Special safety and security report

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June 23, 1969

Southern Illinois University suffered a $5.1 million loss when its Old Main building toppled after an arson attack. The building, as with all state buildings that are completely paid for, was uninsured. Because there were 24 classrooms in the building, SIU officials have initiated efforts to get emergency aid from the state legislature. An anonymous donor, through the school, has guaranteed a $10,000 reward leading to the arrest of the arsonists. —Wide World photo

Tanker owners' group adds broad pollution liability cover

NEW YORK—A tanker owners' voluntary pollution indemnification plan, originally proposed to compensate national governments for oil spills off their coasts, has been expanded to include other pollution liability coverages.

The original coverage was for expenses "reasonably incurred" by tanker owners to prevent or clean up pollution off coastlines as the result of the negligent discharge of oil from a tanker.

Under the new arrangement, the sponsors backing the TOVALOP plan (for Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution) have lined up the participation of the British protection and indemnity clubs to write the new clean-up coverage.

Oil Tanker owners will thus be able to get protection against oil spill removal costs and conventional p&i oil pollution coverage, including third party liability, from an industry-sponsored insurance company known as the International Tankers Indemnity Assn. in Bermuda; from the various p&i clubs, or from their own commercial insurers who would reinsure their coverage through the Bermuda-based indemnity company.

MEMBERS OF THE insurance scheme would pay initial yearly premiums of 7.5 cents per gross registered ton (subject to an additional payment if experience warrants). Reimbursement to governments for the reasonable cost of cleaning up oil spills off their coasts would be limited to $100 per gross registered ton or $10 million—whichever is less.

The tanker owners' group will write the first $1.4 million of coverage, and the rest—up to $10 million—will be reinsured through the world market.

TOVALOP's obligations will be administered by the International Tanker Owners Pollution Federation Ltd. in London.

The federation has been charged with the job of checking out the financial capability of all tanker owners who join to make sure they can meet their obligations under the TOVALOP agreement. Also, the group will act as a "central depository" on all oil spills and of up-to-date information on methods and techniques of combatting oil spills.

The federation will also give advice in dealing with an oil spill, particularly through a master index of oil recovery equipment location, supplies of detergents and personnel qualified to deal with the removal problem.

Meanwhile, it looks as if the TOVALOP proposal has received the backing of companies operating at least 50% of the world's privately owned tanker tonnage "so that the plan should become effective immediately," a Senate subcommittee on air and water pollution was told this month.

Everett S. Checket, general manager of the marine transportation department of Mobil Oil, said the pollution indemnity operation now has the "full support" of the insurance industry and that applications for membership from tanker owners were sufficient to go ahead with the plan.

Last November, when seven major world oil companies proposed setting up the TOVALOP pact, they said they needed support from 50% of the world's tanker tonnage. It would lapse, they added, after two years if tanker owners representing 80%

Continued on page 46

Du Pont Co. to 'absorb' blast damage losses

WILMINGTON, Del.—Du Pont Co. expects to absorb the entire damage loss from explosions in two plants that killed seven workmen and injured more than 70 others earlier this month.

An explosion June 5 in a Du Pont gunpowder factory eight miles down the Delaware river at Carney's Point, N.J., killed seven workers and injured 70 others including housewives and school children miles from the blast. Most of the injuries were minor.

On June 3, a Du Pont neoprene plant in Louisville was hit by an explosion that destroyed two acetylene tanks and slightly injured four persons. The company estimates damages at $100,000. An explosion at the same plant in 1966 resulted in the deaths of 12 workers.

RICHARD R. BALOTTI, Du Pont insurance manager, said the company has a $2.5 million deductible on its catastrophe coverage for both physical damage and liability and he does not expect the combined loss from the two blasts to exceed this amount.

There is no further estimate on the damages at the Carney's Point plant. In the week following the explosion there, 1,556 claims were filed, 60 of these for personal injury, according to a company spokesman.

Catastrophe risks in excess of $2.5 million for physical damages are covered by Lloyd's of London. Excess liability is handled by 10 domestic carriers, with the Aetna Casualty & Surety Co. carrying the major part.

Continued on page 46

Front row wrestling fan gets $7,300

BOSTON—A front-row spectator at a wrestling match was awarded $7,300 for a knee injury he suffered when a wrestler landed in his lap.

The Massachusetts supreme court held that the operator of Woodhouse Arenatorium in Dartmouth should have warned wrestling fans of the dangers of sitting in the front row.

Bank sues insurer for loan losses

TOLEDO, O.—Progress National Bank here has filed Federal court action seeking $2 million or more from the Chicago captive insurance company of Swift & Co. and an insurance agency to cover losses sustained through 19 loans made by the bank.

The lawsuit claims that the insurance company, Security Mutual Casualty Co., has issued the bank a "banker's blanket bond" covering losses up to $300,000 and has issued an "excess policy" to the bank for losses over $300,000 and up to $1 million.

Also named as a defendant is Scarborough & Co., Chicago, identified as the agency that sold the bond and excess policy.

A SPOKESMAN for Security Mutual Casualty told *Business Insurance* that the lawyers for Scarborough would handle the suit. A source at Scarborough said he could not comment on the suit because the agency has not yet received a copy of the suit.

The action states that Progress has incurred losses and expenses under the two policies issued in April 1965 and that written notice of the losses was given the companies in April 1968. Payment was demanded Jan. 9 of this year, but still has not been forthcoming, the lawsuit says.

Progress is asking $481,000 damages under the blanket bond, in addition to the interest lost as result of making the loans, and punitive damages of $100,000 for the "defendant's deliberate delay in payment of the losses."

The bank seeks $1 million under the excess policy, plus interest lost as a result of the loans, and punitive damages of $250,000. The total is $1,831,000 plus interest.

SUBMITTED with the lawsuit was a list of the loans under which the losses and expenses allegedly were sustained.

Howard C. Cook, Progress board chairman, said that the losses and expenses were sustained in various ways covered by the insurance policies and did not necessarily mean that the loans had not been repaid.

Mr. Cook said that the court action does not affect bank operations in any way. ■

Late news

Orders decree on 'minimutual'

ST. LOUIS—Judge George Schaaf in St. Louis county circuit court ordered the Missouri attorney general's office to draw up a decree dissolving the National Exchange Insurance Co. of St. Louis. The company, operated by R. B. Gudder, was organized as a fire insurance company but later converted its operations to writing tornado coverage.

A&P goes with new carriers

HORSEHEADS, N. Y.—Fire damage to A&P stores and warehouses amounted to an average of $1.7 million a year over the past six years, with more than half the loss covered by insurance, the food chain's annual meeting was told. A&P Chairman Melvin W. Allredge said some insurers had canceled policies on the company but that coverage had been obtained from other underwriters. (See related story on page 2.)

La Libertade, London insured jet

MONTERREY, Mexico—A Mexican Airways jetliner which crashed near here earlier this month, killing all 79 persons aboard, was reportedly insured through the Mexican underwriter La Libertade, with almost all the coverage reinsured in the London Market.

A&P passes up interruption cover—suffers losses at hands of Mafia

NEW YORK—Great Atlantic & Pacific Tea Co. doesn't carry business interruption coverage to offset a major portion of some $50 million in arson-caused fire losses the food chain has absorbed in the past five years.

A&P was hit with the fire losses because it refused to stock an inferior detergent brand sold by the Mafia, a Queens district attorney disclosed earlier this month in announcing the indictment of a 20-year-old porter charged with starting one of the blazes.

The Mafia also arranged for the murder of two A&P store managers in the prolonged assault on the food chain, said Thomas J. Mackell, the Queens district attorney.

Mr. Mackell said the two biggest fires—at warehouses in Brooklyn and Elmsford, N.Y.—accounted for damages and lost business of $24.6 million.

THE FIRE AT the Elmsford distribution center—the largest used by the chain in the New York metropolitan area—caused an estimated $6.5 million in damages to the building and contents. Similar losses in the Brooklyn fire were said to be about $1 million.

A&P doesn't own the Elmsford warehouse and thus its losses from that fire were held to about $4 million for loss of contents.

The rest of the loss cited by Mr. Mackell presumably was due to loss of business, but A&P doesn't carry business interruption insurance because the food chain is large enough to redirect operations to other locations without loss of time. The chain diverted grocery products ticketed for the Elmsford warehouse to outlets in Brooklyn and Garden City.

A&P is insured for loss of contents by National Union Insurance Co. and for property damages by Employers' Liability Assurance Co. The firm carries a $100,000 deductible per location for its loss of content coverage.

BECAUSE OF THIS deductible A&P had to absorb all of some $770,000 contents loss the food chain said it suffered during riots in Harlem, Chicago and elsewhere in 1967 and early 1968. A&P did not own the stores itself.

Cause of the Elmsford blaze, which started on the last day of 1967, was a mystery to A&P officials at the time, although they suspected foul play. The fire burned for several days before it was finally put out.

Observers at the blaze reported a strong current of air in the warehouse which created a suction into the fire, but A&P could offer no reason for the current.

Last year at this time A&P reported a profits dip in the first fiscal quarter partly because of the fires the food chain suffered at the two distribution centers and at outlets hit by civil disorder. But this month A&P said first quarter earnings were up 21% over last year. ■

Abbott Labs covered for 'warning'

CHICAGO—Abbott Laboratories, which does have products liability coverage but not product recall insurance, warned the nation's 10,000 hospitals that two weeks' production of an intravenous solution it manufactured could have become contaminated.

So far, according to a laboratory spokesman, no fatalities from the injections have been reported, although Abbott is in the process of checking out reports that hospital patients have suffered fevers following injections. The spokesman also said that no law suits have been filed against the company in conjunction with the warning.

AETNA Life and Casualty handles Abbott's primary products liability coverage with limits of $500,000/$1 million. Excess coverage is in the London and other world markets.

The limit on the primary coverage is not that important, a source said. That limit is dependent upon the deductible of the excess coverage. He said that Abbott's excess limit is "right along with the rest of the drug industry."

Parke, Davis & Co., *Business Insurance* has reported, buys $50 million in excess coverage. Generally, $100 million is the maximum limit available to drug companies. Some other industries have reportedly been able to obtain higher limits.

"When you talk about liability limits," the source said, "the airline and drug industry are always mentioned as having the biggest problems." He said that while the drug industry does not have property insurance problems, it has its headaches with liability limits.

"That's why we'll go to London or any other world market to get all the coverage we can get," he added. Abbott does not buy product recall coverage because the cost is prohibitive.

ANOTHER SPOKESMAN for the manufacturer said that the warning issued about the intravenous solution is not a recall. A letter to those concerned—including the Food and Drug Administration—outlined the defect. ■

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PepsiCo eyes internal claims handling, captive

By RANCE CRAIN

NEW YORK—PepsiCo Inc., the corporate entity that encompasses Pepsi-Cola soft drinks, Frito-Lay snacks, North American Van Lines and other transportation and leasing services, is eyeing the possibility of expanding its own claims handling facilities and setting up a captive insurance operation.

The company already has established claims operations for Pepsi-Cola products liability cases and for the auto and cargo areas of North American Van Lines and National Trailor Convoy, a mobile home moving unit.

Philip J. Baecker, PepsiCo's insurance manager, indicated that internal claims handling is set for an expansion.

PEPSICO, through PSI Services, is in the business of offering corporations a "master lease" covering a fleet of cars or trucks, a conveyor system, an executive jet or a secretary's desk, typewriter and chair.

In addition, through its Mobilease unit, it can provide "instant space" in the form of a portable building for classrooms, branch banks or office space. It supplied IBM, for instance, with 100,000 square feet of offices in Boca Raton, Fla., in 62 days.

Because PepsiCo has "a close and active interest" in how fast the claims of its lessees are processed and paid, the company is giving consideration to expanding the operation of its General Insurance Adjustment Corp. in Tulsa (which up to now has handled claims for North American and National Trailor) along with its leasing activities.

Although Mr. Baecker believes that an internal claims operation "gives you better control," he nevertheless cautioned against "creating expenses in excess of the economies involved" in a full-fledged claims facility.

MR. BAECKER explained that claims and insurance costs for auto and products liability and workmen's compensation are allocated to the plants responsible for the loss. And, he added, to give the loss prevention program "a common base everybody understands," the figures are presented in terms of the number of trucks and soft drink case sales of each plant.

Plants responsible for products liability claims are charged the amount of Pepsi's $1,000 deductible and are required to handle claims payment and settlement of the claim if it falls within the area of the deductible.

Because the company profit and loss sheets "reflect in some degree" the extent of losses and because most plant managers work under a bonus arrangement, Mr. Baecker believes the point is driven home that liability claims can directly affect plant managers' total remuneration.

IN ADDITION PepsiCo is mulling the possibility of establishing a captive insurance company to handle such coverages as inland marine, property, fidelity, ocean transport and auto physical damage. Mr. Baecker said the company would probably assume all of the inland marine coverage and varying deductibles in the property area.

In line with this possible move, PepsiCo is in the process of trying to work out a "unified" deductible setup. This exercise is based on the company (1) getting adequate credits for the deductibles and (2) finding the optimum level of losses it is able to absorb.

In a memo to management, Mr. Baecker stated that a "uniform self retention level of $25,000 for all divisions was termed practical from a policy standpoint, but questionable from an economic standpoint, considering the present low-loss and expense factors for Frito-Lay and Pepsi compared with the cost of excess insurance and addition of claims and clerical staff."

Impetus for this study might have come from the fact that PepsiCo, having once tried a "package" insurance program, is dismantling it and naturally wants to reexamine each individual line. The reason for the return to writing with various carriers after three years with Royal-Globe, is that PepsiCo wants to "test" specialized markets, some which are more competitive than in 1966 when the company switched to the package approach.

Philip J. Baecker

Also, Mr. Baecker contended, a company's buying power advantage with a package deal is "effective only to a point." He said PepsiCo is in the position of paying for its losses plus administrative expenses anyway (via a retrospective rating plan), so savings were somewhat limited.

"We don't want all our eggs in one basket," Mr. Baecker told *Business Insurance.* "We have found certain carriers that have provided service that warrants continuation in that particular market," he explained.

As of the first of the year, Royal-Globe continues to handle crime and workmen's compensation for the Pepsi-Cola division, but other coverages are divided among a handful of insurers.

WORKMEN'S COMP is split between Fireman's Fund and Employer's of Wausau for non-Pepsi-Cola units; auto for North American Van Lines and National Trailor Convoy is self-insured up to $25,000; Frito-Lay's workmen's comp, general liability and auto is with Fireman's Fund; and Pepsi's auto, truck fleet and general liability is with General Fire & Casualty, a subsidiary of Greyhound.

General Fire writes primary limits of $200,000/$1 million for all areas of liability except products, which is handled through the Pepsi-Cola Bottlers Assn. Appalachian Insurance Co., a unit of Firemen's Mutual, provides coverage for the association, in addition to writing Pepsi's $20 million excess liability under an umbrella policy—which was just raised

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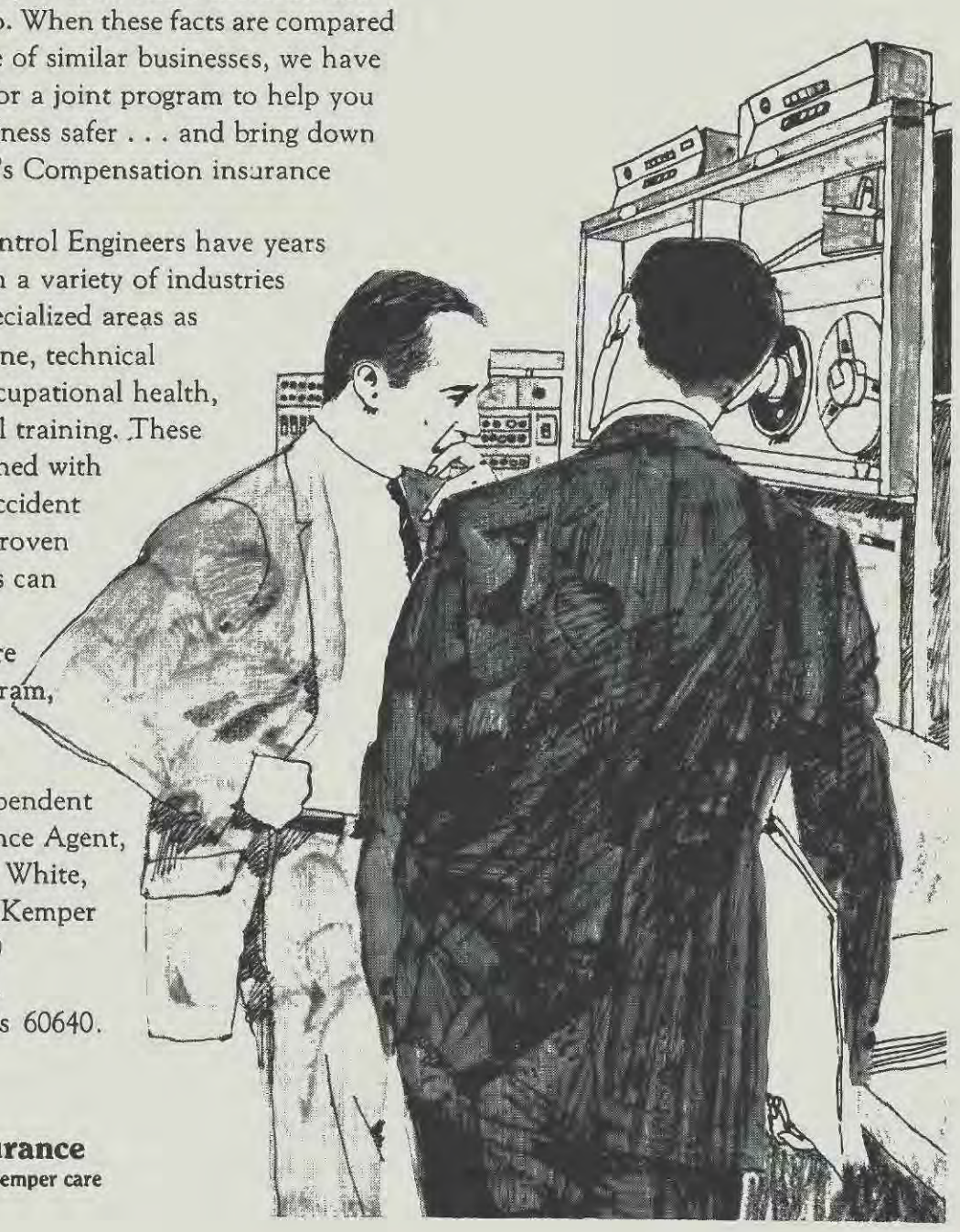

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london line

Lloyd's expects $60 million loss if airlines start captive, split covers

LONDON—Major airline operators are reported to be planning to split the insurance market two ways in London for jumbo-jet and supersonic flight coverage.

They are pressing on with a scheme to set up their own international insurance company to handle some of the risks with their own funds.

It will be run from Lausanne, Switzerland, under British top executive Sir Giles Guthrie, who handled British Overseas Airways Corp. affairs for many years.

Underwriters at Lloyd's believe that the "two-way" project will operate if the International Air Transport Assn. delegates agree to the idea.

It will mean that the airlines will take 40% of the risk themselves, and place the other 60% with normal world insurance markets.

BUT INSURANCE men at Lloyd's dislike the idea, because they will lose more than $60 million in new business. They say, too, that the world airlines scheme is based on faulty reasoning.

For if there is a sudden disaster it will bring claims which could cost the airlines "pool" so much money that fare-rates may have to go up. Say the insurance men: "We can handle the whole deal ourselves, because we are experts in the field."

* * *

State-of-the-market reports on U.S. operations by leading British insurers show mixed trends.

The big Prudential group (assets $5 billion) declares: "For the first time since 1962 our reinsurance subsidiary in the U.S. achieved an underwriting profit, though small."

Royal Insurance reports: "Windstorm losses were lighter in 1968, but riot claims cost us nearly $4,000,000 (four million dollars). These arose almost entirely from riots which took place before the Federal riot reinsurance scheme became law."

Excess Insurance of London, says: "Fire and accident business in U.S., after several inadequate years, is showing signs of action taken by London underwriters to correct past unreason."

Insurance brokers Minet Holdings, of London, which has over 50% of its income arising from North America, feels that prospects there for brokers are still promising.

* * *

Lawyers in Britain are taking a lead from America and are calling for compensation for factory workers who go deaf through excessive noise.

In a survey of the problem, two London lawyers contend that in certain industrial environments as little as one year's noise exposure can impair hearing.

THEY EMPHASIZE that in some states in U.S. there is already compensation for deafness, but in England it does not yet qualify for payments if it is caused merely by excessive noise. So factory builders are being urged to tackle the noise problem at the design state in the first place, until some compensation scheme can be brought in by the British government.

* * *

Investigators blame "publicity-shy" world airline operators for letting baggage thieves get $700,000 from robbing passengers at London Airport last year.

London Airport Police Chief Robert Carson, who has reviewed the problem after disclosures that freight and mailbag robberies are also on the upgrade, warns:

"Airlines are steering away from warning passengers about the risks of packing valuables in suitcases which then go into cargo holds.

"THEY SHOULD tell travellers to carry them in their hand baggage if they are articles like diamonds, cheques, and cash."

He wants the International Air Transport Authority to persuade airlines to draw up a security code and publicize it to air travellers in Britain and other countries.

* * *

Salaries of top executives with British insurance brokers now run to $100,000 a year.

This is shown in the year-end report of C.T. Bowring and Co., of London, whose chairman earned $106,000 last year. But all he received in the end, after paying taxes, was $24,000.

Mr. Ian Skimming, who holds this job in a corporation with $40 million assets, states:

"THE SHORTAGE of insurance and reinsurance capacity which developed during 1968, not only in the British insurance market but also throughout the world, had a slightly detrimental effect on commission revenue."

His firm has earned $70,000,000 in United States and Canadian brokerage payments, for inclusion in Britain's dollar receipts, in the past ten years.

* * *

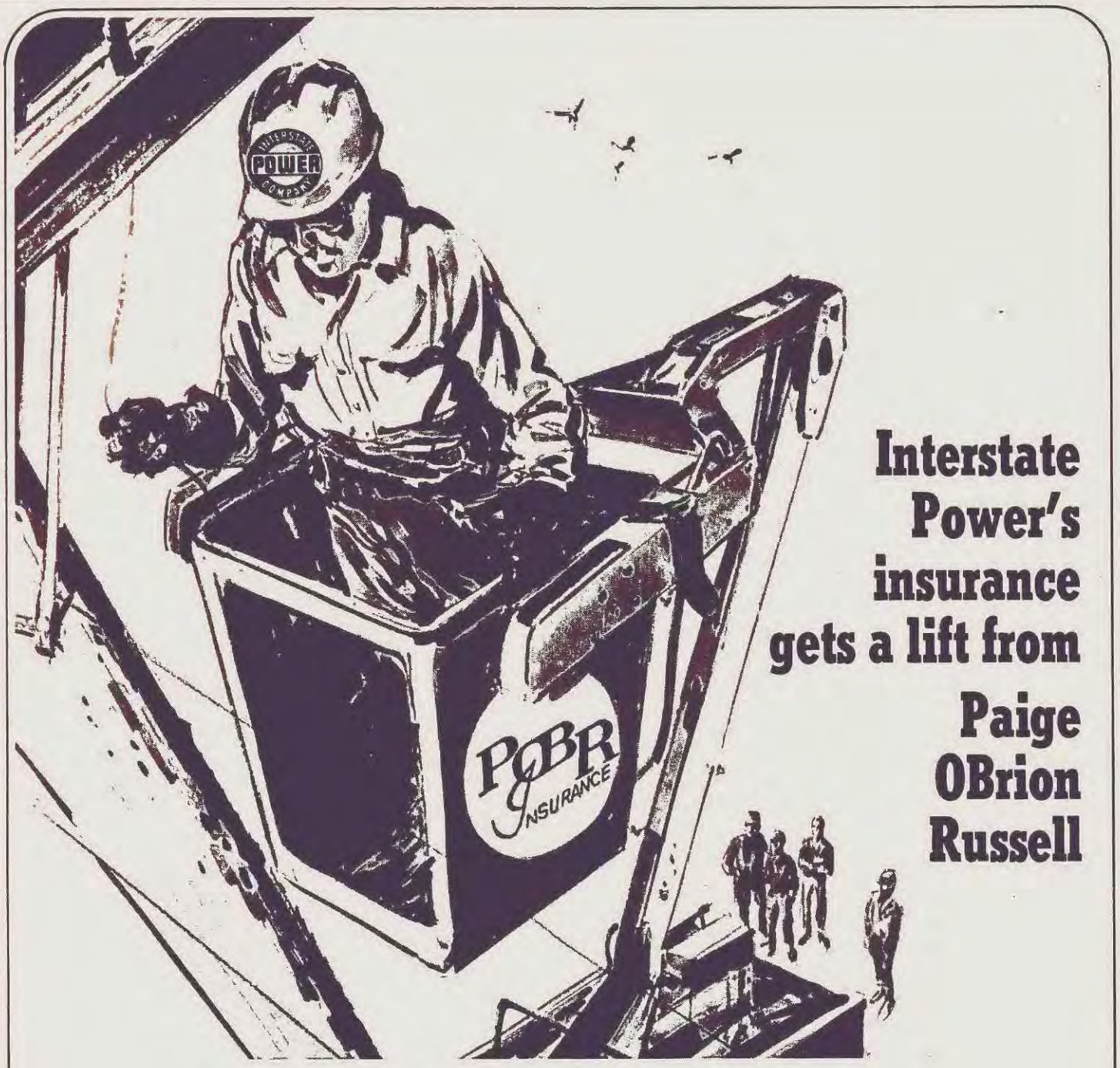
Mass police raids in London, England, have ended with twenty-two people being arrested for stealing $600,000 worth of foreign currency at Britain's International Heathrow Airport in recent months.

The move came after insurance firms complained they were having to meet heavy claims for high-value currency stolen in transit between foreign banks while passing through the airport.

It was then found that security gates at the airport were staffed by elderly or retired people who showed little interest in airline workers commuting home at night.

So people were able to walk out with Swiss francs, Spanish pesetas and Swedish kroner without being detected after secretly stealing them from mailbags.

Security precautions have now been tightened-up because international insurers threatened to raise their premium rates for covering banknotes passing through the airport. ■



Interstate Power's insurance gets a lift from Paige OBrion Russell

Interstate Power paces progress in its four-state heartland area, providing the power to grow on for industry and commerce, for private and community use. All generated smoothly, at an accelerating rate. IPC's insurance programs are generated with maximum utility, too, with the switches flicked by... **Paige OBrion Russell**

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The incredible national problem of adding insult to injury.

Injury is bad enough.

But dying on the way to a hospital is the ultimate insult, isn't it?

When you survive an accident, you'd also like to be allowed to survive the aid of your rescuers. But last year 20,000 people only made it over the first hurdle. The second was too much for them. They became victims of double jeopardy.

They died (and another 25,000 were permanently disabled) because they were lifted when they should have been left alone; or because they weren't treated for shock, didn't get enough oxygen, or ran out of blood on the way to the hospital.

In many states a hairdresser is required to have more training than an ambulance attendant. Only 18 of our 50 states regulate ambulance personnel training at all.

Death and maiming by double jeopardy is a community problem. Its remedy begins with an awareness by community leaders of the need for trained personnel, improved equipment and communications.

To help create that awareness, we have produced a film you'll be seeing on TV. "Before the Emergency" shows what the resort community of Minocqua, Wisconsin, has done to give accident victims a second chance. We also produced a booklet describing how your community can gear up to help people fast. We'll be glad to send you this booklet.

We sell insurance, but this is not an insurance-selling project. We have nothing to sell; only something to give away—our 60 years' experience, as America's pioneer workmen's compensation carrier, in bringing safety to the jobsite. Now we want to help you bring it to highways, beaches, and backyards. We've put our death-and-disability prevention know-how into this film and booklet as a public service.

We live in Wausau, Wisconsin. Your move.

Employers Insurance of Wausau

Wausau Story

washington watch

Congressional box score augurs insurance changes in the 1970s

WASHINGTON—A close analysis of the major proposals on Capitol Hill affecting broad areas of insurance, employe benefits and occupational health and safety reveals that almost without question none will be passed this session of Congress. And all could easily fail to pass during the next session also.

The outlook over the longer term however is not as good for the status quo. There are currently bills before Congress—and proposals being readied for delivery to that body—which, over the next decade, are certain to prompt massive changes in each of these areas, either by gaining passage or by forcing the private sector to make changes in the current system in order to avert Federal legislation.

Each of the proposals is quite controversial and none is out of the committee stage yet. For this reason, it is difficult to predict the eventual outcome for any one of these bills. One word change in a bill can change its entire complexion, and one adamant committee chairman or one political trade can block it indefinitely.

However, if the general principle involved in each of the major bills is looked at separately from the politics and all of these principles are considered in the aggregate, a remarkably clear picture is formed of what to expect during the next decade in changes in the areas of insurance, occupational health and safety and employe benefits.

AS ONE congressional observer told Washington Watch, "Look at the forest; it's too early to look at the trees. Take the list of proposals that would affect your readers, look at them not individually, but as a package and look not so much to the solutions they offer but to the problems they attempt to solve. The solutions may not be the ones ultimately accepted, but the problems they point up will be solved either by Federal legislation or by the private sector with the government right on its heels."

The list he referred to includes the following bills:

• The Consumer Credit Insurance Act which would require the Federal Reserve Board to limit the maximum premiums which consumers may be charged directly or indirectly for all types of insurance provided or arranged by a lender or seller in connection with a credit transaction. The bill was introduced by Sen. William Proxmire (D., Wis.), chairman of the banking and currency subcommittee on financial institutions.

• An act to establish a Federal Insurance Guaranty Corp., which would provide insolvency protection for policyholders of all forms of property and liability insurance, to be funded by an assessment of all interstate insurance carriers at a rate of 1/8 of 1% of the yearly net direct written premiums. The bill was introduced by Sen. Warren Magnuson, (D., Wash.), chairman of the Senate commerce committee.

• The small business crime insurance act of 1969, which would provide for the direct writing of crime insurance to small businesses by the Small Business Administration. The proposal was introduced by Rep. Frank Annunzio (D., Ill.), member of Rep. Wright Patman's house banking and currency committee.

• The Workmen's Compensation Improvement Act of 1969, which would extend provisions of the Longshoremen's Act to all employes not covered by state on-the-job injury laws and establish the Longshoremen's Act provisions as minimum standards for employes covered by state laws. The bill was introduced by Rep. Carl Perkins (D., Ky.), chairman of the House education and labor committee.

• The Occupational Safety and Health Act of 1969, which would give the secretary of labor the power to set and enforce—with great power—safety standards for all industries affecting interstate commerce. The bill was introduced by Sen. Harrison Williams (D., N. J.), chairman of the Senate labor subcommittee.

• The Pension Benefit Security Act which would establish minimum Federal standards for vesting, funding and reinsurance of private pension plans. The bill was introduced by Rep. John H. Dent (D., Pa.), chairman of the House general subcommittee on labor.

