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Sure, you have insurance problems. But would you trade places with Ringling Bros.' assistant controller Bud Cook? He faces elephants that sit on Volkswagens and fighting tigers and lions every morning. See story on page 3.

Aluminum workers top can pact's pensions, vacations

NEW YORK—Three major aluminum companies signed new three-year labor contracts on Memorial Day that are equal to the March 27 wage settlements in the can making industry and go well beyond the can pact in such areas as pensions and vacations.

The producers, Aluminum Co. of America, Kaiser Aluminum and Chemical Corp. and Reynolds Metals Co., reached agreements with the United Steelworkers of America and the Aluminum Workers International Union here just before the old contracts were to have expired.

The most significant single boost was the companies' agreement to raise the basic monthly pension benefit payment to $9 from $6.50, which is greater by 50 cents than the increase won in the can pact. The $9 figure, multiplied by a worker's years of service, sets his monthly pension.

THE STEELWORKERS' press release called this "the highest industrial pension benefit now in existence."

Because of over-all increases in several employe benefit areas some union spokesmen said the total cost of the whole settlement would be "much greater" than that of the can industry pact.

According to Pat Fagan, a union spokesman contacted at the steelworkers' Pittsburgh office, the aluminum pact goes beyond the can agreement in the following areas of employe benefits:

- Convalescent nursing home benefits are to be paid on the same basis as in-patient hospital benefits, thus eliminating a former 20% employe payment or deductible for such care.
- A $1,000 annual limit on mental care coverage is to be eliminated.
- The one-visit limit on an in-patient consultation benefit is to be eliminated.
- Coverage is included for sterilization procedures.
- Coverage for emergency accident care is extended to treatment in a physician's office as well as in a hospital.
- A surviving spouse, either widow or widower, is to receive the same medical coverage and

Continued on page 2

Success of N.Y. open rating law is hanging in balance, says Schenck

NEW YORK—The success or failure of open rating, which is mid-way through a four-year trial period in New York state, will depend not on how it opens up commercial insurance markets but in how it makes personal lines coverages more available for a reasonable price, according to Benjamin R. Schenck, superintendent of insurance. And, although the New York regulator did not say so in as many words, he indicated that if open rating were to be dissected right now its future would likely be bleak.

Mr. Schenck made the observations before the New York chapter of the American Society of Insurance Management. At the same time he also reiterated his position on holding commercial motor vehicles strictly liable under the no-fault insurance plan favored by his department and New York's Gov. Nelson A. Rockefeller.

(Generally speaking, corporate insurance consumers strongly favor open competition rating laws because they introduce the element of negotiation into some insurance coverages. Better managed risks, therefore, usually enjoy rate breaks under such laws. The law passed in New York was openly supported and indeed pushed by ASIM members here.)

Noting that he was "resisting the temptation to assess" the open rating law here because it would be "premature" to make any judgments at this time, Mr. Schenck did say insurance circumstances in the past year or so here certainly indicate the law will be judged on its responsiveness to personal lines coverages and not commercial coverages ASIM members are involved with.

"AT THIS POINT," the superintendent told a luncheon at the Commodore Hotel, "it is not possible to point to any sizeable changes or improvements under the (open rating) law.

"In New York City, however, and in the area of personal lines coverages, I think it is fair to say that the availability of insurance has worsened in the past year or so" the insurance regulator said.

Mr. Schenck, however, emphasized that he does not necessarily relate the two and noted that "the stock and bond markets have had something to do with market availability" and that "strains in the distribution system," particularly between agents and insurance companies, have also taken their toll.

"There are two truths about public attitude," Mr. Schenck said of insurance markets. "One is that people are interested in results, not explanations. This is especially true in personal lines. The second is that when people are not happy with results they usually focus their dissatisfaction on the price they are being charged.

"IT'S FAIR TO conclude," he went on, "that it is entirely possible the open rating law may be judged by extraneous factors. If we find the markets can make a quality product available," he added, noting that quality and availability are the two most important considerations in the success of open competition, "then I think you will be able to conclude that open rating is good. If you don't have quality and you don't have availability then the conclusion will be the reverse."

Nevertheless, Mr. Schenck said,

Continued on page 2

Bombed money covered

NEW YORK—Insurance coverage on a guard service, whose rented car was mysteriously blown apart and burned by a time bomb while transporting four armed guards and $60,000 to Kennedy International Airport late last month, is written by Lloyd's of London, *Business Insurance* has learned.

The company responsible for delivering the money, Tracelarm Inc. and the employer of all four men, reported that coverage was provided by the London insurer. "We have an all-risk policy with Lloyd's," said Frank McIntyre, general manager of the firm. "There is a $10,000 deductible on it."

He pointed out that "some $28,000 or $29,000" had been salvaged and was in the hands of the police. The remainder of the money was either destroyed in the explosion and resulting fire or blown away.

THREE OF THE four men in the car, which had been rented from Kenney Rental Cars, were treated for shock, burns and bruises and released from the hospital. The fourth man, who was sitting directly on top of the bomb when it exploded, remained in the hospital with more extensive injuries.

Mr. McIntyre said that the police had theories in the case but that nothing concrete had been developed. He, personally, did not feel that robbery was the motive. "There is no way a robber could have known which car our driver would rent," he noted.

He also pointed out that "the liability remains to be seen. There could be litigation in this case."

After picking up the car, the driver left it alone for about five minutes in front of the firm's headquarters while he went inside for the money and the other guards. The money, which belonged to United Air Lines, was to have been delivered to the air carrier's terminal. ■

special 1971 safety and security report

LAST WEEK the federal government published safety and health regulations for workplaces that ran to 1,750 manuscript pages as a first step in implementing the Occupational Safety and Health Act. It will take many months for employers and employes to interpret and understand these regulations, but some meaningful preliminary comments on the act and its impact are highlighted in a special 1971 safety and security report on Pages 29-60 of this issue of *Business Insurance*. Other features cover fire safety, new security devices, the risk manager's role in loss prevention and other safety-security topics of interest to corporate executives.

Schenck . . .

Continued from page 1

it is probable that the fate of open rating lies with personal lines.

It may even, he observed, "depend on how hard it is for people to obtain personal lines coverage in New York City."

Asked what his department is doing in the area of mass marketing, which could conceivably "solve some of the problems" he was speaking of, the superintendent commented:

"The department thinks that mass marketing is a legal way of selling insurance. . . . We are trying to create the legal framework that will channel it in the right direction," he said, "but beyond that we have to sort of sit back."

NOTING THAT LAST year there was an attempt by insurance agent-interest groups to "put undue restrictions on mass marketing," Mr. Schenck pointed out that Gov. Rockefeller had vetoed that attempt and that the governor's sentiments had not changed since.

Speaking about strict liability for commercial vehicles under the no-fault measure that he and former New York Insurance Supt. Richard Stewart wrote, which was submitted by the governor to the legislature (where it seems hopelessly bogged down at the moment), Mr. Schenck said that his feelings had not changed on the subject.

"Yes, we still favor strict liability for commercial vehicles. But that aspect is not really fundamental to the total concept of no-fault," he said. Just as Mr. Stewart before him, Mr. Schenck said he would be willing to withdraw that provision if that would accomplish passage of a good no-fault law.

Understandably, the New York regulator has not wavered on the subject of state versus federal regulation of insurance, or on the subject of federal no-fault standards.

"As long as you have state regulation you always have the possibility of federal regulation," he said, using an argument of his predecessor.

"IF PEOPLE are unhappy with state regulation they always have the option of going to Washington," he said, dubbing that possibility a "protective monopolistic" form of regulation. State regulation, he asserted, creates a "great opportunity to experiment and let systems compete with each other."

An example of this, he noted, is open rating. "I think federal prior approval would have been established" by now if the federal government were regulating insurance and, once passed by Congress, "the chances of changing that become vastly diminished."

Similarly, he also opposes federal guidelines for no-fault insurance plans.



Benjamin R. Schenck

"A certain amount of uniformity is necessary," he declared, "but there are great advantages to trying two or three plans on a partial basis. There may be some immediate burdens for businessmen engaged in interstate commerce," he admitted, "but I think the advantages outweigh the disadvantages."

ASKED BY Robert B. Wilshire, insurance manager of Bangor Punta Corp., and outgoing president of the N.Y. chapter, if there was anything ASIM could do to improve its relations with the New York insurance department. Mr. Schenck responded warmly.

"ASIM is a tribute to the effective people who buy insurance for commercial consumers," he said. "You are intelligent consumers. The best thing ASIM can do is continue being effective buyers of insurance, and as long as that continues the need for government control over insurers is going to be kept at a minimum. Thank you very much."

He didn't say so in as many words, but obviously such things make insurance regulation a little easier to bear. ■

Pact . . .

Continued from page 1

dependent coverage for up to six months after the union member's death.

- Life insurance for employes and for retirees under age 65 is increased from $5,500 to $8,000, and for retirees of age 70 or over the increase is from $2,000 to $2,300.
- Union members are to receive one extra holiday annually.
- Sickness and accident benefits are increased, although details were not available.
- The supplemental unemployment benefit is increased by $30.

IN AN UNUSUAL weekend work premium provision, said to be a first in dealing with the weekend problem in a continuous-operations industry, a 25 cent per hour premium is to be paid every day to workers whose schedule includes any weekend work at all. This premium is above and beyond any overtime payments. Mr. Fagan said the provision should encourage companies to keep weekend work to a minimum.

Mr. Fagan said that other areas of comprehensive medical and disability benefits were comparable to those in the can industry settlement. Wage increases and the landmark cost-of-living clause are also "pretty much of the same kind."

At the time of the agreement Alcoa announced that it would raise prices an average of 6% on nearly all its fabricated products effective Sept. 1, and a Presidential adviser said, "It's clearly an inflationary settlement." ■

Computer session set

CHICAGO—Corporate executives, risk managers and data processing managers from 27 states, Canada and Sweden will participate in the first Computer Protection/Insurance Workshop on Monday, June 14.

Sponsored by *Business Insurance* and Computerworld magazine, the workshop will cover the vital areas of fire protection, security for computer installations, industrial hygiene for computer room employes, property and liability insurance for computers and motivating computer workers.

The one-day workshop, to be held in the Pick-Congress hotel here, is a cooperative effort developed by Alfred Malecki, publisher of *Business Insurance*, and Patrick J. McGovern, publisher of Computerworld. Both publications serve corporate executives responsible for protection and insurance of computer facilities.

Eleven nationally known experts on aspects of computer fire protection, security and insurance will appear as speakers and panelists.

A full report on the Computer Protection/Insurance Workshop will be carried in the July 5 issue of *Business Insurance*.

Last-minute reservations for the workshop at $105 per registrant may be sent to Computer Protection/Insurance Workshop, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611. The registration fee includes admission to all sessions, a continental breakfast, lunch and a complete workshop notebook. ■

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Cast your vote on reform plans for auto insurance

CHICAGO—With 28 states and Congress considering bills to amend the auto victim reparations system, *Business Insurance* has invited readers to express their opinions.

A ballot concerning no-fault plans and variations on the no-fault concept appears on page 72 of this issue. You can express your opinion on how such plans should be devised and how they should affect commercial vehicles.

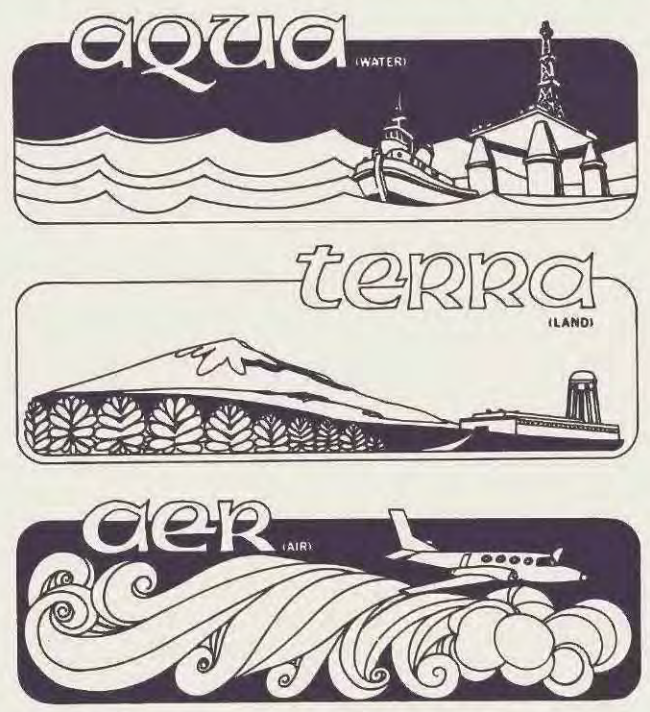
Entries in the survey should be sent by June 25 to be tabulated and reported in the July 5 issue of this magazine.

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Elephants do present some hazards, though

No major insurance problems for Ringling

By STEPHEN GILKENSON

WASHINGTON—Running an insurance program for Ringling Bros. and Barnum & Bailey Circus is not exactly a sideshow for Arthur (Bud) Cook, but there are some things strangely uncomplicated about such a life, a life that may make oil, aviation and pharmaceutical insurance managers drool with envy.

Bud Cook is assistant controller of the entertainment road show that has delighted big and little kids alike for the past 100 years. As such, he is responsible for insurance, taxes and sundry other financial matters. After a few moments with him in his office one gets the impression that insurance is the least of his problems.

"We just recently got another layer of $10 million in excess liability coverage," Mr. Cook noted rather casually during an interview with *Business Insurance* the other day. That brings the touring circus' total liability limits to $30 million, a figure Mr. Cook said he can be very happy and comfortable with.

THE NEW layer, incidentally, illustrates well the seeming lack of complexity in the circus' insurance program. The policy was obtained with little difficulty and at a price Mr. Cook was happy with (less than $10,000 for a three-year premium).

While insurance for the circus, which was recently acquired by Mattel Inc., may be free of capacity crises, the coverages it has are far from routine. And at times, placing it can give some underwriters reason for pause. "After all," Mr. Cook said, "sometimes there is nothing but our own experience to use."

How many risk managers or employe benefits people, for example, must insure a fleet of a dozen tigers for accidental death? Ringling has such coverage on its most valued animals. In the case of the tigers, values range from $2,000 to $12,000 and are directly related to the age of the tiger and the amount of training that has gone into its development. Death resulting from illness or tiger fights, however, is not insured. "The premiums would be prohibitive," Mr. Cook said.

The tiger situation, incidentally, has provoked at least one recent, though not roaring, dispute between Ringling Bros. and its insurer.

SOME TIME ago a train carrying one was involved in a rail accident. Three days later, the tiger died while delivering a cub prematurely. Ringling and its veterinary staff claimed that the tiger had ruptured her uterus in the accident and thereby delivered prematurely and abnormally, with death resulting. The insurance company, on the other hand, felt the death was due to illness unrelated to the accident. "We haven't resolved that one yet," Mr. Cook, a quiet and unassuming man in his early 30s, said.

With Ringling since last fall when he joined as tax and insurance manager, Mr. Cook was named assistant controller earlier this year when a variety of new responsibilities were added to his job. He also has financial responsibility for such things as boxoffices and concessions. His most time-consuming job, however, appears to be taxes.

"We have a pretty heavy tax burden because we play in so many different cities (80 this year), and tax matters change considerably from city to city." On the insurance end his duties are somewhat less of a burden. Ringling's broker is R. B. Jones & Co., Kansas City. "That's my biggest assistance," he said.

The responsibility, nevertheless, remains his in his management's eyes and as such he has had to consider the same problems considered by other insurance management people.

"LIKE EVERY other company the cost of insurance is going up every year. We've thought about self-insuring some things but when we've really gotten down to the nitty gritty it would be too complex for us to self-insure to any great extent. Because we play in so many different states requirements and qualifications would have to be met in all of these and it wouldn't be practical. Administratively it would become pretty much of a burden."

Ringling's many different coverages are written by several carriers.

On the property side, for example, things like props, costumes and trains—with a total value of about $4 million—are insured for accidents and other perils, with very few exclusions, by Fireman's Fund Insurance Co. and the Federal Insurance Co. The coverage is split between the two and there are no deductibles.

"We're currently thinking about assuming a deductible of some sort," Mr. Cook said, noting that an annual aggregate deductible would likely pull the premium down to a point where it might save the company some money.

ON THE LIABILITY side, Continental Casualty Co. is the pri-

Continued on page 72

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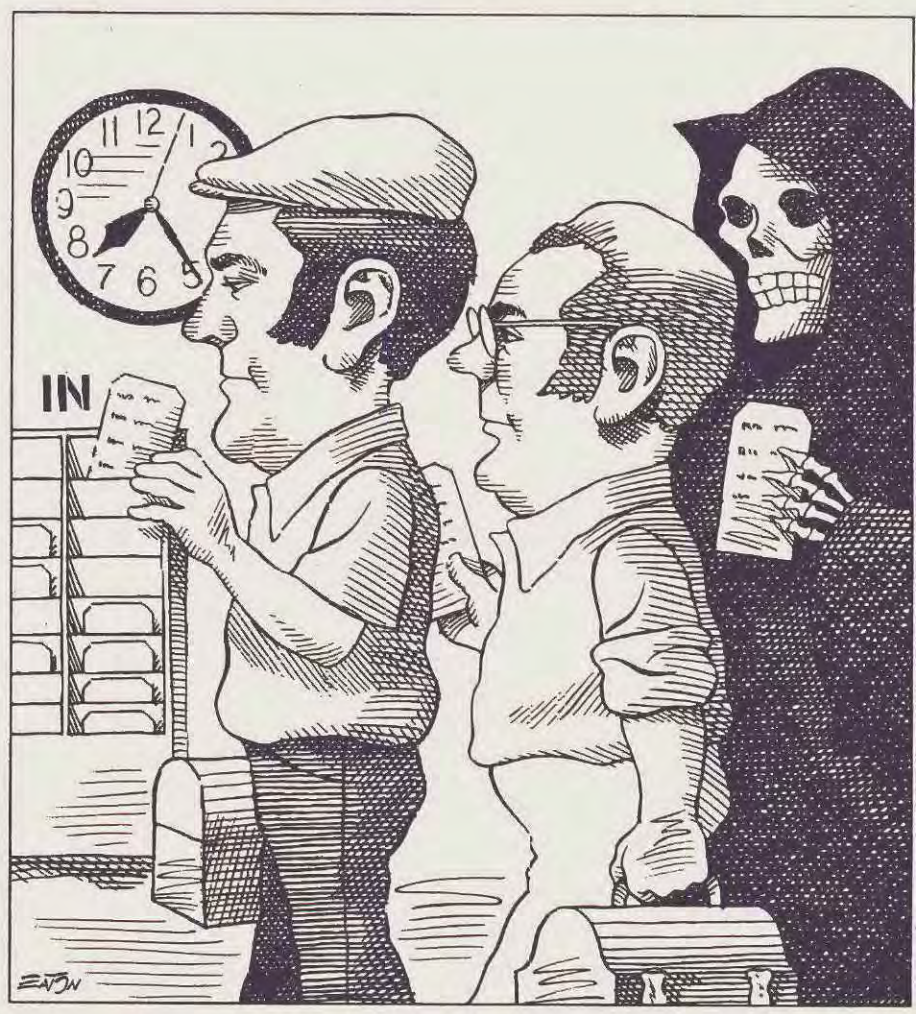
We'll be calling on you soon. Meantime, lean back and think how nice it would be for every drop of your insurance to count.

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TOUCHY

Today, 55 people were killed at work. Is the new federal health and safety law the answer– or are there things we all should be doing?



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QUESTION #8

Safety Act will set minimum standards that are certain to help. But what is needed is men who are not satisfied with just meeting standards.

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Maybe our experience can help. At Employers Insurance of Wausau, we started the fight against accidents as far back as 1911. Pioneering the first on-the-job safety standards. So we not only have quite a data bank, but men who are expert on the subject. Men who've found out things that have helped save precious lives and limbs.

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For another thing, they found that talking safety simply isn't enough. What actually cuts down on accidents is workers doing their jobs correctly. Encourage your supervisors to supervise better, and you'll help prevent injuries that way.

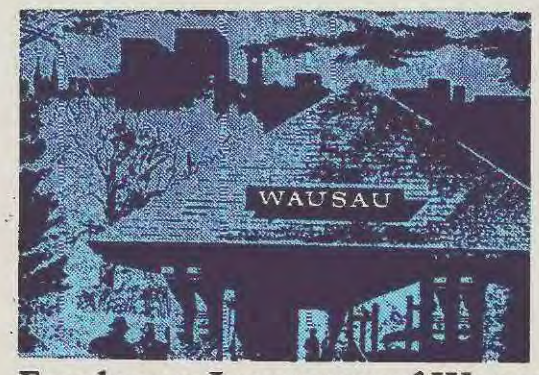
It took real creativity and ingenuity to build American Business into the remarkable success it is today. Now all we need to do is use a little of that creativity on this problem of human loss and misery.

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We think insurance ought to work for a living.

Qualification, not color, counts

Bond producers defend industry in underwriting minority contractors

SAN FRANCISCO—The annual meeting of the National Assn. of Surety Bond Producers last month was the platform from which several members of the insurance industry insisted that the reason minority contractors had difficulty getting performance bonds was that they were not qualified, not that they were black.

"There is no problem of racial discrimination by any bonding company," said Donald Sprickard, vp of the General Insurance Co. of America, Seattle. "Most companies are trying to find minority contractors who meet normal underwriting standards."

Hugh M. Sinclair, of Insurance Co. of North America, told the assembled group that his company had issued a position paper to its field force requesting that all minority contractor cases that did not meet normal underwriting standards be referred to the home office in order to research "every avenue in an effort to make them acceptable." He reported that results were good but mixed.

"WE ARE WILLING to write bonds," said Norman Burgoon, exec vp of Fidelity & Deposit Co., "and are writing them, for minority contractors whenever the applicants reasonably meet underwriting standards."

Alluding to several bills regarding the problem that Congress has considered, Mr. Burgoon continued, "We have told Congress, and everybody connected with these efforts, that attempts to propel any contractor into obligations for which he is not reasonably equipped by the normal standards of surety underwriting represent a cruel disservice to the people who are intended to be helped. We think it is a horrible mistake to find ways, by government guarantees or otherwise, to give bonds to contractors covering jobs beyond their ability."

