

Automakers, UAW study effects of workers' early retirement

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business insurance

for buyers of employee, property and liability protection

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Airline captive struggling to get off ground

WASHINGTON — Domestic and foreign airlines studying the possibility of forming a jointly-owned captive insurance operation visualize the need for a minimum 5% rate reduction if the captive is to get off the ground.

The airlines—six domestic and six foreign—met late last month in London to discuss progress of the proposed scheme. At the meeting, which was chaired by Eastern Airlines chairman Floyd D. Hall, participants agreed that:

- The captive should be a stock company;
- Initial payments of \$200,000,000 would be needed, plus added deposits to meet reserve requirements of almost \$300,000,000 for a total first year's capital contribution of nearly \$500,000,000;

• If possible, July 1, 1969 will be the starting date for the jointly-owned captive.

The airlines tentatively agreed that Switzerland would be a good place to domicile the captive. Other problems, such as rating, draft policies, claims organization, capital requirements, cash flow analysis and taxation are being worked on by task forces within the group.

IN ADDITION, it was learned, the airlines have hired outside management consultants to thrash out such thorny questions as whether the captive should cover hull, passenger liability, *Continued on page 29*

USAIG insured helo crash

LONG BEACH, Cal.—A chartered helicopter which crashed with 20 passengers and three crewmen aboard May 22 was insured through the U. S. Aviation Insurance Group.

The S-61 helicopter owned by Los Angeles Airways Inc., was valued at \$700,000. USAIG also underwrites the two other scheduled helicopter lines operating in the U. S.—New York Airways and San Francisco and Oakland Helicopter Airlines.

S-61 helicopters have a 26 passenger capacity and are covered for liability limits of up to \$100,000 for each passenger.

Claims exceeding the maximum USAIG retention levels will be taken up by excess treaties, which are written for the main part by Lloyd's.



Barry Goldwater, Republican Presidential candidate in 1964, was awarded \$75,000 for libel by the defunct Fact magazine for an article that called him psychologically unfit for the Presidency.

Wide World photo

'Fact' had no cover in Goldwater libel ruling

NEW YORK—Ralph Ginzburg, writer and publisher, doesn't have libel insurance coverage for a \$75,000 judgment against him in a suit brought by Barry Goldwater, and "chances are he couldn't get coverage anyway," *Business Insurance* was told.

The libel action, originally for \$2,000,000, came as a result of a "psycho-biography" of Barry Goldwater which appeared in the October, 1964, issue of *Fact*, a defunct magazine which Mr. Ginzburg described as "crusading in the old-fashioned muck-raking tradition."

Because of the sensational nature of some of the *Fact* articles, "an insurer would have been buying a loss more than providing coverage; it would be like buying fire coverage on a burning building," a broker explained.

In returning its verdict, the Federal court jury reported that Mr. Goldwater had been subjected to deliberate character assassination in the October, 1964, issue. The former Presidential candidate from Arizona said that he was portrayed in the pre-election issue as, among other things, suffering from some acute form of paranoia and having a character similar to Hitler's.

The Supreme Court, in a rul-

ing last month, reaffirmed a decision it made in a case involving the New York Times that a public official can't collect defamation damage unless he shows "reckless disregard" of the truth.

Mr. Goldwater's attorneys alleged that material gathered for the Goldwater issue had been maliciously edited and distorted. During his testimony, Mr. Ginzburg said his "psycho-biography" was based on public record and he pointed to a number of newspaper articles, books and columnists which he used for his article.

Mr. Goldwater alleged that *Fact* tampered with comments sent in by psychiatrists on his fitness, either through omitting qualifying sentences or by re-

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Parker, Rathbone merger hinted

NEW YORK—Parker & Co., one of the country's top five brokers, is reportedly discussing merger with R. C. Rathbone & Son.

A Parker official declined comment. The broker, which began in Philadelphia and is now headquartered in New York, has offices in Miami, Atlanta and Boston.

Javits amendment to safety bill asks study of work comp system

WASHINGTON.—Sen. Jacob Jacob Javits (R., N.Y.) has proposed an amendment to the administration's already-controversial occupational health and safety bill which would establish a national commission to conduct a year-long study of workmen's compensation laws.

Sen. Javits said it is not enough to focus on accident prevention alone, as the safety bill does. The problem of workmen's compensation for victims of occupational injury and disease must also be dealt with, he said, and charged that "in most states workmen's compensation is, in at least some respects, shockingly inadequate."

He explained to the Senate that the original intent of workmen's compensation laws was to strike a fair balance between the legitimate claims of injured employees and the potential liability of employers. "There is, however, grave doubt that this balance is being struck fairly today," he said. "Workmen's compensation laws simply have not kept pace with the development of the economy. The system as it is operating today simply does not meet contemporary needs, and it is high time that a careful review and analysis be made of the way the current system is operating, and of possible methods of improving it," Sen. Javits continued.

THE PROPOSED commission would be specifically directed to a number of subjects, among the more important of which would be the amount and duration of medical and disability benefits, provisions insuring adequate medical care and free choice of physicians, coverage, standards for determining compensability, rehabilitation, the advisability of a uniform reporting system, extraterritoriality problems, and the relationship between workmen's compensation and old age, disability and survivors insurance and other types of insurance, public and private.

Sen. Javits said that an analysis of a Labor department bulletin, which compares the major provisions of state workmen's compensation with the standards recommended by the federal Bureau of Labor Standards, shows a compliance ratio of only about 45%. And, he charged, "it is even more shocking to realize" that if the comparison were made with the model workmen's compensation law recently published by

the Council of State Governments, the percentage would be even lower.

To highlight his point that in all but a few states "the disability benefits payable to an injured worker are grossly inadequate," Sen. Javits charged that "although the absolute amount of disability benefits has increased between 1940 and 1966, the ratio of maximum weekly temporary total disability benefits to average weekly wages has, by and large, fallen drastically in that period."

THE RATIO HAS decreased in 44 states, he said, and added that if the comparison is made between 1958 and 1966, the results are "likewise unsatisfactory." In that period the percentage decreased in half the states, Sen. Javits said.

Sen. Javits cautioned that his proposal and charges did not mean or imply any effort to federalize workmen's compensation or to begin such a process. His "present inclination," he said, would be to oppose any attempt to do so as being "too drastic." "The point of my proposal," the senator said, "is that it is only through the informed consideration of the issues by a broadly based commission that the Congress will have before it the information necessary to enable it to make an intelligent judgment on this issue, which affects all American working men and women."

The proposed commission would have 15 members appointed by the President.

Dirksen criticizes U.S. safety bill

WASHINGTON.—Sen. Everett Dirksen (R., Ill.) joined opponents of the occupational safety and health standards bill at a press conference during which the Senate Republican leader predicted a difficult road for several other administration legislative proposals.

Sen. Dirksen said the safety standard bill would give the Secretary of Labor authority to impose standards on business "that is greater than any power ever given to a cabinet member in my time around Washington." He predicted that the bill will be vigorously opposed in its present form.

Supreme Court case may clear CATV need for copyright cover

NEW YORK—A Supreme Court case involving community antenna television systems and possible infringement of copyright laws could mean changes in CATV insurance requirements, a major underwriter of such systems indicated.

In Washington, Congress has killed for this session a bill to modernize the 59-year-old copyright law. The proposed revision, among other things, calls for the extension of copyright infringement liabilities to CATV systems. The present copyright law will continue until at least Dec. 31, 1969.

Right now, according to Employers Reinsurance Corp., CATV systems are offered a regular broadcasters' form of coverage excluding the infringement of copyright. Under this form CATV systems are protected against libel, slander, invasion of privacy, plagiarism and piracy.

However, the question of whether copyright coverage will be added is "hanging in the air" until the court decides whether CATV systems commit copyright violations by distributing films and other programs picked off the air, the underwriter explained.

A SOURCE AT Employers indicated that the company would probably underwrite copyright coverage, but first "we have to see the results of the whole situation before we decide whether to include the tort."

"The first case to reach the Supreme Court is *United Artists Corp. v. Fortnightly Corp.* CBS has also instituted a suit against *Teleprompter Corp.*; this case will rest on the decision of the Supreme Court.

The CATV industry has urged the high court to consider the case after an appeals court upheld efforts of *United Artists* to get an injunction preventing

CATV systems in Clarksburg and Fairmont, W. Va., from distributing signals of three TV stations in Pittsburgh and Wheeling. The film company claimed the licenses it issued for reproduction of its films on the stations did not include rights to distribute them to the CATV audiences.

CATV argues that *United Artists* already was compensated by the TV station. The CATV owners contend that their audience is part of the station's total audience within the meaning of the copyright license.

IT WAS EXPLAINED to *Business Insurance* that should the court rule against CATV systems, some systems may have to cease operations completely. An unfavorable decision might also mean that CATV systems would have to pay back all money and profits.

Even with a favorable decision, CATV systems could still face copyright claims from individuals. Frequently, a special program is made by an individual party for a particular broadcaster and it could be an infringement of copyright if this program were picked up by CATV systems.

In the New York office, the underwriter said about 35 CATV systems are handled and about another 35 are waiting to see what action the courts take before going ahead with coverage.

The broadcasters' policy is always written with a deductible and this procedure also applies to CATV systems. The deductible depends on the size of the broadcasting area. A network might have a \$100,000 deductible it was pointed out.

Should copyright coverage become a necessity for CATV systems then the tort could be added to the present broadcasters form offered to CATV systems.

Insurers to pay on cargo in ships blocking Suez canal

NEW YORK—U.S. and London insurers have decided to pay the full insured value for cargo carried aboard ships blocked in the Suez canal since last June, and Lloyd's of London will share the brunt of the losses.

A statement issued by Lloyd's last month said the syndicate would pay up to \$12,000,000 for cargo insured under war risk insurance policies.

Accidental cover offered to union

CINCINNATI — A \$10,000 supplemental accidental death and dismemberment plan is being offered to members of the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees Union, effective June 1.

The plan, which is underwritten by Equitable Life Assurance Society, will also offer up to \$2,000 of group life insurance for eligible dependents.

In the U.S. the American Cargo War Risk Reinsurance Exchange said losses to domestic insurers amounted to less than \$100,000.

"IF U.S. LOSSES were greater," said Edward R. King, secretary of the exchange, "the insurers may not have been as willing to pay."

Mr. King told *Business Insurance* that losses would be paid as an "advance," meaning if the products are delivered the insurers will be entitled to either a return on the payments or else be allowed to take over the merchandise.

"Lloyd's will probably pay on the same basis," he said, "although cargo owners are normally not entitled to payment unless there is a proof of physical loss."

LLOYD'S STATEMENT said there is "no legal evidence" of liability but apparently the syndicate members were pessimistic that the merchandise would not end up as a physical loss, according to page 30

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Moscoso

Lindley

Stewart

Mayes

At a Hemispheric Insurance Day luncheon in New York are Teodoro Moscoso, chairman of the board, Commonwealth Oil Refining Co., Inc., San Juan; Fritz G. Lindley, chairman, international insurance advisory council, U.S. Chamber of Commerce; Richard E. Stewart, New York superintendent of insurance; and F. Arthur Mayes, president, American Foreign Insurance Assn.

McCormick Place wrap-up sold; builders risk still is unassigned

by LOUIS HAUGH

CHICAGO—The Metropolitan Fair and Exposition Authority has purchased a wrap-up from Continental Insurance Cos. for the construction of the new McCormick Place exposition hall to replace the one that burned Jan. 16, 1967.

It was the second large wrap-up for Continental in the past month. Trans World Airlines assigned its wrap-up for a \$100,000,000 hangar complex in Kansas City to Continental.

The authority approved the wrap-up May 14, and it was put into effect two days later when demolition of the foundation began. The board's broker is the Near North Insurance Agency.

Near North was the broker handling the fire coverage at the

time of the McCormick Place fire. Continental paid \$6,000,000 on that loss which involved six other primary carriers.

The project is expected to cost \$80,000,000 when completed. Mayor Richard J. Daley has said he wants to cut the opening ribbon on March 17, 1971.

The wrap-up has \$20,000,000 combined aggregate limits for personal injury, including employers' liability and property damage. Other coverages include excavation, collapse and underground risks, completed operations for three years after owners acceptance, blanket contractual liability and longshoremen's and harborworkers risks.

Included also is an on-site trailer to house an industrial nurse, claims representative and safety engineer. The estimated

cost of the medical facility is \$80,000, including \$8,000 to equip.

THE WORKMEN'S compensation premium is estimated at \$1,305,000 less a guaranteed discount of 25% off manual rates. It is estimated that up to 2,000 workers may be on-site.

The composite liability rate is less than \$2 per \$100 of payroll. The 25% workmen's compensation discount and premium discount will be more than \$500,000; the total wrap-up premium will be slightly more than \$1,300,000.

The MFEA has yet to name a carrier for the builder's risk coverage. Near North is working on a proposal.

Several carriers, including Kemper Insurance Group, the Factory Insurance Assn., Continental

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Thomas St. John has been named assistant vp-insurance at Zale Corp., Dallas. Mr. St. John has been serving as Zale's insurance manager as a vp of Zale Life Insurance Co.

Roddis resigns California post

SACRAMENTO, Cal. — Richard S. L. Roddis has resigned as California insurance commissioner.

In a letter to Gov. Ronald Reagan, Mr. Roddis said he hopes to leave his post by Aug. 31 to become a professor of law at the University of Washington, Seattle.

He was appointed by former Gov. Edmund Brown to a four-year term in 1966.

The state legislature has bills pending to cut the department's budget, move the office from Los Angeles to here and drop the four-year term.

Supreme Court rules annuity has no priority in bankruptcy

WASHINGTON—The Supreme Court has ruled that unpaid contributions to an employer's annuity plan don't have priority in divvying up the assets of a bankrupt company.

In the case, the joint board of the electrical industry filed a claim which included \$5,114 for payments under an annuity plan for which the bankrupt firm was liable.

The board claimed that amounts due the annuity should be considered as wages, and thus be given priority under provisions of the bankruptcy act. The U. S. government, with a claim against the bankrupt firm for unpaid taxes, objected.

JUSTICE WHITE, in the majority decision, said that an employee of the bankrupt company, A & S Electric Corp., could not assign, pledge or borrow against the contributions to the annuity fund "or otherwise use them as his own," until he died, retired or suffered a permanent disability.

"Quite obviously the annuity fund was not intended to relieve the distress of temporary unemployment, whether arising from the bankruptcy of the employer or for some other." Hence, Justice White stated, the unpaid contributions in the case don't satisfy the fundamental purpose of the priority for wages due to workmen.

Justices Fortas, Warren and

Brennan dissented. "In my judgment," Justice Fortas stated, "it is impossible to distinguish between these payments to the annuity plan and direct payments to the employees for his day's labors."

Delta drops U.S. insurer

ATLANTA — Competition between Associated Aviation Underwriters Group and Lloyd's of London over the renewal of Delta Airlines' hull and liability insurance has resulted in defeat for the domestic insurer.

According to Bernard Carnes, Delta insurance manager, a decision to switch was motivated by a "purely economic" basis. The switch to Lloyd's is effective July 1.

"We looked at several proposals," Mr. Carnes told *Business Insurance*, "and the London one was by far the most attractive."

The change over will also mean that Johnson and Higgins will be the new broker, succeeding Marsh & McLennan. Delta is said to have one of the best accident records in the industry.

Delta is giving AAU the customary 45-day cancellation notice. Failure to invoke this clause is considered "an automatic notice to renew," it was explained by an aviation underwriter.

Ringling museum self-insures with tight security

SARASOTA, Fla.—Since paintings can't be replaced by dollar bills, the administrators of a museum complex here have decided to forego theft insurance and concentrate on maintaining adequate security of the grounds.

The physical setup of the Ringling museum complex acts as a natural protection for its contents. According to Thomas Brown, administrator of insurance, the walls and iron gates would force prowlers to draw attention to themselves in wide-open, well-lighted areas.

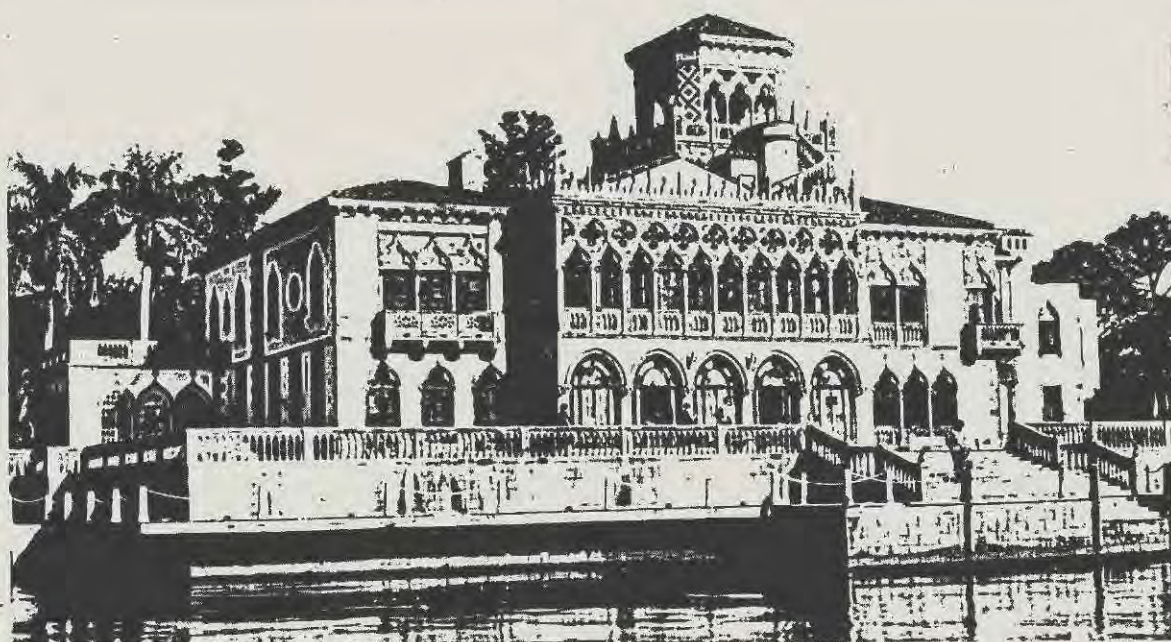
He said that a few months ago a Juan Burgal painting of three peasants, valued at \$30,000, was stolen but that no money in the world can replace the painting.

"THE ANSWER IS to maintain adequate security and also employ good housekeeping practices to prevent damage to paintings," Mr. Brown said.

Adequate security at the grounds involves attendants roaming the areas where masterpieces are hung during hours for public viewing. However, the number of attendants is not so tremendous as to alarm visitors.

The attendant staff varies both during the week and between seasons. More guards are on hand during days of anticipated heavy traffic and during the winter season. At night when the grounds are closed, routine checks are made by watchmen.

FOR THE MOST part, night protection is afforded through a



The sumptuous mansion of John and Mable Ringling was built on Sarasota Bay in 1925 at a cost of \$1,500,000. A colorful Venetian palace, the building is patterned after the Doge palace on the Grand Canal in Venice, Italy. Its 32 rooms are elaborately furnished with objects from all over the world and maintained in all their opulence from the marble swimming pool, great pipe organ, gold fixtured bathroom, to the bar from Cicardi's Winter Garden.

standard alarm system, said Mr. Brown.

The housekeeping factor, he added, involves frequent inspection for potential leakage, especially during the rainy season, since greatest damage would come from water. Fire presents something of a hazard, but constant efforts are made to prevent accumulations which might start blazes.

The museum complex, in addition to the art museum, includes a theater, an old residence and a circus museum left to the state by John Ringling of the famed circus. When property becomes state-owned, its insurance program will be administered by Bryon Williams, insurance administrator for the state.

THE ONLY INSURANCE on

the art collections is fire, covering only half the value of individual items, with values set within the art world.

The fire coverage is written through a pool known as the State Fire Insurance Fund, which Mr. Williams administers.

The fire limit on the art collection is \$10,000,000, while the limit on other contents of the art museum is set at \$5,000,000.

Mr. Brown referred to a "rather unique policy known as a fine arts floater" which insures museum works when they are on loan to others. The policy also protects works of art on loan to Ringling. The coverage protects all paintings while in transit.

The fine arts floater is written with a \$1,000,000 limit on the premises and half that amount elsewhere. Cost for such coverage is 3.5¢ per \$100 and is written through a pool arranged by Huntington T. Block of Washington.

FOR THE COMPLEX, the state maintains owners, landlords and tenants liability underwritten by the Insurance Co. of North America, with limits of \$20,000 per occurrence, \$40,000 maximum and \$5,000 property damage.

On the eight vehicles operated by the museum, comprehensive insurance is carried with limits of \$100,000 per person and \$300,000 per accident, and a \$100 deductible on collision.

Other insurance coverages for the museum complex include monies and securities theft underwritten by U.S. Fidelity & Guaranty Co. and a boiler and machinery policy handled by Travelers Insurance Cos. Oddly enough, the boiler and machinery coverage protects the huge fountain in the garden court of the art museum.

Policies for the museums at a state agency are not put up for bid but are negotiated.

Personal touch reduces threat of drug claims, store finds

ST. PETERSBURG, Fla.—Highly personalized service may contribute substantially to the lack of prescription claims—against which the drug store is protected by special insurance—in the case of the Prescription Shop Inc. here.

At least that's the belief of Edgar W. Maxson, president of the unusual store operation which is being purchased by its employees' profit-sharing trust.

The company, which operates two locations in the Florida city and will do more than \$800,000 in business this year, like most drug stores maintains druggists' liability insurance. Coverage is part of a package written by the Aetna Insurance Group through the Edward C. Holmes agency. Liability limit is \$300,000 for claims resulting from prescription faults.

"OF COURSE THE fact that all druggists are highly trained professional men and are regis-

tered with the state means the prescriptions always meet standards," Mr. Maxson explained. "We really aren't worried about that and the insurance company apparently isn't either, because premiums are extremely low."

"But in any drug store operation you are bound to get a disgruntled customer from time to time, or an ill person thinks a prescription must have been wrong and will try to make trouble. Our record of even the occasional disgruntled cases is such that an additional store policy is needed to cover us."

He said that in the 18 years he has been with the company, both before it was being purchased by the employees, he recalled only one attempt to bring claim against the firm, and then a pleasant discussion by one of the pharmacists with the customer resulted in settlement without turning it over to the insurance company.

THAT PERSONAL relationship is carried a step farther in that the company is today one of the comparatively few delivery pharmacies remaining. The company maintains a fleet of six trucks, and even the truck drivers now own a piece of the company through the profit-sharing purchase.