In addition, Sen. Philip Hart (D. Mich.), chairman of the Senate antitrust subcommittee which did the spade work for both the Magnuson and the Proxmire bills, is reputed to be considering an investigation into the rating practices of all life insurance firms.

AND SEN. EDWARD Kennedy (D., Mass.)—along with a large number of other influencial legislators and potent individuals—has joined the AFL-CIO's committee of 100 for national health insurance—a powerfully supported group which will introduce a bill within the next year and which predicts passage of its proposal in no less than seven years.

From a risk and employe benefit manager's standpoint, then, the future as far as Washington goes, is a two-edged sword.

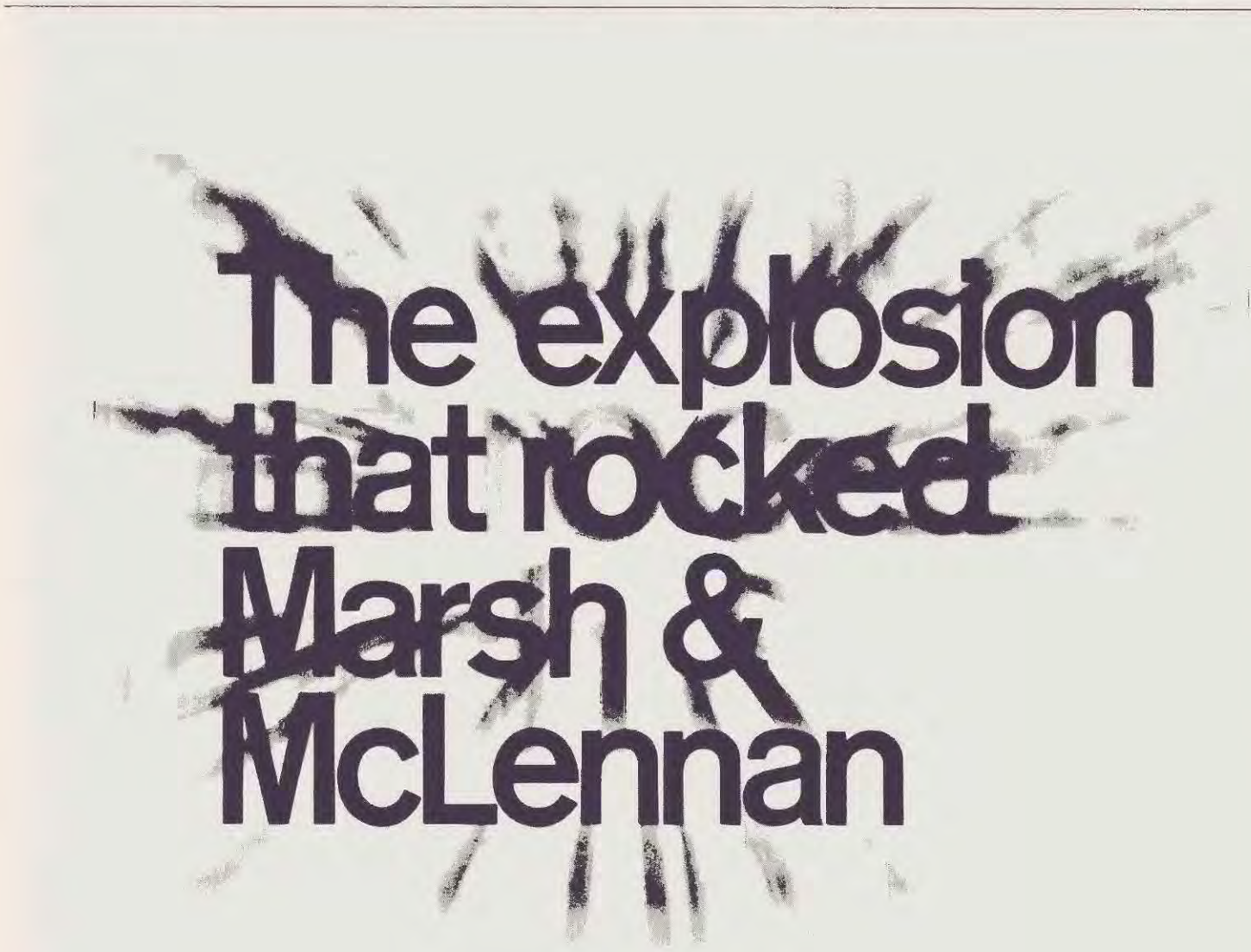
The insurance industry—to which the rest of the business community is wedded for better or for worse—will be forced to enter the modern marketing era.

It will lose its omnipotence and be made to conduct its business according to the needs of its market and of society and to change with this market and with society when change is required.

This will be done, or the insurance industry will have to accept the fact that these needs will be filled by other enterprises, including, if necessary, the Federal government, it is predicted.

AMONG OTHER things, the in-

Continued on page 7



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Wash watch .

Continued from page 6

surance industry will be forced to justify adequately on a continuing basis its one-time unreproachable rating structures, or face the possibility of Federal rating bodies.

And it will have to actively seek ways to service the entire insurance needs of that nation. This includes using a bit of heretofore underdeveloped imagination in finding ways to write such things as crime lines in the ghettos, comprehensive health insurance lines to all age groups and more adequate, more reasonably priced protection for our nation's motorists.

While business can therefore, hopefully, expect to be dealing with a more progressive insurance industry during the next decade or so, it can also expect to be asked to accept a completely new attitude toward employe benefits.

What used to be regarded as privileges in our society are rapidly becoming inalienable rights, and like it or not this way of thinking is likely to continue. The two areas where this trend is most evident are health care and retirement income. There is no question that business will be playing a large role in assuring these rights to the public—voluntarily or involuntarily.

THROUGH VESTING, funding, reinsurance and possibly portability standards, private pension plans will eventually become a part of a private-public joint venture to assure adequate retirement income to all of the nation's elderly. This joint venture will lean heavily on Social Security but will also rely on the private system if sufficient guarantees are built into it. If not, the Social Security system will edge the private system almost entirely out of business.

Health insurance benefits will be broadened dramatically and extended to all workers through all employers as part of another private-public joint venture to assure adequate health care uniformly to all citizens. Again, the private sector will be forced to act progressively in order to remain a part of the system.

Workmen's compensation benefits will also be raised—voluntarily or involuntarily—as part of a Federal program to assure the temporarily disabled at least a subsistence income. In addition, the workmen's compensation system will be backed by stringent safety standards in all work occupations—whether Federally enforced or industry instituted. ■

New Haven not liable for body found on track

HARTFORD—The Connecticut state supreme court has refused to disturb a state superior court judgment which had the effect of throwing out of court a fatal accident claim against the former New York, New Haven & Hartford Railroad (now part of Penn Central Railroad).

The action was filed by Anita H. Hartmann, administrator of the estate of William Wordie.

THE LATTER'S body was found on the railroad tracks several years ago.

Mrs. Hartmann charged that the death was a result of railroad company negligence.

After the trial court granted a summary judgment in favor of the railroad, Mrs. Hartmann appealed to the state supreme court on grounds that the lower court had erred.

THE HIGH Court sustained the lower court, pointing out that Mrs. Hartmann's counter affidavit opposing the motion for a summary judgment "presented no genuine issue of fact" regarding how Mr. Wordie met his death.

The court ruled, moreover that "some evidence showing the existence of such an issue must be presented in the counter affidavit." ■

Monsanto, Metropolitan mark ties

ST. LOUIS—Monsanto Co. and Metropolitan Life Insurance Co. have marked the 40th anniversary of Monsanto's Group Life and Health insurance coverage.

Monsanto said that benefits paid out to employes and dependents since 1929 have been more than $119 million, including about $32 million in death and disability benefits and $87 million in other disability and medical payments.

The average amount of life insurance per employe at the time that plan went into effect, Monsanto said, was $1,350; today the average is $19,000.

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As an exceptional fringe benefit EGO is available to employees without evidence of insurability, at rates which compare favorably with amounts charged for permanent life insurance purchased on an individual basis. And if desired, they may continue protection after retirement at a rate based on their *age at original issue*.

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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.

• **Safety Color that Shouts** is a 30-minute, oral-visual presentation featuring numerous accident-prevention applications for fluorescent color. It is offered by the Day-Glo Color Corp. The presentation shows how color can contribute to increased safety, explains what fluorescent color is, demonstrates its uses and explains application procedures. Contact the corporation, 4732 St. Clair Ave., Cleveland, O. 44103, regarding presentation dates available.

• Hundreds of lives are lost every year because families have no way of escaping from their burning homes. Nearly all of the tragedies could have been prevented if there had been rehearsals on how everyone was to get out of the house in case of a fire-at-night emergency. Reports indicate that most lives are lost because of bewilderment, fear and panic. The Institute for Safer Living has published **If Fire Breaks Out at Night.** The pamphlet, which discusses practices and drills, is suitable for use as an employe handout and is available free from the institute at American Mutual Liability Insurance Co., Wakefield, Mass. 01880.

• Information on **LectroGuard** and its companion line of automatic dialers is available from Lectro Systems Inc., 1245 Pierce Butler Rt., St. Paul, Minn. 55104. These dialers can be activated by several types of sensors and communicate reports on regular telephone lines to the proper, preprogrammed telephone numbers. They then give a message advising what and where the problem is and what to do about it.

• A 16mm film with sound and color, **Testing—Requisite for Fire Safety,** has been released by Underwriters' Laboratories Inc. The 17½-minute story is based on the interdependence of architects, building inspectors, contractors, insurance interests, testing laboratories and manufacturers. The film is available without charge, but must be ordered at least six weeks in advance. Contact Richard Aleskow, Underwriters' Laboratories Inc., 207 E. Ohio St., Chicago, Ill. 60611.

• A 32-page book, illustrated with charts and tables, has been published by the AFL-CIO, department of Social Security. **Security in Time of Need** explains the role of trade union institutions in these categories: old age, survivors, disability and health insurance; public welfare; workmen's compensation; unemployment insurance, and health programs. The book is designed to review not only the past but also the steps which the AFL-CIO feels must be taken in the future to complete this country's social welfare structure. Write for publication #145 from the organization at 815 Sixteenth St., N.W., Washington, D.C. 20006, in care of Bert Seidman, director.

• **Pension & Profit-sharing Plans for You, Your Employes, Your Business** is a free 12-page brochure issued by the Trust Dept., LaSalle National Bank, 135 S. LaSalle St., Chicago, Ill. 60690. Taxes, combination plans, plan differences and investment advantages are covered.

• A 16-minute film, in color, has been released by the American Red Cross. **Breath of Life** shows scenes of mouth-to-mouth resuscitation drills and could be used for emergency first-aid, employe-training classes. The film is for sale and price information is available from your local Red Cross office.

• A tamper-proof screw system, developed by Pan-L-Fast, is described in its booklet **Pan-L-Fast Systems.** The system is re-usable, but can be permanently installed by torquing the screw and filling the head. Filling the head also enables easy detection of any attempts to remove the screw. To receive the booklet, write I. Schulman, Pan-L-Fast, 13161 Sherman Way, North Hollywood, Cal. 91605.

• **50 Answers That Help You Get to Know Your Life and Health Insurance Coverage** is a free pamphlet published by the Bankers Life. Types of life insurance are explained as a prelude to the 50 questions, which apply to individually owned and group-insurance policies. Write the company public relations division at 711 High St., Des Moines, Iowa 50307.

• The principal aspects of the A. G. Becker & Co. Inc. funds evaluation program are summarized in a 28-page, illustrated booklet. **Measuring Performance of Corporate Pension and Profit-sharing Plans** explains why and how investment performance is measured and ends with a question-and-answer section. Copies are available from A. G. Becker & Co. Inc. offices in Chicago, at 120 S. LaSalle St., 60603, and New York, at 60 Broad St., 10004.

• **Ten Ways to Increase Profits with Concord Closed-circuit Television Systems** is an illustrated brochure depicting the use of surveillance systems for security measures and theft prevention. The information is free by writing Concord Electronics Corp., 1935 Armacost Ave., Los Angeles, Cal. 90025.

• Museums and businesses that display items such as paintings, sculpture, gems, stamps and coins can obtain information on the **Extra Sensory Perceptor** from the United States Research Corp., 1920 "L" St., N.W., Washington, D. C. The ESP is designed with all solid-state circuitry to assure reliability and minimum maintenance. It contains a rechangeable emergency battery unit in case of an AC power failure. Various computer panel and auxiliary connections are available to fit individual needs.

• A six-page brochure and accessory list is available from the Alarm Lock Corp. concerning its **Series 2000 Monitor Console.** Write the corporation at 33 Powerhouse Rd., Rosyln Hts., N. Y. 11577. The unit is connected by low-voltage wiring to the doors in question and unathorized opening of a door or cutting of a wire results in a buzzer alarm or flashing light on the unit.

• **The Harvest Years Corporate Retirement Program** sample kit includes a copy of Harvest Years, a monthly publication geared to provide employes with up-to-date detailed information on retirement housing, financial planning, use of leisure, facts on Social Security and Medicare, an index of articles that appeared in 1967; a copy of the bi-monthly newsletter; and a partial list of corporations using the Harvest Years program. The kit, prepared by the Harvest Years Publishing Co., is offered free. Write Dallas D. Swan, Jr., Harvest Years Publishing Co., 104 E. 40th St., New York, N.Y. 10016.

• **Fact or Fiction** discusses some basic concepts of employe pension plans and analyzes the various factors which influence pension costs. This 20-page booklet, published by John Hancock Mutual Life Insurance Co., is available free by writing J. Leslie Sweetnam, Dir. of Sales, 200 Berkeley St., Boston, Mass. 02117. Attn.: Gp. Pension Div., B-10.

• **Private Pension Plans and Public Interest** acquaints readers with the issues which affect the future of private pension plans and serves as an information source on these issues. Published by Financial Executives Institute, a limited number of copies are available. For your free copy, write George Hobgood, Asst. Research Dir., Financial Executives Institute, 50 W. 44th St., New York, N.Y. 10036.

• **Defense Research Institute. What it is . . . What it does . . . What it needs . . .** is a free brochure available from the DRI, 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233. It discusses these three facets of the organization and also includes a list of representative publications the DRI has released.

• A 27-page booklet, illustrated with 11 charts, has been published by American Credit Indemnity Co. of New York. **Signs of the Times** looks at economic events in the U.S. since 1951 and their effect on sound business management. It is free by writing the company at 300 St. Paul Pl., Baltimore, Md. 21202.

• **International Insurance and Employe Benefit and Pension Management** offers seven separate articles highlighting various phases of international insurance. Published by American Management Assn., copies are $4.50 to nonmembers and $3 to members. Write: American Management Assn., 135 W. 50th St., New York 10020.

• Royal-Globe Insurance Cos. have compiled a 52-page publication entitled **How to Reduce Embezzlement Losses.** The material is handled in a question-and-answer form that can be easily adopted for use in any type business and flow charts are used to trace handling of incoming and outgoing funds, purchasing and receiving inventory, handling of petty cash, and checks on shipping and stock in storage and withdrawal. The item, which costs $1, may be obtained from the fidelity-burglary department of the companies, 150 William St., New York, N.Y. 10038.

• An illustrated release from Shaw-Walker, **Only the Victims Know . . .**, describes Fire Files, which protect records and files from disintegration during fires. For a free copy of the item, write the company at 32 Division St., Muskegon, Mich. 49443.

Air liability limit controversy aired

WASHINGTON—A spokesman for the American Institute of Marine Underwriters told a U.S. Senate investigating committee that this country should renegotiate the Warsaw Convention to increase international air cargo liability limits and raise the same rate on domestic air freight liability.

Walter G. Perry, a Fireman's Fund official speaking for the institute, said the liability limit hikes are necessary to force "air freight forwarders and air carriers to adopt sound loss prevention programs."

The current international air carrier liability limit is $7.48 per pound, and the present domestic air freight liability limit is $50 per shipment or 50¢ per pound if the shipment exceeds 100 pounds.

Citing a $262,000 diamond theft at John F. Kennedy airport, Mr. Perry observed that the airline involved was liable for only $362.79.

A Senator on the committee, however, took issue with the example. He pointed out that the shipper of the diamonds could have declared the value of the shipment. Although this would have meant an additional charge in air fare, the airline would then have been liable for the complete loss.

MEANWHILE, an insurance manager of one giant airline told *Business Insurance* that he was aware of the American Institute of Marine Underwriters testimony and that the situation of theft at airports is exaggerated. "What they're unhappy about is that most of their big airline customers find it cheaper to buy blanket coverage and they don't get the extra premiums when we ship something special."

The insurance manager said that anyone shipping goods of high-value concentration can declare that value and the air carrier is then responsible to the limit specified. He contended that there would be discrimination against those who ship goods with the established liability limit unless there is a surcharge for those who declare greater value.

"THE BASIC rate for shipping goods by air includes the basic liability limit," the airline insurance manager said.

He cited an example: A shipper of strawberries pays the same air freight as a shipper of highly valuable and compact electronic equipment unless the latter declares a value.

If the air carrier liability limit were to be raised to cover the liability for the electronic equipment, he said, then the air fare for the strawberries would have to be increased.

The airline insurance manager also said that the Civil Aeronautics Board has been mulling this problem of air carrier liability limits for the past year.

Mr. Perry told *Business Insurance* that the American Institute of Marine Underwriters has asked marine insurers to report their losses to the institute so that, for the first time, some accurate estimate of theft losses at all shipping locations can be made.

He said last year's air cargo losses were $3 million, up 42% over 1967. ■

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following the funds

Sears' giant profit-sharing fund to receive increased contributions

CHICAGO—Last month for the first time since 1952 the gigantic savings and profit-sharing pension fund of Sears, Roebuck & Co. underwent two major changes, both of which reflect increased profitability of Sears and increased payroll in total and individually.

In addition, last year the Sears profit-sharing fund put a net additional investment of $50.2 million of the company contribution of $87.1 million into a general account, a mixed portfolio of commercial paper, stocks and real estate, instead of solely purchasing Sears shares. The total market value of the fund as of Dec. 31, 1968, was $2,535,441,667, of which 85.7% was in Sears stock and 14.3% in the general account. In 1967, the ratio was 88% Sears and 12% general.

As a matter of fact, Sears has 74.1% Sears and 25.9% general. From 1916 to 1940 the fund was completely in Sears shares. From 1941 until 1965, each year a portion of the fund was invested in the general account. The assets are separate and are shown separately in reports to members.

At the Sears annual meeting, shareholders were asked to vote to increase from 10% to 11% of consolidated net income as a ratio to determine annual contributions to the fund. For example in 1968, the amount of company contribution to the fund would have been $95.8 million, or $8.7 million more.

The fund actually has a sliding scale for contributions, ranging from 5% of the company's savings from $250 million to $299.9 million up to 11% if earnings are more than $600 million. In 1952, the ratio maximum was hiked from 9% to 10%.

In addition, Sears has paid the maximum since at least World War II days, according to Merle Douglas, executive director of the fund. Sears profit-sharing members individually voted their shares, which total 23% of all Sears stocks, on the amendment.

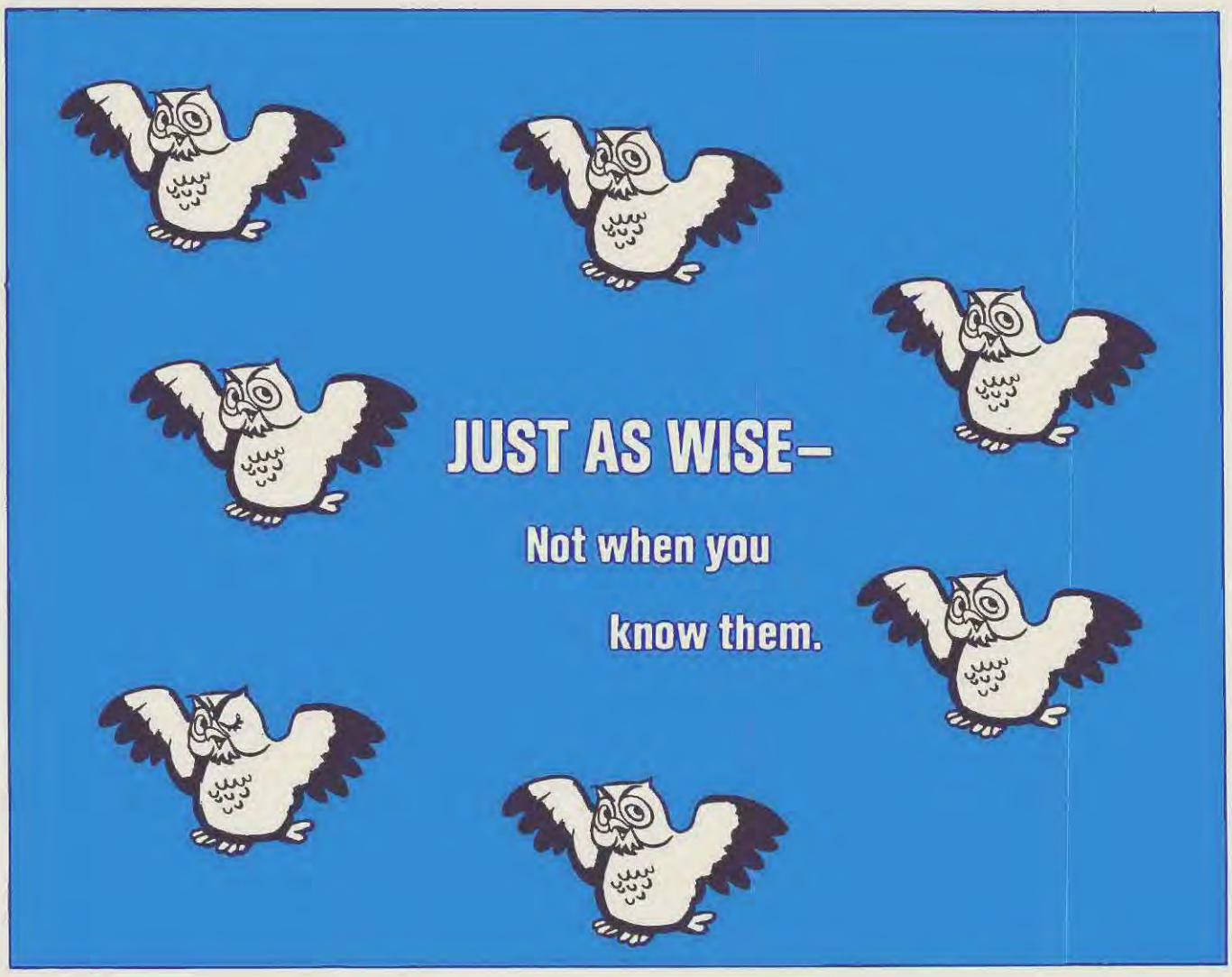
Mr. Douglas said that the members voted overwhelmingly in favor of the increase, but that the shares were sent to an accounting firm for counting to assure impartiality in the tabulation.

THE SECOND CHANGE adopted, which also became effective as of Jan. 1, 1969, allowed the maximum deposit by a member to be raised from $500 to $750. A Sears employe can put 5% of salary up to the maximum into the fund. Executives who earn $15,000 or more can also participate in a noncontributory supplemental pension plan. This plan had a $10,000 entry level previously. In 1952, the maximum was raised from $250 to $500.

The fund currently has more than 200,000 members, and Mr. Douglas expects membership to climb past 250,000. By the end of 1968, there were 7,000 employes with annual pay ranging from $10,000, the old maximum contribution level, to $15,000, the new maximum upon which the 5% can be applied, according to the Sears proxy statement.

These persons will not be able to participate in the supplemental pension plan until they pass the $15,000 mark. The maximum reduction in retirement benefits for those who would retire within a year could not be more than $200, the statement said. The others, according to the statement, will be offset by increased benefits from the profit-sharing fund. Traditionally, the profit-sharing fund has outperformed the other.

This change did not require shareholder approval, but did win support of the 27-member fund advisory council, fund trustees and Sears directors. ■



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Lewis, leader for pensions, safety, dies

WASHINGTON—John L. Lewis, who died this month at the age of 89, was the key figure in a 40-year battle to set up a pension fund and safety standards for the nation's mine workers.

He left behind a career encompassing fistfights, contempt of court citations and tense showdowns with the Federal government.

The bushy-browed union hero became president of the United Mine Workers in 1920. Key benefits came to the miners when Mr. Lewis organized war-time strikes which gained for the miners special portal-to-portal pay, including compensation for all underground travel from the shaft head to the coal face and return.

IT WAS Mr. Lewis' decision in 1946 to strike soft-coal companies in an attempt to secure royalties on every coal-ton sold for support of the union's health and welfare fund.

Only after fierce negotiations involving President Truman did the strike finally halt and the union gain its royalty arrangement. Soon after Mr. Lewis called a hard-coal strike to nail down the same royalty provision. Management quickly gave in, and the union was able to establish its first pension fund.

The issue of mine safety was a priority struggle for Mr. Lewis, and in 1952 he led the fight to extract a uniform mine safety law from Congress.

It was in the year before that 119 coal miners had perished in an explosion in West Frankfort, Ill. Mr. Lewis rushed to the scene, inspected the mine shaft and found it unsafe.

IN FURIOUS testimony before a Senate subcommittee, he called for immediate legislation on mine standards and Federal power to close unsafe mines. With little delay the Federal mine safety law was enacted.

Mr. Lewis called for a ten-day "memorial" work halt to insure passage of the bill.

Mr. Lewis stepped down from active participation in the union's day-to-day affairs in 1960 with the title of president emeritus and a $50,000 annual pension. During the first 14 years of the pension fund the unions collected $1.3 billion and accumulated a reserve of $130 million. ■

Reduction in sonic boom 'annoyance' will cut damage claims: Cornell prof

ITHACA, N.Y.—Millions of dollars in damage claims due to commercial air transport sonic booms would vanish if sonic boom annoyance is reduced sufficiently, even though real damages increase.

This is the contention of A. Richard Seebass, associate professor in Cornell University's Graduate School of Aerospace Engineering, who has made an extensive study of the problem.

Mr. Seebass says it has been estimated that damage claims from supersonic transport (SST) flights over populated areas could total as much as $50 million annually, based on past complaints.

"DAMAGE CLAIMS seem to be inextricably entwined with annoyance," Mr. Seebass said. "It is my belief that if annoyance is reduced sufficiently, even at the expense of some increase in real damage, the damage claim problem will disappear."

He said that compared with the physiological impact of the sonic boom on humans, the actual physical damage to structures is a very minor intrusion on our "quality of life."

A specialist in research relating to sonic boom, Mr. Seebass said that annoyance by noise is likely to increase in the future. Psychoaccousticians have established a composite noise rating (CNR) for sonic booms, he noted. When the CNR exceeds 90, there will be complaints; when it exceeds 100, there is likely to be organized group reaction; when it exceeds 110, legal recourse is usually sought, he said.

"If supersonic transport over populated areas were unrestricted," he added, "it is estimated that in 1975, in the U.S. alone, about 50 million people would be exposed to a CNR rating above 90, 15 to 20 million to a CNR rating above 100, and about two million to a CNR above 110. Clearly, such flights cannot and will not be tolerated."

BY CHANGING the design of the supersonic aircraft, said Mr. Seebass, it might be possible to reduce the CNR by as much as 10%.

"While this is a substantial decrease in annoyance," he said, "it would still leave 15 to 20 million people exposed to a CNR above the complaint level. And it would still be literally true that the privileged few would be rising across the eardrums of the nation."

Turning to the American supersonic transport program, Mr. Seebass said he sees two "exciting aspects" to its development. One is that the Boeing 707, in contrast to the French Concorde and the Russian TU-144, will require a new technology because of its substantially higher speed. The new technology will permit even further increases in speed, he said.

The other important point, he said, is that intercontinental travel time would be tremendously reduced while continental travel time would remain virtually unchanged because of sonic boom restrictions over populated areas.

"A new and more international world will be open to the businessman," Mr. Seebass said. "Tokyo would be five hours' flying time from San Francisco instead of 13; Sydney would be six hours' flying time from Los Angeles instead of 16; Rio de Janiero would be four hours' flying time from New York instead of ten. I don't mean to imply that it is reduced travel time that is important, but rather whether or not one makes the trip. Unfortunately, this decision depends on the cost both in dollars and in time."

MR. SEEBASS said his enthusiasm for this country's supersonic transport program is tempered on two counts.

"One," he said, "is that it requires money now when there are other more pressing needs. An end to the Vietnam War would ease this situation. The other is that we have yet to be explicitly assured that we are not going to have commercial supersonic aircraft over populated areas unless and until engineers can find ways to reduce the impact of the sonic boom to truly acceptable levels."

He added: "With that assurance in hand, and an end to the Vietnam War in sight, it seems to me that an American supersonic transport would be a significant addition to our quality of life and warrants the government's continued participation in its development." ■

Shiach promoted

A. D. Shiach has been named president of Marshall & Stevens Inc., Chicago appraisers and valulation consultants. He was formerly exec vp.

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opinions

Is insurance coverage for pollution antisocial?

The insurance industry is beginning to question the wisdom of providing liability coverage for land, sea or air pollution. We think this is the right approach.

Insurers are asking themselves whether it's in the public interest to indemnify corporations for dumping waste materials into a lake or stream. "It's like trying to insure a building on fire," one underwriter told this publication.

The first sign of resistance came earlier this month when Insurance Co. of North America sent out notices to oil and chemical companies stating that it would no longer give liability coverage for most pollution damage claims. INA explained it would under no circumstances cover pollution damage claims arising from offshore drilling and oil exploration.

The insurer would apparently make exceptions for corporations which it felt were providing adequate safeguards to prevent pollution hazards.

It's also indicated that Lloyd's of London is reexamining the portion of its pollution policy which states that coverage would be available if seepage, pollution or contamination is caused by "a sudden, unintended and unexpected happening during the period of insurance."

Presumably, even coverage for "sudden, unintended and unexpected" oil or chemical spills could be cut off under Lloyd's possible new exclusion.

Add to this the comments of a Liberty Mutual man, F. Freeland Chew. Mr. Chew told an American Management Assn. session that many pollution losses can't be met by insurance—such as pollution hazards caused by noncompliance with laws or if a plant is closed down by injunction.

Insurers don't want to be put in the position of funding "uncontrolled" waste disposal, as one underwriter explained, and at least one insurance manager close to the problem doesn't think they should be.

He contended that companies should absorb the cost of pollution spills and damage claims as a part of business expense, but he asked not to be quoted because "my management would probably fire me."

Such a concept was at least partially behind the proposal of seven big oil companies to set up an industry-operated captive insurance company to compensate governments for the cost of cleaning up oil spills off coastlines.

One of the reasons for the captive, an oil company source explained, is that indemnifying governments for the cost of cleaning up oil spills is "beyond the scope of existing insurance operations," since neither governments nor the tankers have a legal liability to clean up the oil.

"Underwriters come in when there's legal liability," the executive explained.

"We're not talking about a catastrophic loss situation such as the airlines are currently faced with," the source pointed out. "This is a public relations thing. If we spill oil we damn well ought to clean it up."

We agree. And we also think that the pollution captive idea ought to be expanded to indemnify against oil seepage from offshore drilling rigs as well as oil leaks from tankers—an idea we understand is under active consideration.