Mr. Spickard agreed. "Lending or giving money or bond credit to a person without giving him needed training and assistance in management, in administration and in the construction skills and risks which attend the industry will result in loss of money loaned or loss to the bonding company," he emphasized.

"More importantly," he went on, "it will lead to another defeat of a member of a minority that needs successes, not failures. Unless we demonstrate a viable system for providing what is needed for success, we will have a government bureaucracy developed which will require us to accept their judgments and solutions and to pay dearly for them with little hope of permanent improvement of the status of those who need help."

HE NOTED that an approach used in Seattle was a system of risk elimination which used a group method of providing money and the consultation and advice of bankers, accountants and other interested parties. He said that the approach had been successful in getting a number of contractors started.

A huge amount of capital is usually required for a bond and Mr. Sinclair felt that the capital feature was not all that important. "Although many embryonic construction firms are under-capitalized, minority contractors often have access to capital from private or public institutions, and we believe this factor should be one of the last to enter the underwriting equation.

"Of more immediate interest to the surety is the track record of the contractor," he said, "including evidence of his managerial and organizational ability. Various job training programs now in effect for minority contractors are presently at a stage where they must concentrate more heavily on operational rather than critical managerial skills, which are difficult to acquire on an accelerated basis. Consequently the bond underwriter often has little information on which to base a decision, or even to offer recommendations, when he receives merely a penciled balance sheet along with a request for a bond."

For this reason, he said INA had worked with an agency in Philadelphia to develop a contract review committee. The committee is composed of an office manager and construction superintendent and numerous volunteer consultants who both counsel and monitor the contractors. He said that financial support for the system had been difficult to obtain but that he firmly believed that it was a better system than a government guarantee program.

MR. BURGOON noted that the Small Business Administration could guarantee sureties up to 90% of any loss sustained on any bid, performance or payment bond on contracts up to $500,000. In such a case, the contractor must be a "small business concern" and must pay the SBA a fee. The surety must also pay a fee.

"Our industry requested an opportunity to assist in structuring the program to assure, if possible, a workable plan," he said. Subsequently, the SBA conferred with a number of groups and a plan was evolved. The SBA accepted it with minor changes. The new plan set the eligible annual volume limit at $750,000 and is now being piloted in Kansas City and Los Angeles. ■

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Not long ago crime flourished here. Theft. Arson. Vandalism. One outrage after another had everyone talking. But nobody was acting.

Until one day an independent insurance agent perceived the real cause: Apathy. Citizens would not or could not become involved. Yet he believed an informed citizenry could reduce criminal acts simply by standing up to the problem. So he set out with his colleagues to raise the quality of life.

Thus the San Diego Stamp Out Crime Crusade began. Sponsored by the Independent Insurance Agents Association of San Diego, the crusade went straight to the people. Roused them into directly aiding police by reporting crimes or suspicious circumstances. Got them involved in crime prevention on a day-to-day basis by showing them how to remove opportunities and temptations. And publicly commended those who personally intervened to stop a lawless act.

Talks were given to hundreds of civic groups. As the idea grew, more than 100 California communities launched similar programs.

This resurrection of citizen concern has gotten results.

Arrest and conviction rates have risen 31 per cent, while incidence of crime has dropped 26 per cent below San Diego's former 3-year average. Meanwhile, city and state police report encouraging signs of citizen cooperation on all fronts.

Best of all, the participating communities have become better, safer, more decent places in which to live.

A lawless society is not only intolerable. It is uninsurable as well. However, lawlessness can hardly be cured by raising rates and cancelling policies. For the Atlantic Companies and its agents, social action is the real answer to society's problems. Not because what's good for people is good for the insurance business. But because helping people is what insurance is all about.

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Washington pensions up

OLYMPIA—In the wee hours before adjournment, the Washington legislature approved and Gov. Dan Evans signed into law in its entirety a $20 million state employes' retirement bill, which tripled pensions of state legislators and other elected state officials.

Among other items approved by the governor was a bill extending workmen's compensation to 450,000 workers, in addition to the 650,000 now covered. The extension will become effective Jan. 1, 1972.

Qualified employers also will be allowed to carry their own insurance programs, paying the same benefits as the state, instead of operating only through the state system.

The bill also raised state industrial insurance benefits for the first time since 1965. The benefit rates represent an increase of nearly 80% and will take effect July 1, 1971. ■

Giles on the law

Disability payments stand despite earnings increase after accident

By JOHN W. GILES
Attorney at law

WASHINGTON—In workmen's compensation cases what is the effect of post injury earnings equaling or exceeding those received before the accident? The answer appears in a recent decision by the Supreme Court of Mississippi.

That court held that there was substantial evidence to support the finding of workmen's compensation that the claimant who suffered a ruptured or herniated disc in the lower back, and who was said to have sustained a permanent partial disability of 10% to 15% to body as a whole, was entitled to compensation, in spite of the fact that he had a post-injury work history of steady employment at substantially increased earnings.

The court said this: "It is uniformly held, without regard to statutory variations in the phrasing of the test, that a finding of durability may stand, even when there is evidence of actual post-injury earnings equalling or exceeding those received before the accident. The position may be best summarized by saying that actual post-injury earnings will create a presumption of earning capacity commensurate with them, but the presumption may be rebutted by evidence independently showing incapacity, or explaining away the post-injury earnings as an unreliable basis for estimating capacity. Unreliability of post-injury earnings may be due to a number of things; increase in general wage levels since the time of the accident; claimant's own greater maturity or training; longer hours worked by claimant after the accident; payment of wages disproportionate to capacity out of sympathy to the claimant; and the temporary and unpredictable character of post-injury earnings."

Of course, earnings equal to pre-injury earnings are strong evidence of nonimpairment of earning capacity. However, this is not conclusive. It is a rebuttable presumption, which may be removed by various factors referred to above. (Supreme Court-Mississippi. *Sjith* v *Pickler Service Company*—240 So. 2nd 454. 10/26/70.)

* * *

WHEN THE doctors say an injured employe has a 5% permanent partial disability and the judge of industrial claims says that the disability is 42%, who is right? The answer is in a recent Florida case.

The petitioner sustained a permanent back injury by accident in the course of his employment when he fell 10 feet into a ditch, landing on his back on some lumber. The court found that his earning capacity had been reduced 42%. The decision was based on the back impairment, the low I.Q. of the claimant, illiteracy, lack of training, and neurotic reaction, notwithstanding the findings of the doctors.

The court stated, "As the Supreme Court and this Commission have stated on innumerable occasions, the proper test to determine a loss of wage earning capacity is the difference in the ability of the claimant to compete in the open labor market before and after a non-scheduled injury. In determing claimant's ability to compete in the open labor market, such ability is not to be measured in terms of whether he can perform only the same work being performed at the time of the injury, but rather by his ability to earn wages in the same or in any other type of work which he is capable and qualified to perform." (*Shaw* v *Burke Builders, Inc.*—Supt. Ct. Florida. 10/28/70.)

* * *

A BLAST HAS just been echoed by the appellate division in New York. The action was against a general contractor for damages to the plaintiff's property by reason of alleged negligent blasting operations conducted by a subcontractor.

The court held that the contractor was liable. The court said that inherently dangerous work has been defined as "work necessarily attended with danger, no matter how skillfully or carefully it is performed. Since blasting involves a substantial risk of harm no matter the degree of care exercised, we perceive no reason for ever permitting a person who engages in such activity to impose this risk upon nearby persons or property without assuming responsibilities therefor. The contractor here was under the nondelegable duty to prevent damages from the subcontractor's blasting activities and hence liable for damages to the plaintiff's property resulting from blasting operations. (*Carmel Associates Inc.* v *Turner Construction Co.* 314 N.Y. Supp. 2nd 941 10/22/70.)

* * *

THE JUDGMENT was for $40,000 but it was reduced to $5,000. Here is what happened:

The president of an automobile dealership was a beneficiary in a group life insurance plan contracted by a dealer's association. This president was eligible for coverage under the executive or Class A plan group, which consisted of actively employed proprietors, partners and officers.

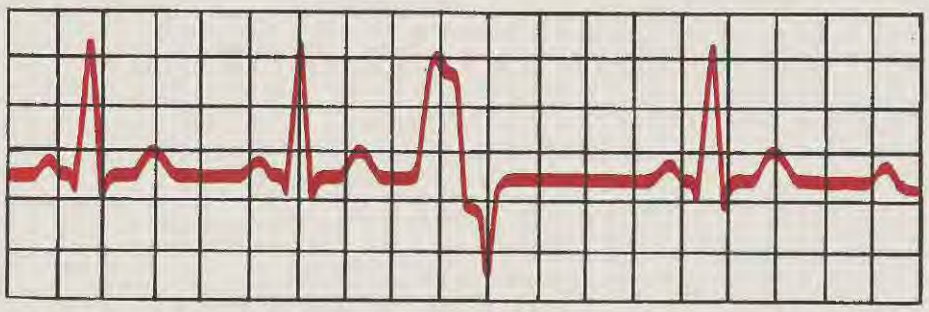
Two and one half months before his death, the president sold his stock in the dealership but he was retained as a consultant. Although the business manager of the dealership knew of the sale, she continued to report his status as unchanged to the dealers association, and the insurer. Her duties included the collection and forwarding of premiums and the reporting of pertinent information to the insurance carrier, as required by the policy.

Did the business manager's error obligate the insurer to pay Class A coverage benefits to the beneficiary of the ex-president? The lower court said "Yes" but the appellate court said "No." The court found that the business manager had no authority and did not intend to waive or alter the terms of the policy. The policy provided that no agent or person except an officer of the insurer had authority to modify the policy (this is a good thing, generally, to watch for) and that clerical errors by the group policyholder in furnishing required information would not continue insurance which was otherwise terminated.

The court rejected the benefici-

Continued on page 8

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INTERNATIONAL SERVICE THROUGH ASSOCIATES IN MAJOR CITIES THROUGHOUT THE WORLD

Free scampi, surplus trucks result from instances of computer fraud

LONDON—Computer frauds are causing alarm to European businessman after exposés from America of criminals who have learned to beat the system.

The multimillion dollar British restaurant group Forte's was fooled by two foreigners who ran a small store in a commuter suburb of London where trade with local citizens was virtually in dimes.

But they tricked the big catering group out of more than $120,000 by slipping a bogus code-number into its computer through an accomplice and using it to get regular payments for nonexistent goods which the store's accountants believed they had delivered.

CHECKS FOR luxury foods like scampi, lobster, and salmon reached them from the computer system for more than three years before a new accounts clerk spotted that Account No. 00260 was just an ingenious invention on their part.

Yet they had supplied none of the food in all that time. Actually their street-corner store specialized in Oriental delicatessen dishes that bore no relation to the supplies which the computer was tricked into crediting.

Businessmen believe that proper security control will avoid computer frauds, especially if safety standards for processing accounts are keenly followed by all operators.

But if management gets indifferent, then mistakes will occur —and they may be deliberate.

THIS WAS THE sad experience of a major food corporate which programed its trucking service so that computers would control deliveries.

The resultant efficiencies meant that fewer vehicles were needed. But before top management got to know this, the transport manager used the surplus vehicles to run his own private trucking business. The fat private profits went into his own bank account.

Guy Parker, security specialist with a British computer security group, Bellard Ltd., recently told the London Sunday Times:

"Bank clerks are usually given security clearance before handling certain types of accounts. But computer programers, who nowadays often have bigger opportunities for fraud, are rarely checked even though they, too, can commit frauds."

In addition, computer frauds have the built-in advantage that the evidence is locked away on tapes that can be destroyed if the game is up.

"Management must learn that computers are a fraud risk unless they are treated properly and only the right people are allowed near them."

He opined that any corporate vp should have a separate teleprinter in his suite linked up so as to check on all the print-out from his firm's computers. This would warn him if anyone was trying to sell its secrets or using it to hide frauds. ■

Giles . . .

Continued from page 7

ary's claim that the insurance company was estopped from denying executive coverage. Since the former president had remained an employe, the beneficiary was entitled to $5,000 as an employe only. (*Amberg* v. *Bankers Life Co.*—Cal. Court of Appeal —See District, Div. 2—9/21/70.)

* * *

CAN A HUSBAND recover punitive damages in Delaware for loss of his wife's consortium due to a driver's wanton and reckless acts that caused her to be injured in an automobile accident? "Yes," says the court. As long as plaintiff's property rights to his wife's consortium were wantonly and recklessly invaded by the defendant's acts, whether intentionally or negligently inflicted, Delaware law makes no distinction. Entitlement to punitive damages arises out of a malicious, or wanton or reckless violation of a right, and not out of the means or instrumentality used to violate such right.

The court concludes that under the established policy of Delaware reflected in its decisional law, punitive damages may be awarded by way of punishment when an intentional or negligent act, which caused loss of consortium, was maliciously inflicted in disregard of a husband's rights. (U.S.D.C. Del.—*Sheats* v. *Bowen* —10/22/70.)

* * *

IF YOU ARE shipping $99,897.50 worth of jewelry, you had better be sure that the theft policy covers it. This corporation thought it was covered against theft, but it wasn't. Here's how it happened:

Summary judgment was granted in favor of an insurance agency in an action brought against it by a jewelry firm of breach of duty to obtain jeweler's block insurance when $99,897.50 of jewelry was stolen. The jewelry was on consignment to another jeweler when the theft occurred. The theft occurred subsequent to the consignee's order for insurance on the goods but prior to the issuance of a policy.

The court said that the order to obtain the insurance was neither a contract for insurance nor a binder. Since the insurance was not effective until a policy was issued, the order was merely a request for insurance, which fell short of a contract to obtain or supply insurance. The court reviewed the policy of Lloyd's: an insurance proposal is submitted and if Lloyd's is willing to issue a policy as requested, it will quote a price for the premium, and upon being advised that the quoted premium is satisfactory, it may then issue the policy. In this instance, the matter was submitted to Lloyd's and it was not until a few hours before the actual loss that Lloyd's responded with a quoted premium and the information that if the premium was satisfactory, the insurance could be writen. Too late, unfortunately. The court said the proposed insured was aware of this procedure. (*Leonard Taylor Jewelers Inc.* v. *Hartnet Inc.*—Florida District Court of Appeal, Third District—May 6, 1969.) ■

Talking four-day week

Chrysler Corp. and the United Auto Workers began talks last month on the possibility of instituting the four-day workweek, as specified in a new contract negotiated earlier this year. Union officials believe such a scheme would be useful in curbing absenteeism.



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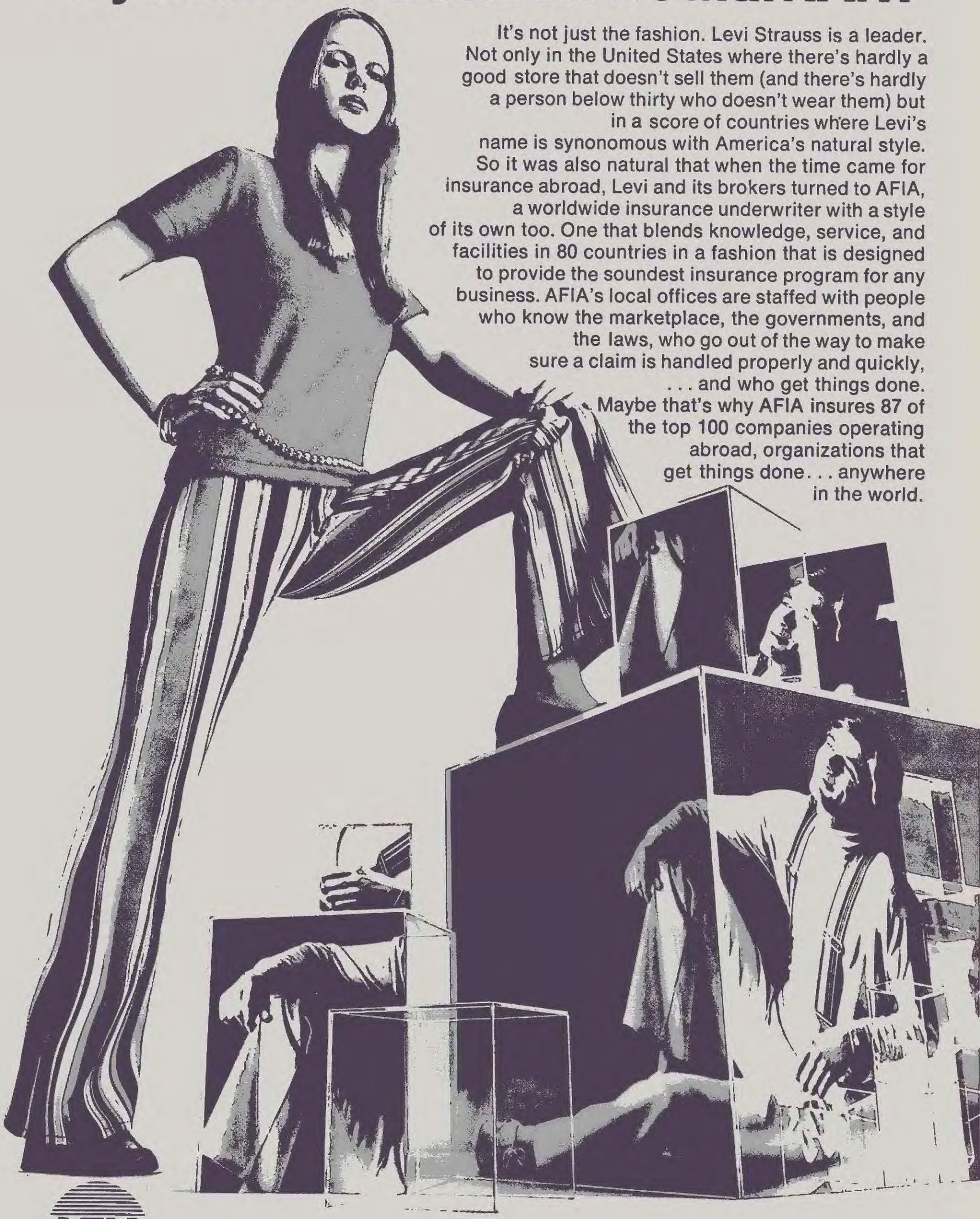
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Readers are invited to submit items for inclusion in this column. A sample of the literature should be sent to: Info for Buyers, *Business Insurance*, 740 Rush Street, Chicago 60611.

• The Transport Indemnity Co. releases quarterly news letters dealing with such items as drugs and alcohol and management and security problems. The news letters are available free of charge to insurance buyers, risk managers, safety officers, financial executives and administrative executives. For more information write the firm to the attention of Dick Houston, vp, 3670 Wilshire Blvd., Los Angeles, Cal. 90005.

• **What's All This about Self-insurance?** is a brochure describing the services offered by Employers Self Insurance Service, such as claims, information and engineering services, and a coordinated rehabilitation program. For a free copy write the firm to the attention of the Public Relations Dept., 4050 Wilshire Blvd., Los Angeles, Cal. 90015.

• The Insurance Information Institute has released the 1971 edition of **Basis Insurance Books** containing a 20-page bibliography of books and periodicals on all phases of insurance except health and life. Capsule descriptions of the book as well as the name of the publisher, price and number of pages are included. Single copies are free upon request from the Insurance Information Institute, 110 William St., New York, N. Y. 10038, or from the College of Insurance, 150 William St., New York, N. Y. 10038.

• A foldout discussing **Smoking and Lung Cancer** has been published by U.S. Dept. of Health, Education, and Welfare. Lung cancer is defined, a list of symptoms is given and methods for diagnosing the disease are covered. What causes lung cancer and the relationship between lung cancer and cigarets is discussed along with some preventive measures for those smokers who can't kick the habit. This would make an excellent employe handout. Single copies are 10 cents, 100 copies are $5. For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

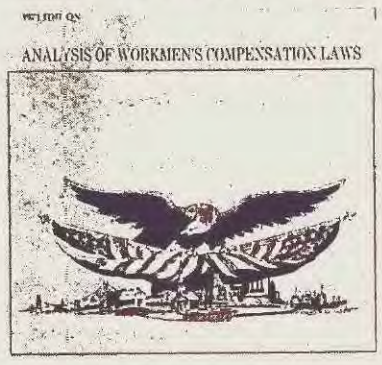
• Improved Risk Mutuals has compiled a list of precautions to take if rain, snow or floods are hampering firemen to reach your property during an emergency. For a free copy of **Rain, Snow, Floods** write the firm to the attention of S. G. Johnson, 15 N. Broadway, White Plains, N.Y. 10601.

• Towers, Perin, Forster & Crosby has published **The Invisible Paycheck—Its Role in the Total Compensation Package.** The booklet deals with, among other related areas of total compensation, the role of the benefit function and organizating responsibilites. Send requests to Joseph A. Banik, Three Penn Center, Philadelphia, Pa. 19102.

• Marshall and Stevens Incorporated/Appraisals has released a reprint of the article **Settling Losses before They Occur** by Warren G. Brockmeier on how not to cook your corporate goose with inadequate or unnecessary property insurance coverage. It discusses the importance of independent appraisals for acceptable proof of loss. For a copy write John Heath, vp, 1645 Beverly Blvd., Los Angeles, Cal. 90026.

• If you are retiring the amount of your benefits under Social Security is important to you. Information on **Social Security Benefits, How to Estimate the Amount . . . How Much Credit You Need** has been compiled in leaflet form by the U.S. Dept. of Health, Education, and Welfare. The leaflet helps a person estimate the amount of benefits payable on the basis of average income and amount of years working. This excellent employe handout can be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, for 15 cents per single copy and $10 per 100 copies.

• The 1971 editions of **Analysis of Workmen's Compensation Laws** has been released by the government. The booklet offers a ready reference to the statutory provisions of the laws of the 50



states, the District of Columbia, Guam and Puerto Rico and Canadian provinces. Fourteen charts are provided to aid in locating specific provision of workmen's compensation laws. One to nine copies are $1.50 each, rate reductions are available in larger orders. The booklet is available from the Chamber of Commerce of The United States, 1615 H Street, N. W., Washington, D. C. 20006.

• **International Pension Planning** is a booklet that briefly describes the capabilities of American International Reinsurance Co. and its associates and affiliates in the field of international pension planning. It covers locally written, tax qualified pension plans as well as Airco's facilities for writing off-shore plans for third country nationals. For a copy write John H. Ellams, Manager, Pensions Marketing, P. O. Box 152, Hamilton, Bermuda.