The trucks, too, carry \$300,000 liability insurance, after a limit of \$25,000 for a single claim. The auto insurance, also written by Aetna as part of the package, includes \$10,000 and \$20,000 medical in addition to standard property damage provisions.

The company also carries in its insurance package full coverage for fire and theft, malicious mis-

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William Allison has been appointed manager of insurance and ad valorem taxes at American Petrofina Co., Dallas, succeeding Raymond Harrison, who has retired. Mr. Allison joined Fina in 1964.

Health plan gets state approval

PROVIDENCE—A new pre-paid health program financed and controlled by the Rhode Island AFL-CIO has been created through legislation signed by Gov. John Chafee.

The new law provides for the creation of a nonprofit, tax exempt Rhode Island Group Health Assn. which is authorized to provide its subscribers with hospital, medical, dental and optometric services.

The project also calls for a complete union-financed medical center. It will cost nearly \$250,000, excluding construction costs to get the program started.

Target date for the project is Labor Day, 1969.

Japanese quake damage estimated at \$65,000,000

TOKYO—Japan's most violent earthquake in 16 years caused damage totaling at least \$65,000,000, according to preliminary estimates of the Japanese prime minister's office. However, since this figure excludes destruction of electric power, and rail facilities and housing, and since damage reports are still being gathered, total damages in Japan apparently will surpass \$100,000,000.

At least 46 persons were killed, 230 injured and four reported missing in the wake of the tremor which hit at 9:49 a.m. May 16, registering an intensity of 7.8 on the Richter scale, the highest reading since the Alaska earthquake of 1964. Epicenter of the quake was in the Pacific Ocean off northern Japan. Consequently, the greatest damage was sustained in lesser industrial areas, minimizing business losses. Japan's major industrial area is situated in a belt between Tokyo in mid-Japan, and Osaka to the south.

In Tokyo, the tremor's intensity was about half that of the epicenter. Damage was relatively slight there, although shaking was widespread. The 36-story Kasumigaseki Building, Japan's first true skyscraper, swayed about two feet, according to one eyewitness. Workers in the building scurried for shelter, especially those in the middle of the building, where the shock was hardest. However, the building management reports no damages.

IN THE WAKE of the earthquake, the Japanese government began drawing up a program to invest \$28,000,000 over the next ten years to develop effective

earthquake forecasting methods.

With damage reports still coming in, especially from Aomori prefecture where destruction was the greatest, here is a quick summary of how the earthquake affected some business in Japan:

- Japan National Railways sustained \$37,200,000 in damages to facilities, including rail beds and bridges, and lost another couple of million dollars through upset schedules.
- Chemical industry firms reported a total of about \$1,000,000 in damages to plants (fertilizer, pulp, paper and cement plants were among those affected), but none on a truly major individual scale.
- Electric power to 87,330 households was cut off as transformers toppled, knocking out power generating facilities.
- Twenty-five bridges were destroyed.

Name buyer at Monogram

LOS ANGELES—William G. Vanden Bossche has been named insurance manager for Monogram Industries Inc., manufacturers of sanitation equipment, electrical and electronic insulating materials, fasteners and aerospace products.

Mr. Vanden Bossche will be responsible for Monogram's property, liability and employee benefit insurance programs. Monogram has 5,000 employees in 35 plants, 20 warehouses in 17 states and four countries.

He was insurance manager for Studebaker Corp., a subsidiary of Studebaker-Worthington Inc. in South Bend, Ind.

Baird chosen Tracor buyer

AUSTIN, Tex.—J. David Baird has been named insurance manager for Tracor Inc., maker of scientific and medical instruments.

Mr. Baird was insurance manager for G. W. Murphy Industries, Houston, and had been assistant insurance manager at Anderson, Clayton & Co.

Mr. Baird will be responsible for liability and property risks and buying employee benefit coverages. Mr. Baird's replacement at Murphy has not been named.

SEC liability coverage seen as affected by federal court ruling

NEW YORK—A federal judge has handed down a precedent-making decision which is viewed as certain to affect Securities & Exchange Commission liability insurance. The ruling holds directors, stock underwriters, treasurers and accountants liable for "false and misleading information" contained in a stock offering prospectus.

Describing a BarChris Construction Corp. prospectus as a "scissors and paste job," Judge Edward C. McLean held that reliance on company officials for information does not constitute "due diligence." BarChris, a builder of bowling alleys, went bankrupt in 1963.

The judge pointed out that

"prospective investors rely upon the reputation of the underwriters in deciding whether to purchase the securities." He held that underwriters are therefore "just as responsible" as the company if the prospectus is false.

HERETOFORE, the defense commonly used was that there was no reasonable cause to believe the prospectus contained any improper information. "However, the decision is saying that it's not sufficient to depend on specialists if the information they use isn't reasonable," said an insurance broker.

Another liability insurance expert said he doubted if the BarChris case would have been

covered by officers' and directors' liability insurance, which "very carefully" excludes actual fraud.

In his summing up the judge said, "it is quite clear that the prospectus, although literally true, was impliedly false." In another section, referring to financial irregularities, he also said, "I cannot escape the conclusion that in failing to reveal these facts, the prospectus was false and misleading."

OFFICERS' AND directors' insurance covers only named company officials, and not the corporation itself. However, the BarChris decision has "everybody shook up" because the judge virtually held that everyone in-

involved in writing or preparing the prospectus was responsible for false information. In fact, "he gave a specific reason for each person he held liable," said one insurance expert.

As protection against a stockholder's suit brought on the basis of incorrect material contained in a prospectus, it's possible to cover original and most large secondary issues under SEC liability insurance.

This insurance is designed to cover a specific issue, and generally covers the issuing corporation, as well as its officers and directors, the securities underwriter, and the selling shareholders.

In fact, it was explained, most stock underwriters will never handle a sale without a hold harmless agreement from the selling shareholders.

SEC LIABILITY covers the corporation itself, explained

Robert F. McKeon, vp of Johnson and Higgins. "Now it looks as if coverage will have to be extended to any accounting firm it uses as well."

Mr. McKeon said that to anyone familiar with registration procedures, the standards laid down by Judge McLean "seemed unreasonable."

BarChris was a small corporation, he pointed out, and in such a case the judge might be correct in suggesting that all information in the prospectus should have been known and verified.

However, in a large firm frequently involved in major offerings the responsibility for checking everything in a prospectus would be onerous, Mr. McKeon stated. Lawyers will not insist on hiring accountants to verify financial statements, before signing any registrations.

There's no doubt that the decision will result in the domestic market taking a "very hard look" before writing further SEC coverage, Mr. McKeon commented.

There are two principal domestic markets for the SEC cover—Seaboard Surety, which underwrites a particular issue on a submitted basis, and Insurance Co. of North America, which writes blanket protection for brokerage houses, covering debentures, stocks and bonds.

"One certain outcome of the BarChris case," commented an expert in the field, "is that small- and medium-sized companies will find it harder to get good men to sit on their board of directors."

Widow gets \$42,500 in drowning case

ELIZABETH, N.J.—A widow whose husband drowned last summer while representing his employer at a chamber of commerce outing has agreed to accept \$42,500 as settlement of her suit from the firm's insurance carrier.

The agreement, reported to District Court Judge Harold A. Ackerman, was between Mrs. Eugenia Schweickart and Insurance Co. of North America, workmen's compensation carrier for CIBA Pharmaceutical Co., Summit, N.J.

Mr. Schweickart, a chemist for CIBA, represented the firm on a Summit chamber of commerce fishing trip. After completion of the outing, the group was to attend a dinner at a local restaurant. On the way to this affair, Mr. Schweickart and another employee stopped off for a swim, and Mr. Schweickart drowned.

In a decision handed down Jan. 7, 1967, by the late Samuel S. Ferster of the workmen's compensation court, the plaintiff's claim was upheld and she was awarded \$21,588.

Judge Ferster held that although Mr. Schweickart departed from the scheduled activities by going for a swim, he acted "within reasonable limitations."

Realtor pays \$125,000

A Newark, N.J., realty company has agreed to pay a \$125,000 settlement in the injury of a boy who fell three stories to the ground. In the agreement the boy's parents, Mr. and Mrs. Robert L. Bogar, will get \$70,000, and their son Davey, now 8, will receive \$50,000. The defendant in the case was the J. P. Realty Co., Newark.



"See, the 'Yes Men' said there was a flaw in it."

Inspecting the apparatus they cover is only part of Maryland American General's Boiler and Machinery Insurance service. And discovering defects is just one result of our inspection service. It can assist in reducing accidents and give equipment more service years with less down time.

The "Yes Men" have been protecting everything from single boiler operations to 300-location corporations since 1898. And this includes some of the giants like Alcoa, Air Products and Chemicals, Inc. and Baltimore Gas and Elec-

tric Company, to mention just a few.

Specially trained people analyze your business needs and tailor-make your policy for you, not someone else like you.

We feel with this, as with the many other types of insurance available from Maryland American General, that just paying claims quickly simply can't compete with your having fewer claims to make.

Boiler and Machinery Insurance, part of Maryland American General's total business insurance program.

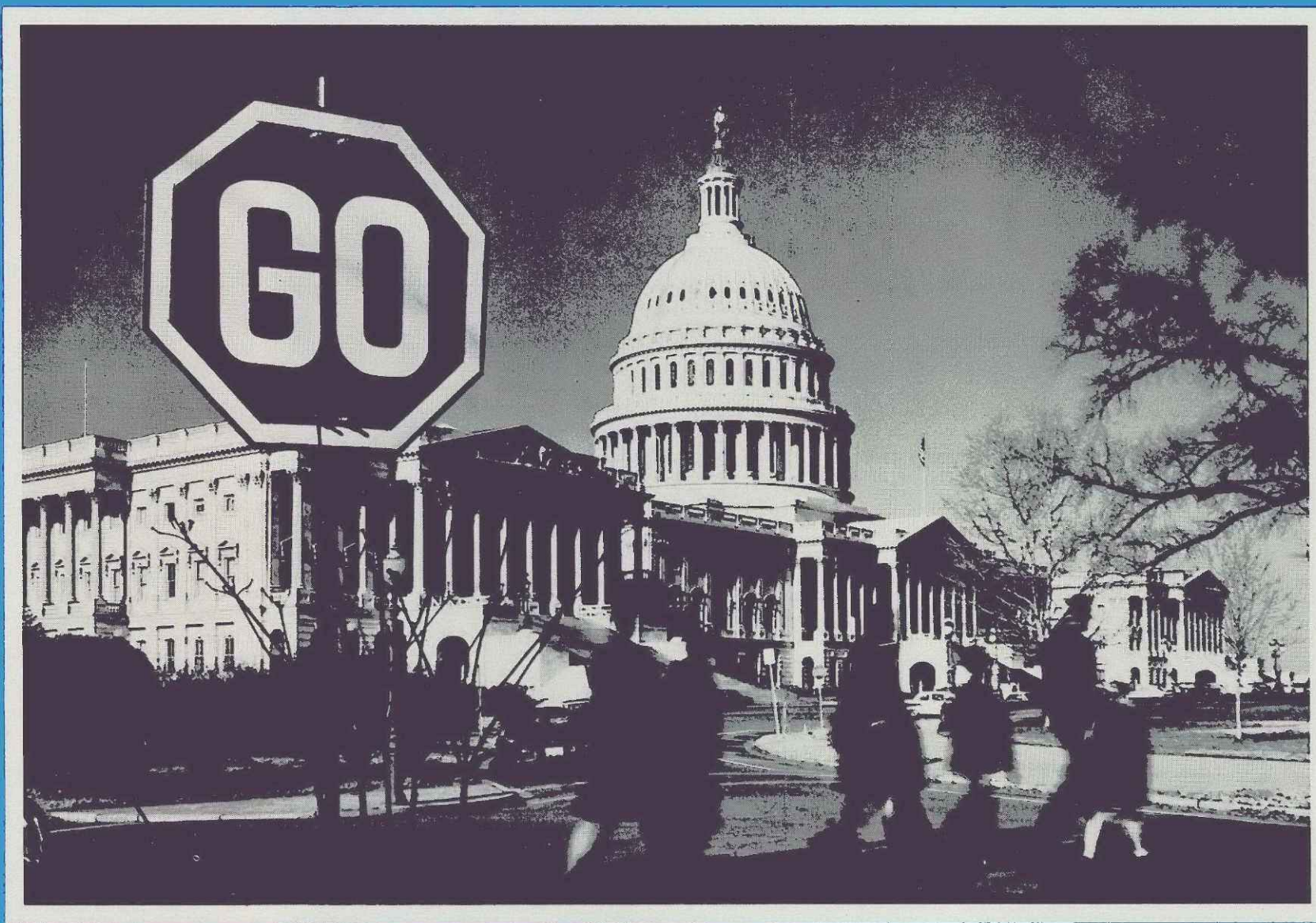
The Maryland American General Group

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Walter Corp.'s insurance agency 'born of necessity,' firm explains

TAMPA, Fla.—An insurance agency "born of necessity" today services a \$650,000,000 international industrial empire—actually its own parent company—but is also licensed in 38 states and has premium volume of more than \$6,000,000 a year.

Its case history is perhaps the only one of its kind which combines the interests of both buyer and seller of insurance at such a high volume level.

The agency is Best Insurers Inc., and the parent company is Jim Walter Corp. here. The Walter corporation owns and operates such widespread companies as The Celotex Corp., Crawford Door Co., Edwards Power Door

Co., First Brentwood Corp. (California savings and loan firm), The First National Bank of St. Petersburg, Jim Walter Homes, Jim Walter Research, South Shore Oil & Development Co., Vestal Manufacturing Co. and Warren Industries.

PLANTS AND BUSINESS operations of these companies are spread across the U.S. and Canada and extend into a number of foreign countries.

Jim Walter, a man of 45 who rose from a \$50 a week truck driver in 1946 to chairman of the board of his company in 1968, is the first to admit he did not originally intend to get into the in-

surance business.

"But back in the early '50s," he said, "when our biggest business was the building of shell homes in a number of states, we found we were having trouble getting agents to write the small policies necessary for the homes we were building and selling. It took a lot of work and the individual premiums were small."

THAT WAS THE necessity that resulted in the formation of Best Insurers.

"And since the profit motive still was a basic business policy," explains Mr. Walter, "the small agency looked for economical ways to get us the coverage we

needed."

After 14 years in the agency business in Tampa, Charles Harvey came to the parent Walter company in 1961 to solidify the agency activity. With sales offices in 38 states, operations of the agency are centralized at the Walter headquarters in Tampa, where a staff of 33 keeps track of outside business and is in close touch with the far-flung coverage required for the other Walter subsidiaries.

Mr. Harvey says that a great many companies are used to underwrite the insurance sold on shell homes, today primarily in the resort and second home field, but that limited spread of liability is used for the policies written for other Walter subsidiaries.

MR. HARVEY SERVES not only as head of the agency, but also as insurance manager for the parent company and for its



Charles Harvey

subsidiaries.

"That's no conflict of interest," he said, "but rather a unifying of interest."

How does he do it? In a variety of ways. For example, the Jim Walter corporation itself and its shell homes activity alone are handled through Continental Casualty for workmen's compensation, general coverage and auto liability.

"WE COMBINE THOSE three on a cost-plus, retrospective basis," Mr. Harvey explained. "This means the premiums are determined annually on the basis of losses paid the previous year. This type of program gives us a substantial reduction. On an annual premium of \$400,000, we save about 25% or \$100,000."

He says that the three types of coverage for Celotex with its 20 plants also are handled on a retrospective basis through Aetna Life & Casualty.

"Over the years we think this system will prove profitable," he commented. "Our losses control the premiums. Thus, if we can better control the losses we can reduce the premiums. This also means that the effect of a good year in the loss column will be felt immediately the next year."

As a result of that basic system, Celotex has developed an extensive safety program and has received the counsel of the engineering department of Aetna. Mr. Harvey said there is extremely close liaison between safety managers and engineering at each facility with the home office insurance manager.

SIMILAR ARRANGEMENTS are followed with all of the production subsidiaries of the Walter company, for the three types. In other areas, arrangements vary.

Fire insurance for Celotex, for example, is split between Factory Mutual and Factory Insurance Assn., with property insured at full value, \$5,000 deductible. Boiler insurance is split between Hartford Steam Boiler and Factory Mutual, \$10,000 deductible.

"But we are going into a program of increasing the deductible amount," Mr. Harvey disclosed. Over a five-year period we think we can save approximately \$40,000 a year in premiums by going into a greater deductible level."

ON PROPERTY DAMAGE and business interruption for Celotex and its additional subsidiaries, a policy is carried with Lloyd's, again with a \$5,000 deductible clause, Mr. Harvey explained.

"This covers just about any situation you can imagine in those fields," Mr. Harvey stated. "For example, there is coverage of merchandise at a Jacksonville warehouse which is all-risk, covering it in transit and while in temporary distribution warehouses around the country."

In the case of group insurance, Mr. Harvey said steps are being taken to consolidate coverage in all subsidiaries as much as possible.

Continued on page 31



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Salad oil ruling may set model for others

NEW YORK—Scores of cases resulting from the epic salad oil scandal are expected to be settled like falling dominoes now that a federal court has ruled that Bunge Corp. could seek retribution from its insurer after it made a partial settlement with American Express Co.

One case that awaited the Bunge decision was handed down last week. Ira Haupt & Co., a defunct brokerage company, was allowed to settle with American Express and two other companies for \$2,500,000.

Like the Bunge ruling, which stated that Bunge did not prejudice its rights against its insurer after it settled with American Express for \$8,000,000 of a \$20,000,000 loss, the Haupt trustees will be allowed to prosecute claims against insurers which bonded them for fraud.

As a result of the Haupt settlement, American Express will pay Haupt \$1,200,000 of the \$2,500,000 loss. The rest will be paid by two creditors of the American Express warehouse where the oil shortage was discovered.

At least 30 other cases involv-

ing creditors of Allied Crude Vegetable Oil Refining Corp., which engineered the swindle, are expected to be settled soon as a result of the Bunge ruling.

However, the insurance cases will continue. For example, the Haupt trustees still have a \$48,000,000 case pending against Fidelity & Casualty Co. of New York. Also Scarborough Co. is at odds with Employers Surplus Lines Insurance and American Manufacturers Mutual Insurance in a \$27,000,000 action.

Pending an appeal by London & Overseas Insurance Co., the insurer directly involved in the Bunge ruling, other claims reaching close to \$200,000,000 could be affected.

Rockefeller gets comp pay boost bill

ALBANY, N.Y.—Gov. Nelson Rockefeller has 30 days in which to sign a bill passed by both houses of the New York legislature that raises the maximum weekly benefit under workmen's compensation from \$60 to \$70.

"The protection afforded by workmen's compensation benefits has not kept pace with the increase in wages and cost of living since the present maximum established in 1965," Gov. Rockefeller said in proposing the bill.

The proposed increase in workmen's comp would raise the yearly insurance cost to employers by an estimated \$17,800,000—about 5.9% over the \$300,000,000 cost in 1967.

The bill would boost the maximum weekly benefit for those suffering temporary total disability to \$85. It increases weekly benefits from \$20 to \$30.

A companion measure would increase the maximum benefit for workers suffering from a disability not related to their jobs from \$55 to \$65 a week.

Gov. Rockefeller asked the legislature to pass an improved method of benefit payments, aimed at providing more incentive for unemployed workers to take part-time jobs.

At present, a worker is cut off from jobless benefits if he makes more than \$55 a week through partial employment.

Under the proposed revision, one-third of the partially employed worker's earnings would not be charged against his state benefits.

Little strike insurance

Last year's dock strikes in Britain held up about 300 ships, and at a conservative estimate the direct loss to shipowners caused by the strikes was at least \$6,000,000. The consequential losses are considered to be incalculable and must have been very heavy indeed. Very little insurance was arranged to provide compensation of any kind.

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'Chemical handling rules needed'

ATLANTA—Unless the chemical industry takes the initiative in meeting problems involved in safe transportation of chemicals it will be "buried under governmental rules and regulations."

This warning was made by Gerard F. Scannell, safety and security director of the Rohm & Haas Co.'s Bristol, Pa., plant at an annual meeting of the National Fire Protection Assn.

"Regardless of where the responsibility lies, the industry must initiate programs to educate trucking companies, railroads, fire departments, police and rescue squads in handling chemical spills," he said.

Mr. Scannell pointed out that millions of pounds of chemicals are transported annually and accidents per million miles traveled so far have been low. He

reminded his audience that "as long as we have mechanical equipment being driven by human beings accidents will continue to occur."

MR. SCANNELL urged each chemical producer to have an emergency procedure for meeting such situations—a procedure available to key plant personnel day and night, enabling them to know immediately what chemicals are involved in the accident, the hazards of the specific cargo and precautions to be taken at the accident scene.

Earl J. Lowder, fire protection specialist at Ford Motor Co.'s Los Angeles assembly plant, cautioned that "trying to go it alone in plant fire protection program is the sure way to failure."

He advised close cooperation

with the local fire department as a necessary "ingredient" in a successful plant program.

The cooperative effort is particularly effective in four important areas, fire regulations for contractors, training the plant fire brigade, fire protection training of salaried personnel and the community fire protection program.

"**HIGH RISE** buildings are also high in fire fighting and fire rescue problems, for which complete automatic sprinkler systems thus far provide the only answer," said Horatio Bond, chief NFPA engineer.

"Each new high-rise building adds to the demands upon a fire department," Mr. Bond said, "affecting the strategy and manpower for fighting a fire."

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.

- The "1967 Life Insurance Fact Book" is designed for use as a reference book and is based on figures that are, in most cases, complete through the end of 1966. Life insurance ownership, annuities, insured pension plans and life insurance benefit payments are only a few of the topics discussed. Individual copies are free by writing Mr. Fred DeLuca, Mng. Dir., Institute of Life Insurance, 277 Park Avenue, New York 10017.

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

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

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

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

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

- "Have You Ever Thought of Your Own Insurance Company?" is an eight-page leaflet on captive insurance companies and other self-funding techniques. Advantages and problems involved in these methods of self-insurance in a time of rising insurance costs and difficult risk placement are reviewed. For a complimentary copy, write to the Risk Management Department, EBS Management Consultants, Inc., 100 Church St., New York, N.Y. 10007.

