Because of this, he believes the number of claims has dropped to six so far this year.

Mr. Hall said that Mr. Horne, the late Frederick U. Andres, president of Yellow Cab Co. and he had a meeting last fall. Since 1967, Mr. Hall said insurance companies had increased their

liability rates because of what they termed the "alarming" rise in claims. He estimated that half the claims against his firm were fraudulent. But since many of the claims were of the nuisance nature, that is, more costly to defend than to settle out of court, the company settled, he said.

Mr. Horne said that he was ordering all automobile insurance companies doing business in Arkansas to furnish his office with evidence of future case solicitation by lawyers or their "runners." All such cases will be investigated, he said.

"We're more interested in stopping future sharp practices than in catching those in the past" Mr. Horne said.

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## Stauffer . . .

*Continued from page 40*  
more than one hat—often he's the personnel director or an engineer—and his primary function is to coordinate the internal safety program. The primary responsibility at each plant location, nevertheless, remains with the plant manager.

"Generally," Mr. Schindler said, "when the plant manager gets deeply involved and communicates the safety program to his employees, we have the best loss experience."

**MR. SCHINDLER's** most difficult task in the scheme of things? He thought a moment.

"Safety itself is not a specific science," he said. "It goes into that great gray area of human behavior." It was here that he mentioned the father-child relationship. Scoldings, in other words, are not always enjoyed by the children, even though the children—the autonomous plant locations in this case—are of age and more or less on their own.

Is this an inhibiting factor in overseeing the safety and welfare from his New York office?

"It depends on the people involved," he answered. "It could be an inhibiting factor if they say, 'Well, we're quite autonomous. You can't tell us what to do.' But," he added, "we usually arrive at a mutually satisfactory solution to a problem. The best decisions are usually reached when some disagreeing factors are involved." ■



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# Nuclear plant safety: The safest of the safe?

By SUSAN TRAUSCH

NEW YORK—In the nuclear reactor power plant industry there's no such thing as a once-over.

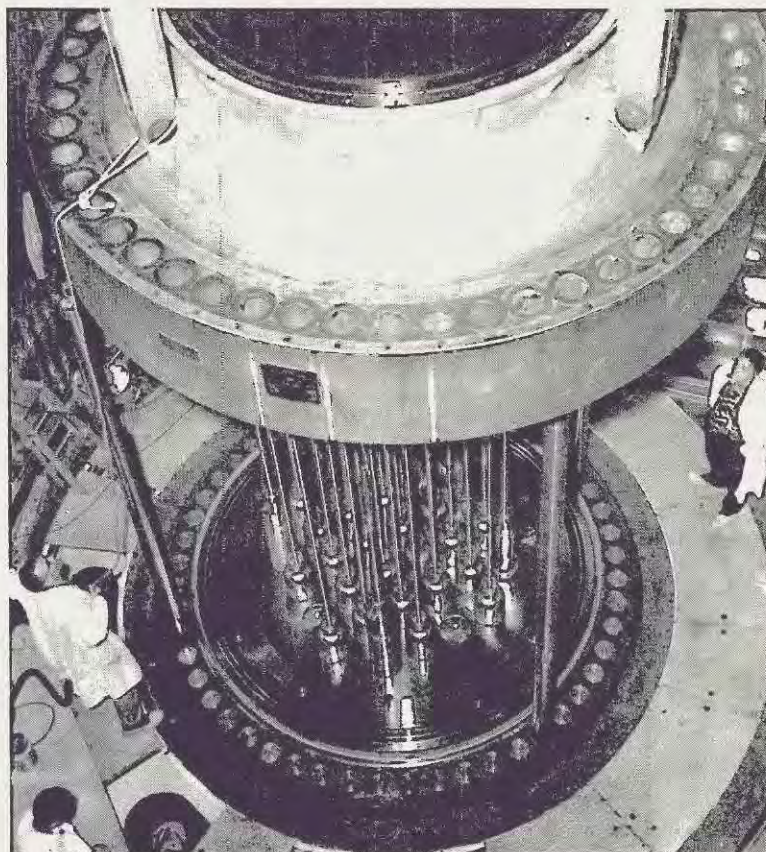
The industry that has had one of the most outstanding safety records of all U.S. industries is full of professional nit-pickers who check, recheck, quadruple-check and then check it again, just to be sure. Automatic controls are built into nuclear plants to moni-