• **1970 Survey of Industrial Pension Plans** is a report of the results of a survey of salaried employe pension plans of major corporations conducted by Transamerica Actuarial Consultants Inc. The survey gives an overview of characteristics of pension programs as they exist in 1970, based on data supplied by 250 of the country's top corporations. The survey is available by writing Daniel F. McGinn, Box 30077, Los Angeles, Cal. 90030.

• The American Credit Indemnity Company of New York has published **How's Your Sight,** an interesting direct mail piece giving a short statement describing the company, and Bauquets, a small folder with letters enclosed giving experience of users of the American Credit Insurance Co. For free copies direct requests to E. F. Kane, The Arlington Bldg, 201 N. Charles St., Baltimore, Md. 21201.

• **SPAN** (supporters for political action now)—**Political Action Kit** is being offered by the Harleysville Insurance Cos. The kit is designed to aid and assist anyone who is interested in getting involved politically in the areas of insurance legislation both on a local and national level. According to the kit, about 4,000 insurance bills were brought to the attention of state legislatures during the past year. The kit is to help 'bridge the information gap with your legislators.' The kit lists the duties of the various political jobs on the local level, shows how to write your legislator, and how to obtain a personal record of your congressional representatives. The kit is free by writing Lee J. Felbinger, Coordinator, Sales Promotion, Harleysville Insurance Cos., 355 Maple Ave., Harleysville, Penn. 19438.

• **Selected Drug Abuse Education Films** is a guide intended as a resource for persons using films in drug abuse education and prevention programs. Some of the films listed are intended for the general public and concern the nature of drug addiction, its treatment and control. Other films deal with drug abuse in relation to broader social issues such as poverty, inner city life and the alienation of youth. A synopsis of the film, the producer, distributor, date of production, description, purchase and rental price, and target audience is listed for each film. Single orders are 10 cents from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

• The Equitable Life Assurance Society of the United States Group Sales Promotion, Location 24-E, 1285 Avenue of the Americas, New York, N.Y. 10019, has released a set of five brochures in a **Profile of a Pension Program.** The material is not intended as the complete answer to any pension situation, but as an aid to an employer who is in the initial stages of pension planning. Each brochure outlines a typical but different plan including estimated costs for a typical group of employes. Each brochure covers: eligibility of participation, retirement date—normal, early and deferred, pension benefits at normal retirement date, contribution, normal form of pension benefits, optional form of pension benefits, termination of employment, and an estimate of employer annual contributions.

• The specialty lines division of America's Insurance Center has made available free of charge to *Business Insurance* readers information on their customers bailee insurance package which is a program established to provide customers bailee coverage for the mercantile and/or franchised dry cleaner located in urban areas, including all customers goods with or without box storage, and their Coin-op Package Insurance Program. The second booklet describes and includes rating structures for the writing of the complete package of insurance coverage. For the information write the firm at 526 Blvd., Kenilworth, N.J. 07033.

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washington watch

Actuaries call higher Social Security pension base complicated but better

WASHINGTON—Almost three years of intensive lobbying have resulted in a major victory for pension interests in the form of a new proposed Internal Revenue Service ruling that would raise the maximum benefits receivable under integrated pension plans back to 37.5% of wages above the Social Security wage base from the current 30%.

IRS lowered the limit to 30% in July, 1968. It had tried to lower it to 24% in September, 1966, but withdrew the order under intensive fire from the business community.

The agency originally proposed to give integrated plans only until Jan. 1, 1971, to adopt to the 30% regulations. A barrage of letters and hours of negotiations succeeded in getting the IRS to extend the transition period to Jan. 1, 1972.

"Boy, that extra year really saved our life," one Washington pension lobbyist told *Business Insurance* following the recent IRS move.

NO ONE IS certain why the IRS returned the integration level to 37.5%. Recent large increases in Social Security certainly entered into the decision, however, as well as the fact that IRS actuarial sections would have had an almost impossible time handling the huge number of highly complicated pension plan amendments which would have begun flowing in after the first of the year.

Virtually everyone agreed that the 30% regulations were a mathematical nightmare. The new proposed rules are also highly complicated and even the actuaries aren't certain yet what their overall impact will be on integrated plans except to say that the net effect will definitely be for the better.

The IRS said it would soon issue an amendment to the regulations making it clear that an employer may have more than one plan of group term-life insurance without any plan being considered discriminatory solely because there is more than one plan.

Under existing regulations, if any employe covered under a group term-life plan is offered his protection by a policy containing permanent insurance, a paid-up value, or equivalent benefits, each employe covered under the term-life plan must be similarly eligible for the same benefits.

The new amendment makes it clear that since various unions might negotiate different plans with the same employer, only employes in the same class must be similarly eligible for the permanent insurance, paid-up value or equivalent benefits.

* * *

SEN. MIKE GRAVEL (D.—Ala.) has proposed legislation to remove the $560 million liability limit for single nuclear "incidents" at the nation's growing number of nuclear power plants and to place the new unlimited liability squarely on the shoulders of the operator.

The bill proposes to amend the Price-Anderson Act, passed in 1957 to encourage the development of the atomic energy industry by limiting the total liability for one "incident" to $560 million and by making the federal government liable for up to $500 million of that.

Sen. Gravel does not wish to repeal the Price-Anderson Act. He says removal of all specific legislation governing liability might leave no one at all liable for power plant blowups, since a publicly regulated utility might claim government immunity for performing a public service or might be protected against suits by the inability of the public to prove negligence or fault from the radioactive and unapproachable debris of the former powerplant.

The senator admits the key purpose for his bill is to raise the basic issue of how endangered the public really is by civilian nuclear power plants.

HE AND A GROWING group of Senators and Congressmen concerned with the problem, cite a 1957 Atomic Energy Commission study which indicates that just one nuclear "incident" at one of the nuclear power plants could kill as many as 3,400 people, injure 43,000, and do as much as $7 billion in property damage.

Because of the rapid population growth and a huge increase in size of nuclear power plants since 1957, these legislators point out that the former potential disaster figures are probably now vastly underestimted.

Sen. Gravel says some persons have warned that his bill would "kill nuclear electricity" simply because no single utility has sufficient assets to cover the possible public liability from a nuclear accident.

He points out, however, that the power plant operators claim there is zero possibility of an accident.

If their safety claims are true, then they have everything to gain by an inquiry, Sen. Gravel says.

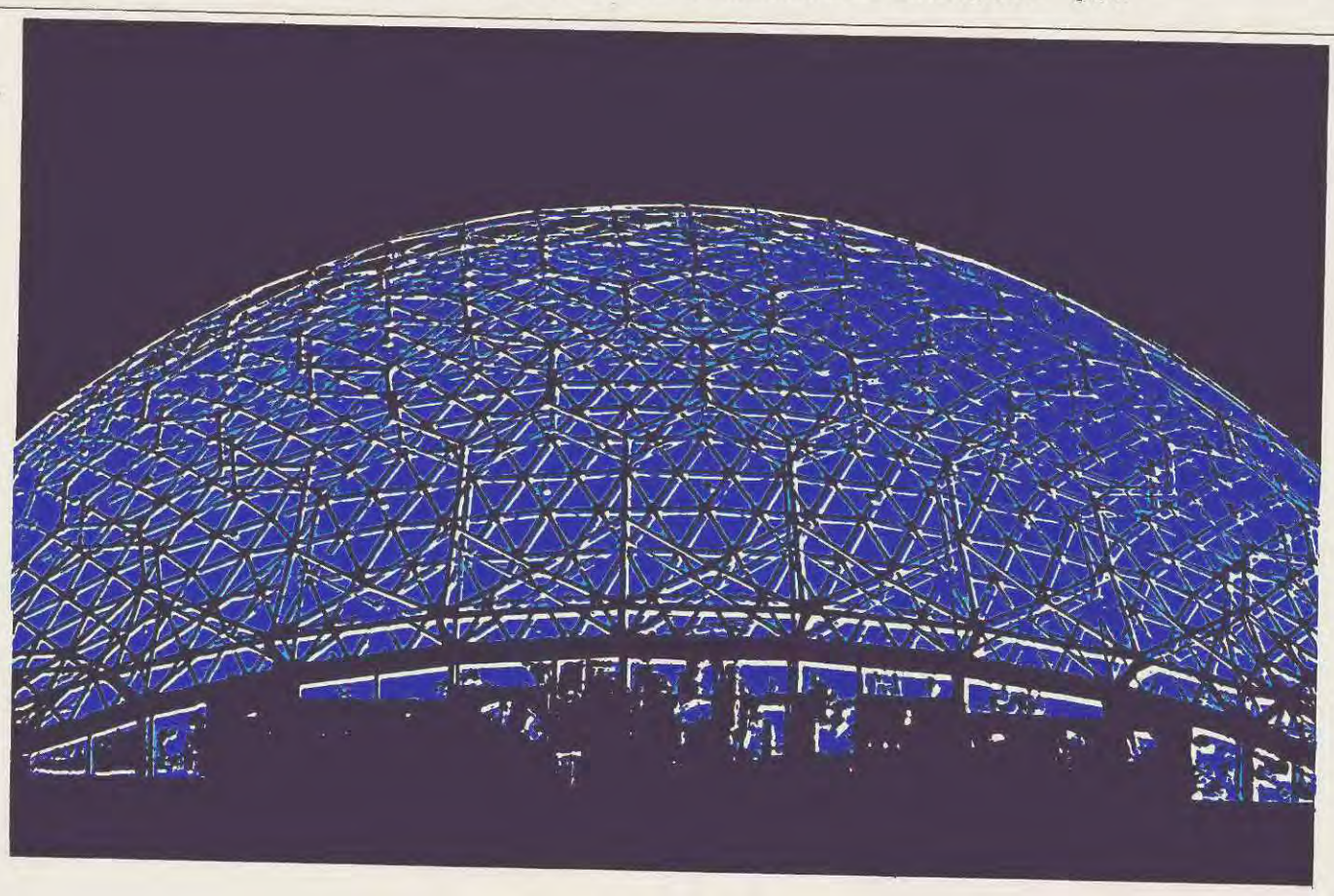
If, however, "an inquiry finds that possible public injury from nuclear power plants is great enough to exceed the assets of licensed utilities, then it is surely time to reevaluate the wisdom and morality of licensing such machines at all," he continues.

* * *

SEN. HUBERT HUMPHREY (D.—Minn.) has joined in the cry on Capitol Hill for legislation to authorize the attorney general to provide a group life insurance program for state and local government law enforcement and fire fighting officers.

The proposed Humphrey plan, which would include full-time,

Continued on page 63



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Ask no-fault coverage for malpractice

MIAMI—Should patients, not physicians, carry insurance protection against blunders by the medical profession?

That proposal was voiced at a Southeastern Surgical Congress here. Speakers suggested a form of patient coverage that would provide protection similar to the no-fault automoile plan.

"Instead of physicians being insured against claims of malpractice, patients should be insured against 'therapeutic misadventure,'" suggested Dr. William H. Moretz, president of the congress. "This form of insurance would compensate the patient for disability or time lost without regard to fault and would be similar to the 'no fault' automobile insurance currently being discussed."

A NEW approach is vital, he said, because a rising tide of malpractice suits threatens to inhibit medical progress. Surgeons, paying some of the highest malpractice premiums because of their vulnerability to litigation, are retreating to cautious methods of treatment, he suggested.

Dr. Moretz said surgeons are reacting to the malpractice threat with "more conservative methods of treatment rather than better procedures which, because of a higher risk of failure, give a greater exposure to the threat of legal action."

He took note of the recent $4.5 million suit filed against Dr. Denton A. Cooley, the famous Houston surgeon who has performed 21 heart transplants. The suit was filed by Mrs. Shirley Karp of Skokie, Ill., widow of Haskell Karp, who died after receiving the first artificial heart transplant in 1969.

"It doesn't surprise me," Dr. Moretz said of the suit, one of the year's biggest, "but I am disappointed to hear it."

He said nearly 10,000 malpractice suits will be filed against doctors this year, "and the number is expected to increase about 10% each year. "The fear in the present malpractice crisis is capable of stymying any progress in surgery and forcing people only to do the best-established procedures, not the one which more recent findings have indicated is better than the old one," he told the gathering. ■

File third suit in tanker loss

BEAUMONT—A third damage suit has been filed in U.S. district court here against Texaco Inc. as the result of the sinking of the Texaco-Oklahoma in March.

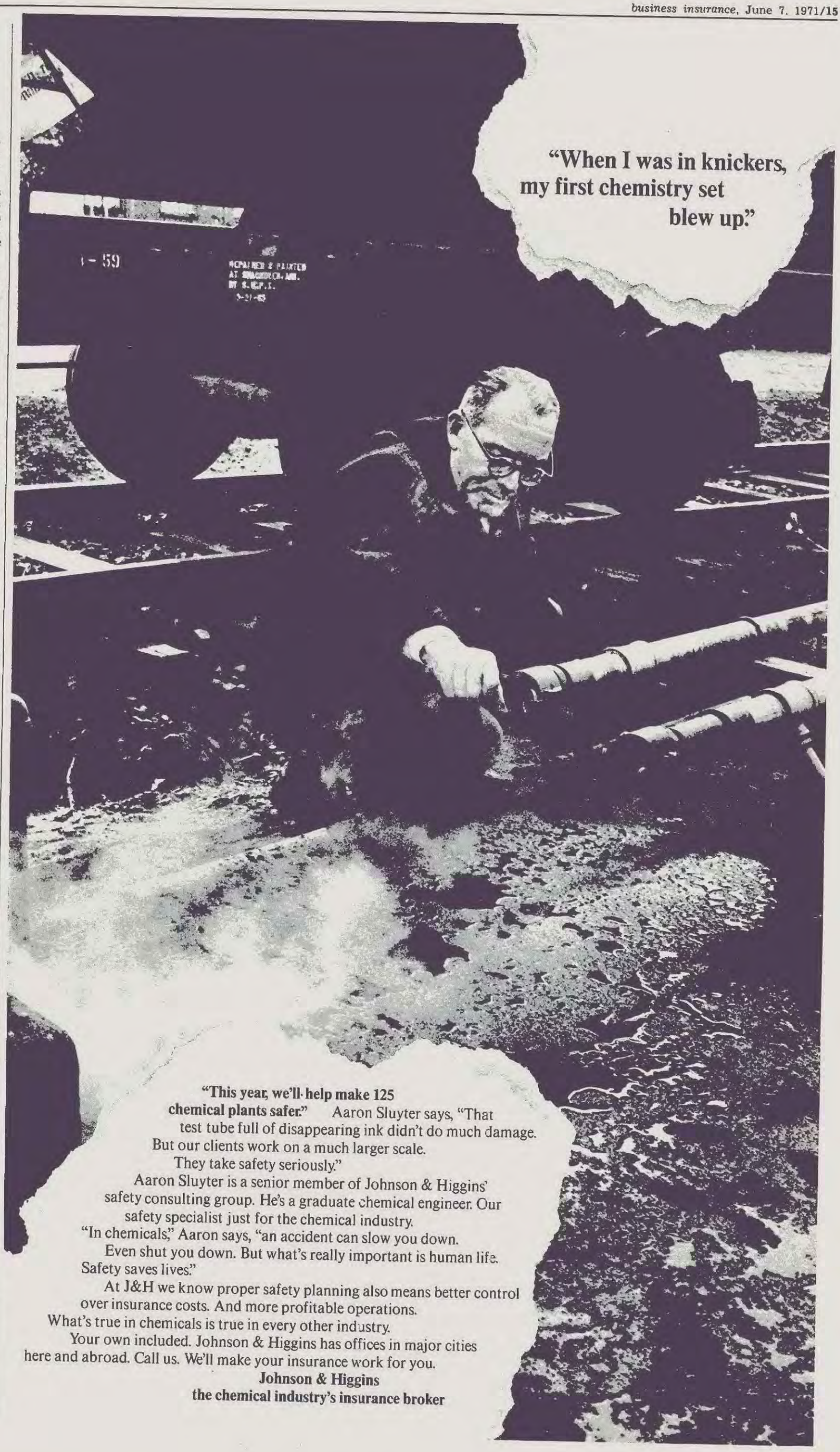
Seeking $500,000 in damages is Mrs. Thelma Laverne Meadows of Deweyville, Tex., widow of second mate Julian Wade Meadows Sr.

She claims loss of support and maintenance for herself and her 14-year old son.

This suit brings the total to $2.8 million in damages sought against the oil company as a result of the sinking.

Mrs. Mary Louise Truell filed for $525,000 damages and Mrs. Mary Frances McKinney is asking $1,813,000.

The Texaco-Oklahoma split in two off Cape Hatteras, N.C. en route to Pennsylvania. It was reported 31 crewmen were lost. ■



london line

Britain will seize or even sink oil tankers that menace its coastline

LONDON—New powers adopted by the British government to beat oil pollution at sea include the seizure of foreign ships.

It has been decided they will now be liable to be held even if they are outside territorial waters if they threaten the country's coast line and refuse to take normal precautions in case of danger.

The move is regarded as a major change in international maritime law, which till now has usually accepted that ships are subject only to their own national flag on the high seas.

But hundreds of townships along Britain's southerly coasts, often packed with vacationers, have complained that they are in peril from pollution if tankers collide in the busy waters of the English Channel.

SO PARLIAMENT has hurriedly passed a law that will remove this threat by compelling tankers to offload their fuel cargo into small tankers if they are involved in risk.

Owners face a $120,000 fine if they refuse to agree, and they can even find their ships forcibly sunk by the Royal Navy, or towed to the nearest British port, if emergency arises. But it is expected most ships' captains will be sensible and comply with the "clean sea" regulations.

The English Channel is now so crowded with vessels traveling to and from Western Europe from the Atlantic that a four-nation conference of Belgium, France, the Netherlands and Britain has been held to control its traffic routes.

Vessels from some lesser maritime nations have been accused of reckless movements that have put larger ships in peril. They are usually those which fly "flags of convenience."

ENVIRONMENT Minister Peter Walker told Parliament, when the new laws were settled: "We do not intend our sea to be ruined." But he agreed that there ought to be a world policy on pollution.

Insurance rates on large tankers have risen by $200,000 a vessel, to more than $1 million, because of disaster problems in recent months, and could go higher because repair costs are mounting. Twenty nations in the International Chamber of Shipping, including the U.S., are urging steps to cut catastrophes.

* * *

REPORTS reaching Lloyd's List from Oslo state that two Norwegian Protection and Indemnity Clubs have joined in an action by several insurance companies against the state of Florida.

The action, according to this paper's sources, has been begun in an attempt to nullify a recent law regarding oil pollution by ships. The insurance companies claim the legislation is unconstitutional and opposed to federal and general maritime law.

* * *

UNDERWRITERS face constant risks of losing $30 million on container ships, but so far they have not yet been involved in major casualties.

Outlining these figures to the Liverpool Underwriters' Assn., its chairman, Richard Powell, declared:

"We have not yet had the experience suffered with supertankers, but it remains to be seen what problems we will face if one of these new cellular container ships is stranded.

"There would be a heavy liability for the value of the vessel, plus the containers themselves, plus the cargo, if this happened.

"Whatever their promoters may say, the container method of transport is more lucrative to organized crime than normal methods. This applies particularly to long trucking distances to and from the ports where they are handled."

* * *

THREATS of computer espionage from trade unions now face big British commercial companies.

Union chief John Cousins, who heads the powerful Transport and General Workers Union, told a computer conference:

"Trade unionists employed on computers will be able to feed back to their unions information about corporate matters as quickly as it is available to management if they wish to.

"We will be able to know as quickly as our employers about the state of the business they run."

But he admitted employers could build up a data-bank file about their own workmen if they felt it necessary to do so.

* * *

SHOCK LOSSES on professional indemnity cover that reportedly hit two Lloyd's syndicates have been found by *Business Insurance* to be untrue.

The two syndicates were said to have been affected by damage awards in U.S. courts.

On making up their accounts for the 1968 period, in accord with the Lloyd's practice of closing books three years in arrears, they found that claims were higher than they had anticipated. So they decided to cease taking new business until their liabilities were fully determined.

ONE OF THE syndicates is named as M. J. Payne and Others, and it is suggested that the total extra "call" could exceed 250,000 on the two syndicates involved.

Blame for their difficulties was at first put on court awards, especially in the U.S., and the escalating effect of higher damages being given through inflation.

But a Lloyd's spokesman later assured *Business Insurance*: "Neither of these two syndicates in fact wrote U.S. business and so this cannot be blamed for their situation."

The news was encouraging to the specialized professional indemnity market, as there had

Continued on page 61



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following the funds

Harris poll of top financial men tells pension fund managers nothing new

NEW YORK—A poll of financial executives of the country's top 625 corporations has pointed up what most pension fund managers have known all along: that the expected return from pension fund investments, as well as the sheer bulk of the funds themselves, has been creeping ever higher over the years.

Conducted by Louis Harris & Associates Inc., the poll showed that the pension pool, worth about $130 billion at this time, has been growing at close to 15% a year and could double in the next five years. At the same time many of the executives polled indicated that they needed an annual increase of 6% in their funds to meet their obligations. A significantly large number of the executives pointed out that they were looking for a return of 12% or better on their funds.

Because some of these funds are now expected to outperform the stock market, which has averaged an annual increase in stock values of about 10% a year since the end of World War II, managing of pension funds has now become a business with a goodly amount of risks.

FOR EXAMPLE, pension funds had only 12% of their assets in stock in 1951, with the remainder tied up in safe fixed income securities. By the mid-1960's the picture had changed noticeably—pension fund assets were then 55% in stocks.

The survey also pointed up some of the problems of pension fund management.

The lust for a higher rate of return can, in some cases, be the result of pressure from top management.

A fairly common practice in business today, according to some observers, is the company president allowing a lower link in the chain of command to change actuarial assumptions for the year if it appears that the company may not live up to its earnings forecast.

"THE CHANGE IN actuarial assumptions," one source said, "permits a company to pay less money into the pension fund for the year. The money thus saved shows up in better corporate earnings for the year, but the short-changing must be made up for with higher expectations from investments.

"A company's ability to make this trade-off has only been possible in recent years, as pension fund money was shifted from conservative investments to stock."

"Basically," the survey points out, "corporate executives are torn between their desires for higher yields on the one hand, and their worries over undue risk on the other hand. In some ways, the results show, many corporate executives want to have their cake and eat it too."