Perhaps the fact that insurance companies are shying away from protecting their corporate customers against pollution damage suits will provide a powerful incentive for them to clean up our rivers.

1968 Accident Cost: $22 billion

Wages lost due to disabling injuries	$ 6.3 billion
Insurance administrative costs	$ 4.9 billion
Property damage (motor-vehicle)	$ 3.8 billion
Money value of time lost	$ 3.5 billion
Medical fees, hospital expenses	$ 2.4 billion
Property destroyed by fire	$ 1.8 billion
TOTAL	$22.7 billion

Businesses, directly or indirectly, bore a significant share of the more than $22 billion in accident costs last year. This table allocates accidents costs without duplication to six major categories of losses. Lost wages include money lost due to temporary inability to work, lower wages after returning to work after permanent impairment and the present value of future earnings lost by those totally incapacitated or killed. Insurance administrative expense is the difference between insurance premiums and claims paid. Value of time lost includes time lost by workers, directly or indirectly involved in accident, but not time lost by those who suffer disabling injuries.

Source: National Safety Council

Benefits for women

A fact of life in the corporate community is the tight employment market for female office workers. Personnel executives are applying their imaginations to the problems, dropping employment standards, instituting their own training schools and generally trying anything that might turn up able workers.

One company is reportedly offering secretaries free trips to the beauty parlor now and then as a little something extra to stabilize its female work force. And PepsiCo, about to move out of Manhattan to Purchase, N.Y., has offered to pay for its secretaries' moving expenses just as it will for executives. One advertising agency has for several years acknowledged the apartment hopping of its young, single female workers by giving them a paid day off to move.

We wonder how many employe benefits managers and other corporate executives have considered the positive value of offering something that is both tangible and realistically suited to keeping females at one place of employment for a reasonable length of time.

Blatant sex discrimination—in pension programs, health and accident plans and life insurance coverage—not only ruins the possibility of a stable female work force but should be distasteful to all men of just purpose. Reliable female employes—mature and productive workers—are just as attracted to important fringe benefits as their male counterparts.

Employe benefits administrators, who as members of corporate management teams are concerned about maintaining female work forces, should advocate equality in major benefits. Certainly tried-and-tested benefits such as pensions and insurance programs will do more to keep Susie on the job than such frills as an extra coffee break or the dropping of miniskirt restrictions.

Mr. Kemper makes a point

In his final speech as chairman of the American Mutual Insurance Alliance, James S. Kemper Jr. of the Kemper Insurance Group inveighed against conditions that destroy an orderly society.

"Every citizen must be concerned, as a citizen, with the deterioration of American attitudes toward legal, social and moral responsibility," Mr. Kemper said. "This condition affects insurance people not only as citizens but as businessmen because the insurance mechanism does not work and will not work in a disoriented society."

These conditions, Mr. Kemper asserted, prevent the insurance industry from providing "the service we wish to provide, at the prices the public will accept, where the insurability of the risk is so dramatically affected by the widespread disrespect for people and property which festers in our society."

Mr. Kemper noted with approval the insurance industry's efforts to rectify inequities in auto insurance coverage and claims payments. He might also have cited the insurance industry's efforts to stem traffic accidents through the Insurance Institute for Highway Safety and the commendable achievements of the insurance industry in reducing the toll of fires and accidents in workplaces.

Yet, Mr. Kemper, we wonder, to make a point of our own, what the property-liability and life insurance industry has done to employ and educate and uplift some of the deprived groups that now manifest such contempt for property and life. The achievements of the insurance industry in traffic safety and work safety must be matched by the hard work of meeting the needs of the people in our society who do not share or understand the goals and problems of insurance.

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for buyers of employe, property and liability protection

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letters

A rebuttal

To the Editor: In the May 12 issue of *Business Insurance*, in your story on the Illinois self-insurance study, you were kind enough to mention the Insurance Information Institute's pamphlet, "At Your Own Risk," on "the dangers and delusions of self-insurance for local government properties," published originally in the Journal of Insurance Information.

Subsequently, we received a copy of a letter to the editor by David Warren of San Francisco, in which he criticizes the III publication for its "biased viewpoint" and because its thrust is to "dwell at length on the hazards of *complete* self-insurance, saying little about the well-planned program of loss assumption to the limit of financial capability of the concern."

To correct any impression conveyed by Mr. Warren's letter that our pamphlet presents a distorted case, we would like to clarify these points, which a careful reading of the booklet will show:

First, the pamphlet is not intended as a general discussion of the entire subject of self-insurance. As its subtitle implies, it is addressed specifically to the potential pitfalls of governmental self-insurance. In its very first paragraph, the booklet acknowledges that self-insurance can be sound and workable if it adheres to scientific insurance principles.

On its first page, the booklet also acknowledges the acceptability of well worked-out risk assumption plans and programs of partial self-insurance, given the necessary financial capacity for meeting the self-assumed portion of the risk. Thereafter, the booklet states its intention of discussing only such plans as do *not* meet the necessary conditions. Thus, it is precisely the "hazards of *complete* self-insurance" with which the booklet is expressly concerned.

Second, the booklet, in setting forth these hazards, relies not upon its own reasoning, but upon the documented facts of historical experience by state and local governments, and upon the application of insurance principles outlined by well-known insurance authorities.

It would have been impractical to cite the authorities for each insurance principle set forth, both because these authorities are too numerous and because the principles, once stated, are for the most part self-evident.

With all due respect to Mr. Warren's professional acumen, we believe that he or anyone else should judge the facts and arguments set forth in "At Your Own Risk" on their own merits, and that any criticism or debate should deal with what the booklet covers, rather than with areas of self-insurance which it does not cover.

Thank you for your attention, and for your own accurate quotation of our pamphlet in *Business Insurance*.

Bernard Kaapeke
Editor, Journal of Insurance Information, New York, N. Y.

Hold harmless

To the Editor: Reference is made to your coverage of our recent Houston Society of Insurance Management annual spring insurance conference (page 3 of your May 26 issue, "Expect fewer statutory agreements governing contractual liability").

I am at a loss to understand the meaning of those words. Perhaps

Continued on page 30

"Is there a quote here from Mutual Benefit"?

"There is. And it's a winner. They've given us long-term disability and major medical for little more than we're now paying for major medical alone."

Fringe benefits aren't just fringes any more. They're nearly as important as salary for holding and attracting key personnel.

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Or we may find a way to increase major medical dividends and use the money to help finance a long-term disability plan. Or a short-term disability plan for lower-echelon employees.

(Giving customers a little more for their money has been our special way of doing business for 120 years now, and is perhaps the big reason why we have over 11 billion insurance dollars in force.)

Of course, there's always the chance that you still consider fringe benefits nothing more than icing on the cake.

But did you ever notice how often the icing makes the cake—or breaks it?

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For example, a wide range of construction firms, manufacturers and service organizations are working in Vietnam under contract with the United States government. These people are building roads and port facilities, setting up communications systems and supply installations. They service all kinds of equipment, then train others in its use. They're participating in vital programs designed to improve and advance the education, agriculture and health of Vietnamese nationals in their hamlets and villages. Needless to say, these people run a dangerous and highly unusual risk, and they need special insurance protection. INA had the imagination to provide it.

177 years of experience in writing all kinds of insurance has given us the knowledge to tackle the big insurance problems.

If you'd like to see how this experience leads to imagination in writing practically any kind of custom-made group insurance for you, just call your INA agent or broker. And tell him you'd like to meet one of our imaginative group insurance specialists.

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James McMullan

Board keeps 'open mind' on benefits for telephone workers during strike

SPRINGFIELD, Mass.—Legal precedent is working against unemployment compensation claims filed by New England Telephone Co. operators over wages lost during a strike last year, but a review board will keep "an open mind" until hearings are completed, a spokesman said here.

Edward T. Sullivan, chairman of the state division of employment security review board, disclosed that hearings were held during May in Springfield and Worcester, with June sessions slated for Boston and Lawrence.

The board's decision is expected to be rendered in July.

J. William Belanger, Division of Employment Security director, last May declared that operators were ineligible for compensation if they stayed off their jobs during a strike by installer-repairmen.

INSTALLER-repairmen went on strike April 26 for 18 weeks, and an estimated 50% of the company's 11,000 operators refused to cross the picket lines until May 26 when management warned they might lose their seniority, vacation and insurance benefits.

Mr. Sullivan said that state law ruled out compensation in instances involving a "labor dispute," but operators' appeals would be heard.

A total of 3,800 compensation claims were filed by operators, according to the Division of Employment Security.

Mr. Sullivan added that the most recent case in which the term "labor dispute" was applied to disqualify workers for compensation involved a 17-day strike by members of the Amalgamated Meatcutters and Food Store Workers Union (AFL-CIO), against the First National Stores chain in November, 1967.

APPROXIMATELY 10,000 workers contended that they were "locked out" from their jobs by management even though they had accepted the terms of a new three-year contract.

Management, however, claimed that the 1,900 members of a Boston local had voted to reject the contract and go on strike, and a strike by one union unit against the chain was considered a strike by the entire union against the entire chain.

Mr. Belanger also had ruled meatcutters ineligible for compensation and his decision was upheld. ■

Exec promotions

Richard R. Shinn has been elected president of Metropolitan Life Insurance Co., New York, and N. W. Wentworth has been named president of the Continental Corp., parent of Continental Insurance Cos., New York. Mr. Shinn since last year has been senior exec vp at Metropolitan. Mr. Wentworth had been vice chairman at Continental, where J. Victor Herd continues as chairman.

Maritime suit claim is $1.3 million

LITTLE ROCK—The advent of the $1.2 billion Arkansas river navigation project has brought maritime law to Arkansas. The first suit filed under this law was settled out of court early in March for an undisclosed sum.

The complaint was by Mr. and Mrs. Thomas D. White of Little Rock against the Arkansas Valley Dredging Co., a firm dredging the river. The suit sought $1.35 million in personal damages.

In it, the Whites claimed that on June 14, Mr. White, while working as a seaman deckhand on a dredging barge on the river, was hit by a falling crane boom and totally disabled.

Mrs. White sought additional damages for the loss of services, companionship and consortium of her husband.

Their attorney, Mike Huckabay, cited maritime statutes in alleging that the dredging company was negligent in the operation of the crane and that the dredging barge was "unseaworthy."

Griffin Smith, the company's lawyer, contended that the maritime statutes were not applicable in White's case.

River navigation up the Arkansas was opened as far as Little Rock in January. A series of 17 locks and dams will lift barge traffic some 450 miles up the Arkansas and Verdigris rivers from the Mississippi river to near Tulsa, Okla. ■

Hartford Fire may sue over D.C. riots

HARTFORD—Hartford Fire Insurance Co. is "considering" legal action against the Federal and District of Columbia governments for reimbursement of claims paid to businesses stemming from 1968 riots, *Business Insurance* has learned.

A Hartford Fire spokesman remarked, "All insurance companies would have to consider taking such a course if losses were substantial. These municipalities have a legal liability. An insurance company acquires the rights of an individual to sue for damages when it pays a claim."

No move is anticipated by Aetna Life & Casualty Insurance Co.

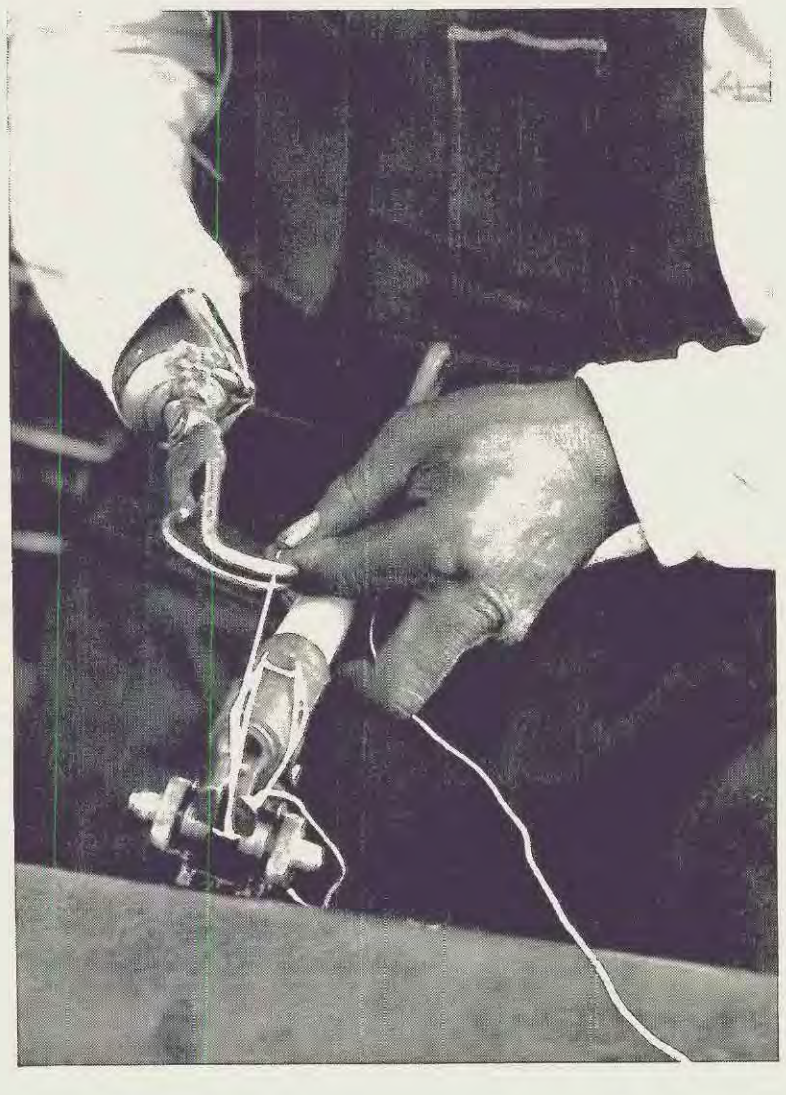
AETNA Insurance Co., a Connecticut General Insurance Corp. subsidiary, filed suit April 25 in U.S. district court against the Federal and District of Columbia governments for recovery of $1.2 million in claims paid out as a result of 1968 riots.

An Aetna spokesman disclosed that other insurance companies are planning to bring action against the two governments. He added, "We were the first, but it is the beginning of a trend."

The Aetna action charged that Washington officials "sacrificed" properties to the burners and looters rather than expose police and troops to danger.

It is further alleged that law enforcement officers should have known that such an incident as Dr. Martin Luther King Jr.'s assassination would have touched off domestic violence, disorders and rioting because of racial tension. ■

Getting an Injured Workman Back On The Job Raises Hopes . . .



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safety and security today

High rises raise pesky problems for those who plan safety logistics

NEW YORK—The U. S. and Canadian construction industry, in the midst of a high-rise building boom of unprecedented proportions, is faced with the serious logistics problem of how to make sure fire fighters can get to a blaze in the upper reaches of the structures and how occupants can evacuate quickly.

Reinforced steel makes most of the tall buildings fire-resistive, meaning that the fire itself may be confined to one floor. But smoke and hot gases often spread through air conditioning ducts and stair wells, creating panic on the part of the occupants.

"If exit facilities aren't properly designed and there's no way of getting rid of smoke and heat, you've got a hell of a people problem," one New York insurance broker said.

The problem of reaching the scene of a blaze in a high-rise structure is something the construction industry is attempting to solve through better design. The solution in the above fire was to use a neighboring building. —Wide World photo

ADD TO THIS the problem of fire fighters reaching fires on upper floors. If the blaze knocks out the electrical system and with it the elevators, and there's no emergency generator, firemen are faced with the chore of hiking up fifty flights of stairs to get to the scene of the fire.

Also, the high-rises must be equipped with stand pipes and pumps to carry the water to the upper levels, because neither aerial ladders nor hoses will reach anywhere near the height of the buildings. The stand pipes transport the water and the pumps—located at strategic intervals—keep it moving as pressure begins to falter.

There is controversy as to whether it's worth it to install sprinkler systems throughout the building, although such devices are generally recommended for work places such as paint and carpentry shops and refuse collection areas.

One insurance expert said sprinklers will cut fire insurance rates in half, but he said most high-rise buildings with proper fire-resistive structure and safety requirements already qualify for minimum fire rates (in New York City such rates are 2½¢ per $100 of insurance). So, it's argued, there would be no additional saving from sprinklers.

HOWEVER, at the National Fire Protection Assn. annual meeting here last month, a Portland architect startled participants by contending that over the 50-year life of a high rise, installing sprinklers could save the owner up to $2.5 million.

The architect, Richard E. Ritz, associate partner of Skidmore, Owings & Merrill, noted that when original construction of an office tower includes a sprinkler system the cost is completely offset by construction savings, and the annual gain from insurance-premium savings and additional rental brings in at least $50,000.

Rental area, said Mr. Ritz, can be a profitable 85%, because less space is taken up by stair and access areas—including the loop corridor usually required in high-rise office buildings.

Smoke and gases seem to pre-

Continued on page 48

Ask new comp class for apartment builders

SAN FRANCISCO—A new workmen's compensation insurance classification for apartment construction, which does not exceed three floors, is being sought here from the California Inspection Rating Bureau.

The demand was made by the Northern California apartment house industry through the California Building Council.

Joining with the council in the request was the Associated Home Builders of the Greater East Bay, headed by executive vice president William T. Leonard.

Insurance companies involved are Industrial Indemnity, Fireman's Fund, Liberty Mutual, State Fund, Aetna Casualty and Truck Insurance Exchange.

MR. LEONARD ASKED Richard G. O'Brien, manager of the bureau, to consider the new class.

"This classification," Mr. Leonard said, "we would suggest have the National Council on Compension Insurance standard rating #5651—carpentry in the construction of new dwellings not exceeding three floors in height and private garages connected therewith.

"A significant dollar volume of carpentry payroll is now being generated in the construction of apartments of this height," Mr. Leonard continued, "and in the future an even greater volume will be generated."

Mr. Leonard predicted construc-

Continued on page 35

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Project '68 theft loss of $59 million

NEW YORK—International theft and pilferage cost U.S. industry an estimated $59 million in 1968—up from $39 million the previous year—according to projections released by the American Institute of Marine Underwriters.

The figures were compiled by Alvin S. Roberts, underwriting secretary of Insurance Co. of North America, for the Senate select committee on small business. The crime loss data was projected from INA insured loss figures.

The Senate committee, whose chairman is Sen. Alan Bible (D., Nev.), has before it a bill to establish a permanent Commission on Security and Safety Cargoes.

CARL E. McDowell, exec vp of AIMU, endorsed the proposed commission as a unit that "could strike a resounding blow at crime to the benefit of both large and small business."

"No international law enforcement agency exists to survey and

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Forethought protects Control Data's computers

MINNEAPOLIS—Working with the philosophy of anticipating problems before they occur, Control Data Corp has experienced very few losses at plants and data centers and virtually none at leased sites.

"This," Robert E. Abrahamson, corporate insurance manager, said, "in part, is accomplished through our loss prevention programs which are supplemented by the professional fire and safety engineering services of our insurance carriers."

The Factory Mutual engineering division provides fire protection services for all domestic manufacturing plants and other major highly protected risks. This also includes major leased equipment data centers and plant sites worldwide. There is an internal self-inspection program for lesser valued leased equipment locations: Control Datas is growing fast in foreign markets and in addition to leased computers and their own data centers, has several foreign manufacturing plants with two more in Europe and one in the Far East.

CONTROL DATA'S safety engineering services for personnel, public, product and auto safety are provided by Aetna Casualty. Marsh & McLennan provides the safety engineering services in Minnesota because of a self-insured workmen's compensation program. These programs are supplemental to Control Data's own safety programs.

A loss prevention package accompanies each computer whether it's headed for a domestic company or if it is going to make the international scene. The package includes safety precautions during transit, in pre-designing the most optimum environment for the computer and continues with periodic inspections as long as the computer is leased.

This is the kind of program, Mr. Abrahamson contended, that has kept all losses at a minimum. One uncontrolable loss that occurred recently in Montreal at Sir George Williams University occurred when students rioted and barricaded themselves in the computer center. Destruction of the EDP installation amounted to approximately $2,000,000; Control Data's insured loss on this was less than $50,000.

In this particular case, the university had purchased a major portion of the computer from Control Data. In the many instances when the entire computer is leased to a customer, Control Data provides for all the property insurance protection. The Appalachian Insurance Co., through Charles W. Sexton Co. in Minneapolis, provides worldwide coverage on the computers. This is a manuscript "all risk" form, tailor-made for Control Data's non-HPR and marine exposures.

ONE PROBLEM Mr. Abrahamson sometimes faces is that the insurer's engineering recommendations may on occasion conflict with what "our site planning people have already told the client."

A new plan to be implemented in the near future, will include predesigning of the data center, as regards fire protection, jointly by Control Data, the customer and the Factory Mutual engineering division. This is expected to provide more consistent fire protection engineering philosophy, according to Mr. Abrahamson.

New loss prevention plans are sometimes brought about through seminars conducted at Control Data for its own engineering standards and site planning organizations, and their insurance carriers engineering divisions. Seminars are also held periodically for Control Data plant engineering managers.

As industry becomes more and more dependent on computers for production control, the insurance industry will become increasingly concerned about the business interruption exposure which ultimately comes back to a more concentrated loss prevention effort, said the corporate insurance manager. Insurers may in the future be recommending redundant computer centers at a remote site to offset the potential business interruption risk if the primary computer is damaged or destroyed.

WITH MEDIA LIKE magnetic tapes and other combustibles, it's recommended that they be stored in a separate sprinkled vault area, where the humidity is maintained between 40% and 50% and the temperature is between 62 and 78 degrees.

In the computer room itself there must be rigid environmental controls. A stable temperature has to be maintained which sometimes means installing a back up air conditioning system in case the primary one fails. The room must also be dust free.

Control Data's traffic department has also developed specific loss prevention techniques for transporting computers. The Appalachian policy also provides coverage for the inland and ocean marine risk of the computer shipments.

When the firm shipped its first 7600 super computer to California, two special climatized vans were spaced approximately five hours apart, so as not to subject them to one catastrophe. The total insurable amount at risk here was in the $10,000,000 range. It can go as high as $15,000,000 for a 7600, with additional costs for loss of rental income, if it is a leased system.

Joining Appalachian on the marine coverage for this first

Continued on page 34

An operator responding to an alarm signal in one of ADT's more than 140 central stations.

Attitudes, advice vary on security for riots

CHICAGO—Three security experts, with varying attitudes and advice, talked about civil disorders and what to do about them at the International Security Conference here.

"I am not an expert on riots," said J. Kirk Barefoot, director of security at Foremost-McKesson Inc. of New York. "What I can tell you, however, is something about our company and what we have done to protect our facilities."

Jervie P. Fox Jr., advisor to the provost marshal general, was reluctant to divulge what he believes will protect most industrial, office or institutional facilities. "Once we give forth the defense, we strengthen the offense," he said.

"For those of us in the law enforcement profession at every level, I know this notion of sharing a plan with other than our own fraternity seems strange and foreign," Lindberg Bell, director of security at Michael Reese Hospital, Chicago, said. "But we must get over this 'strange' feeling to get the specific job done and done well."

FOREMOST-McKesson's Mr. Barefoot described his riot-protection problem as "approximately 237 operating locations scattered throughout the U.S. in a wide range of neighborhoods ranging from outright slums to beautiful industrial parks located in the suburbs." All of them are warehouses—97 drug, 48 liquor, 66 chemical, 11 hospital supply and 15 laboratory supply.

"Of all of our locations, our liquor warehouses, followed closely by the drug warehouses, cause us the most concern during a riot situation," Mr. Barefoot said.

With five regional security officers, supplemented by about the same number of investigators, the security director admitted that no one in his organization was equipped to deal with a riot prior to the 1965 Watts upheaval.

"Initially, some rather poor advice was given to merchants and business concerns in the Watts area by law enforcement officials," Mr. Barefoot observed. "Businesses were advised to close and merchants were urged to flee the area. Some companies took issue with this advice and elected to remain."

THERE WERE therefore two theories about combating riots: "Abandonment and surrender versus stay and defend," according to the Foremost-McKesson security director. Those that stayed suffered the least damage.

"One bit of reality that struck home was the fact that there were virtually no uniformed guards available to companies that did not normally subscribe to guard service," Mr. Barefoot said. "Those companies that did subscribe to a guard service, in some cases, doubled and even tripled their forces, thus exhausting the available manpower supply of guards."

Of Foremost-McKesson's 237 warehouses, only two utilized uniformed guard forces. Since the Watts riots, Mr. Barefoot has arranged to have an outside guard force sent to the locations where it is considered that the security force is shorthanded.

"Another unfortunate lesson learned from the Watts situation was that firearms do not necessarily become a vital force in successful property protection," he maintained. A local branch of a

Continued on page 50

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SAFETY FIRST

Laser light requires strict safety

CICERO, Ill.—To grammarians, laser is an acronym that stands for Light Amplification by Stimulated Emission of Radiation.

To children, the word "laser" conjures up fantastic Flash Gordon-type adventures and incredible space explorations.

To industrialists, laser connotes virtually endless possibilities for communication, printing, photography, optical testing and cutting operations.

But to safety engineers, lasers mean potential hazards to eyes and skin that are incident to the use of these versatile and powerful tools in industrial operations. The safety problems inherent in lasers will become increasingly important in the coming decade as countless lasers go into use in industry.

TO LEARN ABOUT how one company copes with laser safety problems, *Business Insurance* visited the sprawling Hawthorne Works of Western Electric Co. here to observe the operation of one of the few industrial lasers already at work in the Chicago area.

Ed Golonka, an engineer who supervises the production of miniaturized telephone circuits, pointed out that the first safeguard he employs for his laser is a separate room with restricted access that is kept locked whether or not it is in use.

Inside the room, Mr. Golonka's laser operators use a programmed carbon dioxide laser to cut precise scorings in wafer-thin circuits. With the laser Western Electric can turn out 10,000 tiny circuits each day and save thousands of dollars as well as 16 weeks' time it would take to have the circuits produced by another process.

This saving in time and money effected by the use of lasers typifies the usefulness of laser devices in industry.

Mr. Golonka backs up the security of a separate laser room with a warning sign that restricts access to individuals he approves. But nobody who enters Western Electric's laser room can bring in food or smoke.

WESTERN ELECTRIC safety managers, who were consulted about laser safety requirements, cautioned that the power supply was potentially more dangerous than the laser tube or laser beam. Therefore, Mr. Golonka keeps the power supply locked and requires that two maintenance men, at least one a qualified electrician, be present when the power cabinet is unlocked.

"Because the carbon dioxide laser produces a score on the ceramic circuit material with a beam of laser light, we insist that every operator and others who enter the laser room wear glasses which absorb the beam," Mr. Golonka explained. He said that if one put his hand under the beam it would produce a burning sensation not unlike a burn from a lighted cigarette.

Lasers of all types present optical safety hadards because the eye

Continued on page 36

Laser light beam is reflected by this glass laser rod at the PPG Industries glass research laboratories in Harmerville, Pa. PPG, one of many industrial firms using lasers, applies strict safety rules to those who employ lasers to check for flaws in glass.

Demonstrate laser device to clear tracks

WASHINGTON—The Department of Transportation and RCA Corp. have successfully demonstrated an experimental laser device that can detect small objects on a railroad track roadbed.

The beam sweeps a track for such impediments as rocks or tree limbs, and sends a signal to a central facility to either remove the objects or warn oncoming trains to stop until the roadbed is cleared.

The system, developed by RCA, is designed as a safety aid for future trains—including air cushion vehicles—traveling at speeds of from 300 to 500 miles an hour.

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How loss control means risk reduction

By GERALD L. MAATMAN
Director, Loss Control Engineering, Kemper Insurance Group

CHICAGO—Risk management is a relatively new profession. It has grown considerably in the last 20 years as industry increasingly has recognized the many risks modern corporations face and the complexity of insurance available to cover these risks.

The first task of the risk manager is to identify and evaluate his company's risks in terms of their potential frequency and maximum dollar loss. There are four approaches he can take in handling these risks:

- Assume the risk.
- Reduce the risk by cutting down on its potential frequency of maximum loss.
- Eliminate the risk by removing its source.
- Transfer the risk by buying insurance.

In addition to measuring the chance of loss, he must try to determine the maximum dollar loss that can occur from a given risk. This isn't easy, particularly when dealing with "indirect" losses. For instance, how do you put a price tag on the loss of a customer's goodwill?

THE RISK manager must cost analyze his operations since his company's funds are limited. He must make the best possible use of the dollars allotted to minimize his company's risks and buy insurance for the risks he cannot assume, reduce or eliminate.

The allocation of company funds for risk management can be illustrated by this formula: T = I + A + U.

T = Total amount of money available to the risk manager.

I = Money used to buy insurance.

A = Amount for overhead, including the salaries and expenses of all employes involved in risk management and loss prevention.

U = Amount of unallocated money the manager can use to further reduce risks.

THE AVERAGE risk manager devotes most of his efforts to controlling "I" (insurance money). He is concerned with the expenses of "A" (overhead, salaries and expenses) but probably to a lesser degree.

In most cases, however, he spends too little time determining how "U" (unallocated money) should be spent. This is unfortunate because the residual risks his company must retain in whole or in part (as in the case of deductible coverages) should be one of his greatest concerns. These risks only can be reduced or eliminated through the proper use of "U" monies.

The capable risk manager knows that it does not make sense to spend "U" dollars to reduce risks that have already been transferred to the insurance carrier, unless:

- The expenditure can be expected to be offset by a corresponding reduction in insurance premiums (reduction of "I").
- There are elements of both an assumed and a transferred risk arising out of the same potential peril. For example, there is a possibility of both direct and indirect losses where all of the latter cannot be insured, such as a permanent loss of customers because of a fire.
- Such expenditures are required to meet state or local statutory provisions, possibly relating to fire prevention, safety or pressure vessel requirements.

Gerald L. Maatman

- Such reduction of risk may be justified on moral grounds such as further reducing hazards to employe health or safety.

Loss control engineering can help the risk manager get the most for his money by pinpointing hazards and reducing possible areas of loss. Such assistance is available from engineering personnel within his own company, either loss control engineers or plant engineers. There are also independent consulting engineers, either in general practice or specializing in loss control (fire protection, safety, and boiler and machinery). In addition, engineering services are available from insurance carriers.

FROM ANY of those sources, if they are competent, the risk manager can get help in identifying risks; pinpointing specific elements of a given risk, such as particular fire or accident hazards within a plant; developing means to eliminate or reduce various aspects of a given risk (for example, point-of-operation for a particular machine operation or a nonflammable substance to take the place of a flammable one); estimating the loss-frequency potential of a given risk; defining measures to treat risks which are being assumed.

What should he expect of his insurance carrier's engineering department?

An insurance company's loss control engineer can identify and locate hazards in an insured's operation. He can draw from his experience with other insureds in the same or allied industries.

The loss control engineer can suggest solutions to eliminate or control hazards and is responsible for seeing that they are technically sound and economically justified.