tor equipment. Technicians watch the controls. Corporate safety committees watch the technicians and the equipment. Two insurance pools inspect those inspections. And the Atomic Energy Commission (AEC) watches everybody.

"The nuclear power plant industry is unique," said Joseph Fouchard of the public information department at the AEC. "We not only follow the usual industrial safety standards, but have a whole set of rules dealing with the handling of nuclear material. Unlike other industries where a lot of the rules are set up after an accident occurs, we had everything down before we even thought about breaking ground for the first power plant. As a result the safety record has been excellent. And we intend to keep it that way."

The determination, along with a cautious pride, was evident as safety engineers, plant directors and insurance men talked with *Business Insurance*. They want to reach the public and dispel the misunderstandings that sometimes raised the mushroom cloud spectre and slapped the name with the nickname, "nukes," indicating they were in some kind of conspiracy to rule the world.

"THE PEOPLE who work in nuclear plants are extremely dedicated and highly qualified. We have the utmost confidence in them," said Lawrence W. Burkhardt, director of nuclear insurance at Fred S. James & Co., a brokerage firm which places coverage for reactors. "I get tired of hearing the unwarranted criticism directed at the industry. Nuclear energy is the safest, cleanest and most efficient way of meeting the nation's power needs. The people pointing their fingers at us now are the ones who would be crying if they had to turn down their air conditions on a hot summer night."



Installation of a reactor vessel head at Yankee plant, Rowe, Mass., is accompanied by all the loss prevention checks that have given the nuclear power plant industry an outstanding safety record.

According to reports from the Atomic Industrial Forum, there are now 17 nuclear reactors supplying electricity throughout the U.S. There are 47 under construction, and 48 in the planning stage.

"There has never been a single liability claim made against a nuclear reactor power plant," said Joseph Marrone, general manager of the Nuclear Energy Liability Insurance Assn., (NELIA).

NELIA, along with the Mutual Atomic Energy Liability Underwriters (MAELU), provides \$82 million in liability coverage for one reactor. The Federal government, through the Price-Anderson Act, supplies an additional \$478 million. The Nuclear Energy Property Insurance Assn. (NEPIA) and the Mutual Atomic Energy Reinsurance Pool (MAERP) cover one reactor with \$84 million. The deductible for a large plant is a minimum of \$50,000.

"THE PROPERTY record has also been excellent," said Sumner Stanley, assistant general manager of NEPIA. "There have been all types of claims, just as in any other industry, but we consider it a very good risk."

Lawrence Cummings, assistant manager of the nuclear department of Marsh & McLennan Inc., brokers that have placed about 45% of all nuclear reactor coverage, said that most property damage was in run-of-the-mill fires, boiler breakdowns and other machinery problems, but that there have been no claims arising from nuclear material hazards.

"Capacity in the mid 1950s was only about \$60 million in both insurance pools," he said "and since then it's increased about \$20 billion. I think with the care the nuclear industry has taken, and the excellent record it has shown, the capacity is bound to increase."

He noted that the most property insurance a plant could get now amounted to about \$100 million, but that the actual value of plants often ran to as much as \$200 million.

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malfunctions, another backs that. There is no single system that is solely responsible for an operation."

He also pointed out that there were three levels of automatic action that went into effect if a plant process departed from normal procedure.

"AT THE first level, an alarm goes off in the control room," Mr. Rhode said. "At the second level there would be an automatic action to stop the process, and at a third level there would be an automatic shut down of the plant."