A spokesman for Louis Harris said that the typical corporation had more money in its pension fund than in any operating division. He also pointed out that the survey showed that the 625 corporations together put more money into their pension funds than they paid for interest on their debts or spent on new plans and equipment each year. ■

Farmers Group covers huge fleet

SACRAMENTO—California's state-owned fleet of 26,000 motor vehicles, one of the largest commercially insured fleets in the world, will be insured for the next three years by the Farmers Insurance Group.

A total of seven carriers participated in bidding for the state contract.

The bid from Farmers was nearly $1 million lower than its closest rival and $175,000 lower on the deposit required.

Coverage provides $250,000/$500,000 bodily injury liability and $100,000 property damage liability per vehicle with a premium rate of $67 per vehicle per year.

The contract also provides identical coverage for privately owned vehicles when being used in an official capacity.

Farmers succeeds Employers-Commercial Union which has held the state contract for nearly a decade.

"Inasmuch as Farmers Insurace Group writes their insurance with no independent brokers," explains Eugene D. Marquart, insurance officer for the Department of General Services, "the state will be able to deal directly with the insurance company officers." ■

Disability plan

The Travelers Insurance Cos. have introduced a new noncancellable disability income insurance plan for business and professional people. Called Select Circle Income Protector, it is noncancellable and guaranteed renewable until age 65, and is guaranteed renewable to age 70 if the policyholder continues to work full time. Total disability benefits are tailored to the specialized talent of the client, with income up to $2,500 a month. The policyholder has worldwide coverage and a waiver of premiums after 90 days of total disability with retroactive funds.

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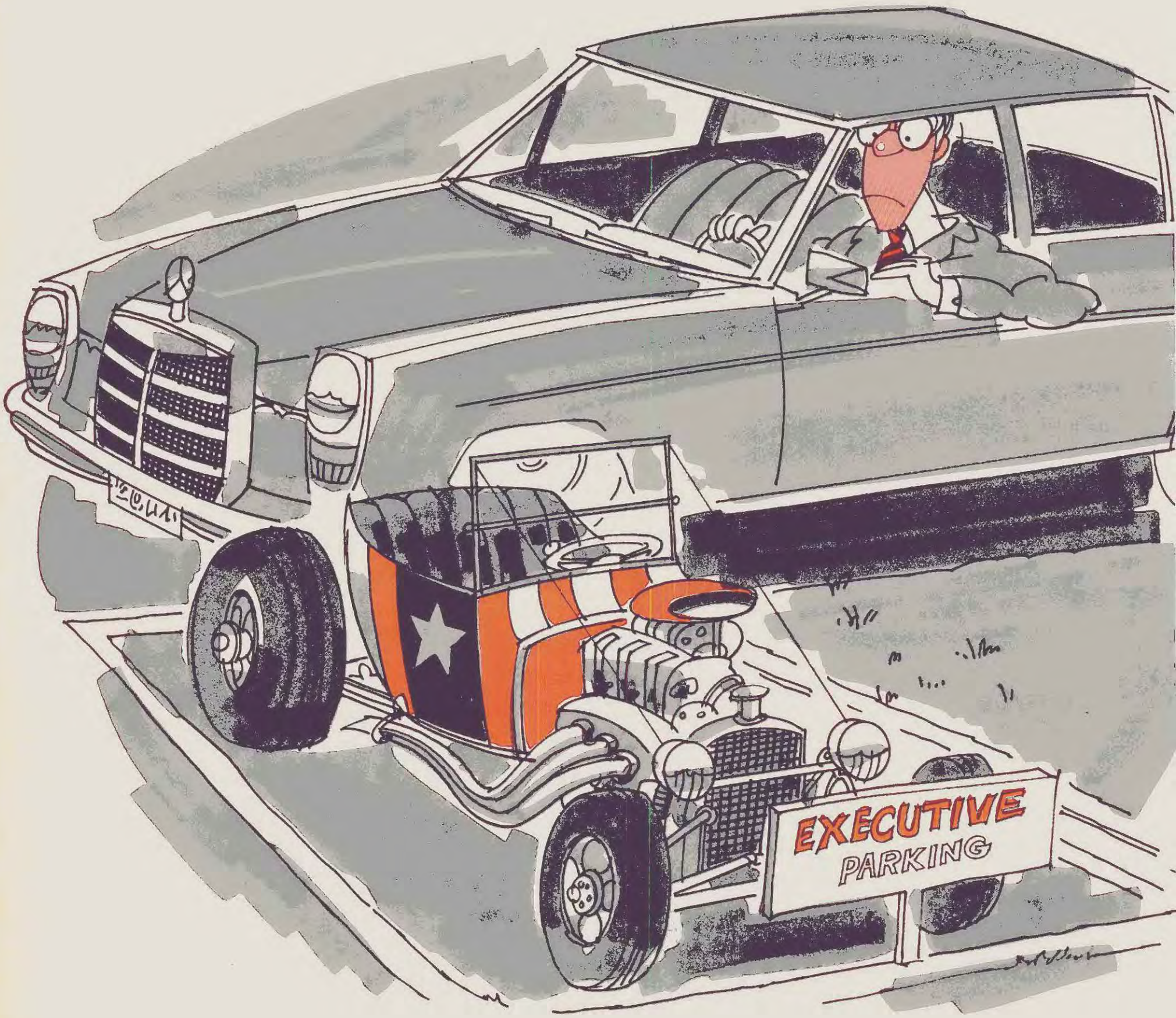
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Risk man adds voice to those favoring no-fault

WASHINGTON—Another risk man has added his voice to a growing number of insurance management people who have spoken out strongly in favor of the no-fault concept. (*See* Business Insurance *questionnaire on page 72.*)

In testimony before both Senate and House committees, John J. O'Brien, who is insurance manager of The Franklin Mint Inc., Franklin Center, Pa., told Congressional investigators:

"Over the years, I have become totally convinced that our present system of tort liability does not satisfy the principle purpose of liability insurance, which is to see that innocent victims are paid their losses."

MR. O'BRIEN told the panels he has had approximately 21 years of experience in the field of insurance. Thirteen of these, he said, were spent in insurance company and corporate claims, with heavy emphasis on the investigation and evaluation of truck and automobile liability accidents.

"It is a well-documented fact that the current system works unfairly," the insurance manager said of third-party reparation. "Of course, as an insurance claims representative I was taught that my principal responsibility was to conserve company assets by setting claims for the lowest possible dollar. A good settlement most frequently was not one that was fair," he added, noting that the present system favors the affluent and mitigates against the poor.

Mr. O'Brien spent 11 years with insurance companies, in claims positions. He was also national director of claims services of Avis Rent-A-Car Systems for three and a half years, and insurance manager of the Mack Truck Corp. for five and a half years. His testimony was heard before the Senate committee on commerce and the House subcommittee on commerce and finance, both of which are considering no-fault legislation.

In his appearance before the Senate unit, chaired by Sen. Warren G. Magnuson (D.-Wash.), Mr. O'Brien said that he generally favors the Uniform Motor Vehicle Insurance Act (S.945) drawn up by Sen. Magnuson and Sen. Philip A. Hart (D.- Mich.).

KNOWN AS THE Magnuson-Hart proposal, Mr. O'Brien said he believes "such a law by the federal government is desirable, since it is apparent that the states will not voluntarily adopt uniform legislation. By mandating a model bill to the states the problem of liability insurance reform could be resolved," he declared.

Although he generally approves of the measure, Mr. O'Brien did cite several areas in which it could be more palatable to him.

"The bill's definition of catastrophic loss is too restricted," he said. "Would not the term 'catastrophic harm' as defined, exclude for example, a surgeon or concert pianist who lost the tip of his fingers?"

The Magnuson-Hart measure, as it now stands, has this to say about the subject:

"THE TERM 'catastrophic harm' means permanent and total disability (including death at any time resulting from injury) or permanent and partial disability of 70% or more. The term 'catastrophic harm' includes disfigurement that is permanent, severe, and irreparable."

Mr. O'Brien also noted that he feels the definition of economic loss should be amended to pay a percentage of the individual's income without limitation. A limit of $1,000 a month, he said, would in many instances be totally inadequate to meet the needs of injured claimants.

Under the present proposal being considered economic loss replacement is:

"An amount equal to 85% of the monthly earnings at the time of the injury or $1,000, whichever is less, for as long a period as the injury causes the inability to engage in gainful activity substantially the same or similar to that engaged in prior to the injury: Provided, however, that in the case of injury such period shall not exceed 30 months, and that in the case of death, an amount which shall not exceed $30,000."

MR. O'BRIEN also took issue with the proposal's treatment of large commercial vehicles and said that in his view provisions that call for increased liability for larger vehicles should be eliminated. "Those underwriters who specialize in insuring heavy duty trucks would of necessity require more premium, the cost of which would in all probability be passed back to the public. It would be more equitable to assess the cost against all motor vehicle owners," Mr. O'Brien said.

The Magnuson-Hart measure states: "When one or more of the motor vehicles involved in an accident is larger than an ordinary passenger automobile, the insurer of the larger vehicle shall be responsible for a percentage of any net economic loss paid to occupants involved in the accident.

Mr. O'Brien also told the Commerce Committee that he is "delighted" with the provisions of the proposed "Motor Vehicle Group Act (S-946)". Also sponsored by the same Congressmen, the provision would allow group auto coverages.

"As a corporate insurance buyer one of my most frustrating experiences is to have some one in management come to me with a problem involving his personal automobile insurance. Despite the 'clout' of hundreds of thousands of dollars in premium for which I am responsible, I can rarely get my principal underwriters to extend coverage to an individual who has received a declination.

"IF I COULD offer the employes of my firm group automobile insurance, underwritten subject to the terms of S. 946, these problems would be eliminated. The reason that I cannot make such an offer," Mr. O'Brien went on, "is that the interests of the few are being given precedence by the states over the interest of the many.

"The insurance agency system will be hurt if corporations and associations are permitted to have access to group auto coverages," he said. "That would be unfortunate but, again, the special interest of a particular class should not be given priority. The reduced cost, easy payment by payroll deduction and availability of coverage to the individual, who in many instances cannot buy insurance at equitable rates, far exceeds our concern for the agency system." ■



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Equitable in first reciprocal with a Japanese insurance company

NEW YORK—With frank disregard for the sanctity of old sayings, The Equitable Life Assurance Society of the U.S. and the Meiji Mutual Life Insurance Co. of Japan are proving that, with a little work, the twain can truly meet—in the insurance world.

The Equitable and Meiji, Japan's leading group insurer, have developed a working agreement under which each company will service the other's multi-national group insurance and pension clients.

Robert E. Shalen, Equitable's account vp and the man in charge of the international group services program, explained that qualified Equitable group clients will now be able to purchase group insurance and pensions for their employes in Japan from Meiji Mutual, through Equitable. The U.S. insurer will provide the same services for Meiji's clients who have employes in this country.

HE ALSO pointed out that a provision may also be made for his company to reinsure a portion of the benefits. "We usually reinsure to 50% of premium business with the foreign companies. Reinsurance gives us the ability to spread the risk broadly on a world-wide basis. One prime reason for reinsuring is that it reduces costs."

This arrangement, according to the company, is similar to working agreements Equitable has with insurance companies around the world.

"Overseas business is very important," Mr. Shalen noted, "because there are a vast number of companies with employes abroad. We have similar agreements with insurance companies in all the major countries. Japan was the last. This is the first time the Japanese minister of finance has approved this kind of thing."

He summed up the importance of this type of agreement with a hypothetical situation.

"IN THE PAST, the client would have to deal with insurance companies through local subsidiaries," he said. "Say you had 100 employes in Japan. Of those 100 there might be one financial man who knows something about benefits but he's not a specialist. The problem was that he had to deal with specialists from the local companies. That one man now has help. This is a much more orderly way to do business."

He felt that the minister of finance had approved the arrangement, which the company had been working on for more than a year, because the agreement would provide for a true partnership. "We were in constant touch with Meiji and they were eager to participate. The finance ministry did an exhaustive study and, I guess, they saw that it would truly be a partnership, that we weren't out to exploit anybody."

Mr. Shalen said that there would be no market for health insurance because Japan has a socialized medicine system but that other straight employe benefits would be included in the program.

Only fully Japanese-owned insurance companies are allowed to do business in Japan at this time, Mr. Shalen noted. The insurance industry is just about the last financial enterprise to set up such working agreement with Japanese companies. Life and health coverage are the latest forms to be allowed in as casualty operations have been done in Japan for some time.

MEIJI MUTUAL is the oldest life insurer in Japan. It is a member of the multi-million dollar Mitsubishi Business Group and is not only the leading group insurer but was one of the first Japanese companies to write group coverage.

Mr. Shalen felt that the Equitable had opened the door "and it is only a matter of time until other companies start working out their own agreements." ■

Recommends funding

A nine-member independent committee has told the state of Connecticut that "Employes of the state are without the security of accumulated reserves to assure their pensions." The committee told the state legislature that Connecticut is only one of two states whose employe retirement systems are financed on a pay-as-you-go basis and recommended that the systems be funded for both present and past services "to meet professionally acceptable actuarial standards."

Deny rate hike asked in Washington

OLYMPIA—Washington State Insurance Commissioner Karl V. Herrmann denied a request of Washington Surveying and Rating Bureau for premium increases for fire and extended coverage on commercial buildings, apartments and homes.

The 150 companies, members of the bureau, were denied an increase on homeowners insurance last February and are appealing that ruling to the courts.

The commissioner noted the bureau sought an 8% increase in rates for apartment house and commercial risks, representing a premium hike totaling $2 million. A 22% hike sought for private dwellings would have amounted to an additional $1.4 million, it was reported.

"It is my firm belief," Mr. Hermann stated, "that no increase should be allowed unless the absolute need is clearly proven." He charged that across-the-board premium boosts are the equivalent of "price fixing."

Bureau members contended they needed the additional premiums for commercial risks because of increased losses due to arson, incendiarism, riot and vandalism. ■

Would alter appeals

The Oregon house judiciary committee has approved legislation to eliminate the Oregon Workmen's Compensation Insurance Board from the appeals procedure in litigation involving claims by an injured employe. Under House Bill 1714, an appeal from a hearing officer's decision in a workmen's compensation insurance case would be made directly to a circuit court. Under existing procedure, such an appeal first goes to the board, whose decision can be appealed to the circuit court.

What major insurance managers look for in workmen's comp.

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opinions

It's that time again

EVERY YEAR about now we get a tabulation from the Insurance Industry Committee of Ohio that details state-by-state expenditures for insurance department operations and contrasts them with taxes and fees collected by each state. As indicated by the graph on this page, the percentage spent on regulation grew steadily for four years from 1965, reaching a high of 4.48% in 1968. In 1969, the year covered by the current Ohio report, the percentage slipped back to 4.39%, a decline of about one-tenth of a percent.

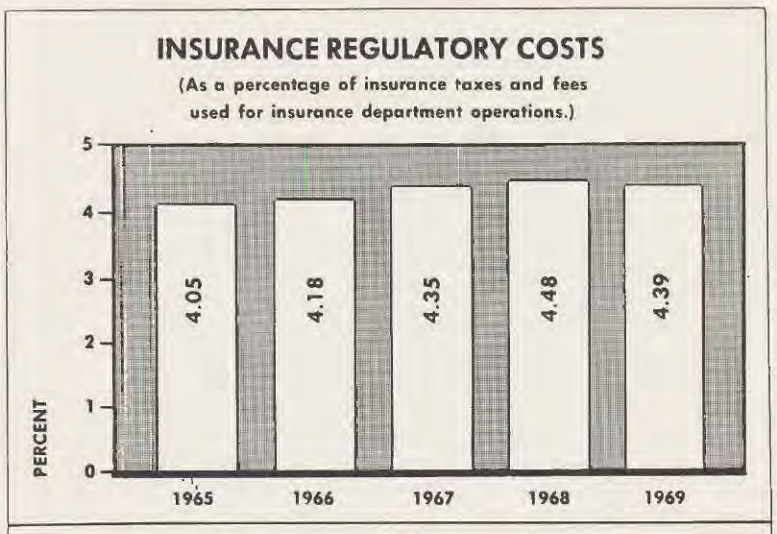
We're not so edgy about statistics that we are alarmed by a drop of one-tenth of a percent. What alarms us each year is the generally depressed appropriations for state insurance department operations. What alarms us even more is that nobody seems to care, with the possible exception of the Ohio committee. But even that group stopped releasing percentages when they detected it was embarrassing to states and insurance commissioners.

Even the insurance commissioners, through the National Assn. of Insurance Commissioners, have ignored the national problem of low appropriations for regulation. Iowa Insurance Commissioner Lorne Worthington, current president of NAIC, told *Business Insurance* that the national organization takes no position on inadequate department budgets because there is no uniform pattern; some insurance department budgets are adequate, others are woefully insufficient. "What NAIC does," Commissioner Worthington explained, "is provide research, legal assistance and information help at a national level to supplement the work of the state insurance departments. What is distressing is that insurance department budgets are often cut or held down in general economy drives that place everything under the budget ax."

Commissioner Worthington and his peers may be wise in avoiding the state budget fray, but we believe that NAIC and everyone concerned with the health of state insurance regulation should scream and yell about the need for adequate insurance department budgets. Only with an adequate corps of examiners and decently-paid administrators can insurance departments meet the challenges of regulating an industry that is growing in volume and becoming more complex, particularly because of mergers, takeovers and the operations of holding companies.

There are some signs of light at the end of the dark regulatory tunnel. In Pennsylvania, for example, Gov. Milton J. Shapp has requested a 12.1% increase to $3.38 million for the insurance department headed by consumer-minded Insurance Commissioner Herbert S. Denenberg. The additional funds will provide fuel for the active regulation Dr. Denenberg has brought to all lines of insurance in the Keystone State.

But effective regulation in Pennsylvania is not enough. As we have said before, state insurance regulation is only as strong as its weakest link. Insolvencies and criminal infiltration of insurance in one state affect the security of policyholders and the public in every state. That's why we deplore the assertion of one insurance commissioner, who shall be nameless, that he couldn't regulate any better if his budget were doubled. That only proves that he doesn't know how to spend money effectively to protect consumer interests.



These percentages represent the nationwide average of funds spent on state insurance department operations as a percentage of insurance taxes and fees collected by the departments. In 1969, the percentage declined for the first time in recent years. Of more than $1.14 billion collected in insurance taxes and fees last year, insurance departments spent $50.2 million on insurance regulation.
Source: Insurance Industry Committee of Ohio

Call for help

GEORGE K. BERNSTEIN, the highly regarded Federal Insurance Administrator, has asked readers of *Business Insurance* to provide information about their problems, if any, in securing crime insurance. Mr. Bernstein's agency will put the federal crime insurance program into effect Aug. 1 where problems exist in obtaining necessary crime coverage for businesses.

Among questions Mr. Bernstein would like to have answered are:

- What type of crime losses has your business suffered?
- What crime insurance do you presently have?
- Has your crime insurance been cancelled, not renewed or given up voluntarily because it was too expensive?

Also useful is information on the type of business you operate and the protective measures you have taken to prevent crime.

Those readers who have a problem obtaining or paying for crime insurance are urged to send their information to James M. Rose Jr., Assistant Federal Insurance Administrator, Department of Housing and Urban Development, Washington, D. C. 20410.

Missive from Joe B.

SPEAKING OF insurance regulation and crime, being careful not to confuse the two, we'd like to pass on the contents of a letter sent last month by Oklahoma Insurance Commissioner Joe B. "Nobody Loves Him but the People" Hunt to Federal Insurance Administrator George K. Bernstein. The letter, a copy of which Joe B. sent to us, was addressed to "Dear George the First." It says:

"In reply to your letter of May 12 this is to advise we don't have any crime insurance problems in Oklahoma and very little crime, because we are in the Bible Belt and you have my permission to relay this information to Congress. I am sending you a copy of my latest speech about you Federalcrats. Kindest personal regards. Joe B."

Well, if Mr. Bernstein reads this letter as we do, he learned more about the condition of insurance regulation in Oklahoma than he did about Bible Belt morality's effect on crime.

A $98.40 question

A BIT OF FARCICAL comedy played on television news spots when a Senate commerce committee hearing in Detroit saw an economical aluminum safety bumper displayed by a young man from Buffalo, N.Y. Douglas Taylor demonstrated for the senators a bumper built on shock absorbers that he said could be made for $1.60 and sold for $3. The manufacturing cost is exactly $98.40 below what auto makers claim it would cost them to install bumpers strong enough to withstand 5 mph crashes without damage, as Department of Transportation standards require.

The inventor of the bumper said at the conclusion of his testimony that "overcoming inertia in industry is a very difficult job. Nobody beats a path to your door." He spoke from experience as one whose money-saving idea was rejected by auto makers as "unfeasible" and whose cost estimate was termed "unrealistic."

It's intriguing to see an inventive young man come forward with an idea that seems practical and economical after the massive U.S. auto industry has failed for decades to protect property and life with safety bumpers. It's interesting, too, that the auto insurance industry, which stood silent for many years, has now come forward to endorse safety bumpers, a move made under the wise leadership of Dr. William Haddon Jr., president of the Insurance Institute for Highway Safety. Perhaps Mr. Taylor and the auto insurers in tandem will be able to get some action in Detroit that won't cost auto buyers as much as $100 per car.

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letters

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

Agent says, 'Be fair'

To the Editor: Regarding your comment in the April 26 editorial "Agents to the rescue": ". . . or, God forbid, of agents' commissions, which have increased with the inflationary spiral even though agents may not be giving any additional service to individual policyholders."

I just couldn't let this go by unanswered. Either you're just plain ignorant of what the average agent nets (and I can't believe this) or you meant this to be tongue-in-cheek. If so, it wasn't funny—at least to someone like myself.

Let's be fair now. In addition to having our average commission schedule almost halved in the past 10 or 15 years, inflation and rising costs have more than doubled our outgo in this same period of time. This means that we now have to write more than four times as much premium today as we were writing in 1960 to wind up with the same amount of take-home pay. If you doubt this, friend, my books are open to you at any time.

As to the high cost of auto insurance coverage, get the Big Three to stop making their products out of glitter and tinsel and go back to steel. In addition, help the no-fault plans get adopted in the various states so as to get the attorneys out of the insurance business and we'll all be able to sit back and afford our auto insurance premiums once again.