The risk manager should consider the following in choosing an insurance company for its loss control engineering facilities:

- Size and distribution of the carrier's field staff—can it readily service all of his locations?
- Experience—in handling insureds his size and in the same industry.
- Quality of engineering staff—the number of licensed professional engineers and the number who belong to appropriate technical societies. How much experience have they? Is the company or department properly managed

Continued on page 37

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Secure security secures security exhibits at world security meet

CHICAGO—Security measures taken for the 1968 International Security Conference, although called "minimal" by the man who set them up, seemed elaborate to the uninitiated.

Don D. Darling, a consultant from North Hollywood, Cal., who established the security measures, told *Business Insurance* that a physical security survey of Chicago's Sherman House, where the convention was held, was made long before the meeting got under way.

Prevention of any loss—life or property—was the purpose of what Mr. Darling described as the "minimum security measures," so all steps taken were coordinated with the Chicago Fire Department and the security department of the hotel.

THE EXHIBIT hall was the area that required by far the most security measures, Mr. Darling said. Some of the 11 key doors leading to it were sealed with lead wire devices, and careful security considerations were given to the three banks of elevators and seven stairwells that gave open access to the exhibit hall, according to the security consultant.

Guardmark Inc. and Pinkerton Inc., two exhibitors, provided a joint-venture uniformed security force to watch the exhibits and allow only those with badges to enter.

The first day of the convention, Mr. Darling said, Pinkerton guards were armed. "This was because they accompanied the cash going from the registration booth to the bank," he explained. For the remaining days, none of the guards were armed, according to the consultant.

The biggest security problem of the convention, the consultant said, was the nonattended hours at the exhibit hall. Clocks were installed and the guards had to punch them at various times as they roamed the exhibit area at night.

A SPECIAL security problem was presented by the display of valuable 17th and 18th Century locks, brought to the convention from England by Locks Ltd.

The locks were flown to Chicago's O'Hare airport, where Armored Express armed guards and an armored car were waiting. After clearing the priceless antique locks through customs, they were taken by the guards to the Sherman House.

There they were placed in two specially constructed cases made of Amerada "riot-proof" glass.

At night they were placed into a Diebold safe. Guardsmark and Pinkerton security guards watched the safe.

THE EXTREME security measures taken for the valuable locks were described by Mr. Darling as "defense in depth."

Mr. Darling also told *Business Insurance* that the reason the press was not allowed into the seminar meetings was for security purposes. "We didn't want people using the information in the meetings as a training school," he said.

While no insurance was purchased for public liability or theft of personal property, exhibitors at the convention purchased insurance against theft and fire for their displays as part of their agreement to show their goods, Mr. Darling added. ■

Checklist for summer property protection

NEW YORK—Appropriate to the season, the following recommendations are offered by the engineering department of Commerce and Industry Insurance Co., New York, a member of the American Home Group. Clip out this list for your plant engineer or maintenance supervisor, who can add to it to suit your company's needs.

1. Repair damaged roof structures such as ventilating outlets, fan houses, penthouses, coping on parapets and blistered roof covering as a safeguard against windstorms.
2. Fix signs, shutters and awnings.
3. Hammer test metal stacks to see if metal is sound.
4. Repaint wood and metal surfaces as needed, with special attention to sprinkler piping and metal parts of water supply tanks and their supporting structures.
5. Start a program of weed control around oil-cooled transformers, flammable liquid tanks, compressed-gas storage, wood frame sheds.
6. Flush all yard hydrants to remove sediment. Oil the operating mechanisms.
7. Pressure test cotton rubber lined fire hose.
8. Reopen any sprinkler valves that may have been shut during the winter to prevent freezing.
9. Make warm weather tests of the automatic sprinkler systems. For example:
   - Trip test, clean and reset dry pipe valves.
   - Flow test systems of open sprinklers such as outside window sprinklers.
   - Make measured flow tests of all water supplies for fire protection, usually in the presence of an insurance representative.
10. Thoroughly clean out temporary unneeded items from inside buildings and from yard areas.
11. Check floor drains by pouring water from a bucket or a hose.
12. Train key employes in the safe use of fire extinguishers outdoors, on demonstration fires.
13. Reactivate the plant emergency squad or fire brigade, probably dormant during the winter, or start a new one.
14. See that security barriers against vandalism (more prevalent in warm seasons), such as fences, gates and exterior doors, are in excellent condition.
15. Before shutting your plant down for a general vacation period, check these same items, but also: The main gas valve should generally be shut, unneeded electrical equipment disconnected at a main switch, arrangements made to check air pressure at dry pipe valves of sprinkler systems, check sprinkler control valves to make sure all are open, see that there are ample fire watchers in case any maintenance welding or flame cutting is to be done.

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Jaspan: Hospital thefts big cause of rising cost of medical treatment

HARTFORD—Norman Jaspan, who heads a managerial firm specializing in uncovering theft and skulduggery, charges that stealing has emerged as one of the chief causes of rising costs of hospital care.

If anything, he contends, stealing by employes is worse in hospitals than in business.

Some $1 billion a year is estimated as the worth of thefts by dishonest American business employes—a high percentage, significantly, attributed to executives.

"MY OWN FIRM," he continued, "uncovered $75 million in thefts in 1968 and we were surprised to find that 62% of the money was taken by executives."

Some thieves are much brighter than top-ranking executives of firms they prey on.

One company, for example, pondered large thefts of a plastic powder which apparently had few end uses, but the thieves had found a considerable market. It was being used to leach out oil and gas on floors and aprons of airport hangars.

Mr. Jaspan, who got into the hospital security field because his wife is a physician and learned that stealing from pharmaceutical departments was manifest, remarked that a whopping $700,000 shortage—mainly in narcotics—in one hospital was typical of hospital thefts.

THE JASPAN STAFF found that the head pharmacist had employed all sorts of dodges—even to making out a bogus narcotics charge slip for every patient who died and making many phony slips for out-patients—in a successful effort to cover up the thefts.

The cashier in the out-patient department of another hospital proceeded to steal, systematically, $100 a day for four years.

In a third facility, the chief food buyer managed to pocket $170,000 in kickbacks from suppliers over a three-year time span.

AND IN A FOURTH, the biochemistry laboratory chief neglected patient requirements to use equipment and supplies for his own gain. His activity (making lab reports for doctors to back up insurance claims) cost the hospital several thousand dollars a month.

Virtually all executive and employe theft can be attributed to poor management, Mr. Jaspan contended. Moreover, the cost to the individual business in complaints, delays, customer service, lost production and poor morale is greater than the actual value of the stolen goods.

Not so surprisingly, thieves come from all levels of society.

But the most marked phenomenon is the so-called "respectable" thief, using a good education to steal effectively.

He said that the occasional doctor or dentist makes hundreds of fraudulent claims for treating welfare or Medicaid patients. ■

'Insurance' covers city riot costs

SACRAMENTO, Cal.—Deductible insurance of a sort for city and police expenses in handling campus riots is a major provision of legislation introduced here by Republican Assemblyman John Stull.

The legislation, the result of studies by a select committee assigned by Speaker Robert T. Monagan to investigate campus disorders, would benefit San Francisco taxpayers by more than $316,000.

Police costs of handling the San Francisco State College riots are the highest of any cited in the committee report.

From November of last year until Feb. 21 of this year, according to San Francisco Police Chief Thomas J. Cahill, regular salaries, overtime and cost of extra work load, amounted to $732,573.

Under Mr. Stull's proposed legislation, local governments would become eligible for reimbursement after they had spent $100,000 in police costs because of state college or university disturbances.

They would be reimbursed for one half of the extra costs beyond the $100,000 mark. If the bill is enacted, the state would pay San Francisco one half of $632,573 or $316,287 for handling riots at San Francisco State.

Under the proposed legislation, the cost would be cumulative and there would be no specific time period in which the expense need be incurred to meet the $100,000 eligibility mark.

Berkeley spent more than $76,000 for campus caused policing not including the disturbances of recent weeks. ■

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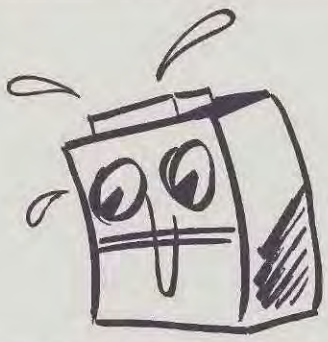

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Info for Buyers offers material that *Business Insurance* believes will be of value to its readers. The complete name and address of each supplier of information is listed so that readers can write directly to the publisher, simply saying that they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

Special safety and security items

• **Fire Foil,** a fire-retardant paint, has been introduced by the Valspar Corp. The paints insulate coated surfaces through the process of intumescence, a chemical reaction forming tiny cells on top of the surface when exposed to temperatures of about 400 degrees or higher. Fire Foil is available in alkyd flat and semi-gloss and in a range of decorator colors. There is a possibility of lower insurance premiums as a result of the greater fire protection provided by this type of paint. For more information on the product contact William R. Cahill at the corporation, Rockford, Ill. 61100.

• **Guide to the Prevention of Fuel Explosions for Gas- and Oil-fired Boiler Furnaces** is a booklet produced by Kemper Insurance Cos. It makes recommendations for safety supervisory devices designed to eliminate many hazardous conditions and to effect a fast shutdown of equipment when a hazardous condition does exist. The recommendations are for boilers having steam capacities generally not exceeding 200,000 pounds per hour. A free copy of the guide is available from the Combined Property Dept., Kemper Insurance Group, 4750 N. Sheridan Rd., Chicago, Ill. 60640.

• Card Key Systems, 901 S. San Fernando Blvd., P. O. Box 589, Burbank, Cal. 91503, has published its product catalog CC-6-69 containing information on security lock access-control systems and machine readable credentials. The six-page illustrated brochure describes the two elements of the system—a **Card-Key** identification card that acts as a magnetic key, and a **Securiti-Lock,** which is magnetically actuated by the card.

• **Camerz Surveyor** automatic hold-up cameras are available in 35mm and 70mm for use in financial, retail, industrial and other types of installations for protection against robbery, theft, pilferage and unauthorized entry. The cameras offer a 65 degree angle of view, a stop-action shutter, and may be set to run only while a special switch is held. They may also be used in conjunction with hold-up alarm systems. A specification sheet is free from Photo-Control Corp., 5225 Hanson Ct., Minneapolis, Minn. 55429.

• **Amerada** Glass Co. has released a 12-page booklet concerning its various types of glass, which are designed for: sound control, glare elimination, heat exclusion, bullet resistance and defense, security and ultra-violet ray fade protection. Information is also available from Amerada on 25% to 50% insurance premium reductions for buildings whose contents are protected by Secur-Lite glass. The company is located at 2001 Greenleaf Ave., Elk Grove Village, Ill. 60007.

• Four illustrated items are available from Honeywell Automation, Minneapolis, Minn. 55408. They are: **The Honeywell Vibration-detection System; The Honeywell Audio-detection System; Honeywell Secret Sentry Capacitance Detector; Honeywell W840 Five-zone Alarm Receiver.** Literature has also been released on a single-zone, consolette alarm receiver, the **W840E.**

• Alarm Lock Corp., 33 Powerhouse Rd., Rosyln Hts., N. Y. manufactures **Safety Alarm Lock,** which provides full-time locking of emergency exit doors while complying with standard safety, fire and building department codes. The first person to reach the door releases the lock with slight pressure on the clapper, automatically opening the door and sounding the alarm. A brochure describing units for different types of doors is free from the corporation.

• A specification sheet detailing the safety and performance features of **Ansul Carbon Dioxide Extinguishers** is available from the company at Marinette, Wis. 54143. The extinguishers come in 5, 10, 15 and 20 pound capacities and are suited for indoor use where winds and drafts do not affect discharge of the gas or where an extinguishing agent leaving no residue is required. Carbon dioxide units are well suited for use with flammable liquid, gas and electrical hazards.

• Notifier Co. offers guidance in planning protection systems that are designed into building plans. An engineer follows the progress of each system and provides any assistance needed from conceptual planning through installation to final check-out. For information on this service write the company at 3700 N. 56th St., P. O. Box 4584, Lincoln, Neb. 68405.

• A catalog illustrated with diagrams and photographs explains **Honeywell Fire Alarm Systems and Components.** It is free from Honeywell Automation, 2701 4th Ave., S., Minneapolis, Minn. 55408.

Safety group contends product data unknown

CHICAGO—Companies without progressive product safety programs are of course vulnerable in products liability litigation, according to Robert Currie, assistant to the general manager of the National Safety Council. "But the real question is what can be done to prevent the accidents involved with products," he added.

The safety expert told *Business Insurance* that NSC believes that the maximum safety of any product is achieved in the design and development phases of its life-cycle unless modifications are made in a later phase.

Mr. Currie said that more and more companies are obtaining the advice of a trained safety engineer during design and development phases. Although he holds that absolute freedom from product hazards is an impossible achievement, Mr. Currie believes optimum safety within the constraints of known technology, resources and product performance expectations can be more readily accomplished with expert safety advice during design and development.

"**BUT YOU CANNOT** ignore cost-affectiveness or product-effectiveness factors that are inherent in any proposed change made for greater product safety," Mr. Currie said.

Certain trade-offs of safety for cost factors, reliability and quality are dangerous, so the safety group recommends that manufacturers strive for optimum safety, according to the assistant to the general manager.

Mr. Currie considers one of the biggest problems in the area of product safety the lack of feedback about hazards in products.

"Right now there is no formal system to get data back from products used in the field," he said.

"If we obtained the information on the causes of product-related

Continued on page 32

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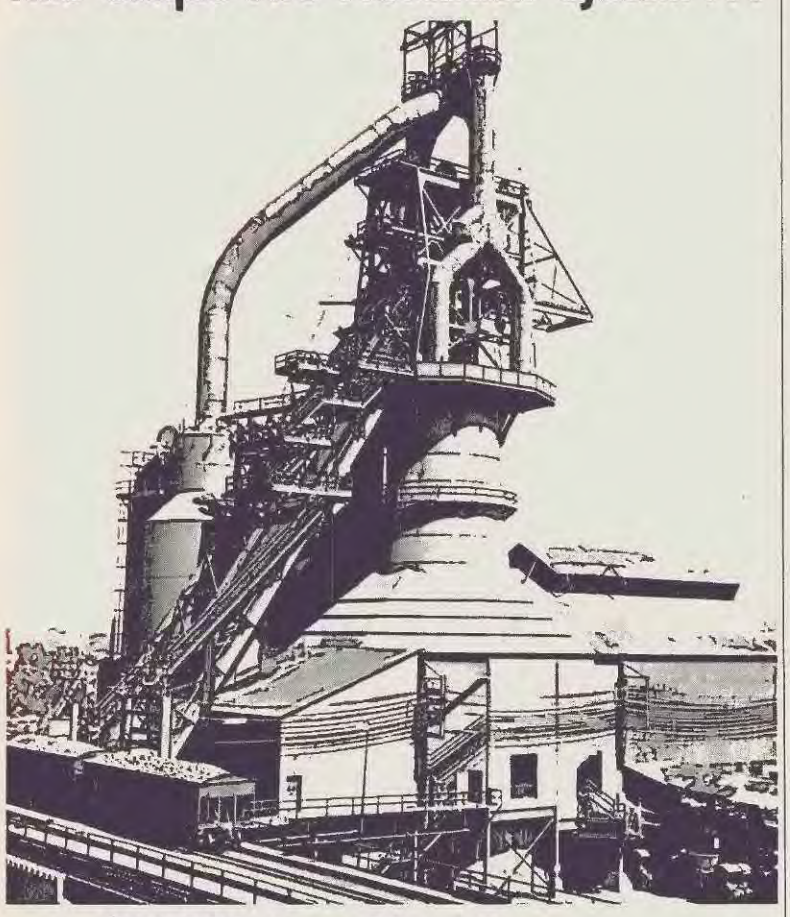

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Improved security devices attract officials of riot-torn universities

CHICAGO—Universities under attack from radical students showed great interest in the security products on display at the International Security Conference here, according to exhibitors.

Folger Adam Co., Joliet, Ill., recently received an order from the University of Illinois for 60 remote-control, timed door-locking devices, an attendant at the company booth told *Business Insurance*. "That's not the only university that has shown an interest in our locks," he added.

An Alarm Lock Corp. exhibitor said that his Los Angeles-based company already had two California universities as steady customers and just picked up another university in the East.

"We're now making special mailings to colleges," the Alarm Lock representative said. "Universities are great prospects today."

OTHER EXHIBITORS also said university security officers had increased orders for protective hardware since campus trouble started. But of particular interest to everyone visiting the exhibits were any products that offered protection against riots in general —on the campus or in the street.

Amerada Glass Co., Elk Grove, Ill., advertised on its display that its plate glass is "riot proof." In addition, Amerada handed out a flier that said companies could save from 25% to 50% on insurance premiums for coverage on contents of a building by installing Secur-Lite glass, an Amerada product.

The same glass was used to house a collection of valuable 17th and 18th Century locks that were on display at the exhibit. Besides its advertised features of being "riot proof" and "burglary resistant," Amerada also says the glass "eliminates ultra-violet damage." Attendants at the convention said the glass is "three to four times the price of regular plate glass."

Another exhibitor, Card Key Systems, Burbank, Cal., said that its access-control systems are now being used to keep a running log of individuals who enter and exit computer rooms.

THE CARD KEY Systems device used for this purpose is a door lock that opens when a credit-card-like, coded plastic card is placed into a slot.

At the time of use the code on the card is recorded for later review.

Although the Card-Key, as the device is trade named, has recently been used to monitor passages to computer rooms, its use is applicable to any passageway, according to a company exhibitor.

One of the most popular exhibits was Electro Data's miniature tape recorder. Measuring 5" by 2¾" by 15/16" and weighing 11 ounces, the pocket-sized recorder sold for $395 to $695. It records up to five hours of conversation through a suit coat.

A spokesman for Electro Data said that although the tapes are not admissable evidence in court, they are often used to verify inter-company meetings when a secretary is not available and to record lectures.

Bernard Ephraim, president of an electronic alarm company bearing his name, told *Business Insurance* his firm nearly has a monopoly on the market. He credited his success to good engineering and outright giving his prospective customers large amounts of equipment for testing purposes.

Mr. Ephraim also said that he is hopeful that by next year he will have wireless alarms on the market.

General Ordnance Equipment Corp., which displayed its Chemical Mace aerosol spray weapon, timed a news release refuting claims that Mace can damage eye tissue with the opening of the convention. This was followed by claims from Montreal, Canada, scientists that the opposite is true and started once again the debate of whether or not Mace is "non-lethal." ■

Caterpillar issues plant and home tornado tips

PEORIA, Ill.—Employes at Caterpillar Tractor Co. have been told where to "take cover" and the entire Caterpillar industrial complex here is prepared should a tornado sweep across the lowlands of Illinois.

"We hope we'll never have to use the warning alarms," Joe Bush, manager of security in the general office, told *Business Insurance*. "But we've already had one or two problems."

Mr. Bush's tornado safety tips are issued each spring. The company employe newspaper carried a front-page story on this year's tornado precautions.

AMONG THINGS Mr. Bush reminded employes of were what each plant's tornado warning alarm sounds like, what to do when they hear it and how to take cover. He also explained that a "tornado watch" means that the possibility of tornadoes has been forecast for a wide area while a "tornado warning" means that tornadoes are likely within a specified area.

Mr. Bush drew special attention to the hazards of downed wires and electrical power failures. His general advice was "seek refuge and keep calm."

"If you're injured," he added, "stay where you are and remain calm." Caterpillar has instituted an industrial preparedness program to cope with emergencies and provide medical assistance. ■

Dance hall 'not insurer of safety': Court

BOSTON—The Massachusetts state supreme court has called a different tune for a $1,000 damage award to a ballroom waltzer.

The plaintiff, Harold J. Geggin, 57, of Boston, testified that he suffered a broken ankle while waltzing when bumped by another dancer doing something on the order of the cha cha or jitterbug.

The court ruled that the New State Ballroom management was "not an insurer of the plaintiff's safety," and overruled the state suprior court's $1,000 award. ■

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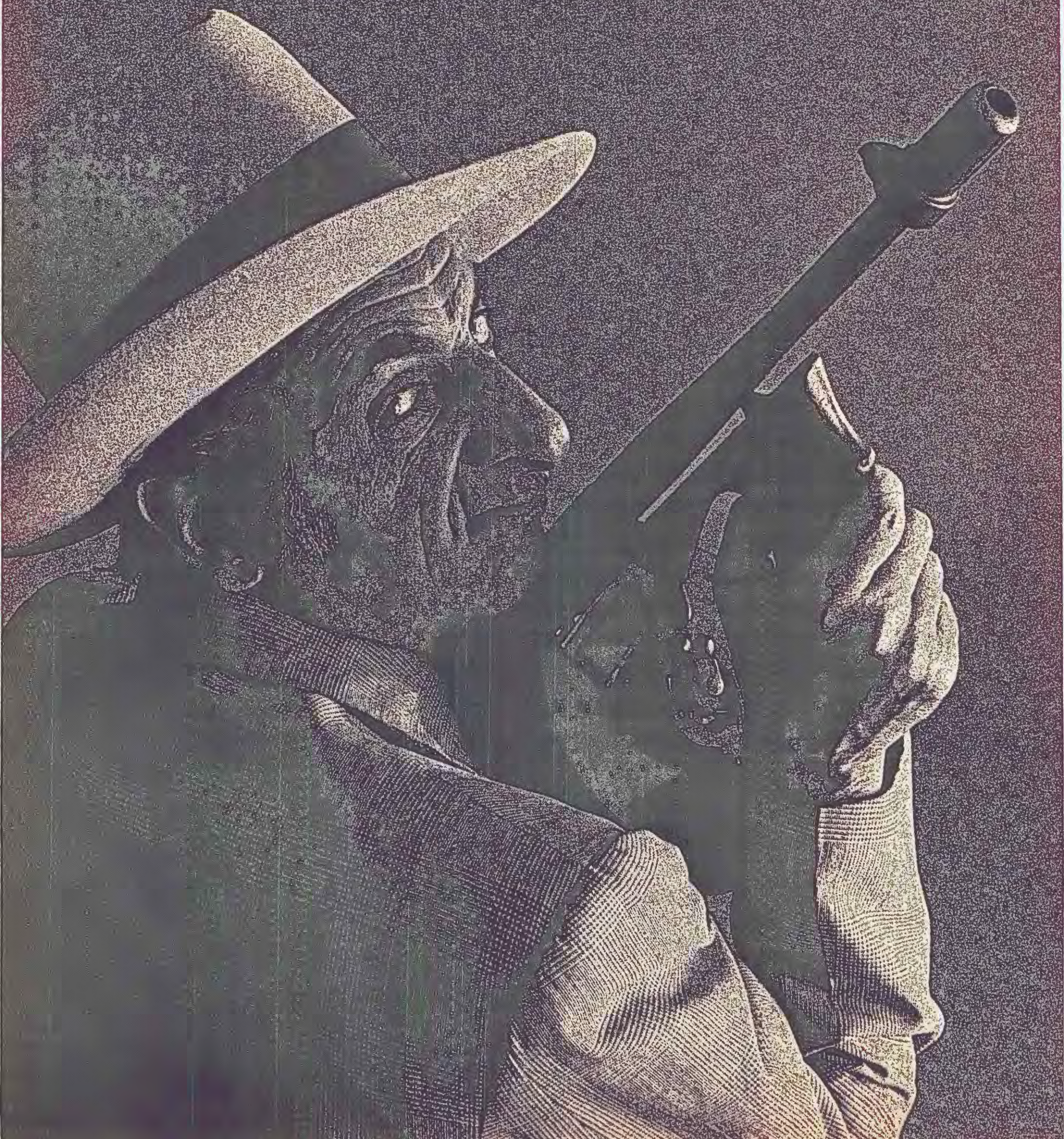

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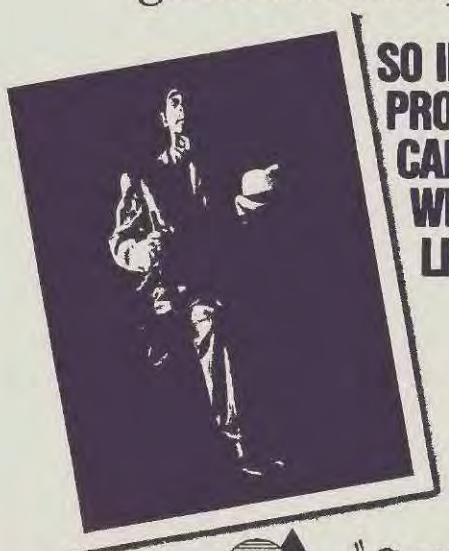

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John Donnelly, Director of Corporate Communications
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Strong security plans hold U. of Denver damage down

CHICAGO—University insurance programs are in for some rough going unless force is used against campus radicals, Wayne O. Littrell, director of security for the University of Denver, told *Business Insurance* after he addressed the International Security Conference.

In the only confrontation at his university, Mr. Littrell was given authority to suspend students and bring in the local police for mass arrests.

"There was no building damage because we brought in the force before they could really take over the buildings," Mr. Littrell said. "We had a plan set up in advance to deal with these people. When the police came in, they came in to make arrests."

Part of Mr. Littrell's preplanning involved securing intelligence reports on the activities of the Students for a Democratic Society and black extremist groups.

Mr. Littrell contended that at an SDS meeting held at the University of Colorado, members were given printed instructions on how to make various bombs and booby trap devices. The national headquarters of the SDS in Chicago claims that the printed material was planted by the Federal Bureau of Investigation.

Mr. Littrell also said that while grants and personal gifts to most universities are fewer and smaller since the recent campus uprisings, gifts and grants to the University of Denver are larger. ■

'Careless society' fosters poor property conservation attitude

MILLBURY, Mass.—The age of disposable products and rapid obsolescence—which has produced a lack of respect for property—is working against widespread adoption of loss prevention techniques in U.S. business.

This was the contention of Howard E. Wolff, vp of Arkwright-Boston Insurance, during the course of a talk before the Central Massachusetts chapter of the American Society of Insurance Management here.

Mr. Wolff pointed out that with the development and application of loss prevention engineering, "burning ratios" have been reduced from about $1 per $100 of industrial property to 3¢ or 4¢ per $100 of well-protected industrial property. He added that the ratio is "still subject to improvement."

APART FROM THE need to develop improved fire detection and control equipment, Mr. Wolff contended that "we are faced with an ever-increasing challenge to instill genuine concern for property conservation both in management and labor groups."

He said that unless top management "wholeheartedly" subscribes to a well organized loss prevention organization, "it is unlikely that proper concern will exist among those employes who will be called upon to act almost instinctively when an emergency arises."

The habits of our society, Mr. Wolff stated, "are working against us. With our great productive capacity, this has become an age of disposable throw-away things—everything from empty beer bottles to paper dresses. Rapid obsolescence is taken for granted. Social disturbances of all kinds reflect a lack of respect for property. Ours is a rather careless society.

"I WONDER IF these social and economic developments are not related to the fact that our engineering department, in the course of making routine plant inspections, continually finds improperly closed sprinkler control valves, plant emergency organizations which are ill-prepared for an emergency, and housekeeping or the lack of it which contributes substantially to plant hazards," Mr. Wolff noted.

The insurance executive urged risk managers to "dedicate yourselves to the role of an activist in terms of communication and education" in order to stir up a greater concern for property conservation.

"You might best start at the top of the organization. Get a message to the chief executive officer that it would be appropriate for him to issue a written company policy on property conservation," which would include not only fire prevention but also with windstorm, riot, flood, earthquake, theft and tornado.

Mr. Wolff also suggested that the head man appoint a property conservation officer to support the risk manager in his effort to conserve corporate assets. "Overcome the idea that loss prevention expenditures should be associated with short term economic advantage," he stated.

He recommended that corporations establish a reporting system for each location and that risk managers develop a working relationship with those in their organization responsible for acquisitions or new construction to be sure that loss prevention is included in planning. ■

Ten requirements of a good risk

MILLBURY, Mass—In the course of his talk to the Central Massachusetts chapter of ASIM, Howard Wolff of Arkwright-Boston listed these characteristics of a good risk:

1. Genuine interest by management in good loss prevention.
2. Good housekeeping.
3. Automatic sprinklers where needed.
4. Adequate water supply.
5. Good plant emergency organization.
6. Satisfactory valve supervision.
7. Adequate maintenance of buildings and equipment.
8. Construction suitable for occupancy.
9. Special hazards well arranged and protected.
10. Protection against serious exposure and windstorm hazards.

Tooker, 56, dies

Sterling Tooker, president of the Travelers Insurance Cos., Hartford, from 1964 until earlier this year, died June 6. Mr. Tooker joined the companies in 1935.

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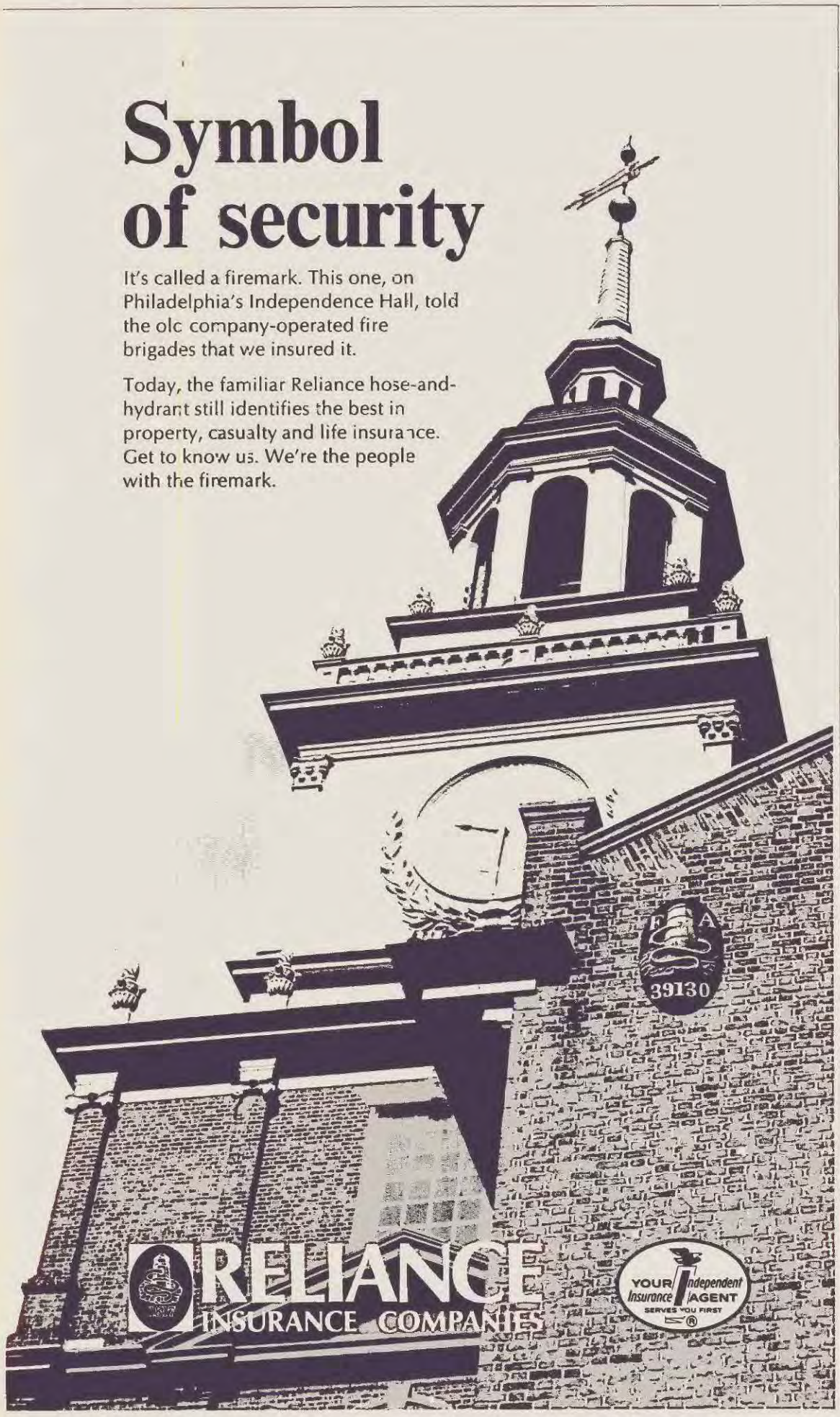

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Pig's worth is debated in suit by Andy Warhol

NEW YORK—What's a pig worth?