To illustrate the extremes to which safety procedures went, Mr. Rhode pointed out that the reactor could be turned off from outside the control room. This would be used in case of fire, or in the unlikely attempt of sabotage.

With all the built-in back-up systems, most of them automatic, it may sound as though the plant could practically run itself, but Mr. Rhode pointed out that very intense training was required for technicians watching all this equipment.

"Key supervisory personnel usually have at least four years of special courses, plus supplementary night classes," he said. "With study and preparation it takes at least six months and sometimes as long as a year for an operator to get his license."

HE NOTED that operators are required to memorize operating procedures and must take a written exam on them. Review examinations are given periodically. Also, if an operator transfers to a new plant, he is required to take another examination.

"I think that probably in this industry more than any other you have a real sense of team spirit with other workers," Mr. Rhode said. "We are very proud of the excellent record and feel a very strong responsibility to keep it up. From the plant superintendent all the way down through the ranks, we feel obligated to assure public safety."

To assure employee safety within the plant and to protect workers against excessive radioactivity contamination, Mr. Rhode pointed out that daily checks are made of occupied areas such as the control room, locker room, lunch room and entrances.

"Areas where contamination has less probability of occurring are checked once a week, and the entire plant is checked every month," he said.

IN ADDITION to being required to wear special equipment and film badges, employees must also be surveyed for radioactivity three times a year and undergo periodic urinalysis tests when exposed to radiation.

Nine Mile Point has been in operation since 1969 and supplies electricity to an area about the size of Syracuse. Mr. Rhode noted that the permanent staff numbers 60 employees, which would be about the same in most nuclear plants comparable in size to Nine Mile Point.

"We have about 66 employees at our Yankee plant in Rowe, Massachusetts," said Charles Keenan, vp of the Yankee Atomic Electric Co. "They have to be constantly on their toes and highly trained although their jobs consist primarily of watching equipment. In fact, when a tour group comes through the plant, we say, 'Now you're going to see a lot of guys sitting around, but that's good

Continued on page 51

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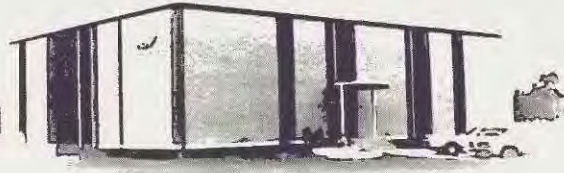
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*They're getting corporate status*

# The times are 'achangin' for safety directors

NEW YORK—Safety directors have often been considered the school marm of industry, passing out the rule books and shaking their fingers at the 'no-nos.' While this image still holds true in a lot of small firms where safety is usually a sideline of the personnel manager, the tune of the hickory stick is changing for big business safety men.

According to a *Business Insurance* survey of about 15 firms and associations, safety directors are getting one of their biggest boosts from Federal legislation, such as the Walsh-Healey Act. Better education is also bringing the safety director off the shelf and out into risk management, systems analysis and behavioral science.

"The safety man used to have such a prissy image, and often still does in some small companies," said the safety director of a New York elevator manufacturing firm. "He went around saying things such as, 'Have you been good? Did you wear your safety glasses today? And the job usually fell to the soulless wonders

in business, the people who defined the world in terms of pieces of paper, the mice who didn't want to shake the rulers of the palace. But today, a good safety director has to have guts."

**THE 37-YEAR-OLD** safety director, who came to his post from the personnel field, expressed the feelings of several others interviewed when he said that the job required a tough humanist who demanded safety standards even if the demands stepped on management's toes.

"I have access to all top management offices and I can walk in and say I'm going to shut down operations if there is a con-

dition threatening employees," he said. "A safety director has to get people off their duffs and make them care about other people."

He felt that while the safety director's post is in a specialty area, it's not out of the corporate mainstream as it used to be.