Bob Gerughty
President, Insurance Brokers Inc., Inglewood, Cal.

Drugs in industry

To the Editor: On occasion, I find articles in *Business Insurance* on the problems of alcoholism in industry. In recent years there has been also much discussion on drug problems in all areas of our society.

Do you have any available information on actual or potential problems for industry from the illegal use of drugs by employes and/or could you recommend any sources that I could contact for this information?

Roger H. Burnham
Manager, Industrial Hygiene and Safety, Combustion Engineering Inc., Windsor, Conn.

Editor's Note: We suggest you write the U. S. Government Printing Office, Washington, D.C., for a list of their drug abuse education films and related printed material. More information on this can be found in our Info for Buyers column, March 1 issue. Also the Kemper Insurance Group has published a booklet discussing drugs and employes. Information of this booklet is contained in the Info for Buyers column in this issue.

'Find fewer costs'

To the Editor: With regard to the article in your April 26 issue by John V. Degan, it is apparent that an appeal to industry to take a more aggressive attitude towards national health plan proposals is being made. However, if we make an honest and worthwhile attempt at solving the esca-

Continued on page 62

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Consumers, Nader visit spur concern about safety of Japanese products

TOKYO—Stimulated by widespread and often sensational press coverage of defective products and a rapidly growing consumerism movement, Japanese industrial circles are focusing on new research programs aimed at improving the safety of consumer goods.

Electric home appliance makers and the auto parts industry are the centers for the most recent developments. As both are prime export industries, the conditions leading to adoption of research programs, and the results of such programs, are expected to be of considerable interest overseas.

Small explosions and fires caused by defective electric hair driers, washing machines and television sets as well as by flashlights which are recharged by using home current have received considerable coverage in the press, particularly after defects in Japanese automobile parts and components created a stir two years ago.

THESE AND other conditions, including a visit earlier this year by Ralph Nader, are the background for industry's new moves aimed at improving the safety of consumer goods.

Electrical home appliance makers will embark on a full-scale safety research program. Prodded by the Ministry of International Trade and Industry, the new program was announced in early March when it was determined that funds for safety research would be available.

A subsidy of $194,000 will be provided from income of the national bicycle racing association, a quasi-governmental body the profits of which are used to support activities and projects in the public interest. The association's activities include support for the machine industry, but this is the first time that home electrical appliance makers will receive money from this source for safety research.

The money will be provided to the Japan Electric Machine Industry Assn. and the Electronic Industrial Assn. of Japan, which will raise a matching sum. The subsidy is for research during fiscal 1971.

RESEARCH WILL concentrate on basic matters related to preventing shock and fire originating in home appliances, as well as safety when using washing machines and television sets in damp or wet environments.

Auto makers and auto parts makers have similarly announced plans for research programs related to safety and emission control. The auto industry has been moved to do so largely by the Muskie bill, which would influence standards for autos exported to the United States in the areas of auto parts such as gaskets, pistons, piston rings, carburetors, mufflers, air cleaners and valves. To support this, the Automobile Parts Research Institute hopes to obtain a subsidy from the Ministry of International Trade and Industry. ■

Propose insurance law changes

MADISON, Wis.—The legislative council's insurance laws revision committee has drawn up a bill to create a major overhaul of state insurance laws.

A principal feature of the bill is a restriction on the conversion of mutual insurance companies into stock companies. The bill also would prohibit management contracts by insurance companies.

Most states do not permit mutuals to convert to stocks but Wisconsin's law was changed in 1963 to allow such conversions. The bill would restrict the conversions, however, by setting the price for the stock in a reasonable relationship to the value of the policyholders' ownership.

IT WOULD require that the price at which stock is offered to policyholders could not exceed one-half of the median equitable share of all policyholders.

An explanatory note said: "The purpose of the rule is to insure that fractional shares will be relatively few and that the policyholders who 'own' the corporation will have a reasonable chance to continue 'owning' it after conversion."

The note also said, "The suspicion of chicanery often expressed about conversion of mutuals is not without factual historical basis. Although a conversion might sometimes arise from a legitimate effort to put a shaky company on a sound basis, it has often signaled a scheme by a controlling group to raid the surplus of a prosperous mutual for personal benefit."

A mutual's management can keep control of the company in a conversion by setting the price of the stock so high that most policyholders are entitled only to a fractional share of the new stock, the analysis said. Most policyholders, therefore, accept cash for the fractional share rather than pay the remainder for a full share.

MANAGEMENT contracts—agreements delegating managerial powers to an outside group—are flatly prohibited by the measure.

One purpose of such contracts has been to permit company management to perpetuate itself, the committee said. "The view of the insurance laws revision committee is that management contracts are too susceptible to abuse to be permitted, even with close regulatory scrutiny," it said.

Other provisions of the bill would permit cumulative voting for directors of insurance companies so that minority stock interests could have an opportunity for representation. Another would require at least nine directors and prohibit insiders (officers and company representatives) from constituting a majority of the board.

Another would empower the state commissioner of insurance after a hearing, to remove a company officer or director if he is found to be incompetent or untrustworthy. The bill would also allow a company to handle all lines of insurance but segregated accounts would be required for mortgage guaranty insurance, long regarded as a particularly hazardous risk. Segregated accounts also would be required for life insurance.

Spencer L. Kimball, dean of the law school at the University of Wisconsin, headed the staff that wrote the bill. The legislative council is the study arm of the state legislature. ■

The sky is falling! The sky is falling!



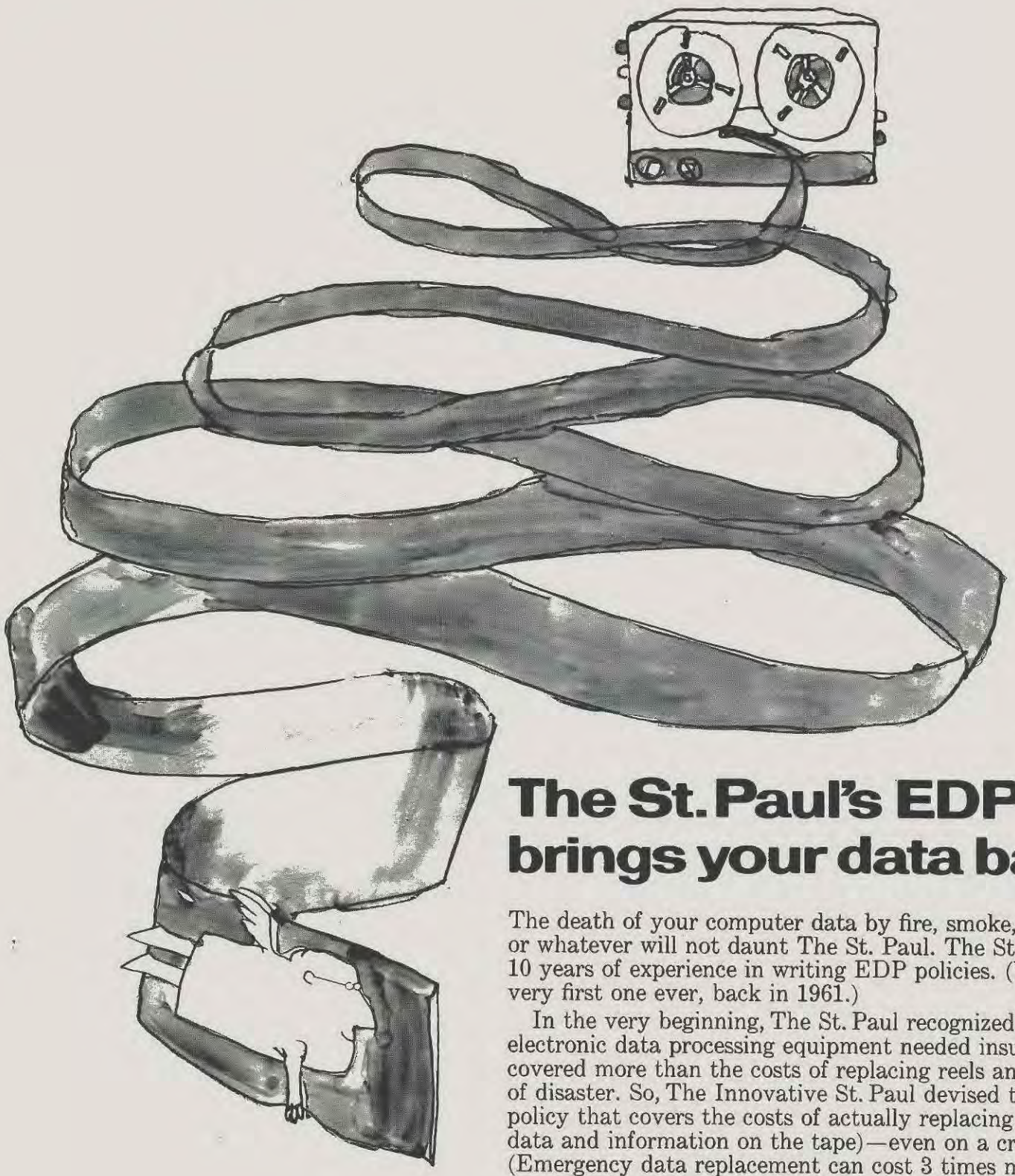
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Javits' aide questions Hansen's pension study

WASHINGTON—An aide to Sen. Jacob K. Javits (R.—N.Y.) has questioned the validity of a pension plan survey by A. S. Hansen Inc. reported in the May 10 issue of *Business Insurance* and later released by Rep. John N. Erlenborn (R.—Ill.)

According to the survey, made of 864 plans serviced by A. S. Hansen, 65% of covered employes are expected to qualify for benefits and another 19.6% are young enough to qualify for a pension in subsequent employment. The study was released to answer private pension plan critics, including Sen. Javits, who charged that large numbers of people supposedly covered by such plans never receive any benefits.

Sen. Javits' aide, Mike Gordon, offered these criticisms of the Hansen study:

• It's difficult to know how representative the study is because Hansen is a first-rate consultant whose clients would have more liberal pension plan provisions than many others.

• The study doesn't break down covered employes by length of service but rather by age groups. If substantial numbers of persons have extensive service without qualifying for pensions, it does make a difference.

The Hansen study reports only on current employes which tends to exaggerate the percentage who qualify. In the Senate labor subcommittee study relied upon by Sen. Javits and others, figures were based upon the percentage of participants who did not get benefits when they left their plans.

• In determining the number of employes expected to vest, A. S. Hansen made an "armchair" estimate. Private pension fund critics believe this is not sufficient and say that the test should be how many actually receive benefits.

• A further criticism of the "armchair" estimate is that it does not take into consideration those who leave their employment through "involuntary" separation or take their money out. Under present pension plans rules, such persons may not be vested and hence receive no pension benefits.

Sen. Javits and others have also pointed out that estimates of who will receive benefits are adequate only as "actuarial simulation," useful in planning a pension program or explaining it to a prospective client.

THEY ADD THAT new technology and business organization forms sharply affect pension plan vesting requirements. Critics cite as examples mobility in the aerospace industry and erosion of pension benefits through mergers and takeovers by conglomerates.

Answering criticism of the plans by Sen. Javits, Rep. Erlenborn said, "To me, the Hansen study is excellent evidence of the progress being made in the private pension system. The Javits study deals with the past, covering employes who left their jobs in the past 20 years. The Hansen study deals with today, showing benefits today's plans will pay the current working generation.

"Many pension critics have been looking at pensions from the wrong viewpoint instead of looking just at the number of employes who will remain long enough to qualify for benefits either through vesting, early retirement or retirement at normal age.

"This (Hansen) study should do a great deal to clear up some serious misunderstandings of private pensions and the scope of their protection. A great deal of totally unwarranted anxiety has been created, particularly among older workers," he charged.

Rep. Erlenborn's statement was echoed by Frank L. Griffin Jr., a former executive of Wyatt Co., another leading pension plan consulting firm. "I have said before that pension critics have been looking at the private pension system through the wrong end of the binoculars," Mr. Griffin said.

"If this were not so, why are $140 billion of assets committed irrevocably to private pension plan participants. The Hansen study emphasizes the important part, the employes who receive benefits, rather than the employes who simply leave." ■

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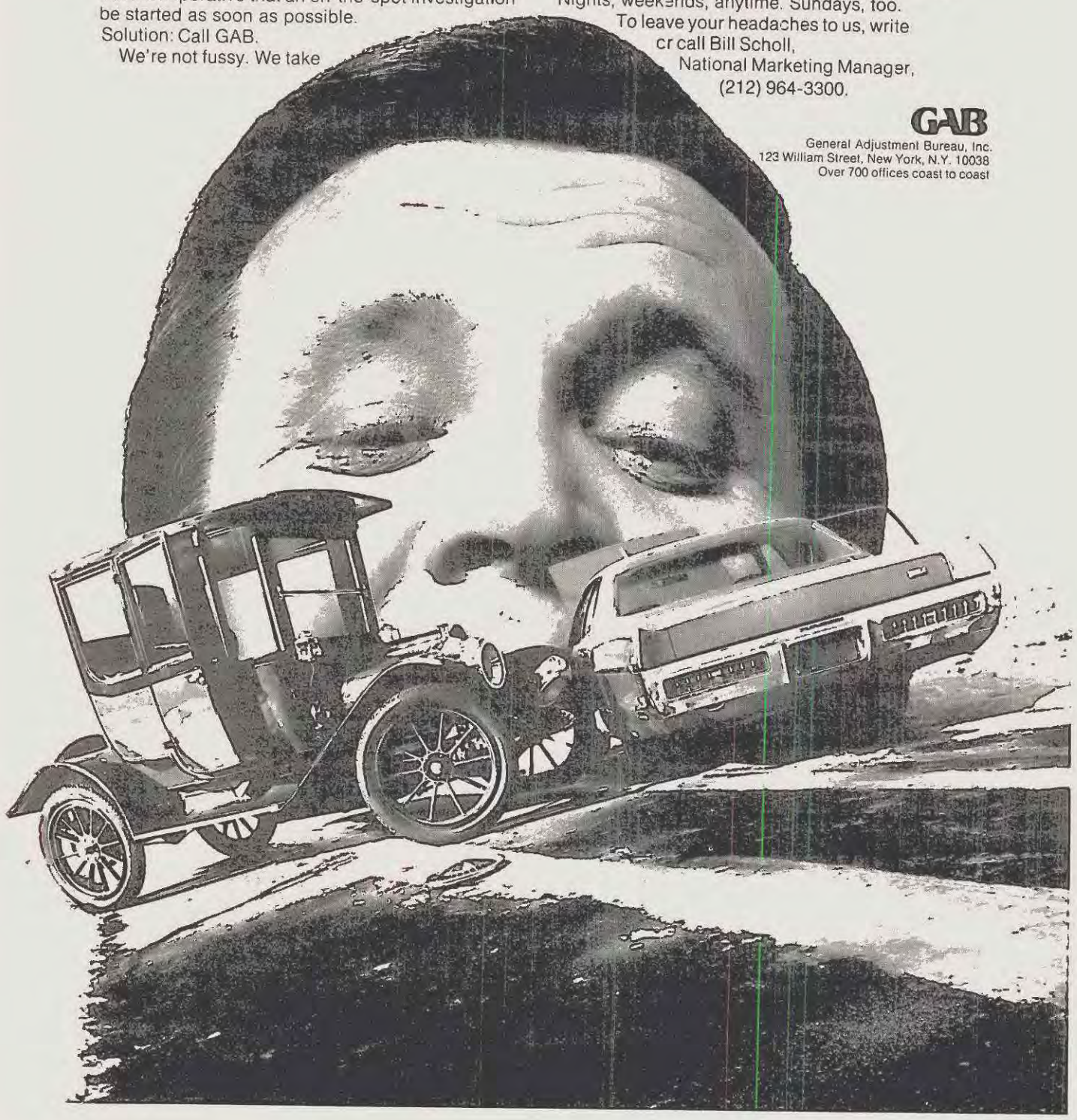
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BI names Washington editor

CHICAGO—John Revett has been named Washington editor of *Business Insurance*, a new post, effective July 1.

Mr. Revett is currently an associate editor of Advertising Age, sister publication of *Business Insurance*, in New York. Prior to joining Crain Communications Inc., which publishes both magazines, in May of 1967, he was a reporter on the Courier News, a northern New Jersey daily. Before that he served on the staff of the Daily Press and Times Herald, morning and afternoon newspapers in Newport News, Va.

Mr. Revett, who is 34, is a graduate of the University of the Americas in Mexico City.

According to Alfred Malecki, publisher of *Business Insurance*, Mr. Revett's appointment was made because of the growing involvement of Washington in areas of health and safety, pensions, consumerism and various inner city insurance programs. "It's imperative to maintain a full-time Washington listening post for our corporate insurance and benefits readers," Mr. Malecki said. ■

Fumes bring court suit

HOUSTON—Four longshoremen have filed a $1.2 million damage suit against Stauffer Chemical Co. in connection with an emission of fumes from its plant here.

O. L. Luckett, Roosevelt Burleson, John Lacy Sr. and Samuel E. Nelscn claimed their nervous and respiratory systems were severely damaged by the fumes.

The four charged that "Stauffer Chemical Co., with utter disregard for all life in this community, caused their factory to emit a damaging sulphuric acid gas or compound . . . which was carried from their plant to the ship where the plaintiffs were working as longshoremen and they were completely engulfed . . ."

The emission occurred during a routine start-up of a plant unit. Each of the longshoremen is asking $100,000 actual damages and $200,000 punitive damages. ■

for the record

Oregon acts in work comp fake coverage

SALEM, Ore.—The insurance commission here has levied a fine of $2,000 against Pennsylvania Life Insurance Co., Santa Monica, Cal., for misrepresentation in sales of health insurance.

Two agents of the firm, Jerry K. Horn and Carney A. Cargill, of Fremont and Fair Oaks, Cal., respectively, lost their licenses to sell insurance in Oregon as a result.

Cornelius Bateson, insurance commissioner, said the agents represented the policies as being backed by the state and as satisfying workmen's compensation requirements. Instead, the commissioner said, the policies were simply health and accident insurance.

Humphrey bill would cover police

WASHINGTON—A federally subsidized insurance program for police and firemen has been submitted in Congress by Sen. Hubert Humphrey (D.—Minn.). If the law were enacted, the Justice Department would contract with private insurance carriers to provide group life and disability covers "patterned after the life insurance programs instituted for the armed forces and federal government employes."

According to the Minnesota Democrat, the insurance would cover fulltime, part-time and volunteer fire and police personnel. Moreover, premiums would be split between the officer, who would pay two-thirds, and the federal government, which would pay the balance.

The measure would pay, upon death or severe disability, "the sum of the next higher thousand of the officer's annual pay, plus $2,000."

Provisions would also permit local option in retaining present group insurance programs.

Bess Myerson studies no-fault for Lindsay

NEW YORK—Bess Myerson, this city's consumer affairs commissioner, went to Boston on May 4 to study the Massachusetts no-fault auto insurance system. Mayor John V. Lindsay said he asked her to do so in view of the no-fault legislation that is pending in New York's state legislature.

Miss Myerson is on record as favoring the no-fault system of auto accident victim reparation.

Mutual's premium tax gets preliminary ok

MADISON, Wis.—The state assembly gave preliminary approval April 28 to a 2% premium tax on mutual fire and casualty insurance companies.

The bill, which would add an estimated $6 million to the state's treasury over the next two years, was approved on an 85-13 vote and sent to the joint finance committee because of its fiscal effects.

Unlike stock insurance companies, which pay a 2% tax on premiums, mutual companies are exempt from such payments.

The author of the bill, Edward Nager, Madison Democratic rep-

Continued on page 64

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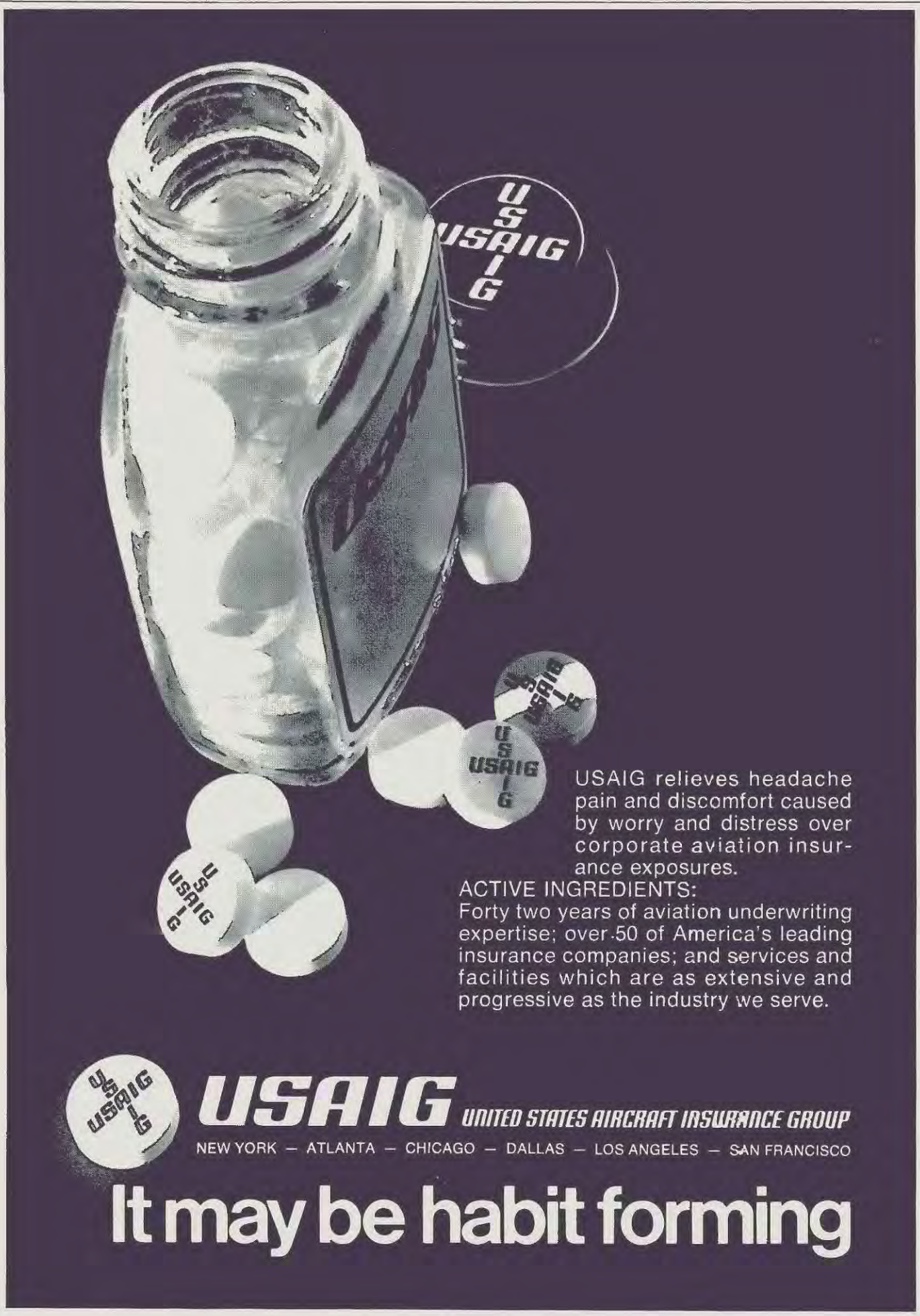
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It may be habit forming

This man is rebuilding his marine engine with company parts.