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

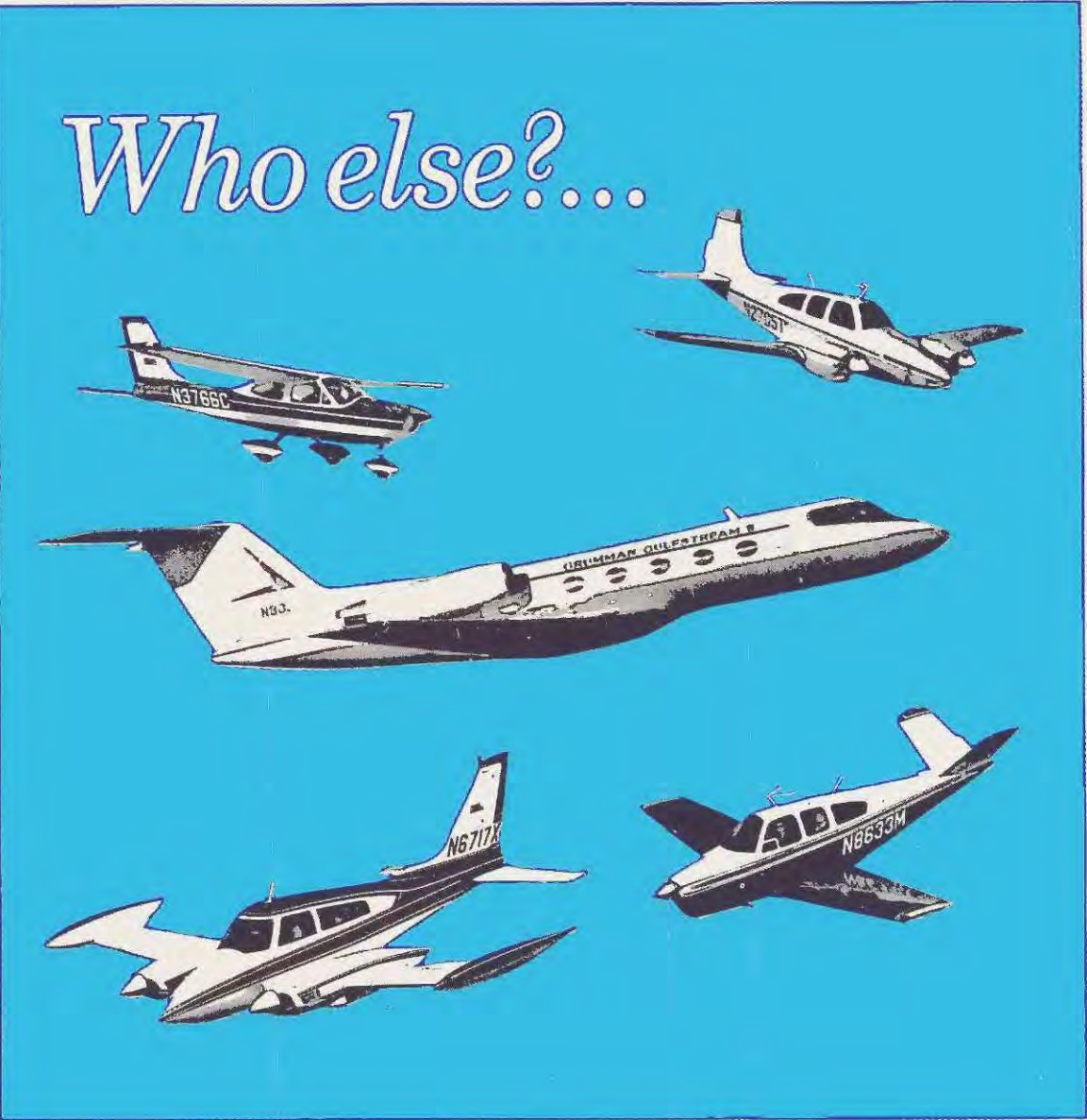
- The question-and-answer approach is taken to Social Security in "New Social Security Law (in a nutshell)," a 16-page booklet. Provisions of new legislation are explained and the importance of financial planning is stressed. Sample copies are free by writing Farnsworth Publishing Co., Inc., 381 Sunrise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

- "Compensation without Fault" is a research report compiled by Fellows of the Insurance Institute of Canada. The 16-page summary deals with the background of CWF, gives arguments pro and con, discusses features of all the most important proposals and studies (including the Keeton-O'Connell plan), and describes the few plans actually in force and those available from private insurers in the U.S. and Canada. Copies are obtainable for \$1.75 from Mr. S. Stronge, FIIC, Dominion of Canada Group, 165 University Ave., Toronto, Canada. Please include cash with order.

- "Facts You Should Know about Aviation Insurance" is a guidebook in question-and-answer form which covers some of the basic facts about aviation insurance. Its eight pages include illustrations of cases involving this type of insurance and the solutions arrived at. The booklet is free by writing Associated Aviation Underwriters, 90 John St., New York 10038.

- "Valued Form Business Interruption" is a 12-page booklet designed for brokers, agents and insurance buyers to use as reference material or for presentations. A free copy may be obtained by writing The American Home Group, Department A-14, 102 Maiden Lane, New York 10005.

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



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• An area of growing corporate concern, the liability of its officers and directors for errors and omissions, is reviewed in **"Directors and Officers Liability Insurance."** The booklet is available free by writing Risk Management Department, EBS Management Consultants, Inc., 100 Church St., New York, N.Y. 10007.

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

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

• Bankers Security Life Insurance Society describes a plan to halt the spiraling costs of employee fringe benefits in a 12-page booklet which includes a sample plan specification and proposal. For a free copy of **"Group Ordinary"** write Group Sales Department, Bankers Security Life Insurance Society, 1701 Pennsylvania Ave., N.W., Washington, D.C. 20006.

• **"Company Planning with Respect to Riots and Other Civil Disorders"** is a 14-page memorandum on insurance involvements in riot in urban slum areas. The study, made by a council of insurance managers of leading companies, is a guideline manual and suggests a checklist for company planning and offers a section on emergency procedures. The report is available to MAPI members for \$1 and to others for \$2. Write Insurance Council, Machinery & Allied Products Institute, 1200 Eighteenth St., N.W., Washington, D.C.

• Three booklets relating to employee honesty are offered by The Surety Association of America. **"How Much Honesty Insurance?"** presents a method of measuring the need for fidelity coverage and a list of suggested minimum amounts of honesty insurance. **"Fidelity Bonds"** is a 17-page booklet designed to furnish the essential background the accountant should possess with respect to fidelity bonds. **"Safe-guards against Employee Dishonesty in Business"** provides management with a basic guide to sound internal control against embezzlement and an outline of the protection afforded by fidelity insurance. Free copies of each booklet may be obtained by writing The Surety Association of America, 110 William St., New York, N.Y. 10038.

• **"N F P A Standards-Making System"** is a concise description of the processes involved in developing standards for fire prevention and protection. The 16-page booklet covers the ten basic steps in the system, reasons for some technical committee procedures, amendment of standards and their correlation with those of other organizations. For a free copy write Mr. Deuel Richardson, Public Relations Mgr., National Fire Protection Association, 60 Battery-march Street, Boston, Mass. 02110.

Stevedores' benefits rescued

SAN FRANCISCO—The Federal Maritime commission has "rescued" the seven-year-old agreement under which West Coast stevedoring firms assess shippers for benefits granted longshoremen in exchange for the right to mechanize dock operations.

On March 6 the U.S. Supreme Court ruled the financing plan was illegal because it did not have FMC approval.

The approval has now been granted, on an interim basis, pending hearings on protests raised before the court and before the commission by Volkswagen, the German car manufacturer.

Volkswagen argued it had been charged too much because autos are assessed on the basis of size rather than weight.

The commission ruling came

just in time to avoid a danger that benefit checks due 627 retired longshoremen might not be delivered.

The checks, for \$217 to \$271, are monthly installments of the \$13,000 bonuses granted longshoremen who retire early to make way for machines on the docks. The employers' Pacific Maritime Assn. had refused to mail the checks prior to commission action.

Kolb joins Smithplan

Theodore Kolb, formerly vp of Pollack/Kolb Advisory Services, has been named managing director of Smithplan, a newly created division of Morton Smith Inc., Providence general insurance agency. Smithplan will advise on corporate employee benefit programs.



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Doctor contends group practice would reduce medical costs

KIAMESHA LAKE, N.Y.—The practice of group medicine as a method of cutting medical costs and solving the shortage of doctors was advocated last week-end by an official of the Health Insurance Plan of Greater New York.

Speaking to the eastern conference of Health, Welfare and Pension Plans, Dr. Samuel Standard predicted that the days of the solo practitioner will be replaced by group medicine.

He suggested that every medical school should increase its student body by 30%, that women should be encouraged to enter medicine and that the cost of medical education should not discourage students. He recommended that subsidies be given

to students who can't enroll for economic reasons.

Dr. Standard also backed the practice of prepaid medicine. He contended that it's wrong for anyone to profit immediately from any one illness; "medicine isn't a commercial venture," he said.

HE CRITICIZED Medicare for its \$50 deductible as a block to preventive medicine. He called a New York state cutback in Medicaid, "a complete disaster." Nearly 1,500,000 people will be deprived by Medicaid cutbacks, he said.

The immediate effects of incorporating preventive health services into welfare plans might be to increase health costs, but

the long range effect would be to "avert the need for concentrated and expensive care," said Irving Baldinger, director of community relations, group health insurance.

HE WARNED that welfare plans should see to it that there are facilities for follow-up care if a member should need it.

But, he cautioned, "It is not automatic that an individual member will take the initiative to seek out follow-up care. You sometimes have to be your brother's keeper."

Samuel Glickman, administrator of insurance funds for New York Paper Cutters and Bookbinders local 119, warned that medical costs will become so

high that a national health bill is inevitable.

ERNEST R. Fields, adviser for Forest Green Park cemetery, urged the inclusion of burial plots in benefit plans. Welfare funds may acquire burial plots, however, pension plans need to be modified in order to acquire burial plots, he said.

He contended that unions can take advantage of their purchasing powers and buy plots for members. He estimated that it would cost about \$125 per grave, with the cost spread over a number of years.

Capt. George Blumenthal, pension and relief bureau, New York City Police Department, described what may be expected in future legislation regarding police benefits.

The members are looking for a total, noncontributory pension fund with vesting rights after 15

years and ultimately after ten years.

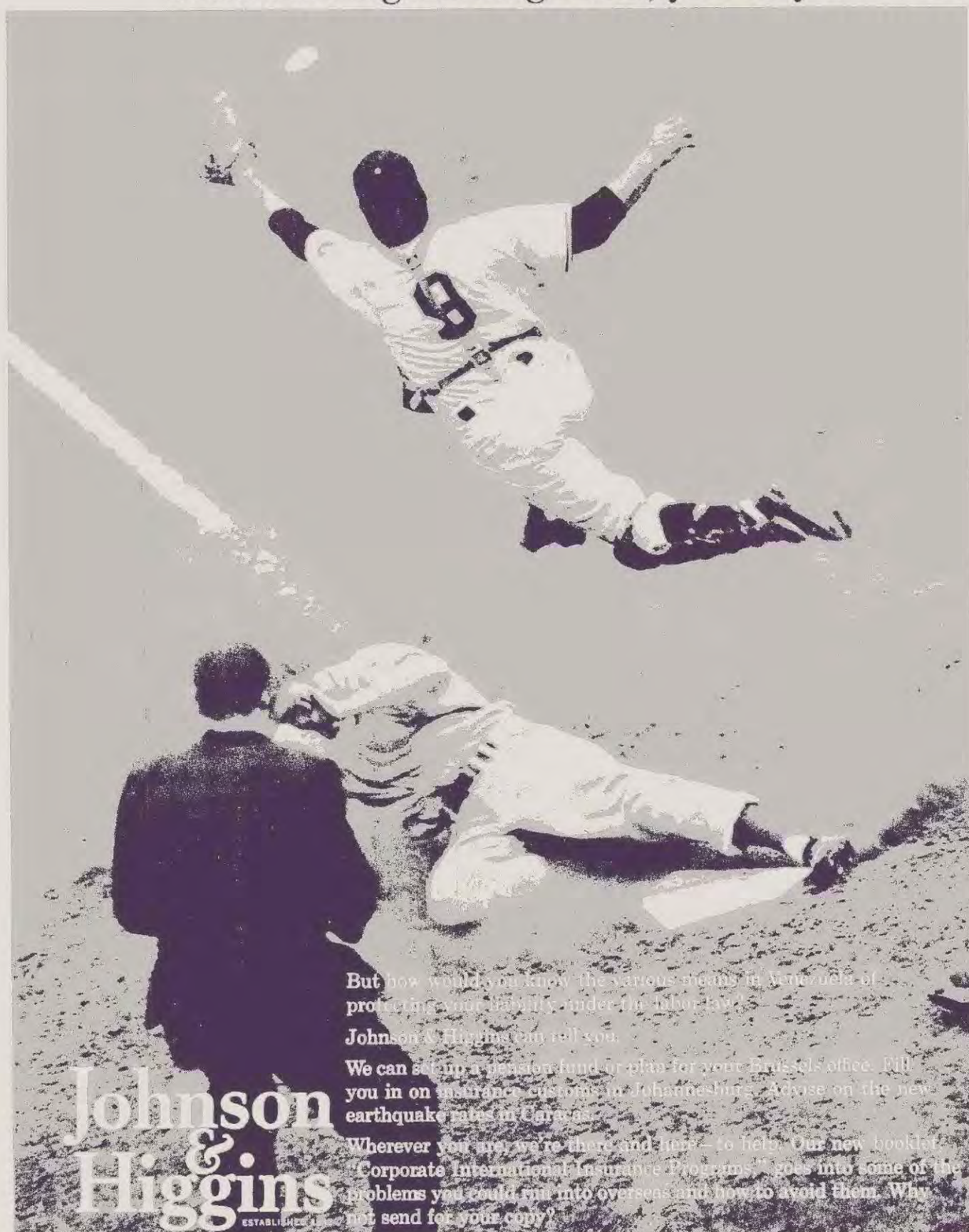
OTHER GOALS, he said, include portability, full salary upon retirement after 35 years and variable annuities.

Currently, according to Thomas W. Fitzgerald, pension and welfare fund consultant, Martin E. Segal & Co., a New York policeman can retire after 20 years on half salary. If he elects to continue working, he receives an additional percentage for each year of work.

According to Mr. Blumenthal, the union is ultimately looking to have this increased to 3/4th for each additional year of work.

In the case of death in line of duty, a policeman's survivors receive one half of his salary. Future objectives, Mr. Blumenthal added, will be for three-fourths of salary.

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Prepaid dental plan starts in Colorado

DENVER—A new prepayment insurance plan to cover the cost of dental work is now in operation under the sponsorship of the Colorado Dental Assn.

The dental association, after planning and talking about the proposal for nine years, last October agreed to assess its members \$25 a year for five years to raise the reserve funds required to put such an insurance plan into operation.

Dr. Donald J. Walden, vp and executive director of the new program, Colorado Dental Service, estimated that 98% of the people need dental care at any one time.

"UNDER THE PLAN, we pay 70% of the bill the first year. If the patient does what his dentist prescribes, we pay 80% of the bill in the second year of coverage, and 90% in the third year.

"We know the total bill will go down sharply in a three year program because we'll get the patient on a maintenance basis with very little expensive work to be done by the third year," he explained.

The plan pays the dentist directly. It does not set the charge, but pays on an "average" fee schedule. The dentist can still charge the patient additionally if he wishes, it was reported.

PRESENTLY the program covers some 15,000 Colorado youngsters enrolled in programs such as Head Start.

Private enrollment is getting under way at this time. So far, there is no machinery for signing up individuals. But groups, such as the Machinists Union, church groups, clubs etc., are eligible to join.

Cost per family runs from \$8.50 to \$13.50 per month, depending on the nature of the group.

William Wapotich has been appointed director of marketing by Colorado Dental Service. He was formerly a group insurance representative for Occidental Life Insurance Co.

Employers promotes Rice

Richard E. Rice has been named to the newly created staff position of manager of multiperil underwriting at Employers Insurance of Wausau, Wausau, Wis. Mr. Rice for the past several months has been working on the insurer's new multiperil protection program in the fire division.

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Automakers study effects of early retirement

DETROIT—Early retirement came about in the auto industry in 1964 as a practical solution to that year's problem of widespread layoffs. Young members of the United Auto Workers union proposed it to prod older workers with seniority to quit a year or two early to make jobs at the bottom for men who had been laid off.

Second of three parts

The union continues to embrace the idea of early retirement warmly, although the problem of unemployment hasn't been as much of a worry for some time. About half the eligible older members are opting for early rest and relaxation in large numbers without any urging from their young coworkers.

FIGURES FOR 1967 aren't complete yet, according to the UAW, but the score for 1935 and 1966—the first two years of early retirements in the auto industry—indicates the popularity of the concept. To a large extent, the fat pension package negotiated in 1964 helped boost total retirements to 11,200 in 1965 from 3,900 the year before.

But early retirements climbed just as dramatically. In 1965, they totalled 6,400 against a scant 650 the previous year.

And 1966 was not much different. Some 5,300 of the 9,600 auto workers who retired that year left before age 65. (Industry contracts vary, but normal voluntary retirement generally is 65 while some companies require retirement by age 68.)

Somewhat belatedly, the union and the industry are asking some important questions about the effects of early retirement.

THE FIRST THOROUGH study of retiree problems is being conducted by the Michigan Health and Social Security Research Institute and the University of Michigan Survey Research Center. UAW officers de-

cline to disclose any preliminary findings of the study, which will be done late this year.

The union hopes that the study will confirm the wisdom of early retirement. Howard Young, senior actuary in the UAW social security department, thinks the program will prove itself. "Member feedback to us has been extremely favorable. I know of no instance where any one has expressed regrets."

Mr. Young expresses the union philosophy that early retirement must be combined with adequate pension benefits. "The feeling in 1964 was that we ought to remove financial barriers to retirement so the individual would have a clear choice between working and retirement. It's not realistic to retire at 60 on \$20 a month."

Far from that, nearly all UAW auto industry members can retire after 30 years with a \$400-a-month pension. The full pension is available at age 60, although members can retire as early as age 55 on a reduced pension.

The \$400 benefit continues until age 65, when Social Security normally takes effect. The pension drops to about \$140 a month but will increase in 1969.

The auto industry has not neglected retirement planning, although probably not enough is being done in this area. In 1965, Chrysler Corp. and the UAW jointly set up a program to educate employees over 55 and their spouses about retirement.

A current UAW-Chrysler pamphlet suggests some of the problems retirees face:

"Even where a modest but adequate standard of living has been achieved for retirees, there are the problems of the aged other than poverty and illness. These problems are difficult to measure, but are ever present such as loneliness and friction within the family, even marital discord. Gerontologists and other experts in the field believe that many of these concerns can be lessened significantly by better planning for retirement..."

Chrysler workers are invited to attend a seven-week course of two-hour sessions during non-working hours. The program is held periodically in Detroit, and several other Chrysler plants.

The program uses materials drawn up by Prof. Woodrow W. Hunter of the University of Michigan and relies on outside

experts to help plan and conduct the classes.

ABOUT 10% OF active employees over age 55 participate, according to the UAW. About two-thirds of the employees are accompanied by their spouses.

The classes cover a variety of matters of concern to prospective retirees, including Social Security, health problems, diet and exercise, living quarters, pension benefits, life insurance, wills and community services.

Chrysler and the UAW avoid saying that their program is the final answer to the need for retirement counseling, but they note that "in many cases antagonism and resistance to retirement have been reduced."

The UAW classes give the
Continued on page 26

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Private investigator unveils illegal claims running system in Houston

HOUSTON—A private investigator for the Harris county grand jury outlined a county-wide system of providing lawyers with names of workmen's compensation and automobile accident victims at the Houston Society of Insurance Management spring conference.

The investigator, Clyde Wilson, told the conference that he had uncovered an average of 15 to 20 claims a month during his investigation that involved the "same attorneys, same medical reports and the same doctors."

He said he was originally hired by an association of temporary help contractors, and later the foreman of the county grand jury and the district attorney

pressed the investigation further.

He said that other large companies, including Brown & Root Inc., a large Houston-based construction firm, had been subjected to illegal claims running.

THE TEMPORARY help group, Mr. Wilson explained, had been averaging eight to nine claims a month prior to the investigation but has had none since the investigation was reported in the Houston newspapers.

The state industrial accident board has reported a drop in the number of claims in Harris county also, Mr. Harris said.

The grand jury has reported several indictments already in the investigation, Mr. Wilson said, and nine attorneys face charges of barratry and four "runners" face perjury charges. Several doctors also face punitive action by the county medical society, he said.

Mr. Wilson outlined seven sources that provided lawyers with the names of accident victims.

A RECORD clerk in the police department selected accident reports indicating rear-end collisions and would then turn the names over to attorneys.

An "investigator" for these attorneys would take accident re-

ports provided by the file clerk and, on the pretext of selling hospital insurance, would contact the accident victim. In the course of the sales pitch, the accident would be discussed, Mr. Wilson said, and if no lawyer had been retained, the investigator would then call a lawyer for the victim.

The investigator would tell the victim "you fool, you probably have \$6,000 worth of back pain alone," Mr. Wilson read from a sworn statement by an investigator.

OTHER SOURCES of names included ambulance and wrecker drivers, nurses and receptionists in hospital emergency wards and doctors' offices. Mr. Wilson said that lawyers would pay \$50 to \$75 for each name they were provided.

The last sources Mr. Wilson named were "professional, full-time runners." These indi-

viduals, he said, were paid as much as \$32,000 annually, and "because payments were made in cash or with cashiers' checks, even this figure is probably low."

"Some lawyers, who are still in business, pay as much as \$10,000 for big workmen's compensation cases," Mr. Wilson said.

In a sworn statement, one runner said he visited hospitals "walking, talking and wishing speedy recovery" in addition to picking up names. Another runner Mr. Wilson investigated had an organization that provided witnesses and signatures and kept records on lawyers' payments and preferences for cases.

Mr. Wilson said he was certain that these methods of running names had been exported to other parts of the U.S. He said that some runners and lawyers he had been looking for are "certainly no longer in Harris county."

Mr. Wilson said that the local bar association had hired a full-time secretary to investigate the matter in an effort to police the situation in the county.

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opinions

Pension legislation misses the point

The long awaited pension bill establishing minimum vesting, funding and reinsurance requirements for pension plans is now being mulled over by the nation's benefit managers.

Basically, the bill establishes full vesting after ten years of employment after age 25, and outlines ways of accomplishing this for established as well as future plans.