"A safety director has to have a broad picture of what's going on," he said. "He can't just look at an individual accident and say 'This happened because John Doe took the guard off of his machine.' He has to go far beyond the one accident. He has to look at tools, foremen, employee education, the entire system. The job is becoming, more and more, one of systems analysis."

**CHARLES MARTIN**, president of Risk Engineering Services, a consulting firm, also thinks that the job is becoming much more complicated.

"The word 'safety' is obsolete," he pointed out. "It conjures up images of boring meetings, awards, pats on the back, ad nauseum. Now, forward-looking companies are going into loss prevention engineering. This means overall loss control in the hands of a highly qualified person, not an unwanted assignment given to the treasurer or the personnel manager."

An official in the industrial department of the National Safety Council agreed.

"The safety director's job was often the resting place for a poor foreman who was no longer efficient," he said. "But now the job is getting much more sophisticated. In modern, enlightened corporations he is a safety engineer with vp status. They have to know about environment and noise pollution, in addition to company problems."

**AL BLACKMAN**, director of the American Society of Safety Engineers, pointed out that companies were giving their safety directors a more interested look, mainly because Washington was giving the companies some sharp

*Continued on page 54*

## Nuclear . . .

*Continued from page 50*

That means we're not in trouble."

He attributes the success of the nuclear power plant safety record to the infinite planning that takes place long before construction starts.

"First," he said, "a utility gives the AEC a formal application describing design, location, safety procedures, technical and financial qualifications," Mr. Keenan explained. "That has to be approved by the commission's Division of Reactor Licensing (DRL)."

The DRL passes along its decision to the Advisory Committee on Reactor Safeguards (ACRS), which sends a report to the AEC commissioners. The Atomic Safety and Licensing Board then conducts a public hearing. After the hearing the DRL, ACRS, and the Board decide for or against and passes its decision to the AEC. If licensing is approved, construction may begin under the inspection of the AEC's Division of Compliance.

"**DURING** construction, it's also most important to keep close contact with NEPIA," said Richard Grennan, insurance supervisor for the Consumers' Public Power District, which is constructing the Cooper plant just outside of Omaha, Neb. It is scheduled to be in operation by 1972. "If something comes up and there is the smallest change, even down to the little nozzle on the sprinkler system, they'll want to know why and in detail."

Ronald Reder, nuclear projects administrator for the Cooper plant, pointed out that after construction, the utility has to go through the same maze of AEC committees in getting an operating permit as it did in getting the license to build. Also, in addition to regular inspections by the AEC and the insurance pools, a station operations review committee, comprised of key supervisory personnel looks over the plant at least once a month. The committee's findings are turned over to a safety review and audit board, made up of engineers and scientific specialists. This committee makes recommendations both to the plant superintendent and the top management in the operating utility.



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# Giles . . .

Continued from page 14  
 famed." But the court thought that the requirement of publication in a newspaper is met when the person defamed is clearly recognizable as a distinct individual and that this is the sense in which "know" and "identify" are used. (Md. Ct. App.—*The Great Atlantic & Pacific Tea Co. v. Paul*—2/6/70.)

\* \* \*

**MUST REAR VIEW** mirrors be properly designed? The California supreme court says, "Yes."

The decedent was 30' to 40' behind the Paydozer (a tractor with a bulldozer blade attachment) with his back to it, when it backed up and struck him. The Paydozer operator had looked to the rear before backing up, but he did not see the decedent. A mechanical engineer testified that the blind area could be reduced from a rectangle 48' by 20' to a

cone-shaped area with a maximum length behind the machine of 12' by the installation of two rear view mirrors located 4' out from each side of the cab. He also recommended a blinking amber light or a tooting horn to alert persons within the remaining blind area.

The Restatement of Torts S393, states that a manufacturer of a chattel whose design makes it dangerous for the uses for which it is manufactured, is liable to others whom he should expect to use the chattel or to be endangered by its use. This view is supported by recent decisions. A product may be equally defective and dangerous if its design subjects persons to unreasonable risks. The court held the manufacturer of the Paydozer strictly liable for the death of the worker. (California Supreme Court—*Fike v. Frank G. Hough Co.*—4/17/70.)