Pop artist Andy Warhol, who was paid $1,000 for painting a pig in an ad for RCA Corp., wants a total of $600,000 to ease the pain he endures whenever he sees that same pig and his name on a giant poster produced by Darien House Inc.

Papers filed in New York state supreme court here by Mr. Warhol assert that Darien House has been selling the "pig poster, upon which appear the words 'Bank by Andy Warhol,'" without his permission. The poster, he states, holds him up to "ridicule and scorn in view of the modern usage and connotation of the word 'pig.'"

He adds that the continued sale of the poster will damage his name "as a commercial and fine artist." Along with an injunction, Mr. Warhol seeks a $100,000 judgment and $500,000 in damages.

DARIEN HOUSE, in its reply, points out that Mr. Warhol in January, 1966, agreed to paint a picture of a pig for $1,000 and the pig was to be used by J. Walter Thompson Co. in an ad for RCA Corp.'s graphic systems division. The caption on the ad: "Bank by Andy Warhol. Gaudy savings by RCA Color Scanner."

The Warhol-JWT contract, according to Darien House, gave all rights to the painting to JWT, acting as an advertising agency for RCA Corp. Last July, Darien House stated, it contracted with RCA for "any and all rights to the aforesaid painting of the pig and specifically to distribute and sell said painting." As for Mr. Warhol's name on the poster, the defendant said this is permitted by the civil rights law of New York. Darien House moved for dismissal and the court is now pondering the matter.

The disciplined legal language of court documents did not prohibit Darien House from getting in a dig against Mr. Warhol, who described himself as the creator of "various works of art and sculpture" and "a commercial and fine artist" who is paid "large compensation" for his work.

Darien House's reply opened with a denial of "sufficient information or knowlcdge to form a belief" as to Mr. Warhol's standing as a fine artist. ■

Court bars ex-employes' client canvass

GREAT NECK, N.Y.—In January, four long-time employes of an insurance brokerage house turned in a mass resignation—and walked out with a bundle of confidential records and papers on the firm's clients, it was charged.

The four then incorporated their own insurance brokerage operation and proceeded to solicit their old company's clients in an effort to build a base for the new business.

National Preferred Risks, the original employer, sought and obtained a temporary injunction from the state supreme court ordering the return of the records and the halt of the soliciting activities.

ARNOLD M. COHN, National's president, stated in the complaint against Ronald J. Goldberg, William D. Surre, Michael J. Levinson, Rona Rothchild and Surre-Goldberg Associates Inc., that National had trained and instructed the defendants in the insurance business.

Supreme Court Justice Mario Pittoni said in granting the injunction that "plaintiff has established . . . a clear legal right to the requested relief and irreparable harm to it if the temporary injunction is not granted."

The defendants did not contest the action and subsequently signed an unconditional agreement with National Preferred Risks which stated that use of the company's records or solicitation of its clients would not continue. ■

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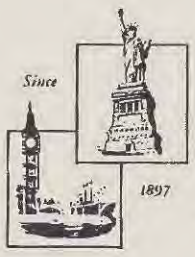

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Connecticut law makers restrict mass-merchandising programs

HARTFORD—Connecticut insurance companies lost a big battle in legislative passage of a measure providing for so-called mass merchandising of group property and liability insurance policies.

The bill provides that groups of not less than 700 members will be eligible for such policies and that there must be 70% participating.

Insurance industry spokesmen contended that the bill will stifle their business in these fields.

REPUBLICANS in the state senate charged that the measure was a "gag" and that fewer than 1% of Connecticut's industrial firms will be eligible.

At its annual meeting last month, the National Assn. of Insurance Brokers noted that legislation is being proposed in a number of states "purportedly" endorsing mass merchandising schemes —but that these measures contain enough restrictions to "effectively bar rather than permit" such payroll deduction plans.

Among the restrictions cited by NAIB were eligibility conditions relating to percentages of participation, rating, underwriting, cancellation, service mechanics, commissions and others.

IN OTHER action the Connecticut state legislature defeated a measure that would give unemployment compensation to strikers after they had been on strike for seven weeks.

Sen. Gloria Schaffer, Woodbridge Democrat, charged that the bill would be "a bad thing for business and industry—perhaps even for labor. It would be detrimental to the best interests of the people of our state."

Sen. Thomas Dowd, Trumbull Republican, contended that enactment "would compel employers to finance a strike against themselves."

INTENSIVE LOBBYING on the part of both management and labor representatives preceded legislative rejection.

Arthur L. Woods, exec vp of the Manufacturers Assn. of Connecticut, in a news release, remarked: "Employes do not and never have contributed to the unemployment compensation fund, despite common belief of many Connecticut citizens . . . Passage of a bill requiring unemployment compensation payments to men and women on strike means that a company would be paying them for striking against it."

Connecticut's law making body also approved a measure that gives insurance companies in Connecticut the right to set their own rates on property and liability insurance without prior approval of the state insurance commission.

The senate concurred with the house in approving the bill, which gives the commissioner of insurance the right to block rate changes if he finds them unreasonable or excessive. (This was House Bill 7101.)

ALSO APPROVED: House Bill 7102—Forbidding an insurance company from cancelling an automobile insurance policy except for nonpayment of premium or suspension of a driver's license.

Senate Bill 1519—Allowing Connecticut Blue Crosss and Connecticut Medical Service to go into comprehensive health care coverage, competing with each other. (The bill permits each nonprofit corporation to go into the health care coverage now offered exclusively by the other, Blue Cross into surgical and medical coverage, and Medical Service into hospital coverage).

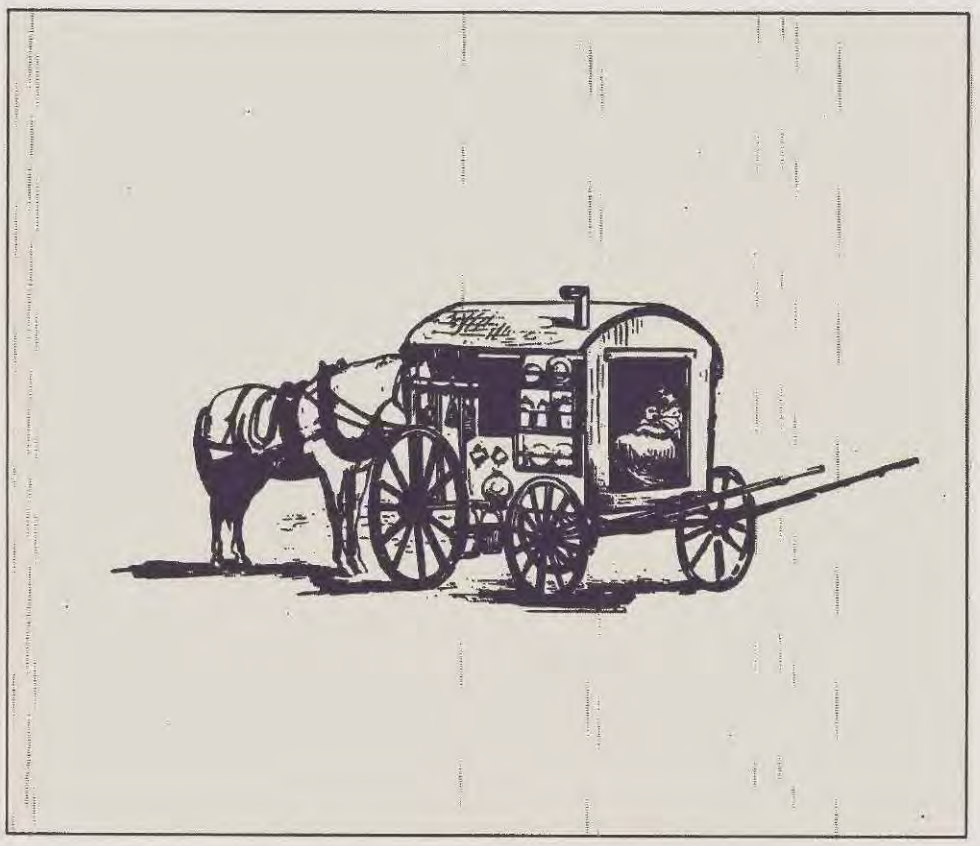
House Bill 6311—Providing coverage under workmen's compensation for those coming into contact with radioactive materials.

SENATE BILL 1257—Providing automative cost-of-living allowances for pensioners under the Teachers Retirement System.

Senate Bill 957—Allowing the state to contract for hospitalization, medical and surgical insurance for state employes.

House Bill 7396—Establishing a 15-member commission to study mental health insurance policies regarding coverage of costs for mental illness. ■

Considering insurance before loss control is putting the cart before the horse



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letters

Continued from page 12

they refer to a direct quotation appearing in the story which reads: "The trend is toward restricting the use of statutory agreements and this is expected to develop." What I actually said was, "A trend toward restricting the use of indemnity agreements by statutory prohibitions against them is expected to develop."

Of course, I was referring to the bills introduced in many state legislatures in recent years which would declare so-called "broad form" indemnity clauses illegal. Several states have enacted legislation of this type. For an excellent discussion of indemnity agreements, may I suggest, "The Hold Harmless Agreements" authored by the Georgia chapter of the Society of CPCU.

W. A. Holcomb
Manager, Insurance & Pensions Department, Transcontinental Gas Pipe Line Corp., Houston, Tex.

Bion's book best

To the Editor: I have read the book on employe savings plans by Bion Francis and I am very intrigued with it. It is the best thing I have seen thus far on the matter of estate planning and I am distributing the book to our company's key benefit people and personnel managers.

W. H. Hrabak
Employe Benefits Department, Owens-Illinois Inc., Toledo, O.

Art expert

To the Editor: Re: May 26 issue, page 34, rare art recovery.

If you're going to call him Homer Winslow, why not also Rubens Peter Paul?

And Rubens', anyway, not Ruben's.

"They also serve who only bother their heads about art."

Michael O'Malley
Editor: Marketing Communication, Employers Insurance of Wausau, Wausau, Wis.

Editor's Note: It's good to know that O'Malley Michael is up on his punctuation as well as his artists. We particularly like the O'Malley-ism, or is it a Michaelism, he uses to close his nettlesome little letter.

benefit tax slants

'Constructive receipt' rule may snarl executive pay-plan schemes

By JOSEPH S. ROBINSON

NEW YORK—No matter what incentive plan a company may offer its top brass, every executive runs headlong into the same frustration: How much do I get to keep? What's the "net after taxes?"

As a result, companies are constantly seeking new benefit packages that will do the most good for individual executives. Some companies are even willing to offer a choice of benefits tailormade to the executive's needs—e.g. insurance, savings plans, stock, cash (immediate or deferred). In some cases, the savings plan includes a mutual fund selection.

This new development in executive pay plans—known as the "cafeteria" approach—will soon take on still another wrinkle. Benefit choices will be made through computer programming. For example, let's say Mr. Executive is up for a $10,000 bonus. The computer will test the various ways in which he can put that $10,000 to best use and will show him what these choices will mean in actual after-tax payout.

IN EFFECT, the computer will reveal whether it's better to take the cash *now* or *later,* and whether it's better to take it in company stock or perhaps put it in the mutual fund of his choice. Thus, the company will be able to stretch Mr. Executive's bonus benefits at no additional cost to itself.

But watch out! The mix-and-match approach to employe benefit extras could run afoul of the tax law through that rule known as "constructive receipt." That's the rule in which Internal Revenue says: If the employe has the option to take his pay *immediately* in cash—even if he actually chooses to defer it in stock, insurance or some other option—the amount of the benefit is taxable to him *at once* as ordinary income.

So it is important for the employe to make his selection well in advance if he wants to gain the tax-sheltered rewards of certain forms of compensation.

For instance, if Mr. Executive (after reading the computerized results) checks off his choices, say a year before the incentive awards are granted, he'll probably steer clear of the "constructive receipt" rule. Of course, this means that even before knowing how much additional pay an employe may receive, he must declare what percentage he wants deferred.

* * *

UNDER PRESENT rules, an employe's moving expenses are deductible only to the extent of the costs of moving household goods plus travel costs for the employe and his family for one trip to the new job location. *(See Code Sec. 217.)*

Now Internal Revenue has suggested changes that will expand the deductions available to the employe whose job requires a change to a new location. The changes would equalize the treatment of new and old employes by requiring all employes to report moving expenses reimbursed to them as part of gross income.

The proposed IRS tax plum would permit, within limits, deductions for house-hunting trips to the new location, temporary living expenses there, expenses related to the sale of the old residence (or breaking a lease) and expenses related to the purchase of a home at the new job location.

If an employer pays these expenses, such reimbursements would be reported as income against the expenses deducted.

* * *

CAN DEATH benefits be deductible before death? They can under certain circumstances. A corporation settled a compensation dispute with a labor union by agreeing to pay $1,000 in death benefits to the beneficiaries of its retired employes who died.

It immediately deducted a full $1,000 per employe as an accrued expense. The company based its accrual on the fact that when it gave a retiring employe his death benefit certificate, it became unconditionally obligated to pay that amount—with only the time of payment left open.

Held: Since all events which determined the fact of liability had occurred, and since the liability could be determined with reasonable accuracy, the corporation could immediately deduct the full $1,000 as an accrued liability. (See *Consumer Power Co.,* Dist. Ct. Mich., 3/19/69.) ■

Crawford to Bonanza

William F. Crawford, formerly program director for the Oklahoma School for the Blind, has joined Bonanza International Inc., Dallas, as personnel director. He will be responsible for employe recruitment and selection, employe benefit plans and employe environment.

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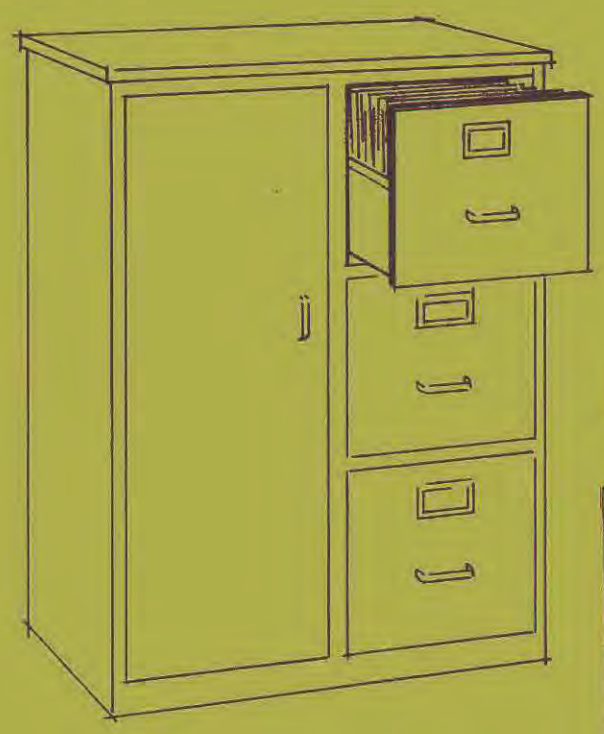

A–C

ALABAMA, Birmingham, Independent Insurance Agents, Inc.
Mobile, Thames & Batre.
ALASKA, Anchorage, LaBow Haynes Co. of Alaska, Inc.
ARIZONA, Phoenix, National-Heard Insurance Agency
ARKANSAS, Little Rock, Rector, Means and Rowland, Inc.
CALIFORNIA, Los Angeles, Kindler, Laucci & Day
San Francisco, Clifton & Company
CANADA, British Columbia, Vancouver, Durham & Bates Agencies Ltd.
Manitoba, Winnipeg, Ryan Agency Limited
Ontario, Toronto, Tomenson, Saunders Limited
Quebec, Montreal, E. A. Whitehead Limited
Saskatchewan, Regina, Ducketts Limited
COLORADO, Denver, Van Schaack & Company
CONNECTICUT, Hartford, Goodwin, Loomis & Britton

D–I

DISTRICT OF COLUMBIA, Washington, Howard & Hoffman Incorporated
FLORIDA, Jacksonville, Donald A. Bolton & Company
Miami, D. R. Mead & Company
GEORGIA, Atlanta, Dunlap and Company
Savannah, Palmer & Cay, Inc.
HAWAII, Honolulu, The Hawaiian Insurance & Guaranty Company, Limited
IDAHO, Boise, Stein-McMurray Insurance Inc.
ILLINOIS, Chicago, Stewart-Keator-Kessberger & Lederer, Inc.
INDIANA, Indianapolis, Robert N. Bowen & Associates, Inc.
IOWA, Des Moines, LaMair-Mulock-Condon Co.

K–N

KANSAS, Wichita, Wheeler Kelly Hagny Insurance, Inc.
KENTUCKY, Louisville, Nahm and Turner, Incorporated
LOUISIANA, New Orleans, Gillis, Hulse & Colcock, Inc.
MAINE, Portland, Morse, Payson & Noyes
MARYLAND, Baltimore, Riggs-Warfield-Roloson, Inc.
MASSACHUSETTS, Boston, Boit, Dalton & Church, Incorporated
Lowell, Fred.C. Church & Co.
MEXICO, Mexico, D.F., Kennedy & Hijo, A. P.
MICHIGAN, Detroit, General Underwriters, Inc.
MINNESOTA, Minneapolis, Wirt Wilson & Company
MISSISSIPPI, Jackson, Fox-Everett, Inc.
MISSOURI, St. Louis, Lawton-Byrne-Bruner Insurance Agency Co.
NEBRASKA, Lincoln, Weaver-Minier Company, Ltd.
Omaha, Jones-Weaver-Minier-Martland, Inc.

N–T

NEW YORK, Buffalo, Laverack & Haines, Inc.
New York, Despard & Co., Inc.
NORTH CAROLINA, Charlotte, James J. Harris & Company
OHIO, Cincinnati, A. W. Shell & Company
Cleveland, The W. F. Ryan Corporation
OREGON, Portland, Jewett, Barton, Leavy & Kern
PENNSYLVANIA, Philadelphia, O-W & Criddle Associates, Inc.
Pittsburgh, O-W & Criddle Associates, Inc.
SOUTH CAROLINA, Columbia, Boyle-Vaughan Agency
TENNESSEE, Kingsport, Bennett & Edwards Agency, Inc.
Memphis, E. H. Crump & Company

T–Z

TEXAS, Dallas, Munger-Moore & Associates
Houston, Houstoun, Stevenson & Cummings
UTAH, Salt Lake City, Ed. D. Smith & Sons
VIRGINIA, Richmond, DeJarnette & Paul
Roanoke, Chas. Lunsford Sons and Izard, Inc.
WASHINGTON, Seattle, LaBow, Haynes Company Inc.
WEST VIRGINIA, Charleston, McDonough-Caperton-Shepherd-Goldsmith
WISCONSIN, Milwaukee, Carney-Rutter Agency, Inc.
PUERTO RICO, San Juan, American Commonwealth Agency Corporation

ARGENTINA, AUSTRALIA, BELGIUM, COLOMBIA, ECUADOR, FRANCE, GERMANY, ITALY, JAPAN, NETHERLANDS, NEW ZEALAND, PERU, VENZUELA

INSURANCE SERVICE ASSOCIATES
EVERY OFFICE A HOME OFFICE

INSURANCE SERVICE ASSOCIATES

Groves endorses group auto plans; says agents rest on 'featherbedding'

DENVER—"Automobile insurance has become affected with the aura of a public utility product," a state senate committee was told by Charles H. Groves, speaking as a representative of the legislative committee of the American Society of Insurance Management. He also called for negotiation of lower insurance rates for union, association and employe groups.

Mr. Groves, who is director of insurance for CF&I Steel Corp., said his remarks were triggered by a bill backed by the Colorado Insurors Assn., an agents' group. He labeled his statement as "not intended in the invidious sense," but he attacked what he called a "ludicrous" rate-making system that would not permit groups to bargain for the same rebates given agents whose business achieves a low loss ratio.

The ASIM legislative representative also attacked family-unit premium discounts advertised for "so-called 'safe driver award plans.'" About such plans, Mr. Groves said: "Sounds good, and it does result in a discount off *filed* rates for about 50% of the driving public—but look at the total picture.

"An insured," Mr. Groves explained, "with a male household member of the family under 30 years of age or female member of the family under age 21 is subjected to filed rate surcharge. If any member of the family is charged with certain traffic violations, despite the fact that the insurance company is not required to pay one cent, the filed rate is also increased by the amount of a predetermined rate penalty, pushing the manual rate up, in some cases, by as much as 300% to 400%."

Such rate penalties, the ASIM legislative representative told the state senate committee, figure into an agent's commission. "And I must question whether or not this system of determining commissions does not encourage *some* agents to sell high premiums rather than service," he added.

"Inordinately high insurance costs and the criticisms directed toward the insurance system of soliciting and underwriting automobile insurance" has created four new schemes of dealing with auto liability and property coverage, Mr. Groves said. He briefly described the Keeton-O'Connell plan, the Mutual Insurance Alliance "guaranteed benefits" proposal, the American Insurance Association no-fault plan, and the "Cotter plan," named after Insurance Commissioner William R. Cotter of Connecticut.

"These four proposals demonstrate that none of them includes any ideas whereunder you and I as either the insurance consumer or the automobile accident victim gets a break. The insurance companies agree to take no less, the general agent retains his status quo, the regional agent sacrifices nothing and the local agent, insofar as I am able to determine, contributes only his sympathy for our predicament," Mr. Groves charged.

The ASIM legislative representative called for a "bill that will permit unions, associations and employers to negotiate lower costs for members and employes. Surely over the long pull this will injure the agency system. In my opinion, any business that depends upon feather-bedding for a profit cannot exist over any considerable period of time. The group insurance plan has been applied to life, health and accident insurance and it has not put the large insurance agents nor the large insurance companies out of business but it has resulted in reasonable cost for a large number of employes throughout this nation." ■

Ackerman joins Sheraton Corp. unit

BOSTON—Richard P. Ackerman, formerly assistant to the director of insurance at Continental Baking Co., A. Robert Tredwell, has been named director of insurance at Sheraton Corp. of America, Boston. Both Continental Baking and Sheraton are units of ITT.

Mr. Ackerman takes over the insurance function at Sheraton from James Butler, who continues as second vp (operations). No replacement has been named as yet at Continental Baking.

Data . . .

Continued from page 24

accidents, we'd know which countermeasures would be most effective and such countermeasures could then be incorporated into a standard."

ESPECIALLY critical, according to the safety expert, is the situation in which a product distributor does repair work on the product without feeding back the failures or malfunctions to the manufacturer. "This can develop some real headaches," Mr. Currie said.

"Once manufacturers are confronted with the information—and the information can be documented—they will act to correct the situation," the safety expert said. "But they can't correct what they don't know about."

NSC is in favor of recalling products to eliminate a failure that might cause an accident, according to Mr. Currie.

Howard Pyle, president of NSC, has proposed that the National Commission on Product Safety devise a data-collection system for product-related accidents on two levels.

MR. CURRIE described the systems as a basic data bank, which would be designed to provide general statistics and give the overall picture of the accident experience of products, and a supplemental data bank, which would furnish details about specific accidents that can reveal their likely causes and thus provide useful clues to what countermeasures might be taken to prevent the accidents.

"What is needed is both a pre- and post-audit of the safety of a product," Mr. Currie said.

By applying a systematic approach to designing safety into a product and eliminating known hazards, the pre-audit would be performed. The post-audit would involve gathering accident data to discover how safely the product performed. "Thus safer products can be created," Mr. Currie concluded. ■

Straight talk from Les Schultz

Leslie P. Schultz, C.L.U., President
Bankers Security Life Insurance Society

Bolton defends investment policies; says he acted for 'poor claimants'

CHICAGO—John F. Bolton Jr., former Illinois insurance director, has responded sharply to an article in the May 26 issue of *Business Insurance* that reported that this magazine's investigation of investment practices by the Illinois department of insurance under Mr. Bolton had resulted in a change of policy by Insurance Director James Baylor.

Mr. Baylor, we reported, will withdraw funds from "politically connected small banks" and place them in the five largest Chicago Loop banks with lesser amounts going to other major banking institutions in the city.

In the May 26 article, *Business Insurance* called special attention to Mr. Bolton's investment of $526,000 in certificates of deposit in the Civic Center Bank, a three-year-old institution with $22.1 million in assets at the end of 1968.

Here is Mr. Bolton's letter:

To the Editor:

I am in receipt of an article printed in the May 26 edition of *Business Insurance*, which is critical of the investments of funds of defunct insurance companies by the director of insurance, in his statutory role as liquidator or rehabilitator of these defunct companies.

I wish to set forth the following facts and hope that you will do me the courtesy of printing this letter, so that my many friends in the insurance industry and the business world are apprised of the facts in this matter:

1. You quoted Director Baylor as stating that, in revising policies, "he would confine major investments in bank certificates of deposit to the five largest Chicago Loop banks, with lesser amounts going to other major banking institutions in the city." In this, Director Baylor is simply accepting and continuing the policy I initiated, not changing same. When I turned over the controls of my office, over $4 million in certificates of deposits were held in four or five of the large major banks in Chicago—the Continental Illinois National Bank and Trust Company of Chicago; the First National Bank of Chicago; LaSalle National Bank; Harris Trust and Savings Bank; American National Bank and Trust Company of Chicago; Lake Shore National Bank and Central National Bank in Chicago, to name a few. The balance or smaller sums were deposited in other secure Loop or outlying financial institutions, all at a maximum rate of return.

2. One of the major banks, the Continental Illinois National Bank and Trust Company of Chicago, to be specific, has more than $1 million in deposits. Its chairman, David Kennedy, recently was honored by President Richard Nixon when he appointed Mr. Kennedy to a cabinet position as Secretary of the Treasury.

One of the outlying banks, the Pullman Group, to be specific, had a similar honor when Gov. Richard Ogilvie appointed its chairman, Donald O'Toole, to a state banking commission.

NEITHER OF these fine gentlemen had anything to do with the Department of Insurance making deposits in their banks. But it appears you would say that they were "politically connected," "large" and/or "small" banks.

3. You name some of the directors of the Civic Center Bank and Trust Company, but you fail to name others, such as Bailey Howard, chairman of Field Enterprises and publisher of the Chicago Daily News and the Sun-Times; C. E. McKittrick, assistant to the publisher of the Chicago Tribune; Arthur Gallagher, a business and insurance man; Robert Dwyer, an insurance man, and recently appointed regional director of the Small Business Administration by President Nixon. All are personally known to me and all good business men. However, none of the directors of the Civic Center Bank and Trust Company ever solicited funds for that bank.

You also name Col. Jacob Arvey as a director of Marina City Bank, but if you had the facts, you would know that the deposit of funds (these, by the way, were the smallest deposit of any downtown bank) were first made in Marina City Bank on June 30, 1964, by Richard G. Hershey as liquidator of Central Casualty, and turned over each year thereafter. They were made by Donald Karnes and Ben Aronson who worked in the bureau of liquidations at that time simply because they gave maximum return with security. I had no connection with the law firm of Arvey, Hodes & Mantynband either before or during my term as director. The funds in the Civic Center Bank and Trust Company were placed there in the summer of 1968 and not after Gov. Ogilvie's election as your article stated.

I hereby categorically state that no person holding public office, and no person "politically connected" in either a small or large bank ever solicited from me or ever received funds from the department of insurance while I was director.

4. **YOU TELEPHONED** my office Friday, May 16, and were informed that I was out of the city until Wednesday, May 21. You informed my secretary that you wished me to comment on an article you had already written and that it must go to press by Wednesday, May 21. The fact is that I was attending my daughter Gracie's graduation from Marymount College in Boca Raton, Florida, on those dates, and I can't see how you could state that after learning of your call "I made myself unavailable for comment." Certainly, I owe my family a brief bit of my time for what they, at least, consider important happenings in their lives.

5. You can be assured that no assistants went to my table during lunch to ask about disposition of funds in any company, or they would have been fired on the spot. Only one "assistant" ever talked to me about placement of funds outside of the office of the department of insurance and he was subsequently fired. I would challenge the statement of your "financial consultant," and request that you present this "consultant" for a fair interrogation.

6. Apparently Mr. Verb and I agree that certificates of deposit at over 6% interest are the proper vehicle for the prudent investment of these funds. Some anonymous "financial consultant" of yours appears to disagree.

Prior to my taking over the bureau of liquidations, records indicate that large sums of money were dormant, not invested at all, and earning no investment income. This was never the case under my administration.

IN CONCLUSION, I must state

Continued on page 47

New plans, new people, new ideas

We're moving ahead at Bankers Security, with a fresh, new approach to insurance. We're concentrating now on insurance plans that have features no other company offers. We're combining over 50 years of experience with a fresh, creative approach, and many of our plans have features no other company offers. In short, we're a fine, rock-solid *old* company where everything is brand *new*. Take a look at our roster of policies and you'll see what I mean!

TERM PLANS—Our brand new term insurance portfolio contains one of the most flexible arrays of policies and low rates in the insurance industry. This is in keeping with our philosophy of meeting today's *and* tomorrow's insurance needs. Our Decreasing Term to Age 70, Reducing and Level Term, Yearly Renewable to Age 70, Five Year Renewable and Convertible, exemplify the quality and competitiveness of our policies. For example, our $100,000 minimum Yearly Renewable to Age 70 (Non Par) plan can provide a young husband, age 32, with $100,000 of protection for an initial annual premium of only $254.

GEMINI ONE—Joint endowment at age 90. One policy covers two lives . . . provides cash and paidup joint endowment insurance as guaranteed policy provisions . . . conversion at death of one insured without evidence of insurability . . . can be exchanged for separate policies . . . premium waiver, accidental death option available. At joint equal age 30, the basic annual premium is $18.32 per $1,000.

GEMINI TWO—One policy protects two people. Decreasing term plan ending at joint equal age 65. Conversion at death of joint insured . . . guaranteed policy values . . . can be exchanged at any time for separate policies on two lives. Ideal for young husband and wife, business partners. At joint equal age 30, an initial annual premium of $72.91 insures two persons for $15,000 each—$65.41 for each additional $15,000 unit.