In many respects, the government is merely following private industry practice in this regard, since many plans already include full vesting after ten years credited service—General Electric being a prominent example. And American Telephone & Telegraph Co. has just included a vesting guarantee after 15 years for a worker having attained age 40.

We wonder, though, if the government is not missing the point by overlooking the question of portability, which surely looms larger in the thinking of a young or even middle-aged executive, when considering a move, than the question of vesting his eventual pension rights.

As Bion H. Francis, insurance manager for Crucible Steel, recently pointed out, what does it matter to an employee who has worked for a company five years to know that he is a "member" of a pension plan. In today's highly mobile labor market, a young executive on the move "feels trapped" if he stays with one company for more than five years, Mr. Francis contended.

In fact, there are whole industries permeated by continued movement of employees—particularly in the construction and defense industries, where the key question is "who got the contract?" An employee who will not have a vested interest in his pension plan for even as few as ten years may well consider that the plan has no relevance for him.

Last summer, when Assistant Secretary of the Treasury Stanley S. Surrey beat the bandwagon for the government's proposals on vesting at the American Pension Conference, many employee benefits managers commented that—"while correct in principle"—the proposals would be of little use to the blue collar worker.

There seems little doubt that today's better educated and skilled worker, both at blue collar and management levels, is more attracted to participation in his company's current profits, rather than waiting for a pension plan in the future—no matter how necessary he may concede this to be. Thrift and savings plans—where employers match contributions of workers—are extremely popular where offered: at Mobil Oil, for example, employee participation is 94%.

Not all employers or employees are enthusiastic about guaranteeing portability of pension credits. However, one solution which might well satisfy all sides was proposed by William C. Greenough, chairman of Teachers Insurance and Annuity Assn. and College Retirement Equities Fund.

An employer's obligation toward his employee should be discharged on a yearly basis, Mr. Greenough said, and the levels of benefits produced by a year's service should not depend on whether an individual leaves a company or stays with it until retirement.

Mr. Greenough pointed out that discussion of federal regulation of

business insurance

for buyers of employee, property and liability protection

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65	500	770	1,100

This table illustrates the pension schedule for professional athletes in the American and National baseball leagues, the National Hockey League and the National Football League. The NFL does not chart early retirement benefits for its players as the other leagues have done. Average salaries, estimated by the owners and players, range from \$22,500 in baseball to \$18,000 in football and \$15,500-\$18,000 in hockey. Hockey and football players are expected to press for improved pension benefits and minimum salaries to achieve "parity" with baseball players.

pension plans is a waste of time "because it's already here."

He pointed out that major emphasis is needed in approaching the subject of pension plans, and said that workers should enjoy a retirement income directly related to their own production—and the productivity of the economy.

Mr. Greenough proposed that an employee should be allowed to defer up to 20% of his earned income, and the taxes on this income, and that such a contribution would be vested in an employee's retirement account. He also said that employer contributions should be treated in the same way in order to qualify for tax deductions.

Since neither the individual nor the employer would receive the tax deferred credit until funds were actually paid into an individual's account, the proposal would lead to increased interest in adequate funding and help to avoid another "Studebaker" incident.

The present anomaly whereby employee contributions are taxed, but employer funds are not, would also be removed in Mr. Greenough's proposal.

We submit that the current pension bill also misses on another point, because it fails to come to grips with what Mr. Francis says is the problem of "providing funds before retirement to meet the rise in prices which will occur after retirement."

Mr. Francis suggests that a savings or thrift plan might be a better funding vehicle than the traditional retirement type because it can act as a hedge against inflation and because it frees a corporation of fixed retirement expenses.

In addition, we contend, it removes the company from playing the role of kindly benefactor and lets the employee spend his money when he wants to—even though this may be a departure from a firm's standard paternalistic attitude.

How much power?

In addition to raising the basic issue of the need, or lack of it, for more stringent federal controls over private pension plans, the Labor department's omnibus pension bill brings to the forefront, for the second time this year, the extremely serious question of how much power the Secretary of Labor should be allowed to have over industry. Whether pension plans should have to meet minimum federal standards in the areas of vesting, funding, and reinsurance in order to qualify for tax exempt status is a question we think deserves careful consideration.

The private pension system will gain a strong and expanding role in our increasingly-more-federalized society only if it fairly and equitably fills a genuine social need in line with the expanding federal retirement programs. We do not, however, feel that setting up laws with criminal penalties enforced by the Secretary of Labor is an answer to insuring that private pension plans play their proper role in society.

The Labor department's pension bill is an obvious labor plum designed to place more power over industry in the hands of the Secretary of Labor. This is evidenced most strongly by the concessions granted by it to multi-employer pension plans. We feel that the issue of how to insure that private pensions meet social standards of a quality necessary to insure their part in the future retirement picture of this country is too important to be used as a political football. We do not say the Secretary of Labor would deliberately use such a law as a labor lever, but we cannot help but feel that the department's views on the proper role of private pension plans are considerably different than those which would be shared by an agency more removed from the labor-management scene.

letters

No tax powers

To the Editor: Judging from your "Letters" column, you have been receiving an ample number of fan letters, but I thought one more would do no harm. Like several others in the office, I have been reading *Business Insurance* with great interest since you began publication. Quite frequently I find details which are not in the other magazines which I had thought had the best insurance reporting, and even more frequently your story will reflect a different point of view which brings it additional significance.

I thought that your story on the front page of the May 6 issue, regarding the Mini-Met tax controversy in California together with some of the history of the question, was particularly good. Your story carried a little more detail on the treatment of the question in other states than the story even in the National Underwriter. On the other hand, you did not include one significant comment, that in many states the insurance commissioner does not have full administrative authority with respect to the tax laws.

John S. Hamilton, Jr.

Vice President and General Counsel, American Mutual Insurance Alliance.

Accident costs

To the Editor: Every issue I've seen of *Business Insurance* has been instructive. Your "Safety Section" is of particular interest. In the May 6 issue I noted your quotation of Travelers Insurance Company on page 17 concerning accident costs. How do people calculate the cost of accidents these days? Has anything significant been published on calculation of costs, especially indirect, since Heinrich ratios?

J. W. McGehee

Director of Industrial and Public Relations, The Lane Company, Inc., Altavista, Va.

Editor's note: Dr. Rollin Simonds, in a study made in the 1950's, found that indirect costs varied greatly from company to company and industry to industry. In his book "Safety Management," he recommends that each company conduct a study of its costs and determine ratios to fit its own particular situation. The book, revised in 1963, is published by Richard D. Irwin, Homewood, Illinois.

'Fills the need'

To the Editor: I have found your *Business Insurance* paper very helpful to me in keeping abreast of changes and problems in the insurance field. Our insurance requirements do not warrant a full time insurance manager and, as a result, I feel a need for a publication which encompasses a broad scope of insurance problems and changes. For me, *Business Insurance* has very adequately filled this need.

John Scherrman

Assistant Treasurer, Des Moines Register and Tribune Co., Des Moines, Ia.

'I look forward'

To the Editor: I appreciate very much your very nice publication and I look forward to receiving my copy every other Monday.

I am a member of the American Society of Insurance Management and I do feel that your

Continued on page 27

General Foods 1967 accident rate of 3.54 is below industry average

WHITE PLAINS, N.Y.—Safety programs can be wasted unless companies are genuinely interested in the safety and personal welfare of their employees, according to General Foods Corp., whose own safety records have received national recognition.

To instill safety-consciousness on and off the job, the giant food company, which employs about 32,000 people, embarked on a formal program in 1953 that made safety a top management responsibility.

"Newsletters, inspections, meetings to exchange ideas, and management participation are all part of General Foods' company-wide effort to reduce accidents," said Charles Orr, senior environmental health consultant.

ONE EXAMPLE OF the program's effectiveness is a world safety record achieved by the Maxwell House coffee division plant in Jacksonville, Fla., where 5,068,884 hours were worked without a lost time injury over a six-year period.

Safety doesn't stop in the plant, however. To stress safety away from the job, General Foods provides its employees with literature from the National Safety Council, National Fire Protection Assn. and other sources. Areas covered include driver safety, fire prevention, household accident prevention, first aid and other subjects.

General Foods has consistently achieved low accident frequency rates in relation to the food industry average, according to Mr. Orr. In 1967, General Foods had only 3.54 disabling injuries per 1,000,000 hours worked against the entire food industry average of 11.56, according to National Safety Council figures.

ACCORDING TO Mr. Orr, safety programs work only if top management is involved. "If hourly workers were to see an executive playing down safety they would take the same attitude," he said.

During an interview with *Business Insurance*, Mr. Orr explained that executives participate with plant managers, supervisors and workers during plant safety meetings which are part of a program to uncover hazards and keep safety in the limelight.

He pointed out the biggest problem with any safety program is people, and without an understanding of human nature a program won't work—one reason why the company strives to understand the worker and improve working conditions.

SOME OF THE techniques used to implement the program include unannounced inspections, posters, meetings, safety bulletin boards and prizes. The Post cereal plant in Battle Creek, Mich., passed 2,000,000 manhours worked without a lost time injury, and 1,700 employees received first aid kits.

A General Foods study found that a healthy working environment helped increase employee morale and induced them to voluntarily participate in loss prevention programs. Part of the study included a "noise control test" conducted in a coffee blend-

ing operation, according to Jerry Burbank, claims manager.

"While the noise was not thought to be a serious problem, the company installed muffling equipment which resulted in increased production and fewer accidents," said Mr. Burbank.

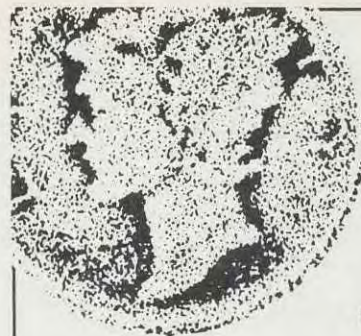
EACH OF THE company's divisions, which include Jell-O, Birds Eye, Kool-Aid, Post, Maxwell House, institutional food service and distribution and sales services, has devised individual safety programs to serve local needs. The divisions ex-

change programs and statistics regularly as part of the company's coordinated effort.

"The psychology behind a healthy mental outlook and having employees arrive at work in good spirits can go a long way toward achieving a successful safety program," said Mr. Orr.

The Maxwell House division has one of the most successful on and off the job records, according to Marie Scotti, manager of communications services for Maxwell House.

The General Manager's
Continued on page 15



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Discussing current insurance problems at an American Management Assn. seminar on government and insurance are J. F. Bernick, vp, marketing, Employers Insurance of Wausau; Richard W. Bland, risk manager, Panhandle Eastern Pipe Line Co.; James L. Bentley, Georgia comptroller general and insurance commissioner; Robert J. Myers, chief actuary, office of the actuary, Department of Health, Education and Welfare; Chester C. Nash, editor of Insurance; George H. Kline, vp, secretary and general counsel, Allstate Insurance Co.; and Edmond Rondepierre, assistant counsel, legal department, Insurance Co. of North America.



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Sex bias in benefits discussed at AMA

NEW YORK—When Congress gave the green light for legislation prohibiting sex discrimination in employment, it opened a Pandora's box for employers and employee benefit managers.

An American Management Assn. panel discussed the impact of the legislation on employee benefits and the "headaches" employers have had in equalizing benefits for male and female workers.

In a nutshell, the legislation says that there cannot be any discrimination in compensation, terms or conditions of employment for males and females; this means that employee benefit programs must be attuned to the new legislation.

BUT "HOW DO you measure equality, by premium dollars or total compensation paid to an individual?" one panel member asked. He contended that if on the basis of total compensation paid to an individual there is no discrimination, then this should satisfy the provisions of act.

"And if an employer can establish no discrimination in claim and premium dollars, then he has gone a long way in proving no discrimination on a total basis," he said.

Henry M. Spencer, assistant secretary, Travelers Insurance Co., said one of the big problems in regard to insurance companies and the legislation is the "wife only" dependent definition in accident and health policy. According to the terms of cov-

erage, a male employee can consider his wife a dependent but a female employee cannot consider her husband a dependent under the policy.

The difference arose out of a need for practicality, he said. But, the commission has ruled that the terms are a violation of the legislation.

MR. SPENCER SAID that efforts are being made to reconcile the differences. He pointed out that if both husband and wife work and are covered under two policies, this situation creates overinsurance and could cause medical costs to go up.

"It's now a question of practicality between the female employee being discriminated against in insurance and preventing overinsurance," he added.

However, as the coordination of benefits concept becomes more widespread and universal, he expected this could be a major solution to the problem.

At a previous AMA seminar, a speaker explained that benefits from two or more medical plans are coordinated so that it is possible for an individual to receive 100% of his total expenses but "not make a profit."

COMMISSIONER OF the Equal Employment Opportunity Commission Samuel C. Jackson said that "at first I personally, didn't take the legislation seriously because we didn't feel it was important." However, sev-

Continued on page 21



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washington watch

Private pension plans' future role debated

WASHINGTON — Introduction of the Administration's omnibus pension bill has stirred up some excitement and almost completely drowned out two other events which may prove to be at least as significant.

They were a voice-vote passage in the Senate of a resolution to hold a White House conference on aging and the release of the special committee on aging's annual report to Congress.

It is difficult to discuss these events and their implications for the future of private pension plans without sounding like an alarmist, ringing the same old bell of the business community—that Social Security is growing to the point where it will soon stifle all incentive for saving, including private pensions.

But the trend is toward increasingly higher Social Security benefit levels, and certainly no one will be surprised if the program soon gets the green light to dip into general revenues.

ON THE OTHER hand, private pension plans are faced with increasingly stringent and expensive governmental controls which, when coupled with the increasingly liberal Social Security programs, put the future of private pensions, as we know them, in serious doubt.

One fact emerges from the events of the past few weeks: proponents of a strong private pension plan system face a tough educational problem if they hope to convince a majority of legislators and the executive branch that private pension plans are flexible and equitable enough to become an integral, growing and healthy part of the total retirement picture.

Like all educational processes, this one must be a regular, day-to-day operation.

An example of how short memories are is illustrated by one of the conclusions reached by the 1961 White House Conference on Aging, "If vesting is made compulsory through enactment of legislation, the growth and development of pensions for more and more employees may be retarded."

"THEREFORE, the inclusion of vesting provisions in pension plans should be strongly encouraged as a voluntary action."

Another statement from the 1961 conference was that the "expansion and improvement of private pensions should be strongly encouraged", and "tax incentives to encourage private savings for retirement and continuing pension plan development should be expanded." Will this be remembered by the Administration when it finally releases its new rules for integration of pension plans with Social Security?

In proposing the 1970 conference, Sen. Harrison Williams (D.-N.J.), chairman of the special committee on aging, said that among other things it should study what Congress should do to encourage growth of private pension plans; proposals for a negative income tax or guaranteed annual income; general tax revenues to help put retirement income on a par with general income increases; and em-

ployment for persons past age 65.

INCOME MAINTENANCE in old age is certain to be a key topic at the 1970 conference. Mrs. Geneva Mathiasen, executive director of the National Council on Aging, told a Senate hearing on the proposed conference that at recent NCOA regional conferences "The top priority selected at each meeting was for more adequate income for the elderly, using Social Security as the primary mechanism." What no one has mentioned is that if our priv-

ate pension plan system can socially justify its continued growth and prosperity in the midst of more and more social programs, which will eventually reach into the home of every older with much more than a "basic floor of protection," this conference could be a blessing.

For here will be a sophisticated group, with nation-wide representation, seeking answers to pressing problems of the aged. And, it will certainly be sympathetic to a well prepared case supporting private pension plans through further tax incentives and, if need be, special legislation assuring the system a growing part in helping our old people save for their future.

There is no question that there is a sympathetic awareness among the leading policymakers concerning the role of private pensions in the future. An air of pessimism prevails, however, and seems to emanate from a

lack of confidence that the private pension system is flexible enough and willing to change with the times.

IN THE ANNUAL report of the aging committee, Prof. James H. Shulz of the University of New Hampshire, said, "Initial studies indicate that private pension coverage cannot and/or will not be extended to a very large proportion of the labor force."

Therefore, he said, "analysis is needed as to whether our present mixed pension system is compatible with retirement income adequacy and equity for all workers."

Two conclusions of the aging committee were that "workers most in need of such (private pension) coverage are least likely to have it." And, the "usefulness of private pension plans in alleviating pressing income deficiencies is more likely to be long range than immediate."

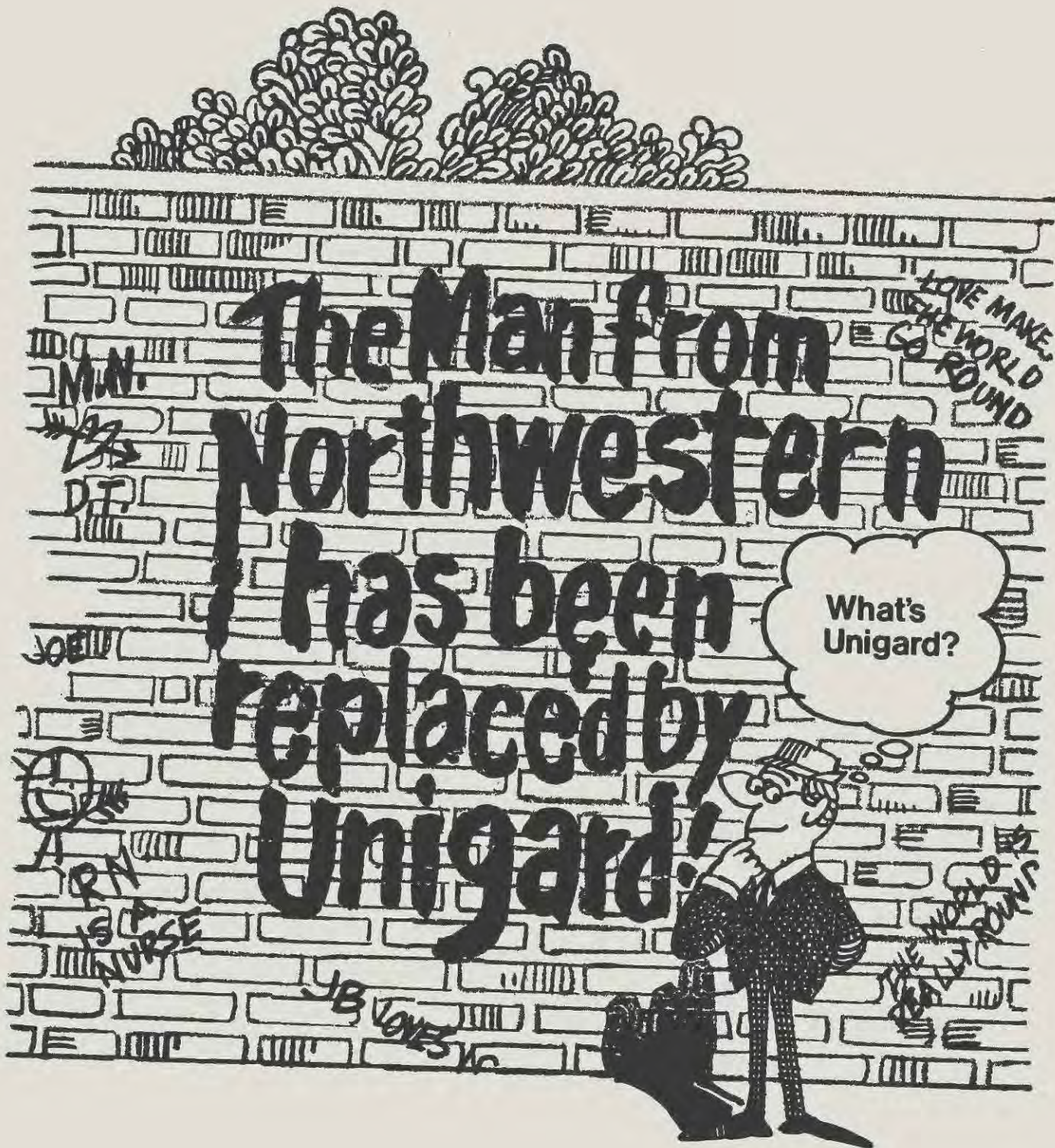
Little further mention was made and significantly no suggestions on how the system might be changed to make it palatable with the almost inevitable expansion of public programs.

This then leaves the business community with a challenge which deserves careful consideration.

Suit filed against hospital, doctor

Taylor-Brown Memorial Hospital, Waterloo, N.Y., and a staff physician have been named defendants in a lawsuit seeking \$1,150,000 damages for a Brooklyn man who lost both legs following a 1965 auto accident.

The suit was filed on behalf of Frederick Lee Francis, 22. It charges his legs were amputated after failure to discover evidence of gangrene at a time when the condition could have been cured.



Texas to revive investment income debate; HSIM eyes cost spiral

by Louis Haugh

HOUSTON—The Texas board of insurance next month will rehear arguments on including investment income in rate determination, George M. Cowden, new chairman of the insurance board, told the annual spring conference of the Houston Society of Insurance Management.

Mr. Cowden, named to the state board last February, told 130 persons attending the HSIM conference, "There is a continuing effort across the country to require inclusion of investment income in the determination of rates. This has arisen primarily because of concern in the field of automobile insurance."

Mr. Cowden told *Business Insurance* that the weight of evidence for inclusion of investment income falls on those who are proposing that it be included.

TEXAS WILL also decide on whether to allow a riot surcharge on fire and extended coverage policies. The Texas Insurance Advisory Assn. said it would ask for a rate hike within 30 days.

The state insurance board has not yet acted on a rate increase request for burglary and glass policies.

Tom Lee, association general manager, said the group has not yet settled on the amount of the increase to be asked. In other states, insurance companies have asked for a 4% hike in counties with more than 250,000 population, 2% in counties with less than 250,000 population.

At least 13 states have approved riot surcharge increases, but five states have denied the increase.

Mr. Lee said the companies are proposing that refund would be made if no large riot losses were paid.

MR. COWDEN told the HSIM conference there is a "continuing social effort to provide financial protection to each and every citizen when that citizen suffers some type of loss. There is more and more pressure in this country to support the proposition that every person is entitled to the same coverage that is available to any other person."

Frank B. Donaldson, employee development supervisor for the Banoid division of National Lead Co., told the conference that insurance costs have increased faster in the past ten years than the Texas gross state product.

Mr. Donaldson pointed out that insurance costs in Texas have reached 8.7% of the total gross Texas product of \$11.6 billion in 1966. He said that from 1957 to 1966, the gross value of Texas goods and services increased 57% while the cost of insurance increased 87.4%. Workmen's compensation costs, he said, have increased 68.7% from 1957 to 1966.