Ingenious thieves working inside a plant have devised some interesting ways of smuggling valuable parts, tools and merchandise out for themselves. The old "throw-it-in-the-trash-and-pick-it-up-later" trick, for example.

Burns International Security Services has trained its professional guards to watch for all these dodges—and to stop them. It's a fact that professional security can substantially cut parts, products and materials "shrinkage" caused by employees. A Burns guard with his professional training, smart appearance and objectivity can be more effective than a "company" guard. And what's equally important, he costs you less, too.

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special 1971 safety and security report

Confusion, labor-Administration tiff mark inception of safety-health rule

WASHINGTON—Corporate risk managers charged with seeing that their firms are in compliance with the new Williams-Daniels Occupational Safety and Health Act had better brace themselves for at least two years of confusion and probably more while the Administration and labor forces fight over how the law is to be enforced and by whom.

Actually, very little in the line of enforcement is expected for many months, although great blasts of sound and fury will continue to emanate from Washington as the various camps attempt to score political points over the bill in preparation for the upcoming Presidential campaign.

The paucity of the actual clout the bill currently carries is dramatized by the slight $11.8 million Congress appropriated to finance the programs of both the Labor and Health, Education and Welfare Departments through the rest of this fiscal year ended June 30.

The Administration, which the labor community claims is far from enthusiastic about the act, had asked Congress for $16.8 million.

KNOWLEDGEABLE observers point out that the reduced funds will probably be just enough to keep federal health and safety operations at present levels.

Judging from the lengthy Congressional appropriations procedures, it is likely that fiscal 1972 funds will not be approved until after the first of the year, meaning that probably no more than 330 government inspectors will be moving among the nation's 4.1 million work places by June 30, 1972.

Whether this de facto breathing spell in hard enforcement is a blessing for business is debatable. Assistant Secretary of Labor for Occupational Safety and Health George Guenther recently noted that a byproduct of the act could be a savings for business of millions of dollars in accident costs and insurance premiums.

As an example, he said that between 1960 and 1968, after the maritime safety amendments to the Longshoremen's and Harbor Workers' Compensation Act, the rate of disabling injuries dropped 52% in shipyards and 40% among longshoremen with an average direct cost per injury of $1,500. The Labor Department estimated the safety amendments saved industry $56.7 million over the eight-year period.

THE LABOR community has assumed a pronounced adversary stature toward the Administration and its enforcement policies, and has threatened to fight tooth and nail, if need be, to see that the letter of the law is followed.

Unions have launched an unprecedented national program to make workers aware of their rights under the act. The AFL-CIO has announced it will push to have 1,000 of its own men put through the government safety course for training officials, then send them into the field to "help the government enforce the law."

Labor quickly got down to the nitty gritty when the Oil, Chemical and Atomic Workers Union joined with Ralph Nader and company and friendly legislators to attempt to force the Labor Department to apply the "imminent

Continued on page 68

All HEW personnel are on their own

WASHINGTON—An official of the Department of Health, Education, and Welfare pointed out with some glee and perhaps a little fear a quirk in the provisions of the new federal Occupational Safety and Health Act.

"The act clearly states that sanctions will be taken against anyone who assaults a Department of Labor health and safety compliance officer during the performance of the officer's duties.

"But," he said sadly, "nothing in the law prohibits assaults on HEW personnel."

'Too early to tell,' safety men say of new U.S. law

By PATRICK THOMAS

NEW YORK—"You want me to sum up what I think about the new occupational health and safety law?" queried the amused safety director. "Well, I know a lot of safety people who are bringing their resumes up to date —only in different occupations."

This reaction to the new federal law was one of many received by *Business Insurance* during a poll of safety directors. The survey pointed up a number of facts, one of them being that getting a number of safety professionals to agree with each other about the law could easily be tantamount to getting Israel and Egypt to agree about the Suez Canal. The reactions to the law, which went into effect in April, ranged from polite realism to raging hysteria.

The only point upon which they consistently agreed was that it is still too early to tell exactly what is going to happen when governmental machinery finally goes into full swing.

SAID JACK SNYDER, manager of safety at Merck & Co. Inc.: "There are a lot of words in this bill and it will be some time before we really know how strong it will be. What we have to see is how the law will be enforced. It's just a matter of time."

"The concept of the law is good," said L. H. Muller, Ex-Cell-O Corp's. safety director, "and the results will be good if it is administered fairly. The federal inspectors' attitudes and qualifications are highly important, as is the whole enforcement problem."

Looking at the future from a different angle was Rich Moscato, safety and medical director of Crane U.S.A.

"Some plants are always safer than others, laws or no laws. There are five things that determine how safe the plant will be, and how effective the law will be: whether or not the plant is making money; the age of the plant; the attitudes of the plant manager; the attitudes of the division manager, and the attitudes of the safety director. For example, my title is director and, dammit, I'm going to direct, not consult. That's the way to get things done."

WHAT ARE safety professionals concerned about, if anything, in the federal package?

"I am mainly concerned about loose legal jargon in the law," noted W. J. McClushey, safety director of Walker Manufacturing Co., Racine, Wis. "You see, there are phrases in the law like 'free from recognized hazards,' Recognition now becomes an art form. I mean, who can really recognize a hazard? It may be something we have had in operation for 70 years with no accidents. Then they come in and tell us that its a hazard and may cost us $50,000 to fix."

A number of those interviewed professed some worry about the reaction of employes, particularly disgruntled ones.

"The harassment potential on the part of unions or chagrined employes is unbelievable," Mr. Muller noted. "That would have to be my main area of concern. The bill affords no protection for management and no real penalties for employes. You could easily have a situation where a company is actively stepping up efforts in the safety area and an employe vindictively makes a complaint. Then the inspectors

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Operation Velazquez typifies new security consciousness at Lloyd's

LONDON—Lloyd's of London is moving rapidly ahead to fight organized crime as far as a vast range of insurance risks is concerned.

It recently mounted a "cloak and dagger" security operation to move a Velazquez painting of his assistant, which fetched $5.5 million at public auction, from Britain to the United States.

It disclosed at the same time to *Business Insurance* that it has appointed its own loss prevention officer to aid security measures in many risks it now covers. This is a completely new step in its insurance role.

Both these developments are a far cry from the coffee-house days three centuries ago when Lloyd's first began to function.

BUT THEY are in keeping with modern trends in which the merits of risk prevention are now being given fresh emphasis to clients in both America and Britain as a vital factor in insurance cover and premium rates.

"Operation Velazquez," devised by Robert C. J. (Bob) Gordon, who is well-known in America as a leading underwriter at Lloyd's, is the most noteworthy example of its adroitness.

The painting was insured for the full $5.5 million after being sold at Christie's of London to Wildenstein's, the New York art dealers, for a record price last November.

Lloyd's decided to coordinate security aspects of its shipment so that it could be moved safely across the Atlantic without being the target for surprise hijacking.

UNDERWRITERS stood to lose a fortune if it was stolen. In what has been described as a "James Bond operation," it was transported so secretly that underwriters sharing the risk were unaware of the security details. Brokers who cooperated were J. H. Minet and Co., Lloyd's brokers.

The market left Mr. Gordon, past chairman of Lloyd's Underwriters Assn., to supervise arrangements. Even now full details cannot be disclosed.

A Lloyd's spokesman said: "The Velazquez operation is an excellent example of the insurance market's new security consciousness."

Lloyd's has even declined to say whether it went by sea or air, but merely states with pride: "It is now safely in the U.S."

THE NEW LOSS prevention officer who played a part in the Velazquez operation—which is still classified "secret" so that further details cannot be disclosed—is Frederick Gerrard, former Scotland Yard man with an intimate knowledge of the underworld.

He was introduced to Lloyd's last year by Mr. Gordon after Mr. Gerrard retired as a high ranking officer. He has been in many important cases and helped to break up British gangs which in some cases were being used by Mafia agents in Europe in bids at highly-organized crime.

Now he is being used by Lloyd's to advise on the security measures adopted by many firms whose risks are covered in the market.

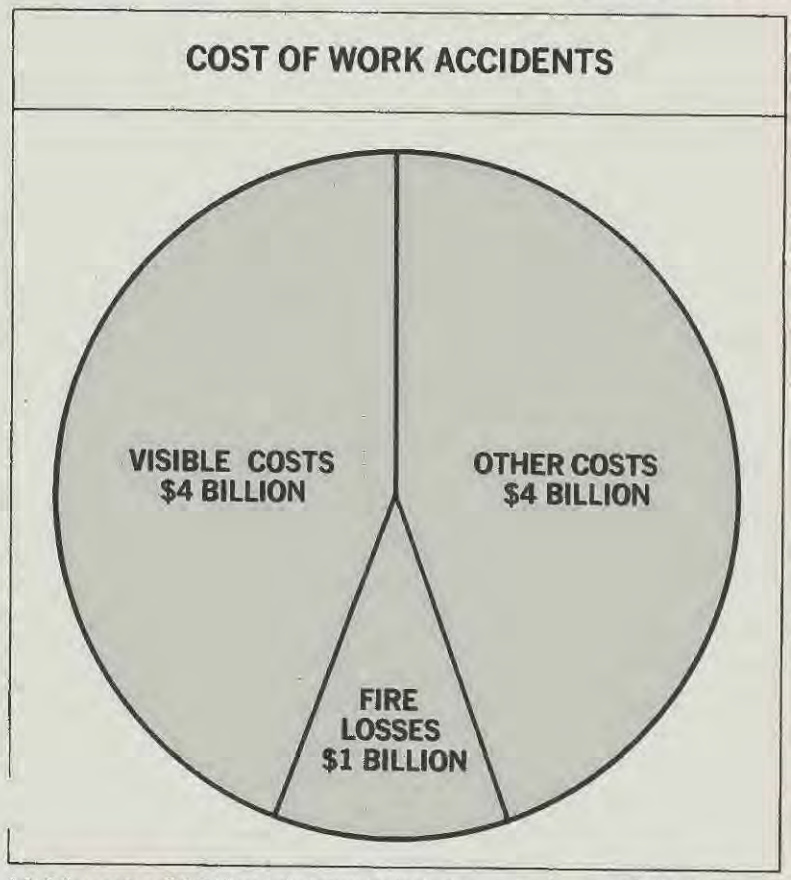
Mr. Gordon told *Business Insurance* in an exclusive interview:

"Crime has advanced so much in recent years that it has become essential to take this step in the interests of both ourselves and our clients.

"FOR IT IS only by tightening up security that it is possible to stop premium rates in some sections of the market from rising.

"We have moved into an era which makes us all pay heed to security and crime prevention advice.

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Visible costs of 1968 work injuries include wage losses of $1.7 billion, insurance administrative costs of approximately $1.4 billion and medical costs of $900,000. Other costs include the money value of time lost by workers other than those with disabling injuries, and the time required to investigate accidents and write up accident reports. Not included in the total cost of $9 million is the value of property damage other than direct loss from fire. The total cost of work accidents in 1969 is estimated to be about 9% higher than in 1968. Source: National Safety Council

The risk manager's key role in loss prevention

By HOWARD F. KESSLER
Assistant Vice President, American International Underwriters Corp., and chief casualty engineer, American International Group Inc.

NEW YORK—Whatever terminology is used to explain the functions and responsibilities of the insurance or risk manager, the final assumption emphasizes the basic mission: To plan and execute the most economic means of providing the necessary protection of the assets, the stability and the profits of the company.

If management expects the efficient performance of this basic mission, it must accept the responsibility for providing the correct designation of the executive level of the risk manager in the company. When the risk manager's appointed level of authority is commensurate with the responsibility assigned, it is necessary that he make effective use of certain available talent in the corporate strucure.

It is generally agreed that the manager should have a complete understanding of the risks involved in the company's operations, the basic knowledge of the specific actions employed to effect reduction of these risks, and the scientific procurement of the specific indemnity contracts to secure the financial protection against possible losses.

It is, therefore, obvious that the risk manager's job requires the procurement, the assembling and evaluation (through analysis) of a vast amount of diversified data. In one form or another, there are necessary and associated tools available to him to successfully administer and fulfill the basic responsibility assigned. These tools are already in the corporate structure and more specifically are concerned with the integrated divisions and departments of the company.

TO VISUALIZE the diversified risks present in the over-all operations, to analyze the exposures existing for each risk and then evaluate the orders of importance for necessary insurance protection, the risk manager has certain avenues of approach to the problem. He can make practical usage of the technical, the productive, the research, the legal and the constructive knowledge available from the main elements of the corporate structure. The over-all understanding of the entire risks that are present in the company is obtained through the study and the assistance of the integrated divisional units that make up the

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corporate structure. This will require certain involvements with research, production, sales, distribution, purchasing, construction, engineering personnel and sometimes with labor. These are some of the internal tools available to the risk manager to use, in order to develop a complete understanding of the risks inherent.

The questions may arise:

- How does the risk manager actually use the internal "tools" in his company to obtain his necessary risk information?
- How does he evaluate the data procured?
- How does he determine the exposures, the hazards involved, the areas of possible catastrophe, the extent of possible losses?
- How does he make the best use of and augment his company's loss control program?
- What additional assistance is available from the insurance company's engineering staff?
- How can these existing tools be most efficiently coordinated to assist the risk manager in his decisions with regard to the proper purchase of insurance?

A perspective view of these questions by an engineer is proposed here because there are important areas of engineering that involve the insurance or risk manager in the performance of his mission.

Generally, engineers are not insurance managers and conversely, insurance managers are not to a great degree, engineers. This is unfortunate in a number of respects because both professions have definite need for each other particularly with regard to the doctrine of risk management.

Today we are acquainted with the terms "production engineering, construction engineering, research engineering, sales engineering." In each case a proportional knowledge and usage of engineering in one form or another is required. With this consideration, it is not inconceivable to consider the insurance manager involved in what may aptly be called "risk engineering" with regard to his prime mission.

CONSIDERING THE entire insurance problem of the risk manager as viewed by the engineer, the development of the over-all mission as initially stated in this article, therefore, would commence with the stated "risk engineering."

An engineering approach to this situation would require the proper design of the foundation or base to support the entire structure. Initially, a complete understanding of *all* risks involved in the company's operation is essential. It is at this point that the internal tools and the available talent existing in the corporate structure become of prime importance.

A study of the corporate table or organization charts will quite accurately pinpoint the main divisional areas of authority and operating elements contained within the company. Considering six basic items of interest at this point—who, what, where, when, how and why—it is reasonable to assume that the answers to the first three can be determined quite initially. We immediately have at our disposal the functional line and staff data concerned with the basic operating elements of the company such as plant and real estate, research, engineering, production, traffic and transportation, accounting, legal, sales and finance, purchasing, industrial relations and publicity divisions which are further available for conceptional knowledge of the company's complete functions.

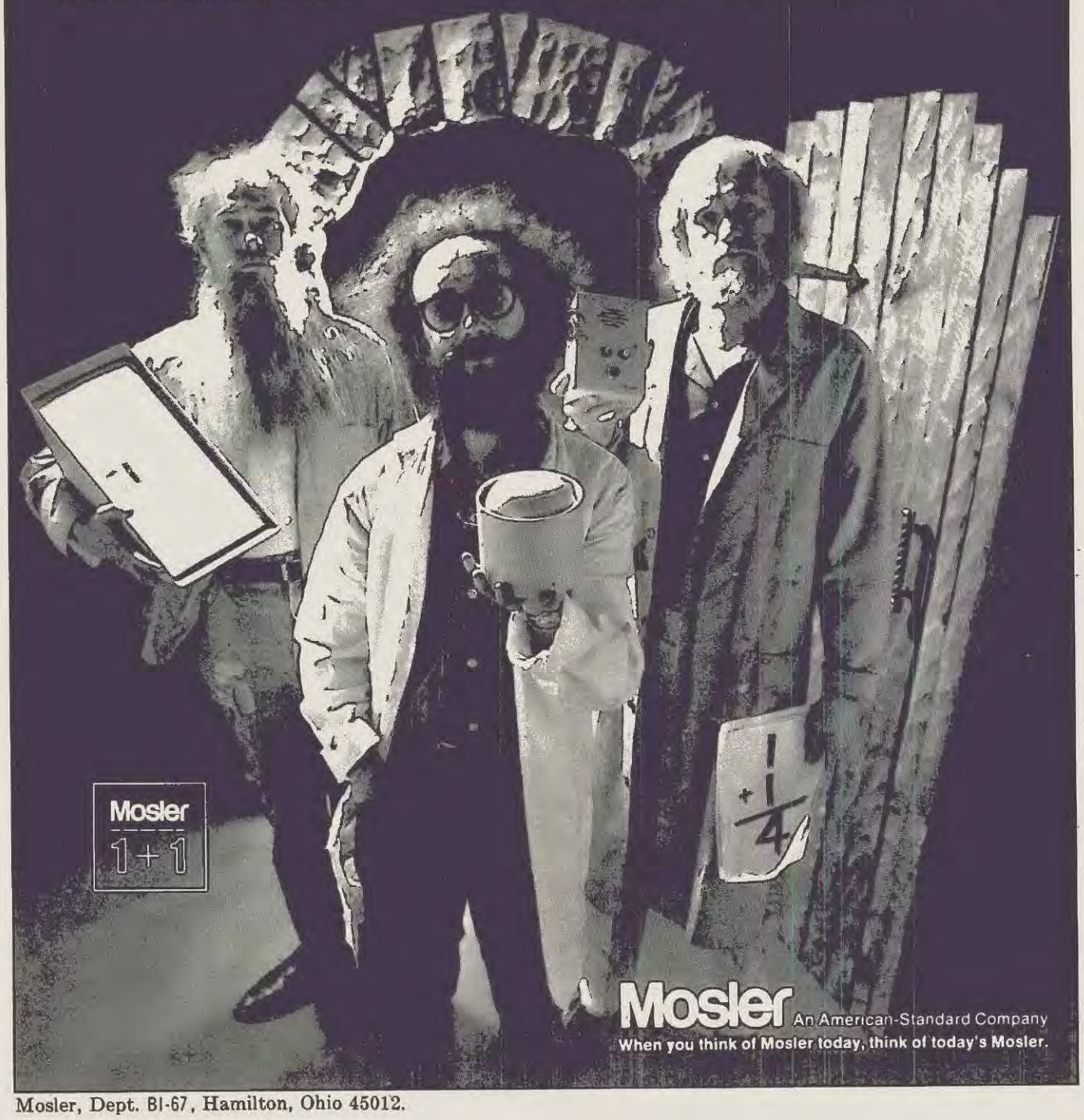
Within these elements of the corporate structure rest the over-all information and specific fac-

Continued on page 32

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Lloyd's finds security leaks at our airports

LONDON—Security defects at major American airports are exposed by leading Lloyd's underwriters who commissioned a special probe into cargo insurance risks on a worldwide scale.

They have warned several prominent airlines that they cannot go on meeting the mounting claims for lost goods unless theft and pilferage are stopped. At the time of writing, *Business Insurance* is reliably informed that there is every hope of holding premiums on a stable basis for 1971, except for specie, diamonds and precious stones. But deductibles will have to be introduced on a substantial scale at a future date unless the bid to check organized crime wins out.

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Aviation underwriters in London, both at Lloyd's and among British insurance companies, take this stand after reading the full report of a prominent insurance assessor whom they sent from London to the U.S. to make his own check on airport security.

BUT IT IS SECURITY for ordinary cargo that worries the underwriters. Though it is agreed that it is the airlines, rather than airport authorities, who must take greater trouble to protect the goods they carry when they reach their terminals.

The Lloyd's assessor's report on Kennedy Airport, which it is admitted is now responding to efforts to improve its security, made these points:

"Cargo was discharged unsupervised and not checked against manifests. It was left on trucks awaiting delivery to warehouses. At times four to five hours elapsed between the arrival of an aircraft, and delivery to the warehouse unit.

"Once cargo was in possession of the ramp services personnel, there appeared to be a total lack of airline supervision.

"IT IS APPRECIATED that the cargo business is extremely competitive, and individual airlines that tighten up on security might lose business to another carrier who is not so security conscious."

The report slams the system at Kennedy Airport, which unavoidably calls for cargo to be handled by members of the Teamsters' Union which, it says, can work for long hours unsupervised.

Supervision for loading trucks, the Lloyd's assessor found, was almost non-existent, and after loading there was no check on the actual consignments on board the vehicles. Truckers and cargo agents can work in collusion to commit fraud, he claimed, but there has been a tightening-up on security by FBI agents who realized that a high proportion of thefts was the work of crime syndicates.

Airlines that are now responding well to security demands include KLM, Seaboard, and BOAC, Lloyd's underwriters concluded. ■

Safer buildings in U.K.

Tougher fire prevention regulations are being introduced by the British government for many buildings. They would make possible more stringent supervision of 500,000 premises and court orders banning their use until they are safer.

HOW TO GET IN THE ACT

July 1, most businesses must begin record keeping required to comply with the new Occupational Safety and Health Act of 1970. Now is the time to make sure you can comply with the record-keeping requirements of the new Safety and Health Act. Here are three major areas in which you must maintain specific kinds of records:

1. All reportable occupational injuries *as defined by the Act.* Records must be kept by the employer of all such injuries, whether or not they resulted in an insurance or workmen's compensations claim. Injuries must also be recorded by class of injury.
2. All reportable occupational illnesses, *also as defined by the Act.*
3. Total work days lost as a result of occupational illnesses and injuries.