APOLLO 30—Most flexible estate-building plan available. Provides "space-age" benefits . . . an amount equal to premiums paid plus face value of policy returned to beneficiary if death occurs before age 70 . . . cash value of policy may also be returned . . . cash value can also provide lifetime pension after age 55 . . . "pour-in" option can increase pension . . . policy can be exchanged regardless of health prior to age 65. Our low premiums really make this plan competitive—age 35 Male, $16.10 per $1,000.

SICKNESS AND ACCIDENT—Income security. Realistic, flexible coverage. Non-cancellable, guaranteed renewable to age 65 . . . issued up to age 60 . . . earns valuable premium credits or premium discounts, according to state . . . step-up or step-down income coverage automatically included . . . low premiums . . . age 30, Male, Class I, 36 months, Accident and Sickness Benefit with 30 Days Elimination, only $2.37 annually per $10 Monthly Benefit. Optional plans include business overhead expense.

GO—Term or permanent life insurance within a group plan. Extra benefits for employer and employees . . . employee can convert all or part of group policy to permanent ordinary life or life paid up at age 65 . . . employer's costs are stabilized . . . contributions to GO plan are tax deductible . . . no medical examination needed.

Bankers Security offers many new and competitively priced policies. That's really what we mean when we talk about our fresh and highly creative approach to insurance. For more information, call or write me personally. Or, call your insurance broker and ask him to contact Bankers Security. Licensed in all 50 states and the District of Columbia. Bankers Security Life Insurance Society, Executive Office: 1701 Pennsylvania Avenue, N.W., Washington, D.C. 20006.

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Canadian marine insurers drive for more business from within

TORONTO, Ont.—Marine insurance companies in Canada are continuing their drive to persuade exporters, importers and shipowners to place their marine insurance in this country.

The percentage of available cargo insurance business written in Canada has been declining for several years.

Chief reason: Exporters and importers usually rely on the foreign buyer or seller for coverage.

Also, there are several countries with legislation requiring the placing of ocean-cargo insurance within the country. There are some instances where insurance for Canadian subsidiaries is placed by the foreign parent.

The Canadian Board of Marine Underwriters, Montreal, recently issued a pamphlet designed to encourage the use by Canadian exporters and importers of the marine insurance market here.

R. F. Jones, president of CBMU, said that of all marine insurance premiums on commodities leaving or entering Canada, only 18% is collected in Canada.

The pamphlet lists these advantages to insuring in Canada (in general, they apply both to exporters dealing with buyers and importers dealing with sellers):

- The insured should know that his insurance is payable in Canadian dollars, thereby avoiding foreign currency problems of devaluation and fluctuation.
- Rates on some foreign insurance are based on an inflexible tariff, or a tariff imposed by law, and may be higher than the rates available in Canada.
- Importers and exporters should not rely on the foreign seller or buyer to arrange insurance on shipments because there may be gaps in the coverage.

For example, goods may be insured only while in transit on a vessel, or until unloaded alongside it. This means that if the goods are damaged between vessel and warehouse, there would be no insurance.

THE MEANING of the term "all risks" varies in some foreign countries. All risks insurance is sometimes not available at all from foreign underwriters.

Under foreign exchange controls of some countries, dollars may not be available to pay claims if, for example, a shipment is damaged before clearing customs.

To avoid these problems, CBMU says that Canadian importers and exporters should not rely on insurance provided by the foreign seller and buyer. Instead, they should insist on selling cost, insurance and freight and buy cost and freight, so that they can place and control the insurance themselves.

IN ADDITION to promoting Canadian insurance, companies here are working to expand the market capacity.

A move in this direction was taken this year with the formation of Canadian Marine Underwriters, Toronto, a marine insurance pool comprised of seven Canadian insurers. Companies in the group had previously written no marine insurance, or very little.

The company was not formed to be highly competitive with existing insurers but to fill the need for additional marine insurance capacity in Canada, Frank Elger, president, said. He also said his group has a capacity equal to any British or U.S. marine insurer operating in Canada.

This month, Canadian Marine Underwriters will open a small service office in London, with the hope of being able to participate in the various marine insurance lines offered in the London market.

The merger early this year of two major U.S. marine insurers doing business in Canada is also significant for the market. Marine Office of America and Appleton & Cox merged to form a new firm, Marine Office-Appleton & Cox Corp. It will operate under the name MOAC.

The new corporation is initially representing Continental Insurance Cos., Glens Falls Group, Hanover Insurance Group and Tokyo Marine & Fire Insurance Co. It began operations with annual premiums of more than $100 million, making it the largest North American marine insurance underwriter.

ALTHOUGH SOME mergers have had the result of reducing insurance capacity, this one should increase it.

"One of MOAC's objectives will be to invite other companies to join our roster," said John B. Ricker, chairman and chief executive officer of MOAC.

"Small companies with limited capacity and personnel will now be able to share in this growing market. Many companies are already doing a marine insurance business. Others are qualified but are not now active.

"MOAC is prepared to represent these companies, making available its underwriting experience and offering participation in a balanced book of business," Mr. Ricker said. ■

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MONY's new approach offers a fully insured Pension Plan for smaller employee groups that simplifies planning, eliminates a good deal of red tape, and cuts down on preparation and administrative expenses. For further information, write Pension Plans Development, Dept. 5-15, MONY, 1740 Broadway, New York, N. Y. 10019.

MONY
MUTUAL OF NEW YORK
The Mutual Life Insurance Company Of New York

Computers . . .

Continued from page 18

large valued shipment were the Marine Office of America, Centennial, St. Paul Fire and Marine, Federal Insurance Co. and Reliance Insurance Co.

When computers go by air, as most international shipments do, a Control Data traffic management employe goes along to supervise the shipment right to the ultimate destination. In shipping by air, "we try to avoid too many changes of carriers in order to eliminate excessive handling of a computer. That's when the losses occur," Mr. Abrahamson said. Control Data only utilizes airlines which have been thoroughly indoctrinated in their loss prevention techniques.

Although no transport plane carrying a computer has been hijacked yet to Havana, the insurance companies are concerned about this possibility.

"By anticipating problems before they occur, we can keep our losses to a minimum," Mr. Abrahamson contended, "this is the essence of a loss prevention and control program." His daily activities include overseeing the safety protection of hundreds of millions of dollars worth of these highly sophisticated computers. ■

Connecticut General

Connecticut General Life Insurance Co., Hartford, will provide mortgage financing for the United Bank and Trust Co. headquarters.

Rector seeks comp, says church woes 'cause' injury

ALBANY, N. J.—In an unusual court action, the rector of a church in Brooklyn charged that the heart attack he suffered, while giving his 1966 Easter Sunday sermon, was triggered among other things by the statements of resigned and controversial Bishop James A. Pike of California.

The emotion that accompanied his sermon, plus fatigue and overwork, brought it on, said the Rev. Melville Harcourt, who has been rector of St. Ann's Episcopal Church, Brooklyn Heights, for a quarter of a century.

He makes the assertion in an Albany appeal, in connection with a claim for compensation benefits under the state workmen's compensation law, alleging that although he was not directly injured, there was sufficient reason to hold that it was a "compensable accident."

RECENTLY, the courts have recognized that a person can be "injured" by fright and noncontact causes. Awards have been made in cases where a man "worried himself to death," to another who "worked himself to death" and in the case of a child "who screamed all the way down an unlocked ski-lift chair."

Canon Harcourt, beset with problems attached to the founding of a church school, solicitation of funds and then with construction details, attended a sermon during Holy Week preceding Easter Sunday given by Bishop Pike at St. Thomas Church in New York City.

As Canon Harcourt's attorney says in a brief to the appellate division in Albany, "Dean Pike was considered an abrasive force in the church and was preaching the 'God is dead' belief.".

The bishop's address and its contents "deeply disturbed" Canon Harcourt and he "felt compelled to deliver a sermon on the subject" at the Easter Sunday service. During the sermon he was stricken by a heart attack and removed by ambulance to the hospital.

He has had another heart attack since and is engaged in limited duties. ■

Comp Class...

Continued from page 17

tion of 50,000 such dwelling units will have been totaled when figures for 1968 are in and that 70,000 will be built this year and 80,000 in 1970.

THIS, HE ADDED, would be translated into carpenter payroll, with an estimated per-unit cost of $1,785, of $124,950,000 this year and $142,800,000 next year.

"Developing this additional category," Mr. Leonard declared, "will further the goal of the bureau in establishing appropriate categories for significant employment within such categories to more accurately reflect degrees of risk.

"Since the insurance industry now uses three categories of carpenter employment (single family, multifamily and the general classification) for liability risk purposes, there would be no problem in segregating payroll for either the contractor or the insurance industry."

Mr. O'Brien said the request would "receive careful study" by the Inspection Rating Bureau. ■

Theft . . .

Continued from page 17

compile facts and figures on the thievery being perpetuated on ships, docks and warehouses around the world," Mr. McDowell stated.

The report to the committee on small business noted that the cost of replacing goods stolen during shipment from abroad adds an estimated $21 million annually to the nation's balance of payments deficit.

Mr. Robert's figures included the cost of cargo theft and pilferage in terms of losses among both insured and uninsured cargoes. According to the report, insured cargo losses jumped from $26 million in 1965 to $40 million in 1968. ■

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New England Life

New England Mutual Life Insurance Company, 501 Boylston Street, Boston, Mass.

Texas court holds beverage firms strictly liable for pop bottle injuries

AUSTIN, Tex.—The Texas supreme court has held beverage companies strictly liable for damages when soft drink bottles explode and cause injuries.

In an opinion by Chief Justice Robert W. Calvert the court held that the rule of strict liability is the only practical way to protect the public against harm so often encountered by innocent users of defective products.

Justice Calvert noted that it took the court 27 years to gradually come around to the new view that a seller of a defective product should be subject to strict liability for damage caused to the property of the ultimate consumer.

THE RULING came in a case filed by Mrs. Cuma Ponder, who operates a restaurant in Omaha, Texas. She suffered injuries to her left knee, leg and ankle in 1965 when a Coca-Cola bottle exploded as she placed it in a cooler.

A customer testified that he heard what sounded like a shotgun blast, and that a piece of glass was propelled into his boot.

The trial court granted Mrs. Ponder an $11,500 judgment against the Coca-Cola Bottling Works of Pittsburg, Tex. But the supreme court reversed the finding and ordered a new trial because the trial judge submitted prejudicial issues and instructions to the jury.

THE COURT stated that the real significance of the case, however, is that it would be retried under the rule of strict liability —meaning that a plaintiff need show only that he was injured by a defective product and not that the manufacturer was negligent in producing it.

Until now the court had applied an older liability ruling in exploding bottle cases. This rule allowed a jury to infer negligence on the part of the manufacturer without specific proof of negligence.

This inference could be made if the accident was of a type that does not ordinarily occur in the absence of negligence and if the bottle inflicting the harm was solely in the maker's control. ■

Comp award to judge—'worked himself to death'

ALBANY, N. Y.—A court of appeals has upheld a workmen's compensation award in the case of the late court of claims judge Charles T Major who literally "worked himself to death."

The court shut off any further court action by a single sentence decision: "Motion for leave to appeal denied."

The state insurance fund, which insures state agencies, appealed the award made by the state workmen's compensation board. Judge Major died of a heart attack after weeks of strenuous court-related ties.

In another nondirect injury case, the same court affirmed the reduced award for a nine-year-old girl who "screamed all the way down" a ride on an unlocked ski-lift chair at a state-owned ski-lift center.

THE COURT of claims award of $15,000 against the state was reduced earlier to $5,000 by the appellate division in Albany.

The court of appeals also affirmed a lower court order which held in effect that Dr. Albert Vander Veer II was to receive $500 a month in accident benefits under an insurance policy pending a trial to determine whether he should receive $1,000 a month or nothing at all.

The Albany surgeon, seriously injured in a golf cart accident at the Albany Country Club filed for the benefits. He said he was entitled to the larger amount.

The insurance company, contending that the doctor failed to give the company full information when he applied for the payments, refused to pay anything. ■

Pro football group offers life package

BLOOMFIELD HILLS, Mich.—The National Football League Players Assn. will offer members up to $50,000 of life coverage plus additional dependent coverage, according to John Gordy, executive director of the group and former Detroit Lions player.

If 200 enroll in the 60-day charter enrollment period, all who apply will be guaranteed $10,000 of coverages he said. There are 700 players and 300 taxi squad members eligible, Mr. Gordy said.

Cost of $50,000 coverage for a single player under age 25 is $102 annually; for a married player under age 25 with dependents, annual cost is $123.40.

Dependent coverage includes up to $5,000 for a spouse and $2,500 for children from age 6 months to age 21 or age 23 if a student.

Mr. Gordy said that plan will complement the fringe benefit package won from the club owners last fall. The association is seeking to include retired players in the organization, making them eligible for benefits, he said.

The carrier is Valley Forge Life Insurance Co. ■

Lasers . . .

Continued from page 20

itself acts as a lens and magnifies the laser beam, possibly producing a retinal burn. Western Electric's carbon dioxide laser is not as hazardous as widely used ruby lasers, but Western Electric workers are cautioned to take no chances.

In addition to the requirement that those in the laser room wear glasses, the company has installed a protective aluminum housing around its laser scoring operations. A plastic shield is dropped in front of the burning operation whenever the laser apparatus is turned on, and an exhaust system is constantly in operation.

WESTERN ELECTRIC'S laser safety rules were developed in a team effort that involved Mr. Golonka, as project engineer; the plant safety department; industrial hygiene and medical specialists attached to the Hawthorne Works, and plant engineers. ■

"Uh, oh. The direct line. Sam's dinosaur is in trouble again."

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YOUR Insurance Independent AGENT

Giles on the law

FAA held liable for not warning light plane about air turbulence

By JOHN W. GILES
Attorney-at-law

WASHINGTON—The Federal Aviation Agency has recently been held liable when its flight controller failed to warn a light plane about the possibility of turbulent "wing-tip vortices" that resulted from the missed approach of a large jet plane and caused the light plane to crash.

This, said the court, is negligence for which the government is liable. The court noted that the controller was negligent in that he knew, or should have known, that a hazard existed in the form of wing-tip vortices from the prior missed approach of the Boeing 707, and breached his duty to warn the pilot of this hazard.

"The rule that when the United States has undertaken to warn the public of danger and induces reliance thereby, it must perform the task with due care, has express application with respect to the necessity of a warning by controllers to pilots concerning the existence of wing-tip vortices." (U.S.D.C.—California. *Lightenburger* v. *U.S.* 4/21/69.)

SOMETIMES A FIRE policy requires the insured or policyholder to submit to an examination under oath when he makes a claim under a policy.

Some of these questions may be embarrassing to the insured because he may think the answers would tend to incriminate him. Can he refuse to answer by invoking the privilege of the Fifth Amendement?

If he does this, the insured breaches a condition of the policy and this gives the company a complete defense if the insured sues on the policy. A federal court in Wisconsin has this to say about the refusal: Plaintiff's contention is that the privilege against self-incrimination justifies refusal to answer the questions involved.

Plaintiffs thus seek to utilize the privilege not only as a shield, but also as a sword. This, said the court, they cannot do. *Kisting* v. *Westchester Fire Ins. Co.* 290 F. Supp. 141.)

WHEN YOU THINK of punitive damages, you also suppose that there were actual damages for which compensation was allowed.

So did we, until a recent decision of the supreme court of Idaho came forward with a decision saying that, although there was no actual damage, punitive damages could properly be awarded.

The plaintiff was a village in Idaho which was seeking equitable relief for a property owner's malicious interference with its water rights. Malice here, said the court, was shown by the threats and actions of the property owner who tried to disrupt the water supply by disconnecting the waterworks, putting debris in the springs and threatening to kill those who would repair the water system.

An upstanding citizen, as you can see. It was apparent to the court that this type of misconduct could cause serious harm to the health and safety of the villagers. You can guess rightly that there was a dissenting opinion which pointed out that there were no actual damages awarded because the village failed to prove that any actual damages were sustained.

Whether the property owner was motivated by malice and acted with an evil intent, the fact remains that no actual damages were proven. Under these circumstances, how can you properly award punitive damages? (See Idaho Sup. Ct. *Village of Peck* v. *Denison* 1/27/69.) Incidentally, do all your important liability policies protect you completely against punitive damages?

YOU ARE OFTEN inclined to blame an accident at an intersection where construction work is proceeding on the lack of a flagman to regulate traffic.

It is true that construction companies often employ flagmen to direct traffic at such points and dependence is put on them by the passing motorist.

However, these flagmen do leave their posts and the motorists' duty becomes one of increasing caution, despite previous safety efforts by the construction company.

When the flagman has gone home to lunch, the duty of caution on the part of the motorist remains, and after the accident, the court will not compel the construction company to accept the blame. (Kentucky Ct. of Appeals — *McBride* v. *Moss* 2/14/69.) ■

Maatman . . .

Continued from page 21

and supervised? How good are its training programs? Does the company provide back-up services to its field engineers—bulletins, field aids, technical literature, loss control research?

• "Account engineering"—can the company tie together and coordinate its services to large, multiple location insureds? Can it provide the risk manager with a periodic summary of his company's major loss problems?

• Scope of loss control engineering services—what special services are available? Does the insurance carrier conduct special loss problem surveys, review plans and specifications, and produce good loss experience data? Does it have industrial hygiene and occupational health services?

The risk control manager must assume major responsibility for identifying, measuring and relating his company's risks. His insurance carrier can assist him in meeting and supplementing his needs, or he can call in independent consulting engineers in special situations. But, the ultimate responsibility for handling his company's risks is his. ■

Gerald L. Maatman is director of loss control engineering for the Kemper Insurance Group, Chicago. He joined Kemper in 1966 in this post after serving as chairman of the fire protection and safety engineering department at Illinois Institute of Technology. He became associated with IIT in 1959 with an appointment as associate professor and was made full professor

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COMPLETE COVERAGE

Insurer cancels Gary's municipal vehicle policy

GARY, Ind.—With three weeks to expiration date, Great American Insurance Co. cancelled the property and liability coverage on this city's 300 municipal vehicles.

William Braman of Braman Insurance Agency here told *Business Insurance* that the reason for the cancellation was that the premiums—won by the agency in competitive bidding—could not support the losses on the contract.

The annual premium for the policy was $24,000. Last year the city filed $38,000 in claims, $22,000 of which is now in reserve on one claim alone, according to Mr. Braman. The loss severity on the policy was "not that bad," the agent said, but the loss frequency presented problems.

"ACTUALLY, Great American wanted to cancel the policy on December 1," Mr. Braman said. The policy was due to expire June 15, but the underwriter had had enough with three weeks to go.

Since the cancellation, the city has put the insurance up for bid again, mailing a notice to all insurance sellers listed in the Gary telephone book. A few asked for specifications, but no bids were offered, according to Mr. Braman.

Following that, Gary's Mayor Richard G. Hatcher announced that any one who will have occasion to drive a city vehicle must take a safe-driving course. The city, the mayor added, will start a self-insurance program for its vehicles and ask insurers for excess coverage.

Informed sources say that, although no specifications have been issued, the city will create a $25,000 self-insurance fund. Excess coverage is expected to have a limit from $500,000 to $1 million.

With its new self-insurance program, the city hopes the premium on the excess coverage will be between $10,000 and $15,000. ■

Promote Schenck

Benjamin R. Schenck has been named first deputy superintendent of insurance for the state of New York, succeeding George K. Bernstein, who has been appointed administrator of the Federal riot and flood insurance programs in the Department of Housing & Urban Development. Mr. Schenck was deputy superintendent of the state insurance department.

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Insurance firm prexy sentenced

PORTLAND, Ore.—Circuit Court Judge Phillip J. Roth sentenced Evans Smith, 39, to ten years in prison for destroying property to defraud an insurer and obtaining money by false pretenses.

Mr. Smith, president of Besco Insurance Co., Portland, pleaded guilty to the charges. The state dropped charges of second-degree arson and conspiracy after the defendent pleaded guilty of the two counts on the four-count indictment.

The changes involve the burning of a warehouse in Wood Village and the collecting of $27,000 in insurance money for paint allegedly lost in the blaze.

A total of 16 charges still are pending against Mr. Smith, who is accused of being ringleader in a $500,000 insurance fraud. ■

dates for buyers

June 26, National Industrial Conference Board, Crime and the corporation, Waldorf-Astoria, New York.

June 30-July 2, American Management Assn., How to preplan employe benefits for negotiation, AMA Headquarters, New York.

June 30-July 2, American Management Assn., Advanced pension planning, AMA Headquarters, New York.

July 7-9, American Management Assn., Reinsurance management, AMA Headquarters, New York.

July 9-11, American Management Assn., Negotiating coverages in today's property insurance market, AMA Headquarters, New York.

July 9-11, American Management Assn., Developing a modern employe benefit package, AMA Headquarters, New York.

July 9-11, American Management Assn., Fleet Management—managing the company automobile fleet, Barbizon-Plaza Hotel, New York.

Aug. 25-27, National Founation of Health, Welfare and Pension Plans, 15th annual educational conference, New York Hilton and Americana Hotels.

Sept. 8-10, American Management Assn., Office operations—effective management of company information: records, files and documents, New York.

Sept. 9-12, International Rendez-vous, Monte Carlo.

Sept. 22-26, American Management Assn., Fundamentals of employe benefit management, American Management Assn. Bldg., 135 W. 50th St., New York.

Spartan security grades high

NEW YORK—"Once you have identified the problems of shortage control," Roy McPoland, director of security for Spartan Department Stores, said, "the solutions are mechanical."

To do just that—identify shortage problems—Mr. McPoland has devised a grading system for Spartan's nearly 100 stores scattered across the U.S.

With 12 full-time security agents, Mr. McPoland's security department probes the various Spartan stores with diagnostic check lists. These check lists designate 25 areas of security control, and the agents—who can arrive at any time to check a store—score each area on a one-through-four basis, with an overall perfect score therefore 100.

THIS CHECK LISTS take about one-half hour to fill out. If during this quick security check an agent discovers some particular security problem, he then makes an in-depth probe of the store, again using a standard grading form.

For the Spartan food stores, the in-depth probe covers these areas: receiving, store front end, cash office, personnel and administration, physical premises and safety. The general merchandising stores' in-depth probes cover the same areas in addition to the service desks.

The in-depth probes take one man about six hours, Mr. McPoland said. The results of these investigations are also translated into a score based on 100.

Since the security scoring system was instituted at Spartan about one year ago, each district, in which several stores are grouped, has improved its score vastly. Some districts started with scores as low as 20 or 30. Now all districts must score in the 80's.

Mr. McPoland said that he reports directly to the president of Spartan and gives him monthly reports on the district scores.

Since the start of the program many security problems have been solved at Spartan and the program has been expanded. Assistant managers are now coming into New York and being trained as security agents to make them more aware of the security problems in their day-to-day operations. ■

Sets up education unit

American Appraisal Co., Milwaukee, has set up an educational division to conduct seminars in various cities throughout the U.S. and Canada. The division, to become operational by mid-July, will concentrate initially on the cost-estimating area. Michael A. Rooney, formerly marketing manager of the company's Boeckh division, has been named manager of the new unit.

Court backs $700,000 drug award

NEW YORK—The U. S. court of appeals has confirmed a lower court damage award of $700,000 to a 10-year-old boy who suffered brain damage as an infant from a Parke, Davis & Co. drug that has since been taken off the market.

Parke, Davis has products liability insurance of more than $50 million through Aetna Life & Casualty, which provides primary coverage, and through Lloyd's of London and others for excess coverage.

The parents of the boy, Mr. and Mrs. Carl F. Tinnerholm of Huntington, N. Y., claimed that as a 3-month-old baby their son Eric was given an injection of Quadrigen, a drug to protect against diphtheria, typhoid, whooping cough and polio.

The boy cannot walk or talk and has the mentality of a 5-month-old infant, his parents said.

The original judgment, handed down in May of 1968 by a U. S. district court, was for $651,788, but was increased to $700,000 to cover additional court costs and accrued interest. ■

Sheppard joins ISC

Edward A. Sheppard has been named director of the profit-sharing and pension division of Independent Securities Corp., Pasadena, Calif. Mr. Sheppard was formerly manager of the San Gabriel Valley office of Southwestern Life Insurance Co.

ELECTRONIC SPECIALTY CO., Los Angeles, Calif.

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Products liability provides 'real opportunity' for risk managers

SAN FRANCISCO—The entire field of products liability was presented here as "a risk management opportunity" by A. J. Trimble, manager of insurance for FMC Corp., San Jose, and E. I. Robinson, ass't counsel for FMC.

Mr. Trimble and Mr. Robinson addressed the regular monthly meeting at A. Sabella's Fisherman's Wharf restaurant here of the Northern California chapter of the American Society of Insurance Management.

FMC's current product liability and safety program was described in detail and copies of the formal program were distributed to ASIM members present.

"Product liability," declared Mr. Trimble, who is currently president of the ASIM chapter, "represents a real opportunity to the risk manager because it constitutes a risk which can be managed.

"In addition," Mr. Trimble contended, "this is an area with a very large dollar involvement and it represents a problem not being handled well by many U.S. corporations.

"WHETHER OR not we recognize it as such," Mr. Trimble added, "product liability is already our responsibility."

Mr. Trimble pointed out that "sue for safety" is currently the "battle cry" of many lawyers specializing in the field of personal injuries.

"The philosophy behind this," Mr. Trimble explained, "has been described by attorneys Dean Robb and Harry Philo, on the basis that 'society will continue to suffer as long as it is more costly for corporations to eliminate hazards than it is to tolerate the conditions which maim and kill.' "

"Major corporations," the two attorneys have written, "have spent only a fraction of the money on safety research and safety practices which their products require. This is why lawyers must be safety philosophers, safety experts and safety lecturers."

MR. TRIMBLE WARNED that "the public and the courts, under the stimulus of men like Messrs. Robb, Philo and Ralph Nader, are changing their attitudes about personal injuries.

"The public and the courts," Mr. Trimble continued, "are feeling that the cost of an injury, including the loss of time or health, is often a needless and overwhelming misfortune to the person injured and that the risk of injury can be insured by the manufacturer and distributed among the people as a cost of doing business.

"This idea of compensation by the manufacturer is becoming pretty well ingrained in our society. Juries are inclined to think that the company can afford to pay for it far better that the injured man."

Mr. Trimble said that "property damage can often be more costly than personal injury . . . which is only one part of the product liability problem."

HE CITED A costly example in a 1966 incident in which an FMC division had a number of tape measures repaired by a Portland shop at a cost of $1 each.

"The repairmen," Mr. Trimble explained, "left one inch out of one of the tapes. This particular tape was used for several days in setting up the saddles for chemical tanks on a barge being built by our division.

"Fortunately, the faulty tape was discovered. But not before errors had been made which cost $512 to correct. The vendor reimbursed our division for these costs and then went out of the tape repair business.

Mr. Trimble listed seven major "reasons" for products, liability judgements as: errors in design; negligence in manufacture; excessive enthusiasm in sales; inadequate operating instructions; improper labeling; misleading advertising; and failure to anticipate improper uses.

THERE ARE "other, additional reasons" as well, as Mr. Robinson pointed out in discussing the present "legal climate" and how it relates to products liability.

Robinson reviewed a number of court decisions, many of which, he said, "would seem to indicate a growing judicial conviction that manufacturers . . . say of automobiles . . . have a duty to make cars collision proof and also safe in case of collision.

"Nearly half the states," Mr. Robinson added, "have not adopted laws providing strict tort liability.

"In effect," he said, "one who sells any product in a defective condition can be considered as liable for injury resulting from such a defect."

MR. TRIMBLE ADDED that "the product being made today may well be the cause of lawsuits 10 years from now . . . so it behooves the producer to make his product just as safe as possible."

The actual cost of products liability claims, Mr. Trimble said, "is the strongest incentive for any company to instigate a products liability control program.

"Within FMC," he continued, "we have put on a number of products liability seminars for our plant and divisional management groups. They certainly come alive when we begin to wheel out our exhibit of products liability claims and claim trends!"

Mr. Trimble presented the case of a mythical XYZ Company to illustrate methods of showing products liability costs. ■

Embezzling scheme is uncovered

BRIDGEPORT, Conn.—An audit of the books burned in a W. T. Grant Store fire here April 1 has resulted in the arrest of a store officer on charges of embezzling $80,000.

Bernard Dowling, 42, credit manager at the retail outlet for the past four years, was arrested on a circuit court warrant.

THE FACILITY was gutted April 1 by a fire which was termed "of suspicious origin."