IN SETTING the tempo for the meeting, Mr. Donaldson, program chairman, said that the cost of insurance has spiraled and, in particular, insureds have had to bear the cost of unjust and inflated claims.

He also listed the 1966 Texas premiums and losses for fire, liability and workmen's compensation. (See accompanying chart.)

Charles L. Bailey, director of insurance for Tenneco, Inc. and president of the Houston ASIM group, said, "We feel that the in-

surance industry is too prone to dispose of such claims through negotiated settlements rather than incurring the expense of defeating them.

"We have an obligation to the public, in addition to our own

corporations, to make certain that inflated claims are denied."

JOHN MAYES, property and liability manager for Employers Casualty Co., Dallas, said that if

Continued on page 19

PREMIUMS AND LOSSES IN TEXAS FOR 1966

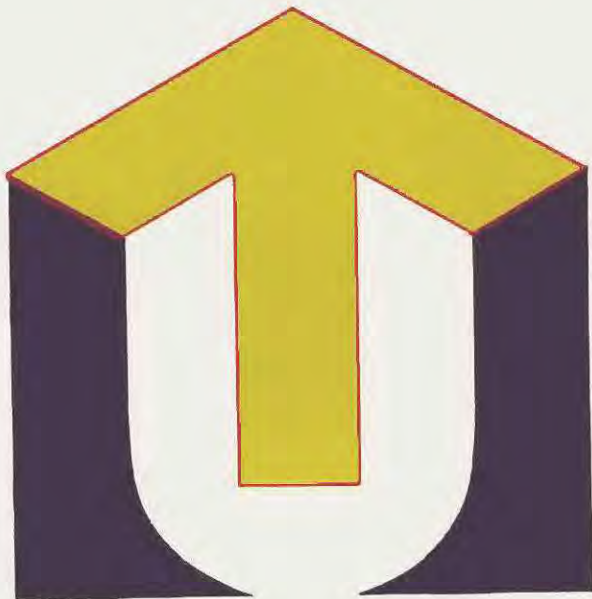
	premiums	losses	loss ratio
Fire and allied lines	\$247,005,985	\$122,869,371	49.74
Liability	763,041,111	398,881,371	52.88
(in 1957)	(407,018,736)	(219,174,864)	(53.85)
Workmen's compensation	165,420,022	101,794,381	61.54

Source: Speech by Frank B. Donaldson, employee development supervisor of the Banoid division, National Lead Co., quoting the Texas insurance board at the annual spring insurance conference in Houston.



Houston Judge Thomas J. Stoval Jr. regaled the Houston Society of Insurance Management insurance conference with stories about "smokestack" defendants as Charles L. Bales, director of insurance at Tenneco Ind. and HSIM president, appreciates the judge's genial humor.

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Wilkinson stumped about marine coverage for London Bridge project

LOS ANGELES—How do you insure a \$2,500,000 antique that weighs 10,500 tons and has to be shipped piecemeal from London all the way to Long Beach, Cal., then trucked 325 miles to Lake Havasu City, Ariz.

This is one of the major unsolved problems facing C. L. Wilkinson, newly named director of the London Bridge project of McCulloch Properties Inc., developers of Lake Havasu City, Ariz., a year-round resort town of 3,000 on the Arizona-California border.

Mr. Wilkinson left for London on May 17 to deal with this and other problems involved in shipping the 65-foot-wide span stone by stone to Lake Havasu City,

where it is to be reconstructed as a tourist attraction over a channel now being dredged for the 136-year-old span.

"I DON'T KNOW now what direction we'll go," Mr. Wilkinson admitted, "but it's obvious we must have adequate maritime insurance for such a very historical monument."

The question, he added, is "How much is adequate?"

Mr. Wilkinson said the cost of dismantling and transporting the bridge is estimated at \$240,000, including insurance.

McCulloch Properties figures that the bridge, and an international village to be built around it, will increase tourist business

500% to about 10,000,000 tourist-days a year.

MR. WILKINSON indicated he would welcome advice from insurers with experience in covering such valuable "antiques" in transit. He said he has been approached by only two insurance firms.

"I had to tell them I was just recently named project director and haven't had a chance yet to get the feel of this," he said. "After all, we're talking about 10,500 tons of cut stones. That's a hell of a lot of granite."

He said they have been tested chemically to see how they'd weather relocation and were found to be very sturdy.

If a stevedore drops and breaks one, there are excess stones available to replace it, Mr. Wilkinson said.

"But what if a bomb is dropped on one of the shiploads?" he asked.

Mr. Wilkinson said the bridge is classed as an antique under customs laws. The first 1,300 tons will be shipped this year, another 1,300 next year.

Altogether, he added, it should take at least two and a half years to complete the relocation project.

If you have any advice for Mr. Wilkinson, drop him a line—C. L. Wilkinson, c/o McCulloch Properties Inc., 5965 W. 98th St., Los Angeles 90045, Cal.

Name surety manager

John N. Zefkeles has been named surety manager at Portland, Ore., for the Safeco Insurance Group's Oregon division.

Texas...

Continued from page 18

risk managers take a personal interest in claims expenses, insurance costs can be cut. He said that risk managers should ask for periodic reports of loss statements on all lines of insurance.

He also said that risk managers should get their carriers to use advance payments methods to cut costs of insurance.

He warned that the reserve on open files must be constantly checked. "Adjusters and carriers may set aside too much for reserves, particularly on small claims and at modification time," Mr. Mayes said.

He pointed out that in 1967, 85% of all claims reported to the Texas industrial accident board were settled for less than \$1,000 and that 70% of those claims that went to court had agreed judgments of more than \$1,000.

HE SAID that in Texas the average settlement in 1967 was \$895, up from \$357 in 1948. He also pointed out that in 1948, 9% of all claims in Texas ended in litigation as compared with 2.1% in 1967.

Mr. Mayes also cited statistics that showed of the 57% increase in Texas automobile insurance costs, liability accounted for 10% of the increase and comprehensive and collision accounted for 60%.

Mr. Mayes said that one good way to check a carrier's reputation on settlements is to ask plaintiffs' lawyers. He said that some carriers will not settle, for example slip and fall cases, no matter how small the claim, and plaintiffs' lawyers learn fast just who these carriers are.

"If a carrier gets a reputation for being tough in the handling of claims, it can save premium dollars," he said.

AIU names Gilbert, opens Santo Domingo service office

John L. Gilbert has been named manager of the reinsurance department of the American International Underwriters, New York, succeeding Roland H. Gwyn, who becomes assistant vp of C. V. Star & Co., senior member of the American International insurance groups.

AIU has also opened an office in Santo Domingo, Dominican Republic, headed by Julio M. Coen Peynado. The firm's Far East operations has named Hubert Gervais as vp for AIU Vietnam Inc. and James E. Marum as vp of that office.

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General Foods

Continued from page 15

safe working trophy is awarded each quarter to the Maxwell House plant that shows the greatest improvement over its performance for the same period in the previous year.

Maxwell House employee safety awards range from key chains to luggage and are used to keep employees aware of safety both on and off the job.

Drivers compete in programs that offer awards from the National Safety Council and the company. A driver completing five years without a self-caused accident receives a silver-plated

cigarette box, while a 30-year safe driver has a choice between a wrist watch or clock radio.

MISS SCOTTI POINTED out that individual awards are mailed to the homes of safe drivers to recognize outstanding safe driving performance. Mailings are also distributed at plants or sent to employees' homes as part of the safety effort. A typical mailing includes features on:

- Common sense—suggestions for safe material handling.
- Power mower safety hints.
- First aid—be prepared to save a life.
- Winners of a safety award.

General Foods national program is coordinated with assistance from the National Safety Council and insurance companies which provide training aids and promotional literature.

Insurance companies are invited to attend safety meetings, tour plants and work with safety committees to reduce losses. "They are an integral part of the program," said Mr. Orr.

He emphasized the fact that top management's concern for safety has led to a safety awareness that has carried beyond the job and into the home.

Judge upholds rate increases

COLUMBUS, O.—Automobile insurance rate increases that went into effect in 1956 cannot be challenged by the Ohio AFL-CIO labor union, Common Pleas Judge Leonard J. Stern has ruled.

Judge Stern upheld a decision of the Ohio director of insurance which permitted increases estimated to add between \$20 and \$30 per year to premiums of 65% of Ohio's 5,000,000 motorists.

The labor union protested the increases at a hearing before the director of insurance. He dismissed the AFL-CIO petition and suit was filed in Franklin County courts last May 24.

Judge Stern said that under Ohio law there is no provision for an organization like the AFL-CIO to appeal the insurance director's decision.

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The storage of coffee cans according to strict safety standards is part of GF's Maxwell House division's efforts to make safety an integral part of the company's operations.

Charge hotel worker trustees with bilking welfare fund

NEW YORK—The state insurance department has charged that 12 of the 15 trustees of a hotel and restaurant workers union's welfare fund were responsible for the depletion of over \$138,000 of the fund's assets through "wrongful and negligent acts and omissions."

The department's charges—based on hearings last year—call for the removal from office of the fund's administrator, Murray Solomon, and propose fining him \$2,500 because his "knowledge and participation in the transactions constituted a wilful failure to comply with the insurance law."

The union, local 11 of the Hotel and Restaurant Workers, is the New York City branch of the in-

ternational group, which has a nationwide membership of about 500,000.

CHARGING THAT the trustees made "unreasonable payments" to Morris Zucker, an optometrist, for the services he gave under contracts to provide optical services to union members and their dependents, the report showed that a total of \$180,780 was paid to Mr. Zucker during the period 1960 through 1965.

The insurance department examined 55 other welfare funds, and found that the average price for a pair of glasses was \$6.19. However, Mr. Zucker's costs ranged from \$17.16 in 1960 to \$34.70 in 1965 the department found.

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Catholic archdiocese gets pension program for laity, nuns and priests

MIAMI—The Archdiocese of Miami has established a pension plan for all priests, nuns and lay employees—the first such plan in any Roman Catholic diocese in the U.S. where the laity and priests and sisters are provided benefits under one plan and trust agreement.

According to Archbishop Coleman F. Carroll, the pension is the most liberal plan in the church and "better than most of those offered in business and industry." The archbishop believes "it is the plan ultimately all employers will come to."

The archdiocese, beginning June 1, will pay all the annual premiums for the plan—an estimated \$250 each for 1,400 priests and nuns and 1,070 lay persons, ranging from teachers to janitors. Total cost is \$617,000 a year.

THE PLAN, WHICH is self-insured, is unusual because most pensions in the South are contributory, according to Dennis J. J. McGee, head of McGee & Co., Philadelphia actuarial consulting firm which worked out the plan.

Lay employees will be eligible to retire at 65 with 50% of their average monthly salary averaged over the last five years of employment, provided they've worked for the archdiocese for 30 years.

Previous service in the Diocese of Miami (it's just been converted to an archdiocese) is credited, and benefits will be prorated for employees with less than 30 years service.

NUNS QUALIFY FOR the pension at age 70, after 30 years of service. They'll be given their

Sex bias...

Continued from page 16

eral thousand cases later, this attitude has changed and "we realize its effect."

The commission is further hampered by the fact that it can't base its decisions on court interpretations of the law since no court decisions exist in this area. A case has to be decided upon the facts of each problem.

The commission, he continued, has issued nearly 1,400 opinions in the areas of sex and discrimination. In one case the commission decided it is unlawful for a company to provide life insurance that differed in amount for sexes. It is also unlawful for a benefit to cover wives of male employees but not husbands of female employees.

OTHER AREAS where the commission has ruled regard equal sick leave, equal age requirements and equal number of coffee breaks for both sexes.

Even where a benefit plan is voluntary and there's no contribution made by the employer, it must be offered to all employees because this constitutes a term or condition of employment.

In cases dealing with maternity benefits, the commission didn't attempt to compare this with male employee benefits. The policy developed by the commission says in general that a female employee who has completed the compulsory probationary period can't have her job terminated because of pregnancy.

He also mentioned that approximately 500 cases have been filed by male employees, who feel they're being discriminated against because of their sex. ■

full monthly salary, payable to the motherhood or to themselves. Most nuns will choose to live in the motherhood after they retire and will ask that their pensions go there, Mr. McGee said.

Priests will be eligible for retirement at 65, 70 or 75, depending on when the bishop grants their retirement petition, and will be paid \$500 a month after 30 years of service.

In addition, lay employees with 15 years of service who are over age 40 qualify for death benefits of \$3,000 and disability pay. Families of nuns and priests will receive \$1,500 in death benefits.

ARCHBISHOP CARROLL stated that the new pension plan

is a case of the church "practicing what it preaches, teaching by showing others. It is our moral obligation to provide social justice by giving an adequate wage for employees."

There has been no pension plan in force in the diocese of Miami, the archbishop said. He added that no priest has been allowed to retire, regardless of age, because of the severe shortage of priests.

Ross honored

Arthur S. Ross, western regional group pension manager of New England Mutual Life Insurance Co., Los Angeles, has been named the insurer's group pension man-of-the-year.

Louisiana commissioner not in favor of riot surcharge

BATON ROUGE, La.—Louisiana Commissioner of Insurance Dudley A. Guglielmo has told insurance companies he would not approve a riot surcharge on fire and extended coverage policies.

He made this position known at a filing for increased rate for liability coverages. Commissioner Guglielmo's action follows official rejection by Arkansas, Missouri, Maryland, Wisconsin and Vermont. Thirteen states have approved the riot surcharge.

The insurance companies notified Mr. Guglielmo of their intention to file for a rate hike, and the commissioner said he told them he would not be for any such surcharge unless the companies could provide a means to spread the catastrophe risk to

make certain that payments could be made."

Mr. Guglielmo said the loading could just be another illusion. He was referring to a hurricane loading on policies in Louisiana.

"When Hurricane Betsy did \$400,000,000 of insured damage in Louisiana," Mr. Guglielmo told *Business Insurance*, "the insurance companies found the loading was not sufficient to pay the claims and charged the state for the loss over a 15-year period."

He said he thought any riot loading request would be premature at this time because the National Assn. of Insurance Commissioners had reached no final decision, and Congress has not taken action on a federal riot reinsurance pool. A bill pending would set up such a pool. ■

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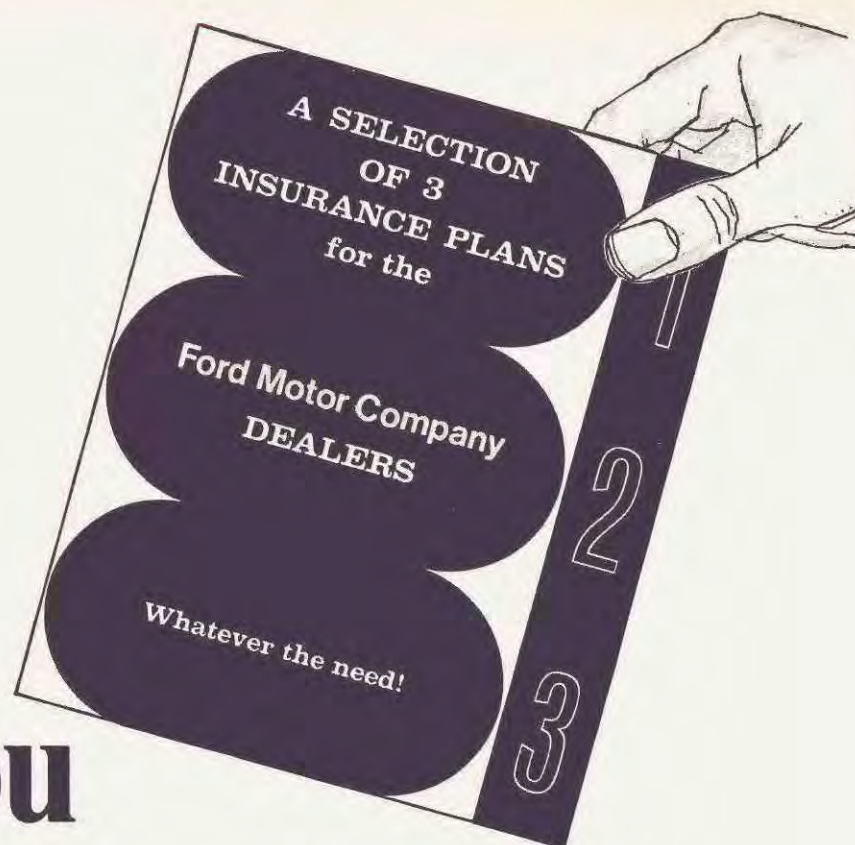
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business insurance/perspective

What's new in vesting, funding, taxes, health claims...

By Elliott Beier, manager
pension and profit sharing services
Ohlman & Co., New York



Elliott Beier

"Before I finished boning up on Medicare's coverages, deductibles, limitations and exclusions—along came Medicaid. Now there are proposals on vesting and funding of pension plans, proposed changes in Social Security, revised reporting requirements under the Labor Department's disclosure law, and more changes in Medicare and Medicaid on the way. On top of that we are in the middle of negotiations with four unions on

wages and fringe benefits; we've just modified our long-term disability program for salaried employees; we're revising our annual statement of benefits to employees and updating our entire employee communication program; and my secretary is sick and my assistant administrator has just left for a higher paying job," laments an employee benefit administrator. "I'm thinking of leaving for a soft spot, maybe as an AID worker in Vietnam."

Being an expert on pension and health developments, government legislation, taxes, communications, retirement counseling, and investments in addition to the routines of running pension and insurance plans, can keep you busier than the proverbial one-armed paperhanger. There is also the problem of getting, holding on to, and motivating plan personnel. We'll forgive you if you occasionally get a wee bit discouraged.

Do your retired employees complain if they receive a pension check a day or two late? Do plan participants raise a ruckus over delays in processing, approving and paying of health claims? Are their feelings hurt if you take too long to answer questions, or don't spend enough time on their personal problems?

WELL, IF YOU THINK you've got troubles, take a look at the stew that New York City's Bureau of Retirement and Pension is in. Because of the bureau's heavy workload, newly retired city employees have had to wait up to nine months before receiving their first full pension checks.

The bureau has a backlog of 2,100 re-

tired employees who are receiving only partial monthly benefits, and to whom it owes about \$7,500,000 in delayed pensions.

The city has been under pressure from six unions representing about 140,000 employees in the retirement system to find a way of speeding up the payment process. A special committee studying the problem has recommended that details of operating the bureau be turned over to a person trained in administering large organizations. The present bureau head, Mrs. Isabel M. Keleher, will remain in over-all charge but will concentrate on legislation and policy. The committee said that this was not a criticism of Mrs. Keleher. The increased volume and complexity of the pension system since she became its director in 1951 had been responsible for the backlog.

THE COMMITTEE'S DECISION grew out of a two-month study of the Retirement Bureau by a private consultant. The consultant's recommendations included the establishment of the new administrator post with a salary of \$14,000 to \$18,000 a year. The committee hopes that the waiting period for full pensions will initially be reduced to six or eight weeks under the planned organization.

Is your retirement plan swamped under a heavy workload? Are checks going out too slowly, questions not being answered? Here are a few tips to ease your lot.

The employee benefits administrator cannot do everything himself. He cannot be all things to all men, and an expert in all areas. His major concern should be

the smooth running of his plan, and planning ahead in the light of current changes and possible future developments.

As the analyst says to the new patient: "You need help!" With the shortage of qualified personnel currently prevailing in the pension, insurance and employee benefits areas, the only source of help in many cases is outside consultants, services and free-lance experts. You might consider:

• **GETTING AN OUTSIDE**, objective view of your retirement and employee benefit plans. A study by a consultant can more than return its cost in future time and dollars saved.

• **GETTING ADDITIONAL** administrative help. If you can't afford or can't find administrators, check into the many fine firms now specializing in providing administrative services.

• **HAVE A SURVEY MADE** of how computers, data processing and modern office equipment might cut down the workload of your current staff and speed up services to plan participants.

• **EXCHANGE IDEAS** on efficient management of plans with your fellow employee benefit administrators. You can do so in this column—write us and send your solutions to any particular vexing problem, your time-saving ideas, and suggestions on how to provide better service to plan members.

Elliott Beier, a graduate of Columbia Law School, is manager of pension and profit-sharing services at Nuveen Corp., New York stock broker. He was head of pension planning at Maxwell, Ohlman & Co. Prior to joining the firm, he was editor-in-chief of *Pension and Welfare News* from its inception in 1964 and associate editor of *Trusts and Estates Magazine*. Mr. Beier is a member of the New York bar, the American Pension Conference, National Foundation of Health, Welfare and Pension Plans Inc. and the Eastern Conference of Health, Welfare and Pension Plans Inc. He lives in Valley Stream Long Island, with his wife and four daughters.

Canadian Medicare costs spiral

by J. E. Benoit
vice-president
Harry Price, Hilborn Insurance Ltd.

In a recent article in *Business Insurance* we wrote about the Medicare impasse which had developed in Canada and referred to the objections to national Medicare which had been raised not only by the opposition party and by all provinces except British Columbia and Saskatchewan but also by some cabinet ministers. Their main concerns were the cost and the rigid approach to the implementation of the plan by the Liberal party.

At that time the Liberals were in the throes of appointing a new leader to take over from Prime Minister Lester Pearson who had announced his retirement. Justice Minister Pierre Elliott Trudeau has since replaced Mr. Pearson and has already called for an election for June 27 and, once again, national Medicare in its present application will be one of the contentious issues.

It is known that Mr. Trudeau as justice

minister had serious reservations—not about Medicare itself, but about the constitutional propriety of imposing a compulsory medical insurance program on unwilling provinces. It is felt that if the Liberals remain in power he will probably reopen talks with the provinces to try to reach fuller agreement on the timing and operation of Medicare. At the present time, the plan is legislated to go into effect July 1, but if only two provinces participate there will be nothing in Canada that will even remotely approach national Medicare.

THE PLAN IS THOUGHT to be too expensive and this theme has been expounded by some members of the federal cabinet which has just launched serious spending cutbacks, and has urged the provinces to do the same. A. H. Marden, president of the Queen Elizabeth Hospital in Montreal, said in his report to the annual meeting of the hospital, that the country "obviously cannot afford" Medicare, that the public does not want it, and that it will contribute to inflation.

Dr. H. D. Dalgleish, president-elect of



J. E. Benoit

the Canadian Medical Assn., speaking at the annual convention of the Canadian Assn. of Medical Clinics and the Medical Group Management Assns. of Canada on April 19, said that a countrywide doctors' strike may be the last resort in the pro-

fession's battle for changes in federal medical care insurance legislation. He said his distaste for the compulsory scheme is caused by the fact that money is the sole area of contact between the medical profession and the government.