Are your present records adequate?

The new safety and health legislation will require record keeping not ordinarily done by insurance carriers and almost never done by employers. Furthermore, it puts the burden for all safety and health record keeping on the employer.

This means:

Employers, rather than their insurance carriers, will be required to maintain a comprehensive health and accident reporting system. Guidelines for developing an adequate accident and illness reporting system are now available. We have studied these guidelines in detail and can assist you in planning your compliance with the new legislation.

FREE — Newly published planning guide for compliance with the Occupational Safety and Health Act of 1970. If you will put your name and address on this form, then have your secretary drop it in the mail to us, we will have a free copy of this useful guide on its way to you by return mail.

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Computer Claims Control has already developed and installed hundreds of systems that more than meet the record-keeping requirements of the new safety and health legislation. Besides helping management comply with the new legislation, a Computer Claims Control system is also an excellent management tool for use in accident cost control. It is, in fact, essentially a cost control system with a comprehensive, four-step approach to the problem:

1. *Awareness*—The CCC system collects data on all losses—insured or non-insured.
2. *Responsibility*—For each loss, the CCC system points out the area of responsibility within the company.
3. *Communication*—Loss data, including both cost and cause, is automatically transmitted to the various operating managers with loss responsibility, as well as to top management.
4. *Continuity*—Regular reports, on a continuous and automatic basis go to all areas of management with accident control responsibility.

The big advantage of the Computer Claims Control system is that it is a total information system in a single centralized package. It pulls together claims, non-insured losses, self-insured losses, reserves and reserve change, final notices, premiums —all the data you need for effective cost control through good risk management.

Computer Claims Control system is simple and economical to install. It can be administered by your own insurance department, or by your insurance agent. It is the most advanced management tool yet developed for controlling the costs of accidental loss. Write for complete details.

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Key role . . .

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tual data which must be studied, understood and evaluated through the initial risk engineering by the insurance manager.

THE RISK engineering involved requires the analysis of the entire operating plan of the company, an analysis quite far beyond the basic understanding of the plant and fixture values, present and contemplated construction, personnel, raw materials, production, products and distribution. The analysis must further include the accurate evaluation of the risk present in each case, and the *extent* of the exposures to loss presented in each category of company operation.

Risk engineering must move forward into a study of the when, how and why considerations as concerned with each functional activity of the company. The risk manager in his engineering evaluation, must travel into the field, away from his office and "survey" the parts of the entire structure. He should meet with the vice-presidents of engineering, production, research and sales for many reasons including but not limited to developing:

- A clear awareness of each divisional operation.
- A calculated determination of the inherent exposures or unusual hazards existing throughout the diverse elements of the company operations including catastrophe potentials.
- A practical estimate of the effectiveness of the company's internal loss prevention program as oriented specifically to the critical exposure areas existing. This must include the catastrophe control planning.

The insurance manager's recapitulation of the initial data obtained through the analysis of the points above should assist greatly in his *primary* risk evaluation.

It should be emphasized that the comprehensive and detailed risk analysis is a *continuing function* through the risk engineering by the insurance manager.

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The mission of risk engineering from this point forward will require the firm establishment of the insurance manager's personal plan for contacts, liaison and simplified communication with the main elements of the company's activities. This planning is vital in order for the insurance manager to keep accurately abreast of all important changes occurring in the corporate organization. A realignment of company production phases, new plant construction or construction alterations, new product design, the incorporation of new and different manufactured products, changes in transportation and shipping modes reflected in company expansion or diversity, all create a continuing variation in the year-by-year risk exposures.

THE INSURANCE manager may obtain his up-to-date control data by routine reports from the company divisions, through personal contacts or at corporate meetings. Whatever system is firmly established and reliable, for the consistent development of insurance control data, it must provide the prime basis for his continuing risk analysis mission.

If we may continue with an engineer's approach to the insurance manager's mission it is possible to plan a further phase of the necessary risk engineering function. We can conceive in the over-all construction of the insurance program a hypothetical corporate structure insurance chart set up in the insurance manager's office. This chart is a mosaic development consisting basically of the organizational outline of the corporate structure. Adjacent to this chart is a functional flow chart of the company's operations. This chart should present, in correct sequence, the proper assembly of raw materials by main suppliers to central and secondary plants, storage areas, warehouses, inflow plant production phases, shipping and main product distribution areas. Refinements of this chart to include research, sales, purchasing and common carriers, would depend upon the ingenuity and imaginative conceptual planning of the insurance manager.

To make this corporate structure insurance chart more comprehensive (or complex) we will add a third chart which depicts the general losses (insured and uninsured) for the major divisional operating functions of the entire corporate structure for the last three-year coverage period or for the preceding year only.

To finalize the concept of this corporate structure insurance chart, and with due apologies as an engineer for this theoretical or heretical approach, let us assume the possibility of overlaying one chart upon the other, the superimposing of data on each chart accurately keyed to the correct divisional elements of the over-all corporate structure chart. The presumption considered here is the ability to pinpoint at once for causal analysis the areas of line and staff authority from the organizational chart, the functional operation from the flow chart and the loss developments from the insured and uninsured loss chart.

Combining the data obtained from this composite picture with the communication-liaison plan previously discussed should offer a comprehensive evaluation to the insurance manager in confirming his over-all risk analysis mission.

EARLIER IN this paper we stated that insurance managers are not to a great extent engineers. However, if we continue with the original concept of risk engineering as applied by the insurance manager it must include his close technical relationship with the company's loss prevention division or, in other terminology, the safety department.

No other element in the corporate structure is as vital to the insurance department for assistance in over-all risk analysis and hazard evaluation, including final determination of calculated risk, as the experienced and efficiently operated loss prevention division. Also, the ultimate purpose of the loss prevention division is to effect a reduction of the total insurance cost by the continued absolute minimization of losses. Therefore, the coordination of effort and the necessary close liaison required between these two divisions of the company is incontestable.

The safety department may consist of one or two persons or actually consist of a rather large technical and service organization, depending upon the size of its parent company and the complexity of existing operations.

If the proper understanding and agreement for cooperative assistance has been obtained between the insurance and safety departments, there is no valid reason why the major basic functions of over-all risk analysis cannot be performed by the safety division. Here are the technically trained personnel who,

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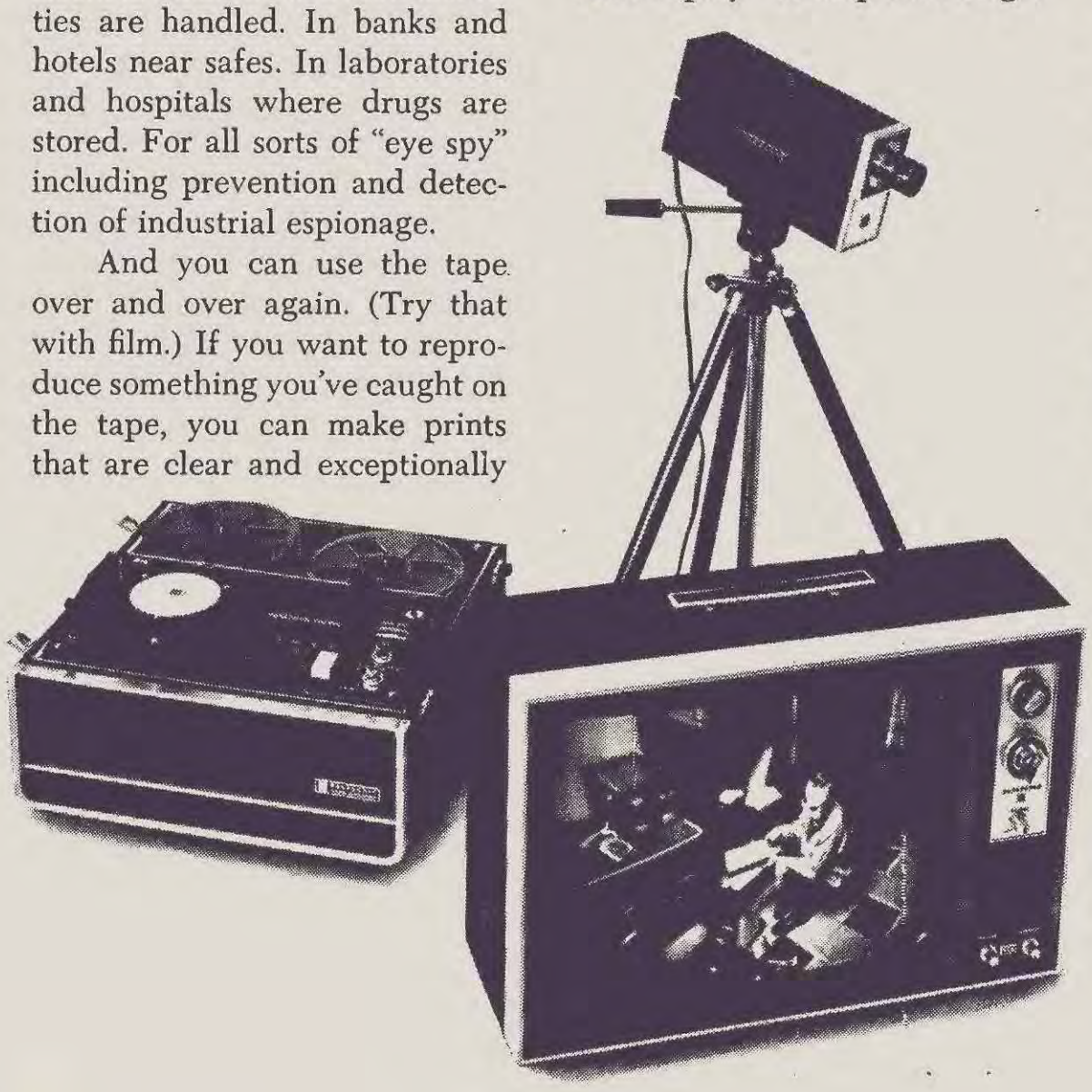
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Learn the A,B,C,D's of your fire extinguishers

By WILBUR CHARLES

MIAMI—"Don't send a boy to do a man's job" when a fire breaks out. Each class of fire calls for specialized action, and there is an effective extinguisher for every kind of fire.

Presumably, the extinguisher in every business, home, motor vehicle, boat and airplane was originally selected to combat the kind of fires that were expected to occur. But owners, conditions and environments change. Old hazards are removed and new ones are added until, too often, existing extinguishers are no longer adequate.

The first step in determining what kind of protection is afforded by an existing extinguisher is to identify the fires it will be called upon to fight. Underwriters' Laboratories divides fires into four categories:

CLASS A: Incipient fires in ordinary combustibles such as wood, textiles or rubbish on which the quenching and cooling effect of water is of first importance.

CLASS B: Incipient fires in small quantities of rapidly burning material such as gasoline, oils or greases on which the blanketing or smothering effect of the extinguishing agent is of first importance.

CLASS C: Incipient fires in electrical equipment where the use of a nonconducting extinguishing agent is of great importance.

CLASS D: Incipient fires involving metals, such as magnesium, aluminum, zinc, sodium or potassium.

The second step is to find out the type of extinguishing agent that is now being used (all extinguishers provide this information on their nameplates), to locate that agent in the following paragraphs, and to decide if expected fires can be effectively controlled by the existing extinguisher. If the extinguisher on hand is not appropriate for what is expected of it, replace it with the proper type. If it is of the correct type, make certain that it is fully charged and ready for any emergency.

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The third step, of course, is to learn how to use all available extinguishers, and to insist that everyone else involved learn how to use them too.

Fourth, and this should probably have come first, if there is any doubt about the kind of fires to be expected or the type of extinguishers required, consult the local fire department or one of the fire extinguisher companies listed in the yellow pages of the telephone book.

FIRE EXTINGUISHERS are rated, as a result of testing by Underwriters' Laboratories, by their extinguishing ability. A numeral followed by a letter is displayed on the nameplate of each unit to indicate its rating. The letter indicates the kind of fire the extinguisher was tested for, and the number indicates the relative fire extinguishing potential or "extinguishing units." For example, a 4-A extinguisher can put out approximately twice as much fire as a 2-A unit. A 2-A 4-B extinguisher possesses two units of extinguishing capacity for Class A fires and four units for Class B fires.

Class B ratings also show the square foot area of deep-layer flammable liquid fire that an average operator can extinguish.

Class C extinguishers have no numerical rating because such electrical fires are essentially Class A or B.

The extinguishing agents most commonly used today are carbon dioxide, dry chemical, K agent, multipurpose dry chemical, foam-compactible dry chemical, metal-fire extinguishing agents, soda acid, loaded stream, water, calcium chloride and chemical foam.

CARBON DIOXIDE extinguishers employ a liquid extinguishing agent that, when released from a high-pressure gas cylinder, becomes an inert gas and snow that does not support combustion. It smothers the fire and does not leave a residue to rust or corrode metal or rot other materials. It does not freeze, so no environmental protection is required. Carbon dioxide is recommended for small Class A fires and for fires involving flammable liquids and electrical equipment.

DRY CHEMICAL extinguishers contain a powder that is composed primarily of sodium bicarbonate or ammonium phosphate. They emit a fan-shaped cloud of chemical that separates the flame from material that is burning and smothers the material. There are two kinds of dry chemical extinguishers. One employs a cartridge of carbon dioxide to eject the extinguishing powder. The other employs a pressurized inert gas such as nitrogen. These units are recommended for Class B fires, especially where a burning liquid is spilled on the floor or is in an open container. They are also recommended for some Class C electrical fires because the dry chemical is not a conductor. However, the powder leaves a residue so it is not recommended for fires in telephone switchboards or other instruments containing electrical switches and contacts. An automatic dry chemical extinguisher can be suspended from the ceiling over a Class B fire hazard. This unit has a fusible link that melts at 165° F. and discharges monammonium phosphate over the fire below.

K AGENT extinguishers employ a dry chemical originally developed by the U.S. Navy. This is a powder compound of potassium bicarbonate and special additives to combat both Class B and C fires. It requires a stored pressure expellent and may be turned on and off as required. K Agent has been tested at −40° F. and requires no protection against freezing. These units are recommended for extinguishing fires in petroleum products, grease and flamable liquids and for electrical fires.

A MULTI-PURPOSE dry chemical extinguisher employs a

Continued on page 43



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The Automation Company

Campus security problems mount at once quiet Stanford

PALO ALTO, Cal.—If Robert M. Beth is having trouble sleeping soundly these nights, it probably is due only to the fact that he is insurance, safety and health manager for Stanford University.

Mr. Beth can sympathize with the comment of Associate Provost Robert Rosenzweig, "I count the buildings when I come to work every morning to make sure they're all still there."

So far this year a bomb caused $25,000 damage to the office of

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Stanford President Richard W. Lyman; an arsonist's fire gutted a dormitory lounge, causing $75,000 damage; and at least five smaller but damaging fires have been set.

IN ADDITION, $100,000 of damage was done to the Stanford Medical Center when police broke up a 31-hour sit-in, and assorted buildings on the campus have been subjected to vandalism.

More traditional centers of student militancy, such as the University of California at Berkeley and San Francisco State, have been almost abnormally quiet this year in comparison to Stanford.

Burglaries on the Stanford campus have increased more than five times from 1967 to 1971 and the amount of property taken in burglaries and grand thefts jumped from $20,000 in 1966 to more than $120,000 last year, with the total still rising.

"Arsons and bombings are the hardest crimes to solve," declares Santa Clara County Undersheriff Thomas Rosa, "because most of the evidence is destroyed in the crime.

"What's worse," the undersheriff added, "is that probably 90% of the students wouldn't tell us if they saw a guy bomb a building. They figure if he's blowing up a building, he probably has good reason for it.

"If they see someone robbing an old man on the street, they figure the guy is doing it because the old man is a symbol of the system. It's a nightmare situation." ■

Refunds won for alarms overpriced

NEW YORK—The state supreme court here has ordered a burglar alarm company that sells rather simple devices at seven times their cost to slum residents to stop making sales pitches to such dwellers.

According to New York's department of consumer affairs, the firm, Vigilant Protective Systems, has sold about 15,000 of the overpriced alarm boxes exclusively to blacks and Puerto Ricans for three years. The firm would often tell prospective buyers that the system was hooked into police stations, which was not true. The company had charged as much as $750 per system.

In addition to obtaining a landmark court order that prevents the firm from approaching anyone with a weekly income of less than $100, the consumer department also won refunds totaling $125,000 for 376 low-income buyers of the alarms. ■

Heads Benefacts

Leonard Zimmerman has been named president of Benefacts Inc., the Baltimore-headquartered firm specializing in employe, communications. The Alexander & Alexander Inc. subsidiary currently lists more than 200 of the largest U.S. corporations as customers, and for them produces individualized reports detailing an employe's status and participation in the company's employe benefit program.

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Where will it all end?

Security has become a way of life for everyone

By ANNETTE DUFFY

NEW YORK—Enormous increases in crime and national unrest are causing the general public, industry and institutions to turn more and more to guard services, fencing, security passes, electronic gadgets, special lighting, patrol dogs and other measures to protect themselves.

Banks now have to worry not only about robberies but also about bombings; universities must be wary not only of vandalism but also of student unrest. Full-time security officers are becoming commonplace even at small companies and high schools, and whole security staffs, of course, are to be found at major banks, corporations and universities. The uniformed guard is being recognized as a man with an important job, a man who should no longer double as chauffeur or handyman.

A little punch is added to these statements by figures.

In 1968, $530 million was spent on guard and investigative services; by 1978, it is estimated, $1.425 billion will have been spent on such services. Central station alarm services cost $110 million in 1968 and are expected to increase service to $200 million worth by 1978. Local and proprietary alarm costs are expected to go from $54 million to $110 million over the same period, and closed-circuit television devices from $23 million to $75 millicn.

"It's getting pretty rough," said Irv Crupar, assistant national director of electronics for Burns International Security Services Inc., in an interview with *Business Insurance*. "There's no way to know who has a gun or not. It's getting to the point where the police are not able to handle the problem on their own."

According to Mr. Crupar, a large problem for many businesses and organizations is that they have no one group they can go to for advice. "In professions where the people meet on a regular basis there is a good exchange of ideas on security," he said. "Bankers, for example, all know each other and trade advice. Small businesses are realizing they can't cope on their own and are going out to find out what others have done to protect themselves. The President has told schools they must handle their own security situation, so school officials are getting together.

"Security is complex and nobody has come up with a simple formula. There are any number of security problems that haven't been solved; the electronics end of the security business has come a long way, but it still has a long way to go."

Mr. Crupar thinks originality is essential if the electronic part of a security system is to be successful. "If everyone has the same device," he pointed out, "it won't take long for interested parties to figure out how to get around it. Unfortunately 80 of the devices currently marketed are copies of others. A hula-hoop approach governs this market" he said. "A manufacturer will sell a lot of devices at one fell swoop. The market is saturated, and the individual buyer is stuck with a common device."

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MR. CRUPAR emphasized that for full effectiveness each security package must be tailor-made.

As a group that has gotten together on security matters, bankers in the New York area are showing determination and are meeting with some success. The protection officer at one of the largest New York banks told *Business Insurance* that the 10 banks of the New York Clearing House Assn. had strong motivation to take action.

"In 1970, the New York City area experienced an increase in bank robberies of 300% over 1969," he said. "Nationally, bank robberies increased only 8%."

The protection officer said the Clearing House Assn. undertook a reward program towards the end of 1970. Photos of bank robbers taken by surveillance cameras at burglarized branches were put on "wanted" posters and exposed in newspapers and subway cars and stations with the incentive of a $10,000 reward. "Of 15 robbers advertised so far, nine have been apprehended," he said. "I think the program has been a tremendous success to date. The question is—will it become the deterrent it's meant to become? We want the program to discourage robberies because some New York City robberies have involved shootings and deaths."

THE PROTECTION officer attributed the rise in bank robberies to a tough economic period, an increase in population and in the number of branches, and to drug addiction. He also said the friendly open architecture of branches today, as opposed to the fortress-like interior design of 10 and 15 years ago, was attracting more robbers as well as more customers. His bank has decided to install 18-inch high Plexiglas panes to make jumping over the counter —a recent trick of thieves—more difficult. His bank relies on surveillance cameras which can be activated when necessary by bank personnel to capture all action on the banking floor.

The headquarters of the officer's bank are equipped, he explained, with pioneering innovations for emergency evacuation. "Emergency preparedness is extremely important in these days of bombings," he said. "Just look at the Bank of America in California. Of course, a branch office is far easier to clear than a headquarters building with many thousands of square feet of space."

John Colleton, protection officer at the Chemical Bank, said education of personnel was an important element of the security program there. "We use RKO slides, pictorial and voice presentation. Our object is to make security known at every level."

MR. COLLETON said that guard service and cameras are also important. "We have in excess of 300 armed guards at the 147 branches in this region, and we have a surveillance camera for every two and one-half tellers. Our cameras are on constantly from 8:30 am until 3:30 pm. It is a totally automatic electronic system; we've gone in heavily financially on this. The cameras have built-in calendars and clocks, the film runs for one week, is changed every Friday and stored in Massachusetts for two years by the same company that rents us the cameras. The system is much more expensive than the cameras that operate only when tripped during a robbery but we find it's worth it. Stock brokers and all kinds of other businessmen come in and consult with us about our system."

Mr. Colleton said that Chemical

Continued on page 42

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Holmes protects Tiffany's — and a pigeon coop

NEW YORK—Holmes Protection Inc., whose electronic wizardry bugs burglars as much as the company's distinctive symbol glued on doors and windows of property it protects, has formed a subsidiary and hired a former top law enforcement officer to run it.

(See related story on page 49.)

For Holmes, a firm that has been in the electronic protection business for as long as the telephone has been in existence, the move means a growing up of sorts, a maturity and a desire to spread its wings in the highly competitive security industry sky.

The subsidiary, Holmes Security Corp., is being headed by Howard Leary, former New York City police commissioner.

Holmes presently has about 26,000 electronic security systems —including video camera surveillance—in operation in New York, the entire state of New Jersey, Pittsburgh, Miami, and Philadelphia. By the end of the year the company plans to have



Fire-resistant safe yielded easily to a chisel and was "peeled" by thieves. The premises were protected by an alarm system, one of the services of security systems.

offices in Ohio, Connecticut, Delaware, Virginia, and West Virginia.