\* \* \*

**WHAT DOES THE** clause "use of any automobile mean?"

Does it mean that you are using your car if you use your automobile battery as a booster to start your airplane engine? That was the question in a recent South Carolina case.

After the insured had used his automobile battery as a booster, the airplane moved forward and struck and damaged another airplane. The automobile did not move during the entire operation, although the battery cable was pulled loose from the automobile battery.

The insurance company refused either to pay any judgment or defend the action. The insured asked for a declaratory judgment. The court decided for the insurance company.

The court said that a causal connection must exist between an accident and the ownership, maintenance or use of the in-

sured vehicle. The court said this was not an accident resulting from the use of the automobile. The automobile was used only as a power source, and the purpose had already been completed when the airplane moved forward. (See *Plaxco v. United States Fidelity & Guarantee Co.* South Carolina Supreme Court—4/24/69.)

\* \* \*

**IF YOU MAKE** a harmless product, must you foresee damage from the end product? The U. S. court of appeals for the fifth circuit says "yes" and does not choose to apply a ruling of strict liability.

The component supplied by the defendant was an organic titanate. The water repellent compound contained 2% titanate and 98% highly flammable solvent supplied by another.

The court found that the defendant took a very active role in the production of the product. It

counseled and advised concerning the proper formula to be used in its compound. It contacted Shell, which recommended the use of the highly flammable Shell Sol B. It conducted quality control tests on the product.

It retained the right to make the ultimate decision as to the label on the product. It dictated the appropriate advertising methods. It acknowledged that its name on the label was permitted in the fashion it was so as to advance the sale of the product.

The test here, said the court, is foreseeability and its application depends on the relevant facts. Under the facts the defendant should have anticipated that a reasonably cautious purchaser of the finished product could have been injured as the result of its failure to test the product, determine the product's safety, and determine the adequacy of the label warning. (CA. 5—*E. I. DuPont de Nemours v. McCain*. 6/16/69.)

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## Data . . .

Continued from page 33  
 firm goes into business with all the information vital to that particular business.

In addition to consulting on the proper security and location for a particular company's data processing operation, Data Processing Security Inc. also provides a security system for the centers.

Among devices developed by the firm is an electronically controlled double door entry system—from corridor to computer center. Once a person enters the first door, he is subjected to an electronic search by concealed probes for magnets and other devices that could be used to destroy magnetic tapes.

**FOR EXAMPLE**, if a person brings a magnet into the buffer zone between both doors the electronic scanning device detects the magnet and freezes the lock on the second door. Security people outside are alerted automatically. In addition, only one person at a time can enter the buffer zone, thus preventing a mob from invading a computer center. The security guard can also switch on a closed circuit television set to look at and talk to the person trapped between both doors.

Conversely, Mr. Scoma said, the Data Processing Security system will signal when someone attempts to remove a reel of magnetic tape from a computer facility. A special label is affixed permanently to each reel and it cannot be taken from the facility without triggering the alarm once the person has returned to the buffer zone before leaving the computer facility.

Mr. Scoma pointed out that this special label, for which patents are now pending, will help companies maintain a close watch on their computer data files and will aid them in inventory control. Recently, he said, one EDP manager confided that his company was missing 1,000 tapes, each containing vital corporate data. "Programmers walk off their jobs with important files and systems and within 30 days a new company is born with a full assortment of programs," he said.

In addition to recommending and installing proper security systems, Mr. Scoma said that his firm will eventually open central data processing storage facilities in most major U.S. cities. The first will be located in Chicago and open next year. Mr. Scoma said the facilities will be as secure as a bank vault and offer the needed storage facilities for original and back-up tapes belonging to clients.

# Reagan administration fights ruling on unemployment insurance benefits

SACRAMENTO—A recent court decision that could cost California's unemployment insurance fund at least \$1 million a year will be fought by the Reagan administration here.