News releases throughout Canada register objections not only from doctors, but from public bodies and social welfare groups.

SASKATCHEWAN, ONE OF the two provinces committed to the plan for July 1, is backsliding a bit. The reason: rising costs. On April 1, the Saskatchewan government introduced "deterrent fees." These deterrent fees are designed to help combat what the Saskatchewan government calls spiralling costs of the Medicare program. It is expected that the fees will reduce the calls people make to doctors.

Saskatchewan Premier Ross Thatcher insisted that something had to be done as doctor payments in 1967 for the 1,000,000 residents of the province amounted to \$25,000,000, against which the annual

Continued on following page

perspective

Continued from preceding page
premiums amounted to \$6,000,000. All doctors' fees are now paid for through a government commission, which is financed by higher sales and personal taxes that were introduced in July, 1962 and by premiums which are set at \$12 for single persons and \$24 for families.

THE ESCALATING COSTS of medical care in Saskatchewan were described as "frightening" in a speech by Heath Minister Gordon Grant in Regina on March 19. Health Minister Donahue of Nova Scotia has reported that an increase from 5% to 7% in provincial sales tax would be needed to pay for the Medicare insurance program. Even then there would remain a deficit of \$2,000,000, based on estimated annual medical costs to the province of \$19,000,000.

Manitoba Welfare Minister J. Carroll said he hoped the federal government would revise the plan to make it "better tailored to the economic and health needs of the nation."

If Quebec had opted for Medicare this year, the province would have had to raise about \$115,000,000. This would represent \$15,000,000 more than Quebec residents are now paying for their doctor and hospital bills.

Ontario Health Minister M. Dymond said in April that there has been a three-fold increase in the cost of the Ontario hospital plan in nine years. The plan cost \$223,000,00 in 1959, rising to \$612,000,000 last year. The estimated cost for 1968 is \$744,000,000. Ontario now has medical services provided through a provincial government-sponsored plan known as Ontario Medical Services Insurance Plan (OMSIP) and a doctor-sponsored plan operating as Physicians Services Inc. (PSI). Premiums under the two plans have been roughly similar but OMSIP announced increases in premiums in March which will make it more expensive than PSI.

THE ARGUMENT THAT A national Medicare plan would only be a transfer of cost and not a new cost is only partially correct. It is said that since so many people are already paying for medical care, the government might as well do it for them. In considering this argument you have to realize that with a national health plan there would be an immense increase in the treatment of trivial ailments such as minor abrasions, minimal injuries, insect bites, colds, muscular pains, etc.

The Medicare system would become

cluttered with such ailments and the costs would be largely increased. It has been found that where the principle of giving the same services to all, rich and poor alike, has been legislated, such staggering costs have been created that the government involved finds itself unable to give those really in need the care they ought to have.

THE PRINCIPLE OF "UNIVERSALISM" in medical care is being attacked on economic, social and moral grounds. That Medicare would help those who cannot help themselves is not disputed but this could also be accomplished by a system of "selectivity" rather than the universal plan which has been legislated.

The December 11, 1967, issue of *Business Insurance* has an excellent news item under Washington Watch entitled: "Buyers Face Challenge on Medical Expenses." This article states that when the day arrives that government and industry income responsible together to pay a substantial portion of all medical expenses in the U.S. "an awesome responsibility will be placed on the shoulders of risk managers."

It is not possible at this time to foresee what role the Canadian risk manager will be called upon to play if national

Medicare does come into full effect in Canada. There are two basic differences between the American and the Canadian plans. In the U.S. Medicare is entirely under the control of the federal government and it only covers persons 65 or older, whereas the Canadian plan is designed to insure against medical costs of all kinds for practically everyone and is to be a joint effort of the federal and provincial governments.

It is our feeling, however that the responsibility of the risk manager in Canada will not be less awesome than that of his counterpart in the U.S.

J. E. Benoit is up in charge of Quebec operations for the brokerage firm of Harry Price, Hilborn Insurance Ltd. From 1963 until this year, Mr. Benoit had been head of the insurance division for Expo '67. For his work at Expo, he was awarded the Canada Centennial Medal. Mr. Benoit has been associated with Morris & MacKenzie Ltd., Stewart-Smith (Canada) Ltd., the Foundation Co. of Canada and the Insurance Co. of North America.

Is the employer the insurer's or the employee's agent?

By John W. Giles
attorney-at-law
Washington, D.C.

Is an employer, who is the named insurer under a group insurance policy for the benefit of its employees, the insurer's agent or the employee's agent, for the purpose of performing functions necessary to administer insurance provided by the group policy?

There are a number of decisions holding that an employer acts as the agent of its employees in the administration of the group policy. The rationale of these cases is that the employer is acting for its own benefit or for its employees in performing these functions, rather than serving the interests of the insurer. These cases hold that the real insured is the employer who is acting for the employees as a group; that the employer and the employees have allied and identical interests and that these interests are in reality adverse to the insurer.

Other decisions have reached a contrary conclusion. The reasoning behind these decisions is to the effect that the employer carries out the functions which the insurer necessarily would perform in other types of insurance and thereby confers a substantial benefit on the insurer. Since the individual employee has no knowledge of or control over the ad-

ministrative acts performed by the employer, it would be inequitable to charge him with the employer's mistakes.

IN A RECENT CASE in California (California supreme court, *Elfstrom v. New York Life Insurance Co.*, Oct. 26, 1967), the court offered an excellent review of the history and advantages of group insurance. We highly recommend the case to anyone interested in group insurance.

Edgar F. Elfstrom and the Fullerton Publishing Co., of which he was president and a majority stockholder, brought the action to recover the proceeds of a life insurance policy issued by the defendant insurance company to Mr. Elfstrom's daughter. The insurance company filed a cross-complaint asking that the life insurance policy issued to the daughter be rescinded.

The trial court found in favor of the insurance company, and an appeal was filed. The primary issue to be decided was whether an employer (in this case the plaintiff and cross-defendant, Fullerton Publishing Co.), who is the named insured under a group insurance policy for the benefit of its employees, acts as the agent of the employees or of the insurer in performing the functions necessary to administer the insurance provided by the policy.

The Supreme Court of California

found that the employee's daughter was not eligible for insurance in the defendant company as an employee, because she had not been employed for a period of six months for 32 hours a week. However, it was also evident that, although the daughter signed the enrollment card, she did not insert the misstatements relating to salary and coverage and that this act was performed by an employee of the Fullerton Publishing Co., the owner of the group policy. The record did not indicate that the girl was aware that the application contained misstatements or that she knew or suspected she was not eligible for insurance.

In the case it appeared that the administration of the policy was conducted by Fullerton under the direction of the defendant insurance company. Defendant provided Fullerton with a manual setting forth in minute detail the steps to be taken by it in performing such tasks as enrolling employees, adding and deleting dependents, reinstating and terminating insurance, reporting details of coverage and premiums paid to the defendant and issuing certificates of insurance provided by the defendant. The employer was instructed to determine whether the employee was eligible for insurance and, if so, to fill out an enrollment card for him by inserting the class of insurance, date of employment and the employee's earnings in the blanks on the card.

The employee, according to the instruction, was to provide only such details on the enrollment card as the date of his birth, his marital status, the number of his children and the name of his beneficiary. The employer was also instructed as to the proper manner of completing the certificate issued to the individual employee. Fullerton's employee testified here that she performed all these tasks under the direction of an agent of the defendant known as a group representative.

THE COURT POINTED out that the most persuasive rationale for adopting the view that an employer acts as the agent of the insurer, is that the employee has no knowledge of or control over the employer's actions.

The court concluded that Fullerton and its employee acting for it were agents of the defendant insurance company in filling out the girl's application and inserting misstatements therein. ■

John W. Giles, attorney at law, is a member of the bar of New York, Chicago and Washington, D.C. He is a former special consultant to the Comptroller General of the U.S., professor of law at Catholic University of America and the University of Kansas, assistant general solicitor for the Chesapeake and Ohio Railroad, and resident attorney for International Minerals and Chemical Corp.

How a stock bonus arrangement can help curb talent piracy

by Joseph S. Robinson
member of the New York Bar

In these days of job switching, companies are constantly on the lookout for new ways to prevent piracy of their top talent. Sometimes the bait takes the form of deferred compensation tied to an agreement which postpones actual payment of part of an executive's salary until he retires. In other instances, a stock bonus arrangement is the friendly persuader.

As we pointed out in *Business Insurance* in April, the executive will get tax deferment on his stock bonus deal only when strings are tied to the stock giveaway. Here, a bonus award may be made to selected employees either in the company's own shares or in stock of a corporation listed on the New York or American Stock Exchanges. While the employee receives the stock immediately and is entitled to dividends, increases in value, and so forth, he cannot sell the stock while the restriction is in force. If he does, he loses the capital gains advantage.

Here's an interesting variation of a stock bonus arrangement instituted by a major corporation. The company limited the restriction to three years, thereby deferring the tax for a like period. The hope is that the stock will register a sharp gain within the allotted time. Then, at the expiration of the three-year period, the executive will pay ordinary income tax only on the value of the stock at the time it was presented to him. The overage (appreciation in value) will be long-term capital gain when the executive ultimately disposes of his stock.

Here's how the company ties up the executive: If the executive changes jobs, enters a competitive business or is discharged for misconduct within the three-year period, the company retains the right to buy back the stock at 50% of its value when originally given to him.

IT'S NOT UNUSUAL for a business to pay relocation expenses of an employee who moves his family from one city to another—either to take on a new assignment for the old company or a new position with another company. In either case, there is no question but that actual direct outlays in connection with the moving is not taxable income to the employee upon reimbursement from the company.

What about other expenditures which a man may incur when he has to make a move—for example, cost of installing rugs and draperies, closing fees on the
Continued on page 25

Continued from page 24

purchase of a new house, and the like. Are such reimbursed outlays to be reported by the employee on his income tax return?

Yes, says the court of claims. These expenses constitute reimbursement of personal outlays. They are not excludable merely because they would not have been incurred but for the employer-directed move. These reimbursements are simply an added inducement to get the employee to make the required move. Even if he sells his old house at a loss, for which he is reimbursed by his company, he must account for it on his tax return. What's more, he cannot take a deduction for any nonreimbursed expenditures or losses. Reason: they're personal. See Ritzer, U.S Ct. of Claims, No. 394-64.

A QUALIFIED PROFIT-SHARING plan may invest "incidental" amounts in life insurance.

In a private ruling, Internal Revenue

says you don't have to confine the insurance choice to ordinary life. You can use some other form of cash value life insurance to split-fund the plan. This opens new avenues of possibilities in selecting combinations of insurance and annuity protection.

When a company sets up a qualified pension plan, it can finance all of the benefits itself or ask its employees to contribute part. This is a matter of company decision.

Internal Revenue recently approved a provision permitting the employer to make extra contributions in any year in place of all or part of the required employee payments to a contributory pension. Such an arrangement does not, of itself, disqualify the plan, says IRS.

Employee benefit managers often refer to other company programs as a guide to planning the amount of their own employees' needs when retirement time rolls around. Here are some other factors that you may consider in your calculations:

- Social Security assistance.
- Reduction in living expenses including work-connected outlays.
- Possible elimination of insurance premiums, personal savings programs and reduction of income taxes.

ALONG THESE LINES, the national accounting firm of Lybrand, Ross Brothers & Montgomery made some studies and came up with figures to show how much is generally required for pensioners in various salary brackets:

Gross Earnings	Expenses Eliminated At Retirement	Social Security (Man and Wife)	Need From Plans Plus Personal Thrift
\$ 4,000	25%	60%	15%
7,000	30	43	27
10,000	34	30	36
15,000	38	20	42
25,000	42	12	46

It would appear from a reading of the chart, that the more a person earned, the more significant were his pension benefits to him—unless he had a substantial nest egg salted away to help him live in retirement in the style to which he was accustomed while employed.

Joseph S. Robinson is a graduate of Fordham Law School and served with several law firms for ten years before joining William J. Casey, a law firm which is an affiliate of Prentice-Hall. While there, he served as senior editor of the Institute for Business Planning. A specialist in taxes and the financial field, Mr. Robinson is currently director of Research Clearing Center, White Plains, N. Y., which provides advisory service to insurance companies and their representatives.

Rules percent deduction ok for annuities

WASHINGTON—An employer purchasing an annuity contract under a salary reduction agreement may make contributions based on a prescribed percentage of the employee's pay rather than a fixed dollar amount. Subsequent adjustments in accord with pay changes will not be considered new salary reduction agreements and disqualify the arrangement for tax purposes, the Internal Revenue Service has ruled.

Under the law, a prescribed percentage of an employee's pay may be contributed by an employer for an annuity and not be considered part of the employee's gross income, as long as the arrangement meets other tests. One of the tests is that the employee cannot make more than one agreement with the same employer during any taxable year.

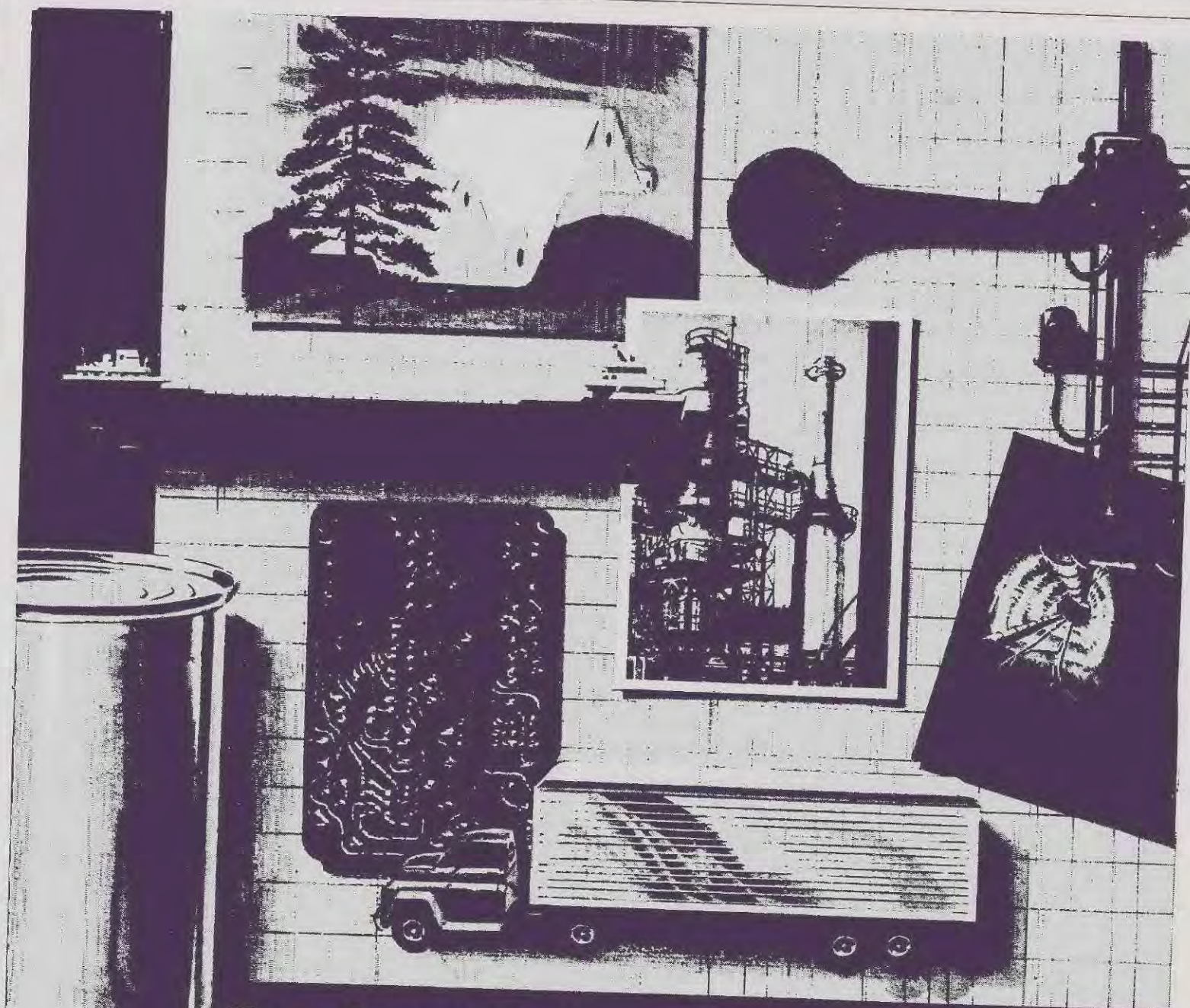
THE IRS pointed out that most annuity purchase arrangements of this type provide that the employer contribute a fixed dollar amount during a particular year. Under this type of arrangement, however, a change in pay will result in the employer contributions being either less than or greater than the maximum amount excludable from the employee's taxable income under the law.

A contribution based on a percentage of an employee's salary, however, allows the employer to contribute the maximum amount which the employee can exclude from gross income.

Any change in the amount of contributions, at the time the employee's salary is changed, will be accomplished solely under the pre-existing agreement, the IRS ruled. The mere change in the amount of employer contributions under the prescribed percentage formula does not constitute the making of a new salary reduction agreement.

Cox named president of marine insurers

Douglas Cox, hull underwriter for the Great American Insurance Co., has been elected president of the American Marine Insurance Forum, New York. Robert Bailey, Chubb & Son, was named vp; Donald Abbott, Atlantic Mutual Insurance Co., is secretary; and Carl Zuanelli, Hartford Fire Insurance Co., is treasurer.



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State chamber seeks to change 'payment of damage' concept

SACRAMENTO, Cal.—Current legislative efforts of the California State Chamber of Commerce in the insurance field will be concentrated on compensation programs.

George Sawyer, director of the chamber's insurance department, outlined objectives during a state-wide meeting of members held here.

"We want to emphasize the concept of total rehabilitation and a return of the injured worker to gainful employment in the shortest possible time," Mr. Sawyer said.

"This, we believe, should be the basic objective of the state's compensation program, moving away from the so-called 'payment of damage' concept."

The chamber, he added, also will support changes in the state compensation law to redistribute benefits and to reassign money which now is paid for "insignificant" disabilities.

THE CHAMBER also will support legislation designed to limit the industry's responsibility for death and disability from degenerative diseases to those "clearly caused by industry."

Legislation also will be sought to eliminate permanent disability ratings and awards for non-

disabling residuals of injuries and for unwarranted subjective complaints.

The chamber, Mr. Sawyer said, hopes to see carried out a pilot study to determine the nature and extent that compensation benefits are supplemented by other employer benefit payments.

ANOTHER objective will be study of legislation providing compensation indemnity payments for established less-than-life pension permanent disability

only when a wage loss is incurred.

"Long range legislative programs should be developed," Mr. Sawyer said, "in measuring benefits to be paid; those disabilities which should and which should not be compensated for in areas such as cancer, emphysema, heart disease and degenerative diseases."

Other 1968 legislative objectives may include the elimination of all permanent disability ratings under 15%, with funds previously paid here transferred to pension payments.

The chamber has indicated it may also seek to amend the Workmen's Compensation Appeals Board rules to require the board to make "explicit findings" on apportionment, including the extent of disability chargeable to nonindustrial factors.

Voluntary auto insurance expanded

TOKYO—The Japanese government has decided to institute a system in April under which Japan's 10,000,000 "paper drivers" (drivers with operators licenses but no cars) can get voluntary automobile accident insurance.

At present, car owners in Japan are legally required to be insured for a minimum of \$8,333 compensation payments, in case of an accident. However, with court awards in accident cases rising in Japan, many owners are taking out additional voluntary insurance for extra protection. But non-car owners are not eligible for this voluntary insurance.

The Automobile Insurance Rates Calculation Committee is now determining what the "paper drivers" insurance premiums should be. They are expected to be higher than for car owners because people who do not drive regularly are regarded as greater risks than those who do. At present, owners of domestic vehicles pay about \$21 a year for \$27,800 insurance coverage.

Although the "price of life" in Japan is still well below Western levels, the committee has figured that Japan's price is rising by \$278 a month. So far, the highest cash award ever granted by a Japanese court for a single death caused by a vehicular accident is \$44,444. To bridge the gap between the government-required minimum and what courts are awarding, many car owners are buying extra insurance.

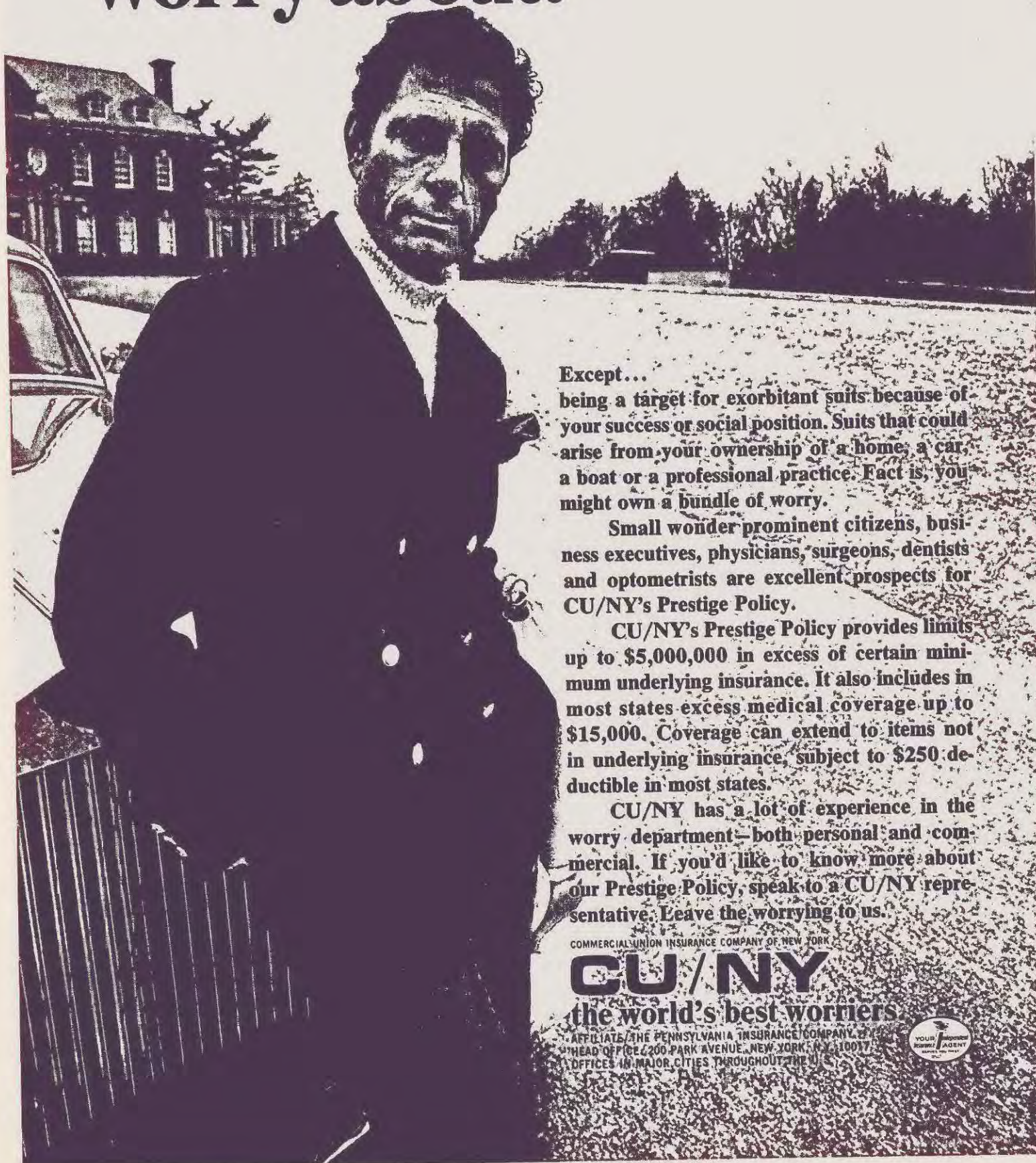
Retirement...