Mr. Dowling, transferred to the Grant store in New Haven some months ago, had not been linked in any way to the blaze. ■

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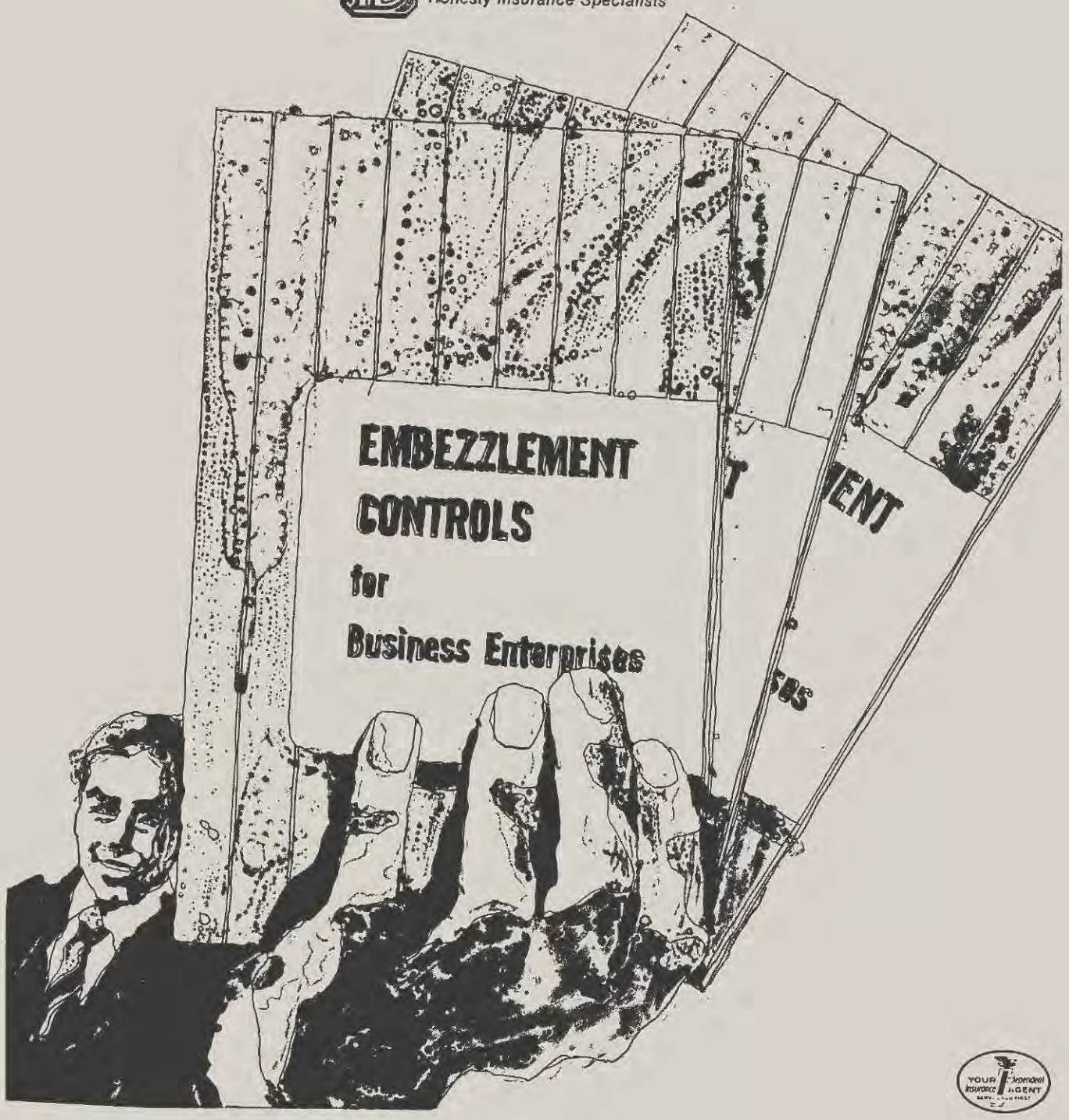

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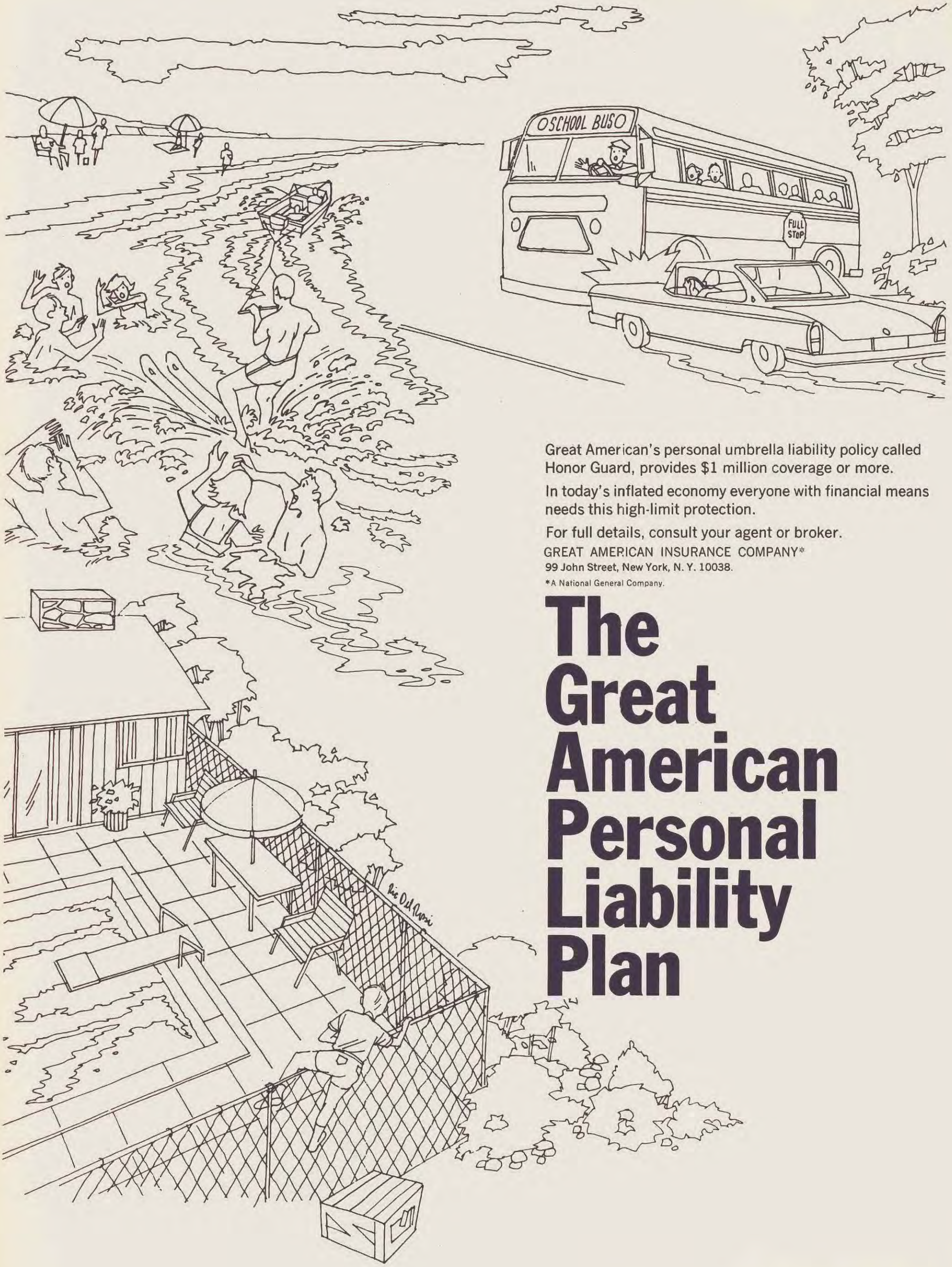

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WORKMEN'S COMPENSATION: Where is the system heading after a half-century of service?

Labor's view

Compensation: society's response to technological change

by James R. O'Brien,
assistant director,
AFL-CIO Department of Social Security

James R. O'Brien

Many groups interested in workmen's compensation matters have developed standards by which they measure the performance of the system. The AFL-CIO standards are stated in summary form below. These are the minimum standards we feel each state law should meet:

- Compulsory coverage including agricultural workers, and no numerical exemptions.
- Full statutory coverage of all occupational injuries and diseases.
- Full medical benefits for both occupational injury and disease.
- Choice of qualified physician by injured worker.
- Workmen's compensation agency should have authority to supervise and control medical care and should also have a rehabilitation division in it.
- Maintenance benefits during rehabilitation.
- Broad second injury fund.
- Adequate time for filing occupational disease claims.
- Benefits for the totally disabled for the period of disability.
- Death benefits to a widow until death or remarriage.
- Illegally employed minors under 18 who are occupationally injured should be paid double benefits.
- Maximum compensation for temporary total disability not less than 66 2/3% of injured worker's average weekly wage.
- Administration by a state agency.
- Exclusive state compensation fund.

We can state our view of what is wrong with workmen's compensation succinctly in terms of these standards. The main objective of the system has been twisted from compensating workers for work-incurred injuries and diseases to providing high profits for insurance carriers at the least possible cost to employers. To understand how this has happened, we must first go back and see how our oldest form of social insurance evolved. Workmen's compensation is the result of a long period of historical development, and this history is too often overlooked or ignored.

In the days of handicraft production the problems of caring for occupationally injured workers were few. The work was done by hand on a small scale, the number of workers involved was not large, and there were few occupational injuries. It was a common practice for the employer to take care of his injured workers. One reason for this was that injured workers were frequently related to the employer.

Workmen's compensation was society's first major legislative response to the human and social consequences of industrial and technical change. After 50 years, the results are disappointing. Technological and industrial progress has proceeded at breakneck speed, but state workmen's compensation laws have not kept pace with these developments. Many of the deficiencies in workmen's compensation laws that existed when they were first enacted still exist today.

COVERAGE PROVIDES an excellent example of deficiency. Depending upon your source, estimates of workforce coverage range from a low of 60% to a high of 80%. This lack of precision is only one shocking example of the paucity of comprehensive and reliable data on the system as a whole. However, some of the deficiencies are so glaring they cannot be concealed.

'These are the minimum standards we feel the law should meet.'

Continued on following page

Administrator's view

We oppose very vigorously imposition of Federal standards

by M. Roscoe Lowery,
president,
International Assn. of Industrial Accident Boards and Commissions

M. Roscoe Lowery

We have been asked to discuss the position of the International Assn. of Industrial Accident Boards and Commissions on the future of state workmen's compensation.

Before we consider the future of the workmen's compensation program, let us look briefly to the past.

In the United States and Canada the workmen's compensation program was developed by the states and provinces and historically it has remained a state-administered system.

Since its inception, the program has remained state oriented and has been improved and expanded by the states alone, and for many years there apparently was no threat of Federal pre-emption or encroachment into the field.

THE FIRST MOVE in that direction was an oblique one through the development and expansion of the disability program of Social Security. Initially there was to be peaceful coexistence with no overlapping. Later there developed a philosophy by some that Social Security should be the *basic* plan for compensating work-connected disability. As the Social Security disability program was expanded, duplication became more prevalent. To take the "profit" out of disability, the "offset" on the Federal level was adopted by Congress.

Later the Atomic Energy Commission proposed a record-keeping system on radiation exposure proportedly designed to aid administrators in determining the issues in radiation cases. However, there was developed a set of "uniform standards" the states had to adopt as a prerequisite to participation in their program. After much discussion and deliberation in many various forums, including hearings before a Congressional committee, the AEC has abandoned its position on mandatory standards, has made the record-keeping program solely that, and has endeavored to get their desired standards adopted on a local basis by the several state legislatures.

In the cases of uranium miners involving the state funds of Colorado and several other western states, these states took the position that the state funds should be given some relief from the Federal government. However, instead of proposing assistance to those claimant miners administered through the state program (which would afford financial relief to the funds), it was proposed by the Federal government that these miners be compensated through the Longshoremen's and Harbor Workers' Compensation Act.

Sen. Jacob Javits has reintroduced his proposed study of the workmen's compensation programs in the states.

THE FIRST FRONTAL assault that has been made on the state-administered workmen's compensation program is in the provisions of H.R. 6780 introduced by Rep. Perkins (D.-Ky.), chairman of the House education and labor committee. This bill would make some provisions of the Longshoremen's and Harbor Workers' Compensation Act applicable to certain employes and all the provisions of that act applicable to others, depending on the coverage and benefits provided in the acts of the states.

"Since its inception the program has remained state oriented."

The positions taken by the IAIABC on some of these proposals are a matter of record and are well known. On the others I can only speculate as to what actions will be taken.

The "offset" is in jeopardy. Pending legislation would repeal it. The association

Continued on following page

O'Brien . . .

Elective laws that provide an employer option to accept or reject the law, as well as numerical, industry and occupational exemptions are indefensible anachronisms in the system.

The limited medical benefits—due to time or monetary restrictions—provided to injured workers in some 18 state laws are inexcusable. And the limited occupational disease coverage in a like number of state laws is tragic.

The fact is, however, that the states have insisted on assuming a national responsibility that they cannot meet. The black lung of the coal miners is one example of this; the lung cancer of the uranium miners is another. Silicotics have been, and still are, denied full protection under many state laws. There is no question concerning the relationship of their work to their disability. But vested interests in the various states have been able to deny these workers the protection of the law. Hernia, back, and heart injury victims are treated in a similar fashion by many state legislatures.

A workmen's compensation law that permits the taking of a man's life for $12,600 violates every concept of workmen's compensation. Young fathers of two, three or four children are fatally injured under too many state laws that utterly fail to provide adequate protection for his surviving widow and children.

DISABILITY BENEFITS under the present system are even worse. Under the majority of state laws, an injured worker and his family receive benefits so low that his family is forced to live below the poverty level.

Every responsible organization and individual interested in improving our workmen's compensation system agrees that benefits for permanent total disability should be payable for life or the period of disability. However, only 31 states provide this type of workmen's compensation protection in their programs.

One of the continuing puzzles in workmen's compensation is how a state legislature can enact legislation to protect workers in cases of permanent total disability, and simultaneously limit the duration of benefits to a very tentative period such as five, eight, or ten years. The absolute limitation on the amount and duration of permanent disability benefits in workmen's compensation law violates every standard of the AFL-CIO. It also violates the original intention of our workmen's compensation system.

'States have insisted on assuming a national responsibility they cannot meet.'

The limitations are arbitrary, and, in addition to the tragic consequences they impose upon injured workers and their families, they place unjust burdens upon the community. These limitations shift what should be the employer's responsibility upon society. They represent the dead hand of the past and reflect the false notion that the function of workmen's compensation is simply to buy off the injured worker through the payment of a fixed sum of money.

IN SERIOUS CASES of work injury, when the compensation limits have been reached—in terms of money or time—the worker and his family must depend upon the charity of family or friends or be added to the public relief rolls of the community. The employer or the insurance carrier simply drop the entire matter on the shoulders of the community.

The 500-week limitation (or less in some states) on permanent total disability injuries contained in a number of state laws sharply points up the illogical and serious consequences that can flow from this type of legislation. These restrictions in the various state laws limit permanent total disability benefits to 500 weeks—less than ten years. A 25-year-old worker with a wife and two children if seriously injured would be dependent upon public welfare by the time he was 35 years of age.

If the system is to achieve its goal of assured, prompt, and adequate protection for injured workers and their families, limitations in permanent injury cases must be eliminated. The cost of removing this restriction would not be prohibitive. Only a very small percentage of work injuries involve permanent total disability, and this figure has remained fairly constant for a substantial period of time at only 0.1% of all work injuries.

The failure of the workmen's compensation system to meet these problems and others is hastening the demise of the present system as we know it. The symptoms of this are already discernible. Federal legislation to amend the Social Security disability provisions has been introduced in this session of Congress. In addition to modifying the current Social Security definition of disability, the proposals would reduce the waiting period and provide medical benefits for disabled individuals. If enacted, this legislation would certainly have an impact on the workmen's compensation system.

FEDERAL LEGISLATION to encourage the states to improve their laws has also been introduced in this Congress. The 90th Congress in an unheralded action provided Federal Employees' Compensation Act protection for local law enforcement officers throughout the country. This protection is only extended in special circumstances, but this legislation clearly reflects a Congressional lack of confidence in the state systems. This approach, to overcoming the deficiencies of the state systems, is so appealing that legislation to extend the protection of the Federal Employees' Compensation Act to all firemen and all law enforcement officers under all circumstances has been introduced by a number of Congressmen in this session of Congress.

Recently introduced Federal legislation to establish national workmen's compensation standards as well as bills specifically aimed at protecting uranium and coal miners indicates the direction in which the system is headed. All these proposals stem from the conviction of responsible people that the state legislatures cannot be relied upon to modernize the workmen's compensation system. A greater Federal voice in the system is needed, and it is being demanded by injured workers and their families, the AFL-CIO, some academicians and some legislators.

The cost of improving the system to really meet today's needs would be negligible. The cost of workmen's compensation is a minute percentage of the total cost of production for employers. This is particularly true of the large employers who are individually rated in workmen's compensation. Although workmen's compensation cost can vary considerably depending on the hazardous nature of the industry, there is not a single industry in this country in which the cost is a significant factor in the cost of production.

The latest Department of Labor figures, published in the Handbook of Labor Statistics 1968, show employer expenditures for occupational illness and injury in the United States amount to only 2 cents per hour. The employer, in turn, passes this cost on to the public in the price of his product.

Organized labor was in the past a lonely voice advocating an improved workmen's compensation system, but we are no more. The United States Congress is now showing a clear interest in the need for adequate protection for injured workers. Moreover, the public at large is ready to face up to the issue when it knows the facts. Just last year, Arkansas voters in a referendum election voted to significantly improve their state workmen's compensation law.

The workmen's compensation system must adapt to modern developments or decline as a vital system of social insurance. To the extent that the workmen's compensation system fails to adequately meet the needs of the occupationally injured, to that extent it contributes to its own demise. The standards of an enlightened and civilized society require a better performance and a greater degree of adaptability than the system has demonstrated to date. The system must resolve problems, not ignore them. For it is only by adapting to the changing industrial, technological, and social environment that the workmen's compensation system can serve its intended purpose of providing income protection to workers who are victims of job related injuries and diseases. ■

James R. O'Brien, assistant director of the AFL-CIO department of Social Security, has served as a union staff representative at both the district council and international union levels. Prior to his present appointment, Mr. O'Brien was assistant director in the education and research department of the American Federation of State, County and Municipal Employes, AFL-CIO. Mr. O'Brien earned his Bachelor of Science and Master of Arts degrees at the University of Houston.

Lowery . . .

is on record favoring an offset on the Federal level. An informal survey shows that it is not being administered uniformly by the offices of Social Security and that there is still some lack of understanding concerning its intention and implementation. The association sustains the principle of an offset.

The association opposed very vigorously the imposition of uniform Federal standards whether as a prerequisite to participation in a radiation record-keeping system or for any other purpose. We took the position that the standards and record-keeping were different animals and should not be mated. The AEC has now taken the approach the association recommended all along. It is now trying to improve the state laws relative to radiation workers through the state legislatures and has given the state lawmakers a valuable assist in publishing suggested state legislation for radiation workers in co-operation with the Council of State Governments. The association agrees with the approach now taken by the Atomic Energy Commission.

NO ONE TOOK serious issue with whether the Federal government should assist those states faced with a dilemma regarding the unexpected rash of lung cancer cases in uranium miners. The issue was the mechanics. We did not oppose a one-shot financial assistance to the affected states to be administered by those states under their workmen's compensation law. Strenuous opposition would and still does exist in compensating these cases under the Longshoremen's and Harbor Workers' Compensation Act.

It is difficult to oppose a study that has laudable objectives such as the one proposed by Sen. Javits. There are some, however, who feel numerous studies have already been made to meet the objectives of the proposed study and still others who feel that the proposed study has already been made, conclusions drawn and that the formal study is merely a vehicle to substantiate the already drawn conclusions. If such a study is to be made, we feel the IAIABC should have representation on the study commission.

Our gravest concern is H.R. 6780. If this proposed legislation becomes law as it is now written, state administered workmen's compensation as we know it will be a thing of the past. Within five years the workmen's compensation program will be a Federal one run from Washington. The state systems will in actuality be merged into one big Federal program. Space does not permit a detailed substantiation of the prediction but a reading of the bill will bear me out, I feel.

You can rest assured that the association will take a position in opposition to this bill.

THE ACT IS cleverly drawn. Whether intended or not it can divide our house. An administrator who feels his state has an adequate law may take the position that the bill should contain an escape clause for his and like jurisdictions. If the bill contained such an escape clause, would these administrators stand with the administrators affected to oppose the legislation as a whole? We must stand united in our position. What guarantee can be given that future escalation of standards would not eliminate such an escape?

What is the alternative? Basic. Improve the state laws. There has been more improvement by more states in workmen's compensation laws in the past five years than during any like period in the past. In spite of this new awareness and concern, some states are lagging behind. Those who feel that workmen's compensation should be a Federal program regardless of the merits of the state laws we cannot satisfy —period. However, we feel that the bulk of Congress will look at adequacy and quality in making a determination. If they can be shown that the states are, at a more rapid pace, meeting the responsibility, they will not pass any sweeping legislation.

'What the attitude of the Nixon Administration will be . . . we do not know.'

How then to make this point? The legislative leaders of those states who are lagging so far behind must be made aware that the alternative to their inaction is strong Federal legislation. The state administrator, who so often gets the blame, cannot do it by himself. He must be joined by the leaders and representatives of those segments of society who will be affected. Management and industry have much influence in the legislative halls. They must join with the administrators and others interested to carry the message. Meetings to accomplish this have already been set. Our association is studying the possibility of providing a forum, preferably with the joint sponsorship or at least the sanction of, the national legislative organizations to place the issue in perspective. Any such meeting, without representatives of the legislature and those who have much influence with the legislatures, would serve little purpose. This we have been doing for years. Succinctly stated, we owe it to the legislative leaders to place the option of improved state laws versus Federal takeover squarely before them. When given such an option we think they will act responsibly.

What the attitude of the Nixon Administration will be on the subject we do not know. At first glance one might be heartened by the remarks of Under Secretary of Labor James D. Hodgson made before the House general labor subcommittee of the committee on education and labor on H.R.

Continued on page 44

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perspective

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7976, the Federal Coal Mine Health and Safety Act of 1969.

Mr. Hodgson said in part: "Workmen's compensation has traditionally been provided through a system of state laws. The states possess procedures and know-how in the workmen's compensation field. It is our present judgment that reliance should continue to be placed on that system of state laws." On second glance one may wonder if the above quoted statement should give us encouragement in light of the further statement of Mr. Hudgson: "However, in placing our reliance on the states to provide workmen's compensation benefits for disabled coal miners, we should provide a motivation for the states to act in meeting the miners' needs through improvements in their laws." What constitutes sufficient motivation is the crux of the matter. It could be that the administration feels that H.R. 6780 contains the referred to motivation.

The International Association of Industrial Accident Boards and Commissions will continue to vigorously support the principle that workmen's compensation is and should remain a wholly state-administered program. ■

M. Roscoe Lowery, president of the International Association of Workmen's Compensation Administrators, was appointed chairman of the Georgia State Board of Workmen's Compensation in 1960. Prior to his present appointment, Mr. Lowery served in several posts for the Georgia workmen's compensation board. A graduate of Mercer University School of Law, Mr. Lowery served as law assistant to the court of appeals of Georgia from 1949 to 1959 and staff judge advocate for the Georgia Army National Guard.

Carriers' view

Workmen's compensation is possibly in greater danger than at any time since its inception

by Paul S. Wise, president, American Mutual Insurance Alliance

Paul S. Wise

The future of workmen's compensation is possibly in greater danger at this moment than at any time since its inception early in the century. Workmen's compensation is a social insurance system which under administration by the states has evolved private enterprise answers to the vital problems stemming from work accidents. The needs for job safety and for financial, medical and rehabilitation aid to injured workers are met in uniquely practical ways by the system. But in a handful of states imperfections remain, constituting a clear and present danger to the whole state-by-state approach.

There seem to be two distinct possibilities for the future: either accelerated activity by these states will bring their programs up to generally accepted standards, or the Federal government will intervene through standards, supplementary benefits or outright takeover of the workmen's compensation system. Unless improvements are quickly made by lagging states in such matters as full medical benefits and higher wage replacement benefits, all the states may lose forever much of the freedom of choice they've enjoyed during the past six decades.

Escalation of the threat of Federal intervention is clearly evident. In his final budget message to Congress, President Johnson called for Federal legislation "to overcome the shortcomings in coverage and benefits under state workmen's compensation laws." And former Labor Secretary Willard Wirtz, just before leaving office, submitted draft legislation to Congress which would, after a specified period of time, extend the provisions of the Longshoremen's and Harbor Workers' Compensation Act to all employes not covered by state workmen's compensation laws. It would also offer grants to help raise benefit levels and establish minimum standards for employes covered by state acts. This bill has been introduced in the House by Labor Committee Chairman Carl Perkins of Kentucky.

MOREOVER, Sen. Jacob Javits of New York has proposed a national commission on workmen's compensation laws to study the current system and recommend Federal legislative reforms.

These efforts to federalize the workmen's compensation system are objectionable because of their probable long-range consequences, not because of any disagreement with the objective of upgrading compensation programs in the laggard states. Many persons associated with workmen's compensation, including the American Mutual Insurance Alliance, have been working for years to bring about such improvements. The standards long advocated by the International Assn. of Industrial Accident Boards and Commissions are more extensive and stringent than those currently set forth under the Wirtz proposal. The IAIABC standards were hammered out by representatives of business, labor, insurance and state governments, as was the model workmen's compensation legislation of the Council of State Governments.

The danger from Federal standards is in their potential for undermining the proven strengths of the workmen's compensation system. They would replace local control with a centralized administration in Washington, decreasing flexibility to respond to independent development of commerce and industry in the various regions of the nation.

'Unless lagging states take steps . . . we face burgeoning Federal intervention.'

Yet, the above-mentioned bills don't represent the only threat to the workmen's compensation system. A less publicized and less understood threat comes through proposed Congressional changes in the boundaries between workmen's compensation and the Social Security system.

WORKMEN'S compensation and Social Security constitute two great social insurance structures with fundamentally different goals and methods. Workmen's compensation is designed specifically to meet the problems posed to the nation's work force by the possibility of injury, sickness or death related to the workplace. Its flexible, state-by-state approach allows employers, state governments and unions to adapt its administration to local conditions.

Social Security, on the other hand, is a national system chiefly designed for nonworkers: those who have left the labor market with no intention of returning because of retirement or permanent disability, and for members of families whose breadwinners have died.

Ideally, each of these two systems should be allowed to build on its own success, retaining and strengthening its particular approach. True reform will not be accomplished by pushing the simple cash-payment approach of Social Security—appropriate to retired persons, for instance—into areas more appropriately handled by the employment-oriented workmen's compensation system. For example, it is vitally important when dealing with employed persons to retain an incentive for them to return to work after a disablement. This is the reason for the present offset provision (also currently under attack) in cases in which both workmen's compensation and Social Security benefits apply. This provision limits combined benefits to 80% of the normal weekly wage. The reason is clear: To pay as much or more than the employe could get by returning to work would frustrate the basic goal of returning the injured to work as quickly as possible.

The borders between Social Security and workmen's compensation are also threatened by such proposals as one contained in the omnibus Social Security bill introduced to the 91st Congress by Cong. Joseph Karth of Minnesota. The proposal, as it relates to disabled workers, would shift the focus of Social Security disability benefits from the fully and permanently disabled, the proper subject of the straight cash approach of Social Security, to the partially and temporarily disabled, more properly the subject for the approach of workmen's compensation.

THE REAL inadequacies of the workmen's compensation system are in the failure on the part of a number of states to provide unlimited medical benefits, adequate wage replacement benefits and full coverage of occupational diseases. There is also a need to rechannel benefits to the more serious cases and generally to streamline and strengthen administrative procedures. More adequate funds are needed in many states to attract more professional administrators and to strengthen the state safety and rehabilitation programs.

Yet such frank analysis of the imperfections of state-administered workmen's compensation should not be allowed to overshadow the very solid accomplishments of the system. All but a handful of states *do* provide unlimited medical benefits. All states, whether their law spells it out or not, provide rehabilitation services. Wage replacement benefits in most cases are in the hands of workers within 15 days of the reporting of their accidents. This compares quite favorably with the 10 weeks to four months required for a claim to be processed by the Social Security system.

Moreover, workmen's compensation has been chiefly responsible for the fostering of the modern safety movement. With its rating system based on the principle of reducing premium costs to employers with low accident records, the system offers a built-in incentive for practical safety programs. Since enactment of workmen's compensation laws, frequencies of industrial injuries and deaths have been reduced by more than 75%. Workmen's compensation was also the chief goad to the development of the medical field of rehabilitation. An economic incentive is offered in this area by the prospect of lowered claims costs, and thus lowered premium costs, when rehabilitated workmen are returned to productive employment and removed from disability rolls.

All states now recognize responsibility for occupational diseases. Many states have extended the periods in which claims may be filed concerning certain latent, slowly developing occupational diseases such as radiation disabilities. All states now provide coverage for radiation injury as an occupational disease. Last year, 23 states increased their maximum weekly income benefits for disabled workmen and the surviving dependents of those losing their lives from occupational injuries or diseases.

YET THIS RECORD of recent improvement offers no grounds for complacency. Progress must be quickly accelerated if Federal intervention is to be avoided. Consider the recent words of Cong. William Steiger of Wisconsin as he discussed the prospects for passage of a Federal occupational safety and health act by the 91st Congress:

"The main question is, 'What part will the Federal government play in formulating and enforcing standards?' This, I believe, will ultimately be answered by what action the states take now in the field. A major reason that the legislation was introduced in Congress was because of the failure of too many states to act in this field. It is as Mr. Gidel of the Department of Labor states, 'Until action is appropriately taken at the local level, the Federal government will continue to be pressed to act.' "

The message seems clear: Unless lagging states take immediate steps to implement the improvements here discussed, all states face the prospect of burgeoning Federal intervention. The Federal agencies are hovering in the wings. Now is the last clear chance for the states to retain control of a function intimately connected with their industrial and commercial lives. ■

Paul S. Wise, president of the American Mutual Insurance Alliance, is a former Kansas state commissioner of workmen's compensation and assistant commissioner of insurance. Since he joined the Alliance in 1952 as an attorney in the legislative department, Mr. Wise has been involved in the Alliance automobile committee, helped organize the workmen's compensation committee and played a leading role in developing the present Alliance legislative bureau. He headed that bureau for a time, became associate general manager, was appointed general manager of the Alliance in 1964 and was elected president and chief executive officer last year.

Purchase of new Cadillac trips up $250-a-week exec

HARTFORD—Purchase of a 1969 Cadillac and a late model Cessna airplane valued at $30,000 made executives of Morton S. Fine & Associates, Bloomfield, Conn., suspicious of a man earning $250 a week as comptroller.

The company alerted Bloomfield police and they arrested John H. Whitney, 45, on charges of forgery and embezzlement of funds totaling some $75,000.

He was held at Hartford Correctional Center in lieu of a $25,000 bond for circuit court appearance.

Mr. Whitney was "paying nonexistent employes," many of whom were dead, and others who had not worked for the firm for some time, it was alleged.

Police said that Mr. Whitney processed payroll checks through a computer and that along with checks of existing employes, he included those of fictitious names.

When all checks came to him for signature, he removed the fake ones, forged signatures and then deposited them in an account of his own, according to police. The embezzlement occurred over an 18-month period, police said. ■

Hall, Benfield merge

Frank B. Hall & Co., New York, has merged with Charles William Benfield Inc., insurance broker specializing in the transportation field. Cornelius W. Haarmann, exec vp of Benfield, will become a vp of Hall. The Hall firm has also opened a branch office in Portland, Ore., with Erling E. Jacobsen named vp, treasurer and general manager of the Oregon firm.

Pepsi Co. . .

Continued from page 3

from $10 million.

Mr. Baecker called attention to what he feels is a sometimes overlooked exposure for corporations—malpractice coverage for company doctors and lawyers.

HE EXPLAINED that liability arises both for the corporation and the physician during medical treatment of employes.

"The doctor is No. 1 in the chain of proximate liability, but we're No. 2," Mr. Baecker said.

He said that General Fire includes a "malpractice endorsement" in the general liability policy that states that "malpractice, error or mistake in the rendering of medical, surgical, nursing or hospital services or treatment or the ommission thereof shall be considered to be an accident."

THE ENDORSEMENT was included at no additional premium charge, Mr. Baecker said.

General Fire, however, balked at tossing in lawyers' malpractice free of charge, so PepsiCo is going to its excess liability carrier, Appalachian, for satisfaction. He said PepsiCo has 20 corporate attorneys, and ever since last summer's BarChris Construction Co. decision, they and the corporate officers and directors could be held liable for any errors or omissions in any public corporate documents.

"I feel personally that there's very little exposure," said Mr. Baecker, "but I don't know for sure."

THE INSURANCE executive said that PepsiCo's 13 corporate directors and officers are charged 10% of the premium for directors and officers liability coverage, with directors paying two-thirds and officers paying the other third. Coverage is up to $5 million, with a $20,000 deductible and 95% recovery thereafter. D&O insurer is Pacific Indemnity.

Mr. Baecker, who joined PepsiCo five years ago from Marsh & McLennan, talked about one area of claims handling the company can do without. He said that the company a couple of years ago discontinued providing employes with additional insurance for personal effects during company-sponsored moves. "No one was ever satisfied with the adjustment of a claim," he said.