The decision overturned a practice common to 48 states, excepting only Vermont and Washington, which cuts off unemployment insurance benefits payments to a worker if his employer challenges the worker's right to such payments.

Sigmund Hansen, deputy director here of the California department of employment, said the San Francisco court decision will be appealed to the U.S. Supreme Court.

**PRIOR TO THE** decision by a three-judge Federal court at San Francisco, a jobless worker had to wait until his employer's challenge had been decided, in the

## Allege poison killed horses

BENICIA, Cal.—A report by a state health department team to the effect that this area of Solano County "could very soon become a very unpleasant if not very unhealthy place to live" brought a bit of worry this week to insurers of industrial plants operating here.

The report stems from the deaths late last year and earlier this year of 12 valuable horses. Drs. Fred Ottoboni and Ephraim Kahn said this week that lead poisoning was responsible.

And their report added that the American Smelting and Refining Co., in adjacent Contra Costa County, "probably was responsible for emitting lead into the air."

**THE LEAD**, according to the Health Department investigators, then fell into the soil of the surrounding countryside and became part of the grass that the horses fed on.

"Despite the other possible sources of lead in the county," the medical report asserts, "it is our judgment based upon the samples that have been analyzed to date, that the company's smelter at Selby is probably responsible for the bulk of the lead contamination."

Armand Labbe, plant manager for American Smelting, although reluctant to discuss the problem at length, indicated the company is self-insured. No claims have been filed as yet.

The research report said pasture grasses in the area were found to contain between 150 and 350 parts per million of lead "and safe grass should contain no more than 20 parts per million lead."

"Continued 'laissez faire' use of the environment," the report adds, "will make Benicia and its environs a very unhealthy place."

The report called for further studies by the State Public Health Department, to protect human health; surveys of air pollution by the lead by the State Air Resources Board; and steps by the Agriculture Department to insure that meat, hay and grain grown in the area are safe. ■

## Donnelly moved

B. Reed Donnelly Jr., group supervisor for State Mutual Life Assurance Co. of America, Chicago, has been appointed associate group manager of State Mutual's Boston office.

worker's favor, by a referee before the insurance payments could be made.

In California those payments provide a maximum of \$65 a week and payments average approximately \$55 a week.

The recent San Francisco decision ruled it was "unfair" to make workers wait for financial help because an employer attempted to block payments.

The single largest case in California embracing such a problem involves strikers at the Los Angeles Herald Examiner. In that dispute, now in its 29th month, nearly 500 strikers, under the Federal court ruling, will share more than \$200,000 in unemployment insurance they were not

paid because the newspaper challenged their right to the insurance payments.

**IN THE INSTANCE** of the Los Angeles newspaper strike, the department of employment originally ruled the strikers ineligible for unemployment benefits because workers on strike cannot draw such benefits.

Union attorney Lester Ostrov told the department that the newspaper management, in another case, "had informed the National Labor Relations Board the strikers were not eligible to vote in a union representation election because their jobs had been eliminated."

"The newspaper cannot have it

both ways," Mr. Ostrov said, and, in effect, the argument in the NLRB case was used against the Examiner in the unemployment insurance case.

The department of employment then decided the strikers were eligible for the payments since the newspaper itself had said their jobs had been eliminated. This decision was appealed by the Herald Examiner.

**THE STRIKERS** again were denied the unemployment insurance and the denial continued until the San Francisco court ruling.

All business firms in California pay an unemployment insurance tax or premium in amounts ranging from .08% to 2.7% of an employee's wages, depending on the "unemployment rate" of the employer.

The higher a company's rate of unemployment, the more money

it must pay into the state unemployment insurance fund. Hence employers in the past often have challenged jobless claims made against them.

In 47% of the employer appeals filed during 1969, the decision was in their favor and the benefits were denied.

**THE EMPLOYER** appeal can be based on any factor ranging from a technical violation of the law based on eligibility to an employer claim the worker simply quit.