Continued from page 12
union an opportunity to stress the importance of making provisions for survivors. Until the present auto contracts were negotiated in 1967 and early this year, workers had to elect to provide a continuing pension for their surviving spouse. The result was that less than 20% of the workers made the choice. If no election was made, the pension ended when the worker died.

Beginning with the current contracts, however, the worker automatically has a survivor's pension benefit unless he rejects it.

The auto industry early retirement program still retains a strong hint of its original purpose—increasing employment. To keep retired workers off of payrolls, they are restricted to annual incomes of \$1,680, up from \$1,500 in 1967.

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letters

Readers comment on self-insurance column

A response

Continued from page 14
publication does help me to become much more acquainted with the activities of risk managers of other companies. Your publication is particularly focused toward the risk manager and points out the many problems that confront us in providing the best and broadest coverages at the lowest possible premium cost.

I do appreciate your thoughtfulness in sending this publication to me.

R. R. Kelly

Insurance Manager, Beckman Instruments, Inc., Fullerton, Calif.

'Alert us'

To the Editor: I appreciate receiving your newsmagazine *Business Insurance*, and find it most helpful in keeping abreast of the developing problem areas in industry.

In the few short weeks we have been receiving *Business Insurance*, it has alerted us to potential problems which are now currently under investigation.

Marvine C. Bonine

Vice President of Administration, Independent Lock Co., Fitchburg, Mass.

Fraud protection

To the Editor: We would appreciate receiving your approval to distribute the editorial "On Protecting against Frauds" which appeared in the issue of May 6.

We propose to send the editorial to approximately 150 of our continuing clients.

Your cooperation will be greatly appreciated.

F. A. Derfus

Principal Consultant, Risk Management Consultants, New York

Editor's Note: Permission granted.

Continue

To the Editor: We have been receiving *Business Insurance*, and we are very happy to continue to receive it.

In the short time that we have received it, we have found numerous articles of benefit in our operations here at Land O'Lakes.

We would appreciate very much if you would continue to forward it to us.

Palmer M. Larson,

Director of Personnel, Land O'Lakes Creameries Inc., Minneapolis, Minn.

'Informative'

To the Editor: Being relatively new in the field of risk management, I have found your bi-monthly publication especially interesting and informative.

We are not only one of the leaders in the dynamic computer industry, but are also one of the fastest growing computer companies. We also are expanding overseas, both in marketing and manufacturing. Since we are controlling many aspects of our international corporate insurance program, this has made my job a most challenging one.

Although you do cover a variety of subjects, more articles on international corporate insurance management would be of interest, I'm sure, to many of your ardent readers.

Robert E. Abrahamson

Corporate Insurance Department, Control Data Corp., Minneapolis, Minn.

spective rating plan.

Another approach to such a study can be found in an address which I made to the Twin-Cities Chapter of The Institute of Internal Auditors in January of 1964. This approach is to take a \$100,000 "standard" premium risk (for the purpose of that talk I used a Minnesota risk) written on a retrospective plan, and then to break the premium dollar down into each one of its components. Thus each of these separate components is laid open for all to see and it is then relatively easy to determine what areas, if any, can possibly be subject to some saving by self-assumption of the risk. In this context I purposely avoid the use of the phrase "self-insurance" because retrospective rating can be termed an "underwriter man-

aged self-insurance program." This Minnesota premium dollar breakdown is as follows:

1. Pure losses—the amounts actually expended by the underwriter, or placed, temporarily, in reserve by him in satisfying your statutory compensation and medical obligations to your injured employees \$0.656
2. Loss handling—the amount required by the underwriter to investigate claims, defend your position, issue drafts, etc. \$0.092
3. Safety engineering \$0.028
4. Home office and audit expense \$0.036
5. Branch office administration expense \$0.029
6. Premium to guarantee that no loss in Item 1 charged back to you under the retrospective formula will exceed (in this example) \$15,000 \$0.055

7. Premium to guarantee that the whole overall cost of the insurance, no matter how bad the losses may be, will not exceed \$1.51 NIL

8. Payment to agent or broker —(This is popularly known as "acquisition cost" but includes the fee to the broker or agent for all his services throughout the term of the agreement.) \$0.056

9. State taxes—(Paid to Minnesota) \$0.025

10. Profit to underwriters \$0.023 \$1.000

IT IS QUITE obvious that the insurance company, rather than having "about \$41,000 of this premium for costs, other than the payment of losses," has but \$34,400 and of that amount \$9,200 is expended, on the average, in
Continued on page 28

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Creators of Carefree Tomorrows

Vogt's column on self-insurance stirs readers' comment

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handling the \$65,500 in losses.

In that speech I asked my listeners to note that if the losses—their own losses—can be reduced, the cost of satisfying the workmen's compensation obligation will be reduced to the extent that they can gain control of their losses either as a "self-insurer" or in a cooperative effort with their insurance companies and agent or broker. In the State of Minnesota, at the time, under a retrospective rating plan every dollar saved in losses meant \$1.17 saved in premium. Hence, the loss portion of the premium dollar is entirely up to the buyer under a retrospective rating plan. A relatively cursory look at the other elements making up the total workmen's compensation premium cost will demonstrate that there are very few

areas in which the employer can hope to achieve better results than professional underwriters.

A similar breakdown can be done for any of the several states. In New York State, the amount allowable for pure losses drops to .629 because of other special charges (workmen's compensation board assessment and special funds, such as second injury, reopened case and special disability) which insurance underwriters must bear, but which are also charged against "self-insurance."

Mr. Vogt also states that "most of the businesses that have adopted self-insurance" ... noted "improved industrial relations." Presumably, he has some source for this. We are certainly not authorities on that matter, although we recognize its importance. I prefer to say that some

practitioners of "self-insurance" claim that they prefer a situation in which the employer is directly handling the claims relationships with injured employees. Our own experience, on the other hand, indicates that the overwhelming majority of corporate employers wants a minimum of contact with their employees under such circumstances. They wish to be in a position to express genuine sympathy, but to be able to use the insurance underwriter as a buffer against pressures which can, and do, spill over into other areas of labor relations.

Consequently, when Mr. Vogt says "the business which must spend over \$100,000 in premium for its workmen's compensation policy up to \$200,000, cannot afford not to self-insure this risk," it would seem abundantly clear that the premium of which he

speaks has not been arrived at through the use of a carefully designed retrospective rating program. There are, as a matter of fact, a number of studies which indicate that the cost of "self-insurance" in a closely controlled situation are about equal to those which can be expected under a well managed retrospective rating plan. The corporate employer may, under such circumstances, have taken on a sizeable basket of problems without any expectancy of financial betterment. Where, on the other hand, operations are widely spread, the costs of "self-insurance" are almost universally in excess of an underwriter-managed retrospective rating.

David H. Winton

Vice President, Johnson & Higgins, New York

Columnist replies

I appreciated receiving a copy of David H. Winton's recent letter containing his reaction to my column in the April 22 issue of *Business Insurance*. His comments, quite understandably, reflect the attitude and technical language of a highly skilled professional insurance broker.

He is correct—it is my sincere contention that self-insurance of the workmen's compensation risk by a sufficiently large knowledgeable business is "a good thing," self-insurance being the assumption of a known risk that has been identified and accepted.

If the use of the term "manual premium" does not convey an exactly correct technical insurance meaning, "standard premium" will suffice on the theory that "a rose by any other name ..." Quite obviously, Mr. Winton avoids the phrase "self-insurance." He favors "underwriter managed self-insurance." The difference conveyed to me is that self-insurance as a practice is acceptable if underwritten. In implementing the latter term into a system, I picture a business self-administering a workmen's compensation program while paying certain costs popularly known as "acquisition costs" plus other expense items.

By virtue of size of an enterprise in number of employees, the law of large numbers is established, workmen's compensation losses become predictable. Safety programs, safety investigators, and medical services must be maintained even though a business elects to insure its workmen's compensation risk with a carrier or state system. It is less expensive for a business to spend its own dollar than to employ some outside enterprise to spend it for them. It is also self-evident that the predictable cost of workmen's compensation benefits must be earned each year to be available to satisfy these costs. Reserves, which must be established and maintained by the insurance industry in compliance with law, constitute pools of inert business dollars, which business can ill afford.

Enlightened management lays stress on engendering a feeling of "belonging" in employees. When an employee is injured and entitled to workmen's compensation, he wants more than sympathy—he wants money. Where the employer is in a position to issue a check, you will establish a team member.

Mr. Winton's experience is with employers who are insulated from this type of pressure. My day-to-day experience is with employees. I can attest that self-administered, prompt, fair, and equal consideration in handling these claims is a real plus in the labor relations field, in addition to effecting substantial savings of costs other than pure losses.

Carl J. Vogt

Supervisor, Workmen's Compensation General Tire & Rubber Co., Akron, O.

'We'd be delighted'

To the Editor: Regarding *Business Insurance* for April 22, page 19: Who, with over \$100,000 in premiums, is paying a 41% retention? We'd be delighted to write it for about half of that.

Ray Phillips

Phillips Insurance Agency, Los Angeles

Editor's note: Mr. Phillips has
Continued on page 34



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miums are based only on your own safety performance, so the better your record, the lower your net costs can be.* And PEG's experience in loss prevention keeps those safety programs effective and up to date.

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Don't surprise adjusters on interruption losses: King

CHICAGO—Howard C. King, manager of the fire division of the western department of the General Adjustment Bureau, advised members of the Chicago chapter of the American Society of Insurance Management that they pull "no big surprises" on adjusters attempting to appraise their business interruption losses.

"We approach each loss under assumption that the insured doesn't want to be out of business and that he wants to work with us to get back on the track," Mr. King said.

Some ways to accomplish this objective are the willingness to make prompt repairs; the consideration of substitute quarters after measuring prospective sales in a new location, and considering the rental of equipment to put the interrupted business back on its feet.

TWO PROBLEM areas of business interruption losses cited

'Fact' libel...

Continued from page 1

writing sentences. He also said that favorable matter was trimmed away in favor of an isolated quotation used out of context.

IN CHARGING the jury, Judge Harold R. Tyler Jr. said any finding against the defendants would have to be based on actual malice, meaning that they had knowingly published false statements or had been reckless in not caring whether these statements were true or false.

He further told the jury that failure by the defendants to investigate the truth or falsity of source material would not in itself constitute recklessness nor would the deletion of favorable material. But the jury was to go further and determine if the failure to investigate was justified.

Mr. Goldwater described Fact's issue probing his psychological fitness to be president as "probably the most dangerous precedent for libel that we've had in American politics."

THE FACT ISSUE contained comments from psychiatrists across the country as to Mr. Goldwater's psychological fitness. A number of the letters were printed with doctors' names; others appeared "name withheld" or "anonymous."

During the trial, Mr. Goldwater testified, "I cannot understand how any man in medicine can make a diagnosis of someone he has never seen. It's another shocking example of the irresponsibility of some doctors."

After the verdict was returned, Mr. Ginzburg said it would make the 1968 Presidential campaign "probably the most inhibited in American history."

THE PUBLISHER plans to appeal the decision because "the question is whether a man can still get up on a soapbox and speak his mind about a Presidential candidate without fear of being dragged off in manacles or wiped out financially."

Mr. Ginzburg is also appealing a 1963 action for sending "obscene matter" through the mail. He was then sentenced to five years and fined \$42,000.

Airline...

Continued from page 1

baggage, cargo, mail, third party liability and even auto liability, which in European countries is often covered under aircraft liability policies. Products liability has also been mentioned as a possible covered risk.

Also, the question of reinsurance and deductibles arose. Impetus for the captive is the realization that the airlines, with the coming of jumbo jets, will be faced with mammoth hull and liability exposures. It's estimated that payments following a mid-air collision between two jumbo jets could total \$150,000,000—enough to bankrupt any single insurer and severely strain the capacity of such groups as the U.S. Aviation Insurance Group and Associate Aviation Underwriters.

Ocean container liability rate still unsolved; renew bargaining

WASHINGTON — Insurers, shipowners and shippers went back to the bargaining tables again last week after they had supposedly reached a satisfactory formula for increasing ocean cargo liability limits.

The remaining issue: How to treat cargo shipped in containers.

The U.S. State Department reached an accord with all three parties last February to raise liability limits on cargo from \$500 a package to \$662 a package or 90 cents a pound, whichever is greater.

The proposal, which was also agreed to by an international group attending a diplomatic conference in Brussels, is subject to approval by each country's government. In the U.S. the Senate will vote on the proposal

with final approval needed by the President.

In essence, what the shipowners want is to avoid an unlimited exposure which can be averted through an agreement with the shippers on the package concept.

Insurers argue that any such two-party agreements reduces the insurers' chances of seeking adequate third party retribution from the shipowners if a loss occurs to its insured shippers' cargo.

J & H opens in Japan

NEW YORK—Johnson & Higgins has opened Johnson & Higgins of Japan Kabushiki Kaisha, Tokyo. George Rainoff has been appointed resident director. The broker now has 37 offices.



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Charlie Brown is fishing because the plant where he works is closed. An electrical fire destroyed the controls of the automated production line.

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Bill may hurt private pensions

SAN FRANCISCO—Adoption of the Labor department's pension bill could "weaken private pensions by discouraging the adoption of plans for more than 25,000,000 workers not now covered," an insurance executive has warned.

On the other hand, said Malcolm MacKinnon, executive general manager, group annuity department, Prudential Insurance Co. of America, Newark, "the administration proposals are not as extreme as some that have been heard."

Speaking at a National Industrial Conference Board session, he said that it can be argued that well-conceived legislation in this area will strengthen private pensions because it will help to insure that pension expectations are fulfilled.

Mr. MacKinnon contended

that in the absence of such legislation, the termination of large pension plans could result in loss of anticipated benefits for many employees and generate demand for the replacement of private pension plans by a greatly expanded Social Security system.

The Labor department's bill calls for vesting benefits for employees who terminate their employment after 10 years, funding of these vested benefits over a 25-year period and protecting vested benefits against termination of plans.

The crucial question, he said, with regard to any specific piece of legislation, is whether or not its advantages in improving the security of pension expectations are sufficient to outweigh the restraints it imposes on flexibility and the administrative burdens it involves.

"Enactment of the administration proposals would restrict the flexibility now permitted in the design of private pension plans," he warned.

"Moreover," he said, "unless the administrative procedures for enforcing them are exceptionally well designed they will lead to a heavy burden of paper work for employers and plan administrators."

MAPI elects Robertson to insurance council

William G. Robertson, manager of insurance for Combustion Engineers Inc., Windsor, Conn., has been elected chairman of the Machinery & Allied Products Institute's insurance council.

McCormick...

Continued from page 2

mental, Continental National American Group, Aetna, and U.S.F.&G. have been asked to submit engineering recommendations for fire safety equipment for the building.

The board is understood to be looking for a single primary carrier, not several carriers as were involved in the settlement of the fire.

GUST K. Newberg Construction Co. and Paschen Contractors Inc. have been awarded a joint bid of \$57,624,000 for general construction work on the new project. Final plans, including safety equipment, still have to be approved by the architect, C. F. Murphy & Associates, and the MFEA.

The recommendations by the carriers and a special committee headed by Prof. Rolf Jensen of the Illinois Institute of Technology will be drawn upon for final plans.

It is understood that the building will be fully sprinklered with a fire alarm station and other fire detection equipment in the building.

This is the first wrap-up for Near North, a firm headed by George F. Dunne, a Cook County commissioner and Democratic ward committeeman. It is understood that Marsh & McLennan also worked on a preliminary proposal for the wrap-up. Marsh and McLennan had some of the McCormick Place business before the fire.

Edward J. Lee, general manager for McCormick Place, said the board picked Near North because "its quotation was the most practical and economical." It is also understood that the board picked Near North because it lost \$50,000 in contingent overrides because of the fire.

"OUR POLITICAL ties helped us in the door," according to Michael Segal, member of the Near North firm, "but we had to prove to the board that we could handle the project and do it better than others interested in the business.

"The board and Mr. Lee were particularly sensitive to insurance matters because of the fire

and examined the policy contract word-by-word. I think the terms of this wrap-up show that a small broker can put together an impressive package."

The carrier will prepare monthly safety and claims reports for the MFEA and contractors. The broker will prepare a "hot line" wallet card for workers, listing a telephone number for claims information.

Mr. Segal said that Near North would not receive less than a normal broker's commission on the wrap-up, due to premium size and because the carrier will pay for on-site services.

Suez...

Continued from page 2

ing to a U.S. insurance source.

Mr. King pointed out that the U.S. insurance market writes billions of dollars in war risk cargo coverage each month and it was just a matter of "luck" that losses in the Suez were not higher.

Rates for war risk cover are comparatively low, averaging about 5¢ per \$100 for most normal risks, according to Mr. King.

FOR SHIPMENTS bound for Viet Nam he pointed out that rates can go as high as \$1 per \$100, although even this is low compared to World War II when rates reached as much as \$30 per \$100.

Most war risk policies, which are written separately from marine policies, do not cover "delay," said Mr. King. Perils normally covered include bombing and seizure of a vessel.

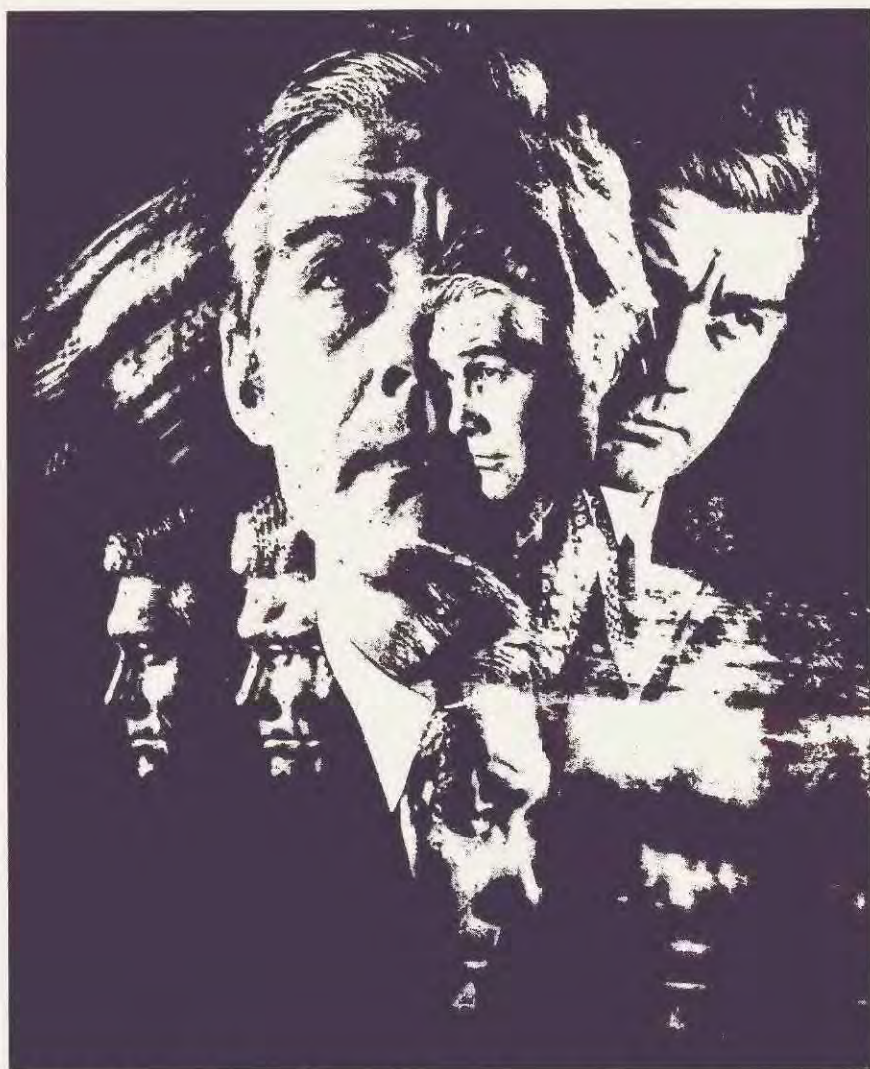
Mr. King maintained that ten years of underwriting profit in war risk insurance could be wiped out by one loss. For example, he said the surveillance ship sunk by the Israelis last year could have been a freighter loaded with millions of dollars worth of cargo.

"There have not been too many losses," he said, "which is one reason why the rates are not very high."

Town awards

Clifford R. Vermilya, town manager of Newington, Conn., has awarded five sections of a seven-phase insurance policy to the Hartford Insurance Group.

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Fifty-three attend West Coast ASIM seminar

SAN FRANCISCO—John Brooks, of the Fluor Corp., will serve as chairman of the 1969 West Coast regional seminar of the American Society of Insurance Management.

Next year's seminar, to be hosted by the Southern California Chapter of ASIM, will be held in either the Palm Springs or the San Diego area on a date to be announced.