"It was difficult to educate people about fine art. They didn't consider it fine art until after a loss, quite frankly." ■

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State law covers oil rigs

WASHINGTON—State law is not ousted by Federal law in damage suits involving offshore oil drilling rigs, the Supreme Court has ruled.

The decision reversed a lower court's ruling that damages through the admiralty court were limited to "pecuniary loss" and couldn't include an award for "psychic losses" as well—such as pain and suffering or loss of companionship. Insurance experts see the high court's ruling as tending to expand liability awards for oil drill workers, although one legal advisor said "you're not talking about a large body of cases."

The case arose when two men met their deaths on drilling rigs located off the Louisiana coast. Each man's family brought suit for wrongful death in the Federal courts under both the Federal Death on the High Seas Act and under Louisiana law.

In both cases, a circuit court of appeals held that the High Seas Act was the exclusive remedy for the deaths, although the two families claimed they were entitled to additional compensation under state law.

IN THE CASE before the High Court, *Rodrigue vs. Aetna Casualty & Surety*, it was alleged Mr. Rodrigue was performing a test on a drill pipe high on a derrick when he fell to his death on the floor of the rig.

The trial court consolidated the two civil actions and dismissed the insurer, who had been made a party to one of the civil actions under a Louisiana "direct action" statute. ■

Bond eases pain of theft

PHILADELPHIA—Several million dollars of banker's blanket bond coverage will help Girard Trust Bank of Philadelphia rest easy about last week's mysterious theft of $450,000 in negotiable securities theft.

No one is sure when the theft took place but the securities were first discovered missing near Trenton, N.J.

An official at Girard said Insurance Co. of North America provided the coverage under a blanket policy. "No specific policy covering the transportation of securities exists," according to the official "but we're sure our blanket coverage protects us."

It appears that Penn Central, the transporter, will not share in the liability.

A PENN CENTRAL spokesman said that five couriers employed by Girard were properly ticketed coach passengers, but no baggage was checked.

Under Penn Central's policy the $450,000 loss seems to be Girard's alone. ■

Chubb, bank merger is off

NEW YORK—The merger between First National City Corp. and Chubb Corp. is off.

The move to join the two holding companies was ended after the Justice Department said it would file suit to block the merger.

First National City Corp., parent of the First National City Bank of New York, said its directors cancel the plan to join with the insurance company holding firm. ■

Tanker . . .

Continued from page 1

of tonnage haven't joined.

THE TOVALOP move, interestingly enough, comes at a time when other insurance interests—particularly Insurance Co. of North America and Lloyd's of London—are preparing to withdraw from the pollution liability market.

In a speech to the American Petroleum Institute in San Francisco this month, a Lloyd's marine underwriter predicted that "before long pollution of every kind however arising will be excluded from all third-party policies and will only be obtainable as a separate insurance—including clean-up—rather as 'cost of control' is written today for the oil drilling business."

The prediction was made by Peter Green, chairman of Janson Green & Son, specialists in protection and indemnity and third party coverages.

INA, for its part, has backed down somewhat from its earlier position of excluding most land, sea and air pollution liability claims for oil risks.

THE ORIGINAL exclusion ruled out coverage with respect to exploration, production, transportation, refining, distribution, storage or sale of petroleum products, but the latest pollution exclusion limits noncoverage to offshore and onshore oil exploration and production activities.

It states: "In consideration of the premium charged, it is agreed that with respect to exploration for production of petroleum, such insurance for property damage liability as is afforded by this policy or any endorsement hereto, shall not apply to any claim for damages arising out of contamination or pollution of land, air, water or other real or personal property."

One oil insurance manager told *Business Insurance* that the latest exclusion is "still unacceptable, as any oil company such as ours has extensive exploration and production activities which must have insurance coverage."

An INA source said that while it had revised the exclusion for oil company risks, the broader exclusion still applies for other industries such as chemical, pulp and steel, representing about 30% of INA's corporate customers. He reiterated that INA is "willing to consider" making exceptions to the broad exclusion in cases where nonoil corporations are making an effort to control pollution. If they're trying to do a good job we'll go along with them as far as we can on a sound business basis," the INA man explained. ■

Du Pont . . .

Continued from page 1

A Du Pont spokesman said that as far as the company has been able to determine there was no apparent relationship between the two explosions and no similarities in processes or products at the two plants.

The cause of the Carney's Point explosion has not yet been determined. It began with a fire near a loading car. ■

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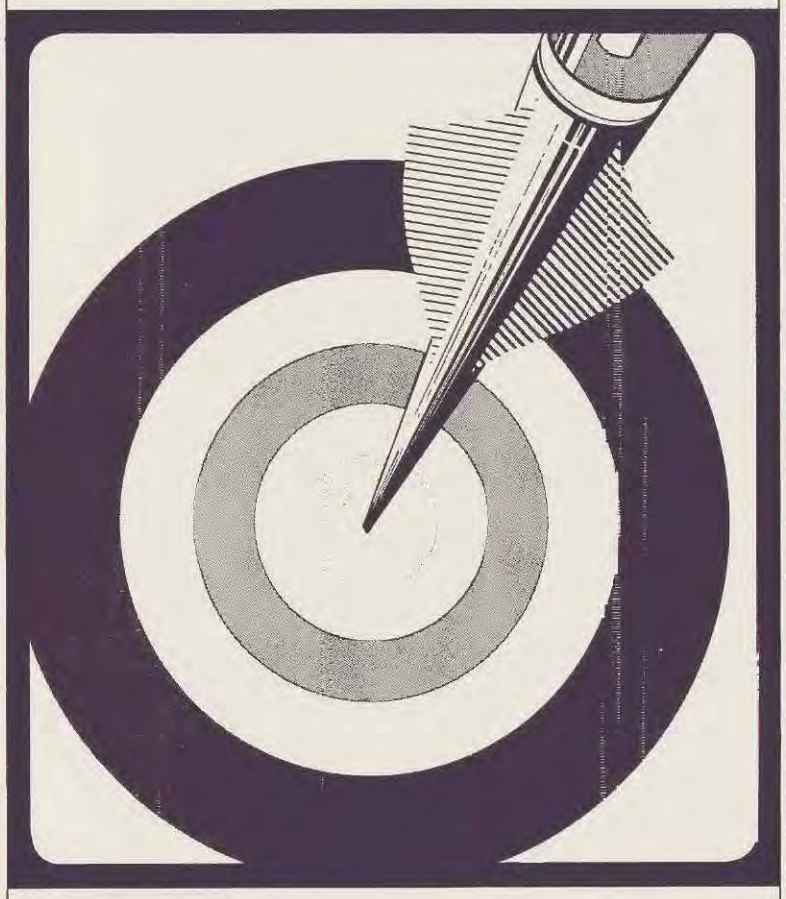

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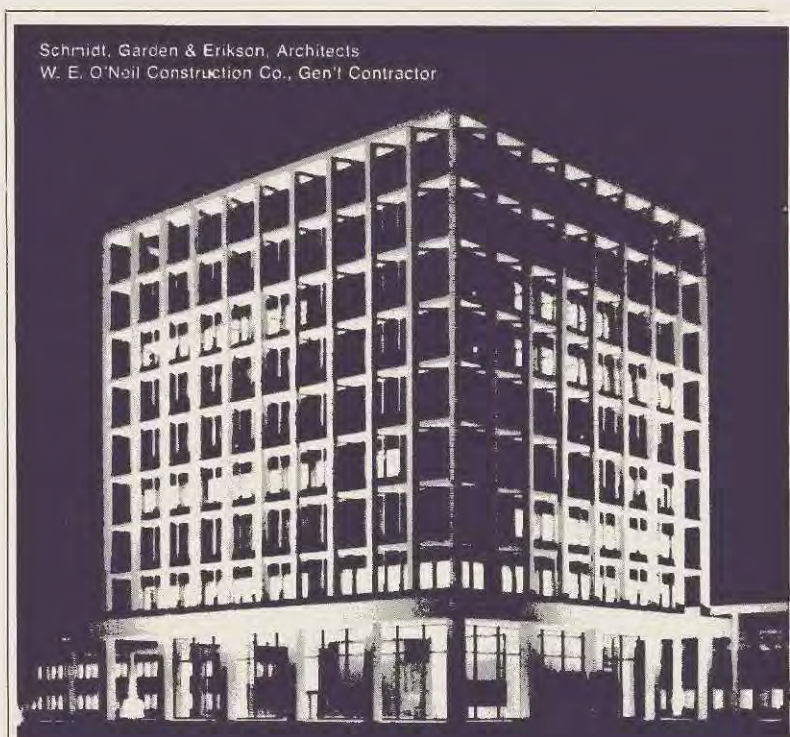

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Bolton . . .

Continued from page 33

as a fact, that all funds under my direction and control, were properly accounted for when I turned over the office of director; not one red cent was lost on any of these invested funds, but to the contrary they were prudently invested, quickly and with the overriding motivation only, that the poor, unfortunate claimants in these defunct companies would eventually receive a large proportion of payment on their claims.

In the case of Cosmopolitan Insurance Co., around $130,000.00 per year in interest is being gained on over $2,000,000 we were able to salvage and recoup and invest in assets. This could amount to a net gain of more than half a million to a million dollars in interest alone in Cosmopolitan which will be paid out to claimants.

In the case of Progressive General Insurance Company—the investment of its assets at 6¼% interest could make certain that all of the poor, unfortunate claimants in the defunct Mutual, Multi-State Inter Insurance Exchange (run by the same management and drained of all assets into the stock company) could be paid in full, as well as a substantial return for the claimants in Progressive General Insurance Co. itself.

I do not understand your criticism of my stewardship.

JOHN F. BOLTON, Jr.
Chicago, Ill.

* * *

Editor's note: While Mr. Bolton raises a number of matters in his letter, he does not discuss the matter of having invested $526,000 in claimants' funds in the Civic Center Bank, a three-year-old banking institution that was capitalized at $1 million and had resources of only $22.1 million at the end of last year.

Mr. Bolton refers to Marina City Bank as a "downtown bank, but with $23.2 million in assets it is one of Chicago's smallest banks and hardly compares with the "downtown" size of the Continental Illinois National Bank and Trust Co. with more than $7 billion in assets or the First National Bank of Chicago with more than $6 billion.

Since the publication of the Business Insurance *article on the investment of the funds of insurers in liquidation in Illinois, a legislative inquiry has been initiated by the Illinois house of representatives into stock in the Civic Center Bank held by justices sitting on the Illinois supreme court.*

One charge is that on Sept. 20, 1966, a bloc of 300 shares in the Civic Center Bank was "turned over" to Gov. Otto Kerner, who appointed Mr. Bolton, by Theodore J. Issacs, general counsel of the Civic Center Bank, who resigned as Gov. Kerner's director of revenue under fire for alleged purchasing irregularities for which he was later indicted by the Sangamon county grand jury.

A Business Insurance *reporter called Mr. Bolton's law office for comment on the investment practices on Wednesday, May 14, and was informed by Mr. Bolton's secretary that the former insurance director was out of town. The reporter told Mr. Bolton's secretary that he wished to discuss investment practices during Mr. Bolton's service as insurance director.*

The secretary relayed the message to Mr. Bolton and returned the Business Insurance *call on Friday, May 16, saying that Mr. Bolton would be in his office "bright and early" on Wednesday, May 21, in time to make his comment for the May 26 issue. No contact was made by Mr. Bolton with* Business Insurance *until he wrote his letter on June 10. Mr. Bolton later told the reporter that he did not return to Chicago until Thursday, May 22, but he acknowledged that he made no effort to contact the publication's office from May 14, when the first call was placed, until June 10.* ■

Engineers start captive for liability

LAS VEGAS, Nev.—A captive stock liability insurance company is being established for members of the Consulting Engineers Council.

"It will be available for business by next January," explained Edward B. Howard, president of the council's Risk Analysis and Research Corp.

"We will hire people to run this insurance company and we will retain outside consultants," Mr. Howell added. "If we can do a good job of underwriting and of settling claims, we are sure we can make a profit."

He said the insurance company would be owned by members of the council and that an application will be made for approval by the Securities and Exchange Commission.

Mr. Howell said a $1 million capitalization would be needed for the firm and that sales of stock will start in October. By January, he added, policies should be in effect.

"The professional liability problem for mechanical engineers," Mr. Howell declared, "is most acute and I know of at least a dozen such firms that have been compelled to go out of business because of the professional liability pressures." ■

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High rise . . .

Continued from page 17

sent the most serious problems, according to most authorities. "We haven't come up with a real good answer yet," one insurance man said, "but a lot of people are working at it."

A GOOD WHIFF of smoke can panic building occupants and prevent an orderly evacuation of the fire area. If the smoke and gas are thick, the occupants can't see their way to safety even if they manage to keep a cool head.

Most high rises don't have windows that open and close, and to provide an outlet for the smoke firemen have to break open the windows—which could create the problem of falling glass hitting spectators below.

IN ADDITION air conditioning units which work on a building-wide basis can actually spread smoke and gases to other areas. To be effective as an exhaust mechanism for smoke and heat, air conditioners should be hooked up to work on individual floors, according to safety officials.

Industrial warehouses are equipped with roof vents which are activated by heat, but these wouldn't do much good in high-rise fires where the fire could be thirty stories below.

TO COMPLICATE the problem even more, moving people up and down stairs presents a complicated exercise in logistics.

A recent study by the division of building research, National Research Council in Toronto, showed that it would take more than an hour to evacuate a 50-story building with 120 persons per floor moving down a 44-inch wide staircase.

The 44-inch stair would allow two persons to descend side-by-side, although studies have found that people can move freely in lanes that have an effective width of about 22 inches at shoulder height.

Elevators can't be relied on to evacuate building occupants either. They may be out of service because of the fire, the fire may be in the elevator shafts or they may not be able to carry enough people.

IN ADDITION, elevators, being complicated pieces of equipment, often don't need the excuse of a fire to break down. In the first three months of this year, for example, the Toronto fire department answered 121 calls to free people trapped in elevators, and in these instances no fire was involved.

Architects, engineers and advertising agencies are among the occupational groups in which fire hazards are highest. Such firms, it was pointed out, use "a hell of a lot" of rubber cement and flammable thinners.

It was tracing paper in the offices of an architectural firm here that touched off a fire in a Fifth Ave. office building this winter, killing 11.

Chief Fire Marshal Vincent Canty reported the 11 deaths and the critical injury to six others were attributed to the victims' failure to call the fire department immediately and leave the building as fast as possible.

AFTER THEY attempted to put out the fires themselves, occupants then attempted to take an elevator to the lobby, but because of the number of people trying to get into the car, the door was blocked and the elevator couldn't be started.

A staircase next to the elevator leading to the lobby was found undamaged after the fire, a building department spokesman said. If the victims had opened the door and walked down the stairs they would all have left the building uninjured, he added.

"People panic in an emergency situation," the spokesman stated. "They try to leave a burning building the same way they've always left."

To qualify for minimum fire insurance rates in New York City, buildings must:

- Be of fire-resistive construction (steel reinforced by some form of masonry).
- Have stand pipes and hoses, and one or more fire pumps.
- Have standard enclosed stairways in order to get people out, with approved fire doors at each opening.
- Maintain fire alarms at each floor, reporting to a central station or the fire department.

NEXT YEAR'S revision in the National Building Code in Canada may include some stiffer fire-safety requirements for tall buildings, but many fire prevention officials are not optimistic about this.

"The building code is a consensus across the country and we always end up with the lowest common denominator in terms of safety regulations," one fire department official says.

Here are some of the safety measures recommended for high-rise buildings by fire-protection officials:

- Sprinkler systems throughout. Sprinklers are automatically activated by heat and are especially valuable when fire breaks out at night and burns undetected.
- Automatic closing dampers for ventilation systems. They would shut off the spread of smoke and hot gases through the system.
- Provision of fire-resistive "areas of refuse" within the building. This would be accomplished by compartmentalizing the building with each floor a separate fire-resistive unit.
- Smokeproof towers along with regular stairways. These towers would be vented to the outside and would permit the escape of smoke and hot gases.

HOW MANY OF these and other safety features will be incorporated into the design of new buildings depends on how the age-old conflict between safety on the one hand, and aesthetics and economics on the other, is resolved.

Many safety features go by the board because the builder or owner thinks they will detract from the building's appearance, or considers them too expensive. ■

Blinded boy gets award

MIAMI, Fla.—A Dade circuit court jury awarded a young boy $400,000 after doctors testified he will probably be blind by the time he is nine or 10.

The jury agreed that personnel at Mt. Sinai Hospital, Miami Beach, allowed an excessive amount of oxygen into an incubator, damaging the eyes of David McClosky, born prematurely at the hospital on Oct. 17, 1966.

A year after David's birth—he weighed two pounds, 12 ounces—doctors said that he was suffering from retrolintalfibroplasia and now has only about 10% normal vision in both eyes.

The jury also awarded $35,000 for medical expenses to the boy's father, attorney Robert McClosky of Miami Beach. ■

Scene at Teicher: Aggregate Plant at Perkins, California

Nonrailroad employe not covered by RR act

WASHINGTON—The Supreme Court has ruled that nonrailroad employes have to show they are free from contributory negligence before they can collect damages when the railroad has violated the safety appliance act.

The high court, in upholding a decision by an Iowa district court, held that the nonrailroad employe was not covered under provisions of the Federal Employers Liability Act but must sue under common law in state courts.

"We recognize the injustice of denying recovery to a nonemploye which would not be denied to an employe performing the same task in the same manner as did petitioner," stated Justice William Brennan Jr. in the majority opinion.

"BUT IT IS for Congress to amend the statute to prevent such injustice. It is not permitted the court to rewrite the statute."

The case (*Ronald L. Crane* vs. *Cedar Rapids & Iowa City Railroad Co.*) involved an employe of Cargill Inc. who was injured while climbing to the roof of a freight car in an effort to apply the brakes.

His action for damages in the Iowa court was denied on the ground that he had to "establish by a preponderance of the greater weight of the evidence that he was free from contributory negligence" in his job of moving and loading freight cars at Cargill's track siding.

Chief Justice Earl Warren and Justices Hugo Black and William Douglas dissented, but the majority supported the Iowa Court's decision.

THE COURT ruled that the safety appliance act did not create a Federal cause of action for either employes or nonemployes seeking damage awards stemming from a railroad's violation of the act.

Employes, said Justice Brennan, were protected by the Federal Employes Liability Act and thus did not need to prove negligence.

In another action the Supreme Court left standing a lower court ruling turning down an order that would have required Kroger Co. to pay retroactive profit-sharing benefits to employes that the food chain excluded from the plan because they had separate retirement benefits under a joint trustee arrangement.

A federal appeals court in Cincinnati agreed with the National Labor Relations Board that Kroger's policy of limiting participation in the company's pension and profit-sharing plans to employes who didn't choose the union-negotiated plan was discriminatory. But the appeals court said that the retroactive benefits order was unfairly "punitive" because Kroger had had a good record with labor unions. ■

Wier joins Frito-Lay

M. David Wier has been named safety engineer at Frito-Lay Inc., Dallas. In his new position Mr. Wier will be responsible for fleet and employe safety throughout the company. He was formerly with St. Regis Paper Co.

Only 2 cases for Oregon's FAIR plan

PORTLAND, Ore.—Oregon Insurance Commissioner James R. Faulstitch reported his office has had to administer only two cases in the first seven months' experience with the FAIR plan.

"The program," he said, "focused attention on availability of fire insurance and made the companies more responsive to the need to write such insurance."

Some 12 to 15 states now have such backup funds for the Federal riot insurance program.

To date only Washington and New Mexico in the West have such funds.

Oregon's legislature failed to enact a measure that would have appropriated $2,750,000 in general fund money which, along with a post assessment plan on companies, would have provided funds for state participation in the Federal program. ■

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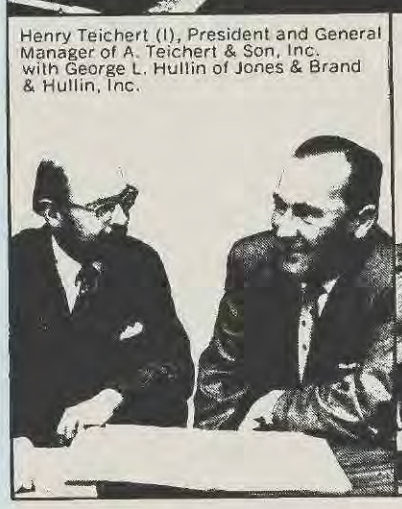
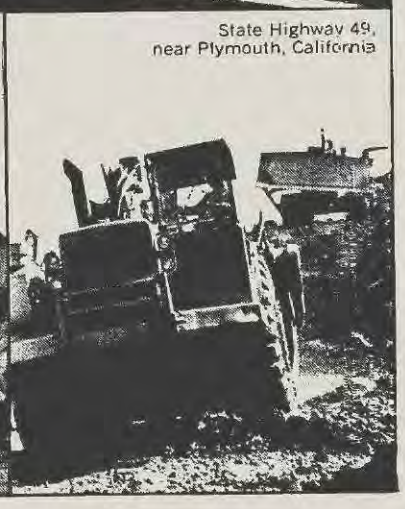


Henry Teichert (l), President and General Manager of A. Teichert & Son, Inc. with George L. Hullin of Jones & Brand & Hullin, Inc.



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Riots . . .

Continued from page 19

most-McKesson has experienced riot problems in Detroit, East St. Louis, Chicago and elsewhere.

"Originally, because of misinformation received from the Watts experience, our plans for property protection were based on a defense to the so-called hit-and-run raids," he explained. Experience proved, however, that Foremost-McKesson's original plan was too "conservative" and that many of its warehouses were faced with mobs consisting of hundreds of people.

The revised plan called for these physical changes in the company's warehouse locations:

- More night lights.
- The bricking up of windows not needed for light or ventilation.
- Where windows were needed, placing mesh screening over them.
- Cutting holes into roofs so that personnel could have quick access to roofs and fight Molotov cocktail fires.
- Installation of Amerada glass on all front doors. (Mr. Barefoot said the cost of this type of glass was about four times that of regular plate glass.)

REVISED management personnel instructions were more involved.

"Managers were given instructions as to the release of employes during daylight hours should the disorder develop at that time," Mr. Barefoot said. The same men were also asked to poll their executives and work up a list of management volunteers who would remain behind for fire watch.

In addition, managers were asked to assess their locations for the possibility of riots and beef up their fire fighting equipment with dry chemical extinguishers.

"It was our judgment in security headquarters that our present fire extinguishers were not particularly suited to handle the so-called Molotov cocktail," Mr. Barefoot said.

Managers were also instructed that, after the first confirmed or unconfirmed report of rioting, they should immediately contact their regional security office or the security headquarters in New York City. During warm weather months, it was ordered, sales calls in the violable areas were to be limited.

"We're really not interested in what's going on in the streets," the security director told *Business Insurance*. "That's for the police to handle. Our concept is to stay and defend our property."

Mr. Barefoot said that his security program is coordinated with all local police authority plans and that in some cases the police have planned to use Foremost-McKesson buildings as command post—if and when a riot breaks out in such areas.

MR. FOX said that the provost marshal general's office gives advice to industrial facilities on all types of industrial defense. He listed ten areas in which assistance is available:

- Insurance coverage: "We try to motivate management to check to see what their present insurance coverage provides," Mr. Fox said.
- Analysis of vulnerable areas of a facility.
- Development of an emergency organization within the management and employe work force.
- Analysis of fire prevention techniques and equipment.
- Coordination of industry and local police and fire department efforts.
- Development of emergency communications systems.
- Establishment of an emergency electrical power system.
- Development of a competent plant security system
- Preservation of vital records and cash.
- Logistical requirements.

THE MICHAEL Reese Hospital director of security, Mr. Bell, maintained that hospitals must remain neutral during civil disturbances. "The question that needs to be asked is a simple one," he said. "How can these plans for caring for the injured and sick on a massive scale be put into effect if there is no access to the hospital due to a disturbance?"

Mr. Bell believes that the answer lies in letting community leaders know that it is necessary to have open access to hospitals. ■

List $60 million campus losses; insurers upset

HARTFORD—Some major underwriters of university and college property have indicated they are being forced to take a hard line on campus risks following a report issued by the American Insurance Assn. that student disruptions during 1968 caused nearly $60 million in insured losses.

Final damage figures, which will be compiled from reports filed by 278 adjusters in the field, are expected to add another $20 million to the AIA preliminary estimate.

A report by *Business Insurance* in March indicated that some campus risk managers had experienced premium increases and others who had not been hit with rate hikes were worried about their insurance programs and blamed the student revolts for their headaches.

HOWEVER, James F. Wyatt, vp of the Hartford Insurance Group, which provides coverage for universities and colleges, openly admits that with experience rating a major factor in insurance underwriting, the cost to higher education administrations can be counted on to rise—especially where violence and unrest is predictable.

Mr. Wyatt added, "Insurance rates will have to be increased if destructive disorders continue. We did not contemplate the college disturbances when fixing the premiums for institutional policies, which currently cover the colleges."

This thinking also holds at Travelers Insurance Cos. and Aetna Life & Casualty Insurance Co.

"We're in a whole new ball game in this field," lamented a Travelers spokesman. "The increasing exposure to loss on college campuses is bound to have an impact on the availability and price of coverage."

An Aetna man commented: "The potential for substantial property damage certainly exists." ■

'Bugged' steel haulers sue detective agency

TOLEDO, O.—The first action involving electronic eavesdropping ever to come before Toledo's Federal court has been filed by an association of steel haulers against a Detroit detective agency and the unknown person or organization that allegedly hired it.

Twenty members of the Fraternal Assn. of Steel Haulers of Northwestern Ohio claim in their court suit that Cooper's Detective Agency spied on monthly meetings of the association from January to October of last year.

The association alleges that the agency was employed by an association, business, or individual to conduct an investigation into the activities of the steel haulers' group. They say they have been unable to discover the identity of the organization or individual that hired the detective agency.

AS PART of the investigation, the lawsuit claims, two employes of the detective agency intercepted "oral communications" at meetings in the Fremont American Legion hall. The steel haulers allege that this was done through use of electronic or mechanical devices that transmit communications by radio.

THE LAWSUIT claims that the Cooper agency then relayed, or attempted to relay, the information on steel hauling to the unknown group or individual, knowing that it had been obtained in violation of the Omnibus Crime Control and Safe Streets Act of 1968.

The 20 association members claim that each has suffered $12,000 damages as a result of eavesdropping. The suit asks $240,000 in compensatory damages, plus an additional $240,000 in punitive damages for allegedly unlawful conduct by the defendants. ■

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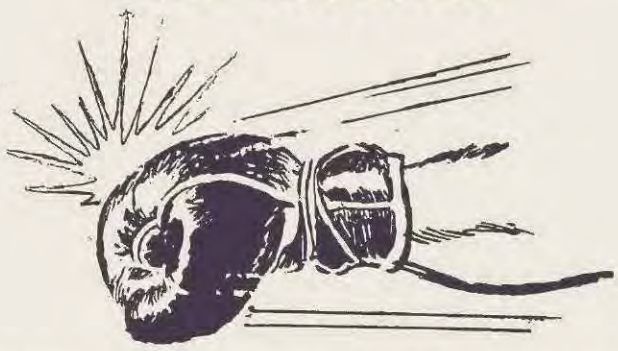

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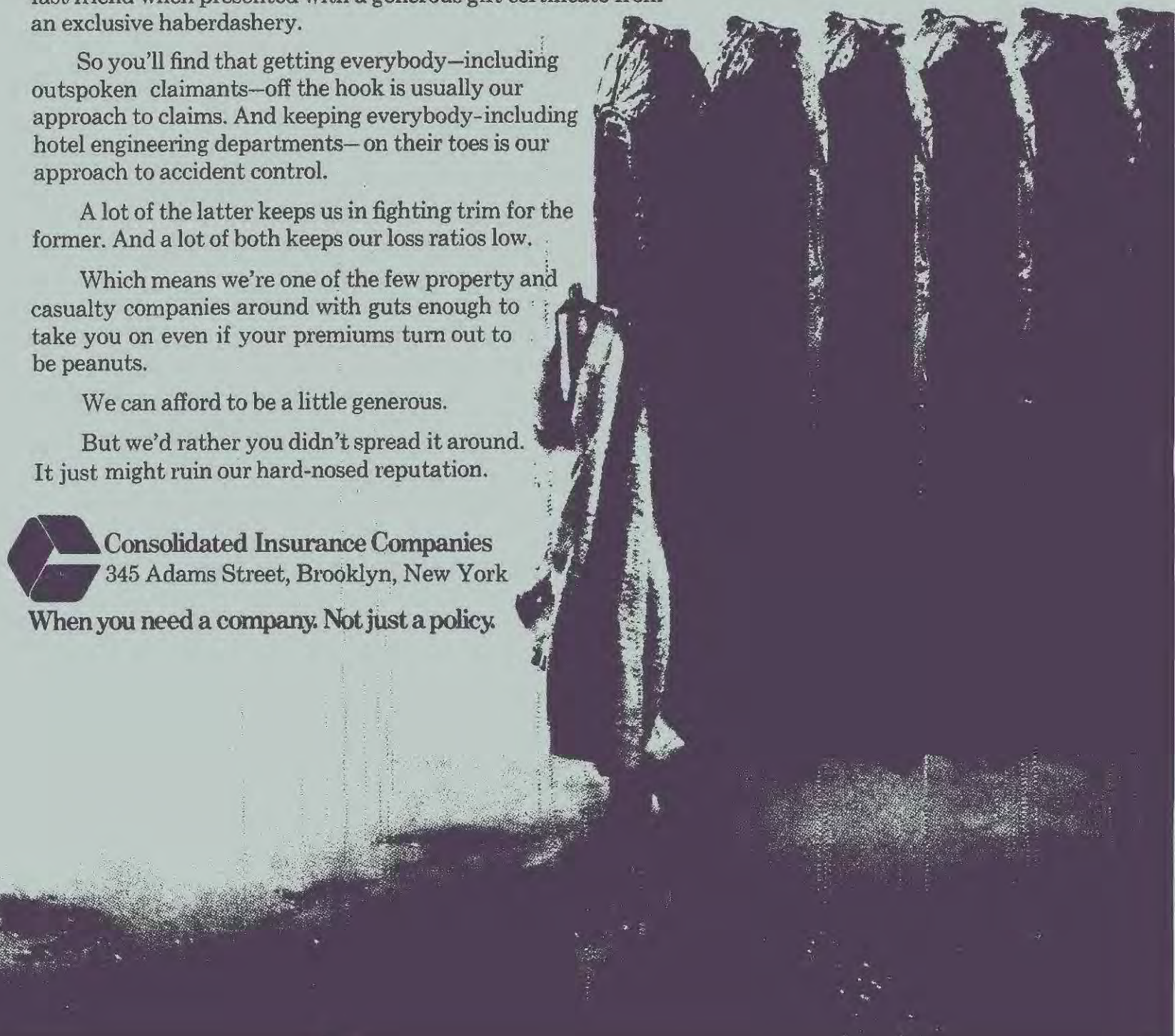

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