The San Francisco court decision, if it is upheld by the Supreme Court on the state's appeal, will affect unemployment insurance practices in the other states as well.

To pay the unemployment insurance benefits during an employer appeal, according to Mr. Hansen, would cost California \$1,020,000 during 1970 alone. ■



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# The times . . .

Continued from page 51  
looks.

"Federal legislation is putting increased pressure on management," he said. In addition to the Walsh-Healey Act, there is the Construction Safety Act and the Coal Mine Safety Act. Also, people are more interested in environment and health now than in previous years. The safety director is starting to have a very demanding position."

A safety director for a newspaper here with about 6,000 employees felt that the demands of the position were best met with objectivity.

"The safety director is sort of on the middle ground between management and employee," he explained. "He has to be honest, open, fair, and always call it as he sees it. Above all, he has to be

firm and stick with his decisions. He can't take sides or play politics. I tell people here that my door is always open and the phone's on the desk and I'll talk to anybody anytime—about safety."

**HE AND MOST OTHER** people interviewed pointed out that the safety director's most important link with plant workers was the first-line supervisor.

"If you haven't convinced your first-line supervisor to go along with your safety program, you're lost," he stated. "He does the enforcing. Safety directors make periodic inspections, but don't have the close working relationship with the men that the first-line guy has. He dishes out the punishment, and he hands out the lollipops too."

He has been in the business for 20 years and felt that more than anything a safety director had to

be a good psychologist.

"Safety is all people," he noted. "You have to know them inside out and you have to protect them in spite of themselves."

**A CEREAL** company safety director has some unusual ways of getting through to his workers. He believes that scare tactics were the most effective way of solving the common problem of employees who don't wear safety equipment.

"I'll have the first-line supervisor go up to an employee who isn't wearing safety glasses and show him a brail compass," he said. "He'll explain how it works and how a blind person finds his direction. Then the supervisor asks the worker if he'd like to spend the rest of his life using one. The worker puts on his glasses and usually keeps them on."

He also explained that at safety meetings he holds up a check for \$1 million and asks who wants it. When the hands go up he announces that there is one catch—the person receiving the money would have to give up his sight.

"Of course everybody says it isn't worth it, which brings home the fact that carelessness on the job certainly isn't worth it either," he noted.

**HE HAS BEEN** in the safety field for 32 years and felt that one of the big factors changing the safety director's role was a new attitude on the part of management.

"Management is starting to see safety programs in terms of profit rather than extra expense," he commented. "When there is an accident, I tell them they're going to have to sell so many cases of a product to make up for the loss. That's language they understand. Safety men can be humanists. Management wants to hear about money."

He also felt that the safety director had a unique place in the company.

"I think he's one of the few people in a corporation who is interested in the common good," he said. "He wants to help the company as a whole and he wants to be of service to people. Also it's a very interesting position. He's a jack-of-all-trades."

**THE DIVERSITY** is what appealed to a 34-year-old safety director of a huge conglomerate subsidiary.

"I've been on the job two years and just in that time have seen many things come into my bailiwick that weren't there before," he said. "In the past a lot of safety directors didn't look beyond their noses, but now the field is wide open. Going into it is almost like going into the medical profession. There are so many areas you can specialize in—pollution control, traffic, industrial hygienics."

He has a master's degree in

industrial safety from New York University, and was the only safety director interviewed who had specialized in the field. Most took supplementary night courses.

Although this young safety director was very much turned on by the safety field, William Dalton, professor and research associate at New York University's Center for Safety, said it was not yet a very popular career. But he emphasized the word "yet."

"Most of our students are already safety directors and are taking supplementary courses," he said.

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Which means we're one of the few property and casualty companies around with guts enough to take you on even if your premiums turn out to be peanuts.