Final selection of the meeting site will be left to a committee consisting of chapter presidents. Choice of the two possible

meeting areas was the final action of 53 registered delegates to the three-day 1968 seminar held here at the Hilton Hotel, with ASIM's Northern California chapter serving as hosts and R. W. apHugh, insurance manager, Foremost-McKesson Inc., as host president.

The three full days of meetings covered the entire spectrum of insurance, with A. J. Trimble, manager of insurance, FMC Corp., San Jose, as the seminar chairman.

The session devoted to insurance department management was conducted by W. D. Woodward, assistant corporate insurance manager, the Boeing Co., Seattle, and J. E. Hall, manager, insurance and employee benefits

department, Crown Zellerbach Canada, Ltd.

Mr. Woodward and Mr. Hall presided over a detailed analysis of the basic functions and responsibilities of the risk manager.

Major areas of analysis covered risks, handling of losses and claims, and the role of the risk manager in corporate planning as well as the insurance department's place in employee benefits programs.

The seminar session on self-insurance, deductibles and selection of the proper levels for each was conducted by chairman J. M. Degnon, corporate insurance manager, the Garrett Corp., and co-chairman J. A. McEachern, insurance and employee benefits administrator, Hills Bros. Coffee,

Inc., San Francisco.

Participants agreed the major problem in this area consists of convincing management of the merits of self-insurance and the advantages of first dollar insurance.

Considerable discussion was devoted to retrospective plans versus pure self-insurance or deductibles, as well as to problems involved in self-insuring workmen's compensation and the mechanics of claims handling under self-insurance plans.

One session was devoted to a double theme: how to broaden insurance programs, and how to cut insurance costs. This was chaired by M. S. Seaney, assistant insurance manager, Crown Zellerbach Corp., with co-chair-

man D. J. Rader, insurance manager, Foss Launch & Tug Co.

Delegates attending this session evidenced great concern over product risks. Major conclusion was that "it is better to have safe plant protection than to rely on insurance."

It also was agreed that "the English market is gone or fast going and a great opportunity exists for American insurance companies to step in and do the job of protecting against product risks."

The costs of insurance can be "substantially reduced" this session concluded by "a substantial increase in deductibles" as well as by loss prevention and use of "package policies" when available.

Drug claims...

Continued from page 3

chief damage, workmen's compensation and owner-tenant liability to \$300,000.

"We used to go around getting each of these different policies from a different source, thinking the savings would justify it," Mr. Maxson said. "Now we find it's more economical and time saving to turn the entire matter over to one agent and let him do the placement for us."

The company also carries accident and health for its 25 employees through the Aetna package, Maxson says.

With the employee profit-sharing program, there is little turnover in the company's personnel. Through the profit-sharing trust, all employees then have a voice in management and operation of the company, Mr. Maxson said. ■

Walter...

Continued from page 6

ble within the framework of the master policy written by Aetna Life & Casualty. Here there is what he calls "a favorable retention program," in which Aetna holds percentage points of the premiums against claims. He said this ultimately results in a saving of premiums.

"AS NEW COMPANIES are brought within the sphere of the parent corporation," he explained, "we bring them under the same plan. Occasionally, a new subsidiary might have a program with benefits exceeding those of our group policies. In those cases we have to make special arrangements to see that benefits in that company are not downgraded."

About consolidation, Mr. Harvey said his office constantly seeks to increase it, reducing coverage to a minimum number of basic policies.

"IT WOULD BE extremely difficult if we had a thousand places to go for coverage," he declares. "We may never be able to consolidate everything as much as we'd like. We keep trying, though."

Mr. Harvey believes there is a distinct advantage to being in the insurance business while concerning himself with the buyer's interest as well.

"We can thus take a double look at coverage and interests of all concerned. We can see viewpoints of both buyers and sellers. Being on the inside of both parties, we then know if we're being 'taken'. We simply keep the company's overall interest foremost, and that includes the agency interest as a subsidiary, as well as the buyer interest of other subsidiaries," he added. ■



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Albertson's supermarket chain plans to step up safety with trophy contest

BOISE, Idaho—Albertson's Inc., operators of more than 200 supermarkets in nine western states, has begun a new safety program with a traveling trophy competition among its eight districts.

The competition is based on a ratio of accident claims to store customer count, workmen's compensation claims per store and fire accidents, according to R. L. Renk, Albertson's insurance manager.

The safety program will be reinforced with a one-day seminar for store managers held in district offices by Albertson's training supervisor, the district manager and a safety engineer from the company's workmen's compensation carrier in California.

Firemen's Fund will assume the remainder of Albertson's workmen's compensation risk next year, Mr. Renk told *Business Insurance*.

Albertson's fire risks are carried by the Factory Mutuals System. Both carriers make two annual inspections of each store, including taking pictures of hazardous conditions, as they are found.

MR. RENK SAID that all stores built in the last eight years by the company have sprinkler systems. He said the company also installs sprinklers in existing stores which the company acquires, if lease agreements and other considerations warrant it. The store level safety pro-

gram includes a monthly inspection by the assistant manager and three department heads based on a check-off list sent out by the general office. The reports are filed with the district and general offices.

Mr. Renk said store managers are expected to perform house-keeping tasks and additional heavy work is performed by the company's maintenance division.

The company safety steering committee is headed by an executive vp, and Mr. Renk is a member of the safety committee. The first winner of the trophy was the Spokane, Wash. district. The trophy will become the permanent possession of the district winning it the most often in five years.



The Washington district manager of Albertson's Inc., Pat O'Keefe (left) accepts a traveling safety trophy from J. L. Scott, president of the company which operates more than 200 supermarkets in nine western states. The trophy was based on a safety competition in the company's stores.

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example...

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Pension, death benefits given

NEW YORK—Insured pension plans paid out \$825,000,000 in 1967, up 12% from the previous year, according to the Institute of Life Insurance. The figure was about two-thirds of all annuity benefits.

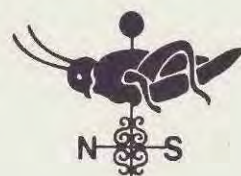
About 870,000 retired workers were receiving benefit payments under all types of insured pen-

sion plans at the start of 1967, the institute said, up from about 790,000 a year earlier.

The institute also reported that death payments under group life policies totaled \$2.1 billion in 1967, up 11% over the previous year. Overall, life insurers paid out \$5.7 billion in death benefits.

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Senate aide disputes 'low profit' claim advanced by Little study

WASHINGTON—An industry sponsored report on the alleged low profit of property and liability companies points to "gross inefficiencies in the insurance system, not poor profit structure," according to Dean Sharp, assistant counsel for the Senate subcommittee on anti-trust and monopoly.

Mr. Sharp took issue with a study by Arthur D. Little Inc.

which said that the rate of return for property and liability insurers in the year studied was 4.4%. He said he quarreled with the definitions used for the numerator and denominator which determined the profit ratio.

The Little report admits that there is no universally accepted method of determining rates, ownership of premiums, or profitability. The report attempts to

define new guidelines.

THE SENATE subcommittee, Mr. Sharp said, has sent out questionnaires to 55 insurance company groups, state insurance departments and several rating bureaus in an attempt to build up statistical data for a hearing by Sen. Philip Hart (D., Mich.) in June. Mr. Sharp said the study of the insurance industry may take several years to complete.

The June hearings will be held in addition to a \$2,000,000 study on automobile insurance by the Department of Transportation. This study has the support of several insurance industry groups.

Mr. Sharp contends that over-

all profit for insurance companies is more like 9%.

"INDEED, the Little report points out that companies are not earning as much as they could due to waste and inefficiency," he charged. "A careful reading of the report makes it clear that merely increasing rates is not the answer."

Mr. Sharp also attacked another insurance industry contention. "I don't think the rate and commission system should be placed above the public interest in regard to group marketing," he said.

Finally, Mr. Sharp said he favored a dual system of regulation of insurance, state and federal—that would carefully eliminate overlapping responsibilities. The system would take into account the separate insurance buying problems of the "sophisticated" corporate buyer and individual policyholders.

"The man in the street," he said, "is a poor slob who often doesn't know what he is buying, but is forced to buy something. These fellows need protection and often are not getting it at the state level."

State regulators treat the corporate buyer without taking his special needs into account, he said.

He said he has been dismayed that there has been no expression from the consumer public or the corporate buyer about industry conditions. He said that this does not mean that these people are satisfied with the product, however.

Survey states, seek funds for legal insurance experiment

CHICAGO—A special committee studying prepaid legal insurance made a preliminary report to the American Bar Assn. earlier this month saying it had written all state insurance departments and more than 100 bar associations to compile information on the proposal.

In February the ABA house of delegates authorized the study of an experiment in prepaid legal insurance. Charles L. Goldberg, Milwaukee, made the preliminary report to the board.

"Prepaid legal insurance can't be a copy of medical insurance," Mr. Goldberg said. "Our study must first determine how the experiment will be funded, what will be covered and a group to carry it out."

AN ABA spokesman indicated that a group of between 1,000 and 2,000, such as a union, with "typical legal needs" is being sought.

State insurance departments are being asked whether such a program would be legal in their jurisdictions and what amendments might be necessary to existing law.

F. William McCalpin, St. Louis, chairman of an ABA special committee on availability of legal services, said his group recommended the experiment because many middle-income people are afraid to consult a lawyer because fees are thought to be

too expensive for them.

Under the original proposal, for an annual premium of about \$50 attorney fees for such things as adoptions, bankruptcies, wills and traffic cases would be covered.

THE EXPERIMENT would be conducted for three or four years, according to the original proposal. The study group will recommend where the experiment should be held and the extent of legal needs to be covered, the ABA spokesman said.

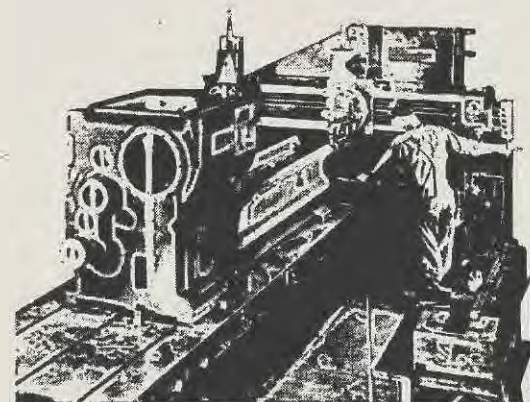
Other possible covered legal services would be real estate transactions, taxpayer audits and divorces, but some lawyers feel these might be too expensive to be covered. The policy might also have a "legal catastrophe" clause, such as a criminal charge or a serious lawsuit.

Some unions are said to be interested in having legal cost insurance added to their contracts as a fringe benefit. It is understood that several insurance companies have offered to administer the experiment.

Larios named

Donald A. Larios is new manager of the inland marine department for Oregon Automobile Insurance Co., according to Jack J. Wright, assistant vp in charge of the Portland-based firm's fire department.

compare



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Sound, Dependable Insurance



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Vogt response

Continued from page 28

reference to a paragraph in Carl J. Vogt's column which reads:

"Using an arbitrary measuring stick of a risk that develops a manual premium of \$100,000, let's break down the allocation of cost. A stock insurance company would allocate about \$41,000 of this premium for costs, other than the payment of losses. These costs would be acquisition, service, taxes, reserves and profit. Only \$59,000 would pay claims of injured employees."

All the facts

To the Editor: We read with considerable interest Carl J. Vogt's article "Should your corporation self-insure its workmen's compensation" in your April 22, 1968 edition of *Business*

Insurance.

As one of the largest stock company writers of workmen's compensation insurance, we are naturally concerned with the recommendations and guidance offered by Mr. Vogt to those who may now be our customers or potential customers. We recognize that a number of giant corporations operate what appear to be successful self-insurance programs.

Since the same operations cannot simultaneously be both insured and self-insured, it is impossible to measure precisely the relative net costs and net worth of the two systems. Mr. Vogt rightfully implies that each employer must make his own evaluation as respects his operations and cites a number of aspects to be studied in the pro and con consideration of self-insurance in lieu of insurance.

We are deeply disturbed, however, when Mr. Vogt's guidance

becomes misguidance through clear misstatement and overstatement of fact. Specifically, we refer to that paragraph which begins:

Using an arbitrary measuring stick of a risk that develops a manual premium of \$100,000, let's break down the allocation of costs. A stock insurance company would allocate about \$41,000 of this premium for costs, other than the payment of losses."

Mr. Vogt has here committed an error that is most common and frequent among those who are not knowledgeable in the total scheme of workmen's compensation insurance. He has divided a premium of \$100,000 into its two basic components by the approximate ratios underlying most manual classification rates.

The classification rate is essentially a unit cost of insurance per \$100 of payroll. The employer

developing \$100,000 of manual premium is, in effect, purchasing many units of insurance, and following a most common business practice, he is therefore entitled to a reduction in average unit cost. In workmen's compensation insurance this reduction is accomplished by a mandatory table of premium discounts applicable in all but two of the forty-five states where private carriers are permitted to write workmen's compensation insurance.

For a premium of \$100,000, the discount would be approximately 14%, such discount being derived entirely from the expense portion of the premium. His net cost would therefore be \$86,000, of which \$27,000, not \$41,000, is the approximate provision for expense, including all costs for processing claims.

If the employer should elect one of the optional retrospective rating plans in lieu of premium discount, the same expense reduction would be built into the factors of his plan.

The remaining \$59,000 is the average provision for payment of losses and is not by any means a limitation on what the carrier might actually pay, as might be implied from Vogt's statement on claim payments.

In the same paragraph Mr.

Vogt mentions the "considerable profit" which the insurance companies realize from investing their reserves. Very briefly, we would point out:

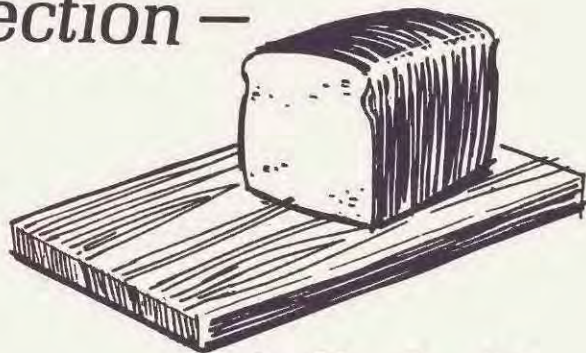
- About one third of compensation losses are medical costs which are paid as rapidly as they arise;
- The great majority of indemnity losses are of only a few weeks' duration and reserve investment can hardly be significant for such a short period;
- Reserves on long term cases are discounted to reflect investment income, and therefore the income is used to pay the claims;
- Risks of \$100,000 premium size generally pay their premiums in monthly instalments and the insurance company is continually incurring much of its costs before collecting its premiums.

We could dwell at length upon the many ramifications of insurance versus self-insurance, but will conclude only by suggesting that Mr. Vogt's readers first fully inform themselves on the total pricing system of workmen's compensation insurance through private carriers before attempting to evaluate any alternatives.

F. J. Hope,

Actuary, Hartford Insurance Group,
Hartford, Conn.

Basic automobile insurance protection —



half a loaf?

Yes, "basic automobile insurance protection"* will be "half a loaf" — because many claims will exceed the ceilings of its modest limits.

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a must for the prudent driver who realizes that basic protection is not, cannot be, a complete remedy. Boit, Dalton & Church's stand is that when basic automobile insurance protection becomes a reality you will need additional insurance. We will be ready, as we have been for one hundred and three years. Perhaps you will let us help.

Whether you are a protagonist, antagonist or simply wish to be better informed about basic protection you are welcome to call or write for a study of the subject prepared by B. D. & C. Director Ellis H. Carson.

*"Basic automobile insurance protection" contemplates, within modest limits, prompt compensation for accident victims without proof of fault.



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Pre-paid medical insurance proposed for Medi-Cal plan

SAN FRANCISCO—A statewide system of pre-paid medical insurance has been proposed here by California doctors as a method of financing the Medi-Cal program.

The system would cover the 1,500,000 people who now receive health care as indigents or near indigents.

The California Physicians Service, which runs the Blue Shield Plan and acts as fiscal agent for the state in processing Medi-Cal claims, said it would be "glad to operate the pre-payment program."

SPENCER WILLIAMS, Gov. Ronald Reagan's health and welfare director, said "the state is firmly committed to the pre-payment insurance concept."

The proposal came during the 97th annual meeting here of the California Medical Assn. A resolution before the house of delegates calls for Blue Shield Plan to develop a statewide pre-payment program covering all physicians under Medi-Cal.

Mr. Williams said the present Medi-Cal system of reimbursing doctors through Blue Shield "is cumbersome and inadequate, and there should be large scale trial of a pre-payment insurance system with Blue Cross officials."

Whittle joins broker

The insurance brokerage firm of Welch & Smith, Seattle, Wash., has announced the addition of Brooks K. Whittle as a principal.



are some risk managers better managers?

We think so. These are the managers who are constantly improving their company program... simplifying... innovating... obtaining more real protection, yet doing it economically.

The formula of success for many of these alert insurance managers has included an objective study by Corporate Policyholders Counsel, Inc. We aren't a market, nor are we producers. We are a group of professional insurance specialists who are well qualified to augment a company insurance staff... provide recommendations on questions that relate to insurance... and to see that these approved recommendations are successfully carried out.

Is it possible we could help you achieve better insurance management? Let's talk it over. Corporate Policyholders Counsel, Inc., 20 N. Wacker Drive, Chicago 60606, Phone Area 312/FR 2-8225.

Send for Brochure CP-68



CORPORATE POLICYHOLDERS COUNSEL, INC.

American tragedy.

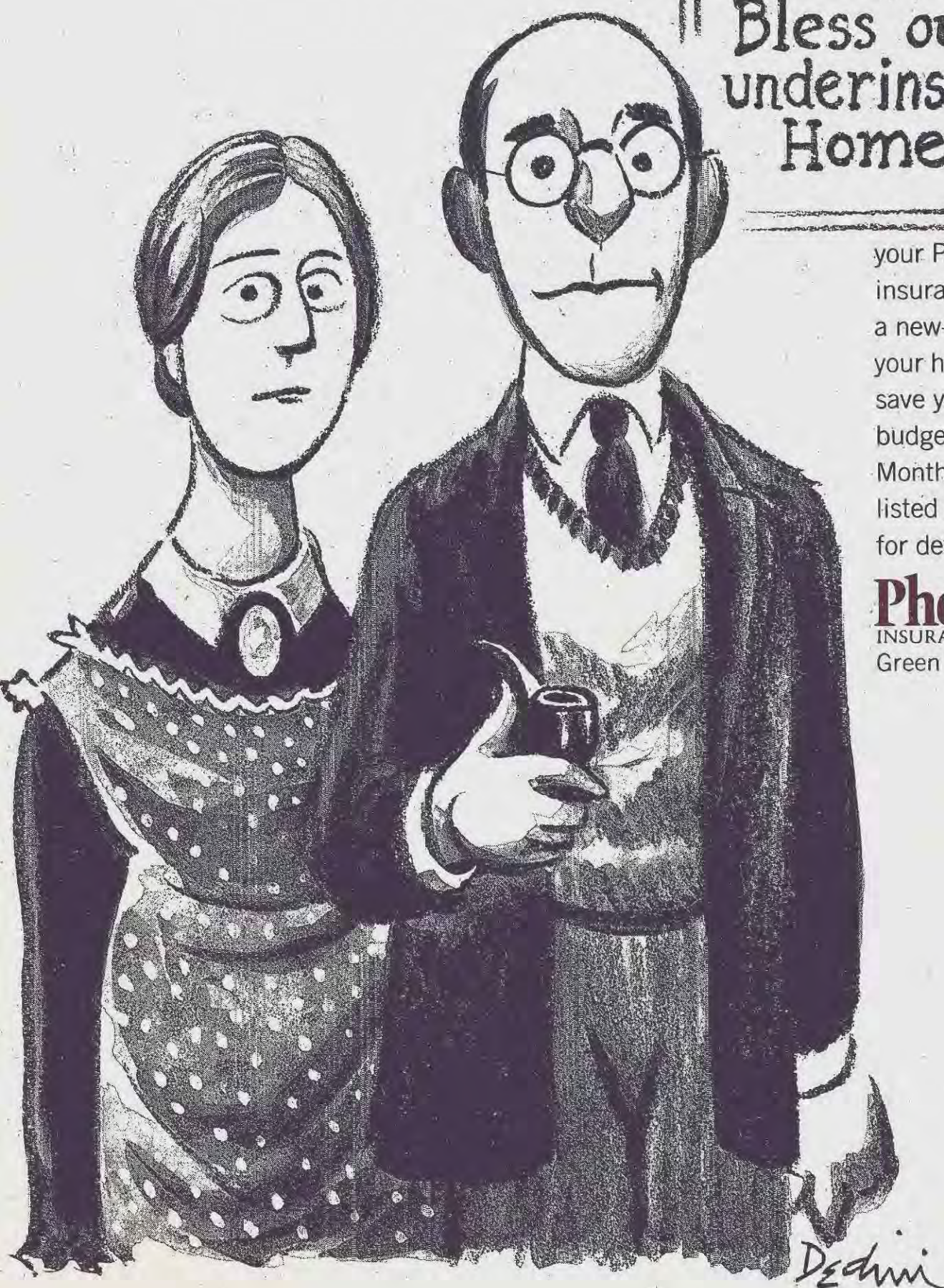
Right now, at least 55% of insured American homes are underinsured. So when fire strikes – or storm, explosion or lawsuit – the result is often financial disaster.

Tragically, many victims think that the insurance they purchased five or ten years ago will fully protect them today. They've forgotten how fast today's property values have climbed.

**Bless our
underinsured
Home**

If you're playing a role in this tragedy, talk with your Phoenix agent about Phoenix Green Light insurance coverage that provides payments on a new-for-old basis. He'll help you make sure your home is adequately insured – and probably save you money, too. Ask him how you can budget your premiums with the Phoenix Monthly Payment Plan. Your Phoenix agent is listed in the Yellow Pages. Or write us direct for details.

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Green Light insurance: it helps keep you going





Pardon us, Sir...

Sure, it's getting tougher and tougher running a big business. But don't jump until we tell you about help in one area at least. Insurance. We've developed a new concept called All Risk Management that helps you *manage* risk, not just buy protection against it. It frees up assets for profitable use elsewhere in the business, speeds production flow,

helps ease the profit squeeze. It helps us work with you the way we like best — advising you on solutions for your insurance problems. And we have a whole team of all-lines, insurance professionals to do the job. Things are looking brighter already, aren't they? Now why not come down to earth and let us tell you more about it? We're listed in the Yellow Pages.

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