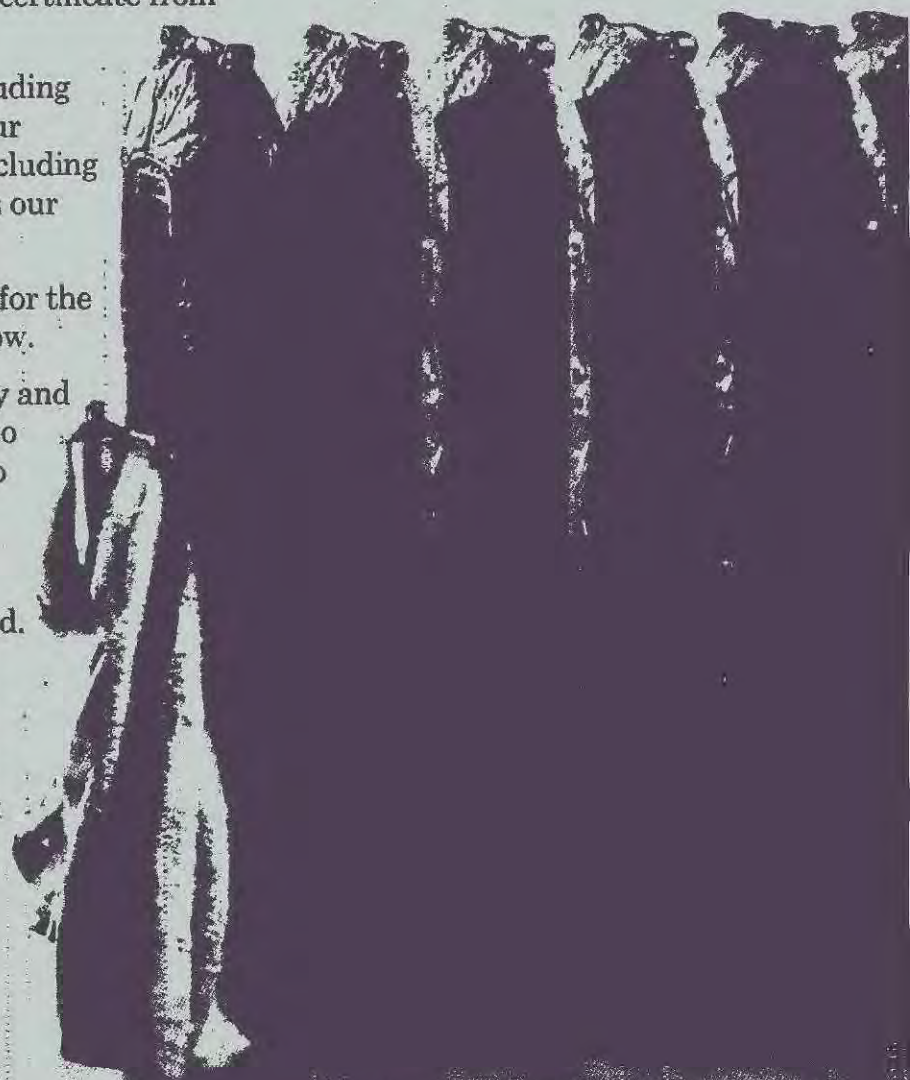
We can afford to be a little generous.

But we'd rather you didn't spread it around. It just might ruin our hard-nosed reputation.



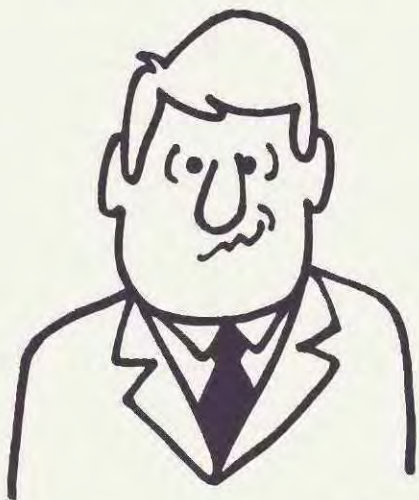
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