Asked the other day if Mr. Leary's appointment signifies a change in direction for the company, Robert A. Dyckman, vp-sales for the company, said:

"Yes. I think in the past we have been basically an electronic protection company. Our aim now is to become a complete security company."

In the future, Mr. Dyckman told *Business Insurance*, Holmes will be able to offer clients a more rounded security program. Such things as lie detector tests, plainclothes investigations, physical barriers, uniformed armed guard service, closed-circuit tv and the sale of security equipment to other companies are being mentioned.

For the moment, though, the company is serving 17,000 clients. They range from Tiffany & Co., the New York jewelry concern, to a pigeon coop. The latter, Mr. Dyckman said, was purchased by a man in New York who enjoys raising pigeons on his roof. Apparently he was having problems from neighbors who don't like pigeons near their homes, so Holmes set up an electronic system to alert the owner to tampering.

"IT'S A RUBE Goldberg-type system," the vp said. "When a circuit is broken it trips an alarm," he explained, noting that Holmes did have some problems in the design of the system. "We had to come up with one that wouldn't be tripped by the mere movement of the birds," he said.

Holmes' non-bird clients include about 1,500 banks in the metropolitan New York area that have either electronic alarm systems or video recording equipment, or both, on their premises. A relatively new client is New York's off-track betting system.

As do its competitors in the New York area—Wells Fargo Protective Service, Mutual Central Station Alarm Corp., Acme and the William J. Burns International Security Services Inc., among others—Holmes offers clients a selection of alarms.

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The most complex—and costly —is the central station alarm. Doors, windows and other possible entry points are wired, with the wires connected to a leased telephone line in the street. When tripped the alarm rings in Holmes' central station and is followed up by armed Holmes guards.

A second is the remote system. The same basic circuit system is used, only this one is connected by telephone line to the local police station.

Another system is the audible alarm. Again, a basic circuit system is used. When broken this one sounds a loud gong, bell or shrieking noise locally.

A fourth system, and one that has come under some fire from law enforcement agencies (Los Angeles and Philadelphia have banned them), is the dialer. The system is a tape-recorded alarm connected to the client's phone and programmed to call a police emergency number or any other number the customer designates. When tripped the number is dialed and the tape spiels off something like, "There has been an unauthorized entry at. . . ." The equipment works unless the number programmed is unanswered. In some cases, particularly in large metropolitan areas, police emergency numbers are prone to overuse. Sometimes calls are put on automatic answering equipment and by the time calls are disposed ahead of it the tape may have played through. A New York detective has estimated that 98% of all calls police receive are either false or unanswerable.

Despite some shortcomings, the

Continued on page 40

GREAT AMERICAN FIRES NO. 1 Print Courtesy Chicago Historical Society



The Great Chicago Fire

Could Ansul Have Prevented the Disaster?

Preliminary reports indicated that the fire was cow-induced, although subsequent investigations never clearly established this fact.

Regardless, had Ansul been asked to conduct a professional hazard analysis of the O'Leary premises we would have made several recommendations. The edifice, being of wood construction and containing large quantities of Class A materials (hay), we would have proposed a water sprinkler system (a most professional move since we don't even make them).

Panic at the Water Works.

In addition we would have suggested a stationary dry chemical hand hoseline system (which we do make). This would have provided first-strike capability, as well as back-up should the water system become inoperable (which it did when the local cisterns dried up).

Hand portable first aid extinguishers (dry chemical) would have been strategically located in the cow-shed to guard against the introduction to the hazard area of flammable liquids such as kerosene lighting appliances.

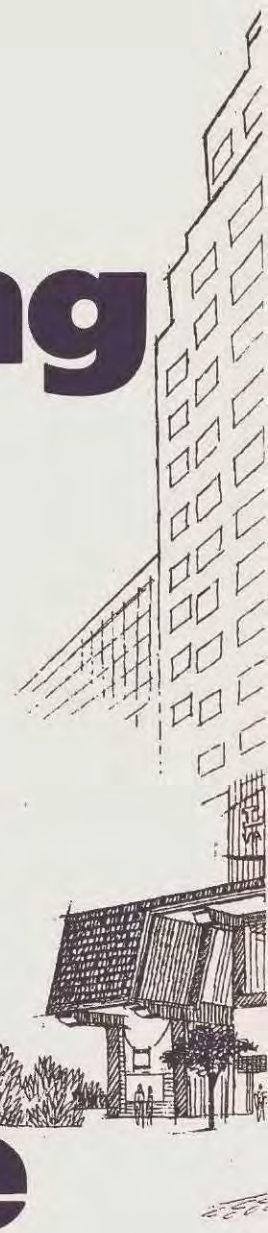
Can a Simple Irish Lass Find Happiness in Marinette, Wisconsin?

Equally important, we would have enrolled Mrs. O'Leary in our Ansul Fire School to make certain she could react properly in event of emergency. Finally, we would have made sure that the Ansul equipment was properly maintained and periodically inspected by local representatives of our nationwide service network.

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Loews is a prime example. The corporation's management under the direction of Lawrence A. and Preston R. Tisch continues to build an enviable record of sales and earnings while diversifying and expanding its business internationally.

Although Loews Corporation now encompasses such diverse companies as Lorillard and Reed Candy, real estate development remains one of the company's primary interests.

In addition to 117 theaters and the 15 Loews hotels that are providing a comfortable home-away-from-home for more than 13,000 travelers per night here and abroad, the new Loews/Snyder arm is working toward 9,000 genuine home-sweet-homes through multi-million dollar developments in New York, California and Illinois.

At the same time, Loews' hotel division (which ranks first in average annual revenue per room) is erecting a new 554-room-hotel in Hamburg, and is in various stages of planning for a second facility in London, plus sizeable hostelries in Monte Carlo, Frankfort, Amster-



dam, Copenhagen and Paris.

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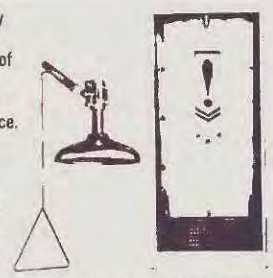
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Hijack Alert program attacks truck heists that are plaguing California

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SAN FRANCISCO—A total of eight trucks, nine truck trailers, 1,066 cases of liquor, two loads of hay, 440 metal cabinets, 1,179 cases of soap, 400 cases of frozen fruit juices, 1,400 cases of soup, one trailer load of mixed breakfast foods, and $100,000 worth of men's and women's clothing. . .

Translated into dollars, this strange mixture of loss comes to $365,000 and represents trucking industry losses reported to the Pacific Coast division of the National Automobile Theft Bureau in just a two-month period.

Lee S. Cole, assistant manager of the division, points out "these probably account for only a fraction of the cargo thefts in the division area, because may such thefts are not reported to the NATB since they are considered inland marine losses or because the trucks and trailers are rapidly recovered after the cargoes have been removed.

"The problem is fast reaching the critical stage," Mr. Cole said, "for truck, trailer and cargo people and for the insurance business. The U.S. loss in 1970 from hijacking and other truck trailer or cargo thefts is estimated at $994 million.

"THE RATE OF increase can be judged," Mr. Cole continued, "by the fact that in 1966 the loss figure was only $276 million. The number of stolen trucks and trailers reported to us has grown tenfold since 1964."

"Thieves have learned," Cole said, "that there is a ready market for trucks and trailers as well as their cargoes."

He suggested truckers conduct "truck theft intelligence meetings, in which investigators could exchange information and plan future operations.

"Truckers also should conduct trailer spot checks at terminals and should enable law officers and NATB agents skilled in heavy equipment identification to participate."

Mr. Cole praised Operation Hijack Alert, a cooperative effort of California law enforcement agencies, the California Trucking Assn. and various trucking companies.

Under the program a theft victim immediately notifies his local police agency and a central trucking company dispatch center which calls two trucking companies, which is turn notify two other truckers, until "everyone in the business is on the alert."

Companies with radio dispatch facilities notify units in the field to "watch for the stolen equipment" and on recovery or cancellation the information net is closed in the same manner it was opened. ■

Holmes . . .

Continued from page 37

electronic protection business seems to be brisk and, according to Holmes, successful on other fronts. The company estimates, for example, that as a direct result of the equipment they have installed 500 criminals were apprehended while going about their larcenous work last year alone. In some cases the arrests were made by local police and in other cases Holmes' armed alarm chasers made the catches.

(HOLMES' electronic devices, incidentally, are not confined to the business of apprehending criminals. They also install and monitor such things as temperature control gauges in a laboratory filled with monkeys and keep tabs on the correct ingredients as they are mixed in a perfume factory.)

Accerding to Mr. Dyckman, Holmes and other security firms are receiving "excellent cooperation" from police departments these days.

"The way the world is today police are delighted to get all the help they can, really," the Holmes vp said.

Until the new security unit becomes fully operable, however, Holmes' service necessarily stops with the apprehension of a burglar or with the successful circumvention of the system. Holmes, for example, does not follow up a theft by trying to recover the goods.

"IF WE DO," said Frank A. Fritz Jr., senior vp of operations and Holmes' general counsel, "it is with an eye to preventing a recurrance of the crime."

Recently, Mr. Fritz noted, the firm has "developed better 'line security' by upgrading the security of the telephone lines connecting a protected business or home to the central system." In the past, Mr. Fritz admitted, some sophisticated thieves have tampered with lines and silenced alarms before they could go off. The upgrading includes new equipment which, according to the operations chief, provides back-up systems that let Holmes know the moment an outside line is tampered with. ■

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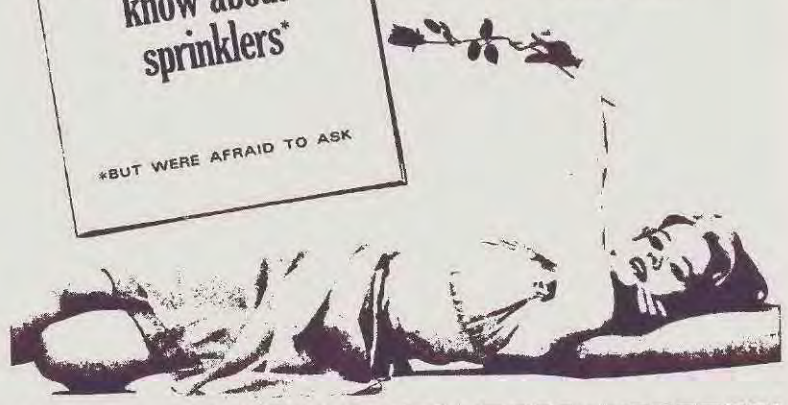
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Defective auto design case is being appealed

ALBANY, N.Y.—The dismissal of a lawsuit revolving around the alleged defective design of a 1963 Volkswagen in which a man was burned to death after a head-on collision has been appealed to the appellate division here.

Attorneys for the widow and children of Kenneth Ray Edgar are attempting to reinstate a $2.1 million damage suit against Worldwide Volkswagen and Academy Motors of Latham, N.Y.,

special 1971 safety and security report

the automobile retailer. Mrs. Edgar's suit contends that the VW makers and the retailer should be held negligent on the grounds of "faulty design" of the 1963 model. Among other things, the suit mentions the upfront gas tank on the automobile.

Kingston supreme court justice Louis G. Bruhn dismissed the suit against the maker and retailer on the grounds that there is no legal precedent that would force automobile makers to manufacture cars which are "accident-proof and fire-proof."

AS THERE were no allegations of "latent defects" as a possible cause of the accident, Justice Bruhn said he had relied on the precedent that makers of cars are not responsible for accidents resulting from "outside force."

The case recalls a similar one in which the wheels of justice turned in a different direction a few months ago.

A California court of appeal held General Motors Corp. liable for defective design when two persons died and another was severely burned, involving a rear-end collision and an exploding gas tank. The respective awards were $375,000, $236,152 and $40,-026.

In this case, the gas tank of a Corvette Sting Ray exploded after the car was struck from the rear, though "not a severe blow," according to testimony.

EXPERTS TESTIFIED that the placement of the 20-gallon gas tank within seven inches of the rear bumperette and directly behind the passenger compartment was a defective design. The passengers and the gas tank were separated only by a thin, fiber-glass bulkhead.

The Corvette's body was made of fiber-glass reinforced plastic, which is both flammable and breakable when forces directed against it exceed its tolerance, rather than steel. The court agreed with the plaintiffs, who said the car was defectively designed because a minor impact would cause gasoline droplets to be spilled into the passenger compartment. ■



Two workmen, repairing earthquake damage, were left dangling five floors above the sidewalk when one end of their scaffold broke loose and dropped at the Fireman's Fund American Insurance Co's. office in Los Angeles. Firemen, however, were able to rescue both men. The entire sequence was captured on film by Tom Moorehouse, of FFA's claims department.

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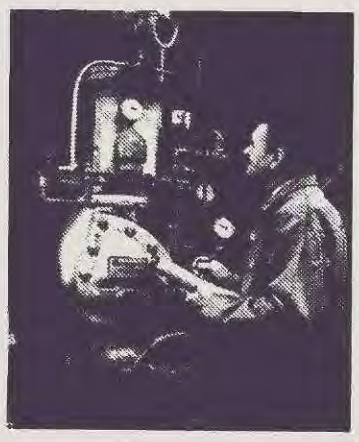
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(Fire Journal July 1970, Vol. 64, No. 4)

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Security . . .

Continued from page 36

Bank's safety procedures have always far exceeded federal regulations, but that in the last two years there has been an even greater effort to concentrate on the problem. "So far we're doing well," he said.

Schools of all types are tightening security. New York Hospital at Cornell Medical Center has added a full-time security officer, and is thinking of putting in spot lighting all around the hospital. City College, on Manhattan's upper West Side, has a student body of 20,000 and is concerned about off-campus muggings. A source at the school said campus guards are specially trained to deal with the touchy problems of student unrest. He said that vandalism is a headache particularly because City College is non-residential and is closed over weekends. "We also get our regular quota of bomb threats," he said. "We do not automatically evacuate buildings. We have to weigh each threat."

He noted that any institution with an urban location has great security problems. "It's hard to gaze into a crystal ball," he concluded, "but right now our security is minimally satisfactory."

Suburban schools may attract longing g l a n c e s from big-city complexes but even in supposedly tranquil Westchester County protection is on the rise.

A SPOKESMAN at White Plains High School said, "we no longer get bomb 'scares' but bomb 'calls.' We have racial 'incidents' and not 'riots.' We've had stand-ins, sit-ins, everything but laugh-ins."

Harry Dickson, who oversees security in the Westchester County high schools, says theft, vandalism, student unrest and bomb threats have increased quite a bit over the last five years. "We have set up electronic burglar alarms and door contacts," he said. "We use a guard agency for parking, traffic and security during the day, and run checks on the weekends and at night. We are in the process of evaluating dogs, too. Just the fact that we've stepped up these measures and are considering using dogs has caused a downturn of incidents. Word gets around, you know."

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Until about a year ago, General Electric Co. employes and visitors used to go in and out of the General Electric Co.'s headquarters on the corner of 51st and Lexington Avenue pretty freely. But towards the end of 1969 the company began receiving bomb threats so frequently that total evacuation of the 48-story building was becoming a way of life.

It became obvious that security measures had to be tightened up if keeping employes in the building was to be a safe option during bomb threats, and by last spring several steps had been taken.

A SIDE-ENTRANCE on 51st St. was sealed off and a guard desk was placed right inside the one remaining entrance. Now employes must show ID badges to get past the desk to the elevators, where starters and elevator operators are constantly alert to any strange face. Visitors must report to a newly-expanded information area to state their business, and a phone call is made to check that they are expected. A pass is issued to each visitor which he must fill out and sign, and return before leaving.

According to Edward N. Deck, consultant-safety and plant protection, "we don't d i s r e g a r d threatening phone calls but neither do we automatically order a building evacuation. An important consideration in the decision to evacuate a building is how well you control access to it."

Increased protection inside did not prevent a revolutionary group from placing a pipe-bomb on a window sill outside the GE building in December 1970. Since then, said Mr. Deck, "we have increased the lighting levels around our premises and made extensive use of GE's own Lexan polycarbonate sheet in place of glass. We have also issued guidelines to plants as to security precautions we feel are appropriate in our changing environment."

DAVE COSLETT of the Dow Chemical Co., which has undergone bomb scares, disruptions of annual meetings and interference with campus recruiters, told *Business Insurance* security measures have been tightened up at Dow's 30 American installations and 20 sales offices. "We are also interested in getting together with any group showing concern about Dow Chemical activities" he said.

"If you have control over who goes in and out," said Irv Crupar of Burns, "your chances of bombing are fewer. I would bet that the Capitol bombing and similar incidents in colleges and banks took place in easily accessible areas. What security amounts to if it can be explained in a nutshell, is the increasing need to block off access to vast areas. You must build mazes of guards and electronic devices to prevent open access to important areas." ■

Accident-prone people share the same traits?

NEW YORK—According to a medical doctor who has done research on the subject, some employes who seem to have more than their fair share of accidents and injuries share common personality characteristics.

W. S. Schweisheimer, M.D., has drawn up a "portrait" of the accident-prone employe that raises the following points:

- Attentiveness: Finds it difficult to concentrate, has a short span of attention and is easily distracted.
- Lack of caution: Careless and tends to ignore or defy safety rules established for his protection.
- Independence: Often he is a lone wolf type who scorns rules and standards of conducts. Also is quick to lose his temper.
- Lack of sensitivity: Better able to resist social pressures and therefore feels under less obligation to obey the rules set up to promote his safety.
- Less distressed by pain: Suffers pain like the rest of us, but seems to mind it less and forgets it more rapidly.
- Self-assurance: Tends to be overconfident, which results in his taking unnecessary chances.
- Dominance: He has little regard for other people, is uncritical of himself and is likely to think of himself as a somewhat superior being.

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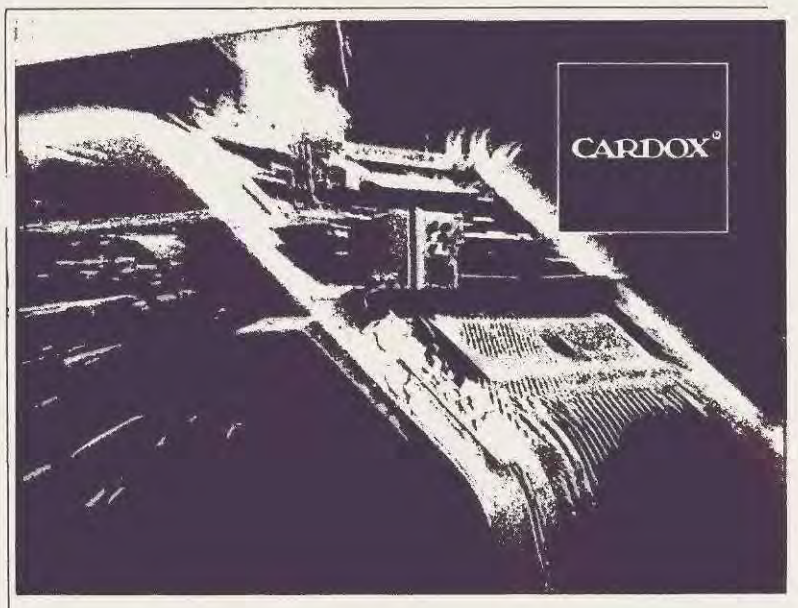
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Continued from page 34

formulation of monammonium phosphate and other additives, and produces a heavy blanketing stream of foam that smothers, seals and cools Class A, B and C fires. It requires a stored pressure expellent. These units are recommended for use against fires in ordinary combustible materials, petroleum products and flammable liquids, and in electrical fires.

A FOAM-COMPACTIBLE dry chemical extinguisher is a pressurized unit employing a mixture of sodium bicarbonate and other

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chemicals that prevent the breakdown of foams when they are applied to a blaze. It may be used effectively before the foam is applied, for rapid fire knockdown, or after foam as a back-up agent. These units are recommended for use in refineries, oil storage facilities, airports, shipyards and on shipboard, and all other areas where the fire hazard requires large quantities of foam.

A METAL-FIRE extinguisher is a unit that is designed for the safe application of a special dry powder or liquid extinguishing agent to hazardous Class D fires. The dry powder type expels the powder by means of pressurized inert gas. The powder fuses and forms a crust over the burning metal. The liquid type performs in a similar manner but does not carry U L approval. Dry powder metal-fire extinguishers are recommended for use against burning magnesium, powdered aluminum, zinc, sodium, potassium and most other combustible metals. Liquid type units employ a petroleum product extinguishing agent that cools and smothers hot fires in magnesium chips.

METAL-FIRE extinguishing powder is a dry compound that is usually stored in a pail or portable hopper and is applied to the fire with a shovel. It is recommended for fighting small fires in sodium, potassium, magnesium, zinc and powdered aluminum.

A SODA ACID extinguisher is suitable for combatting most Class A fires, but it is not effective for Class B or C fires. It consists of individual containers of sulphuric acid and bicarbonate of soda. When the extinguisher is inverted, a loose stopple in the acid bottle allows the acid to flow out and mix with the bicarbonate of soda. This forms carbon dioxide which is expelled in a stream. The extinguishing value of carbon dioxide is similar to that of water. These units must be protected from freezing.

A LOADED STREAM extinguisher is effective in fighting both Class A and B fires. It consists of an alkali-metal salt solution as the extinguishing agent and either carbon dioxide or inert gas under pressure as the expelling agent. Both types withstand freezing. This unit is recommended for fighting fires in wood, textiles, rubbish, etc., because the solution quenches and cools the fire and materially retards flash-back. It is effective against fires of flammable liquids or greases because of its chemical action which retards oxidation.

WATER fire extinguishers are provided, with the water being expelled by carbon dioxide, stored air pressure, or a hand-pump. They are effective in combatting Class A fires only. When a carbon dioxide cartridge is employed as the expellent, the extinguisher produces a constant stream with a range of 30 to 50 feet. When a compressed air chamber is used as the expelling power, the extinguisher emits a 35- to 40-foot stream of foam. When a hand pump is employed as the expelling force, the length of the stream may be 30 to 40 feet depending upon the size of the pump and the strength of the operator. All water-type extinguishers must be protected from freezing. Back-pack water extinguishers are useful in fighting fires in a forest, lumber yard, construction site and in other locations where the extinguisher must be carried a considerable distance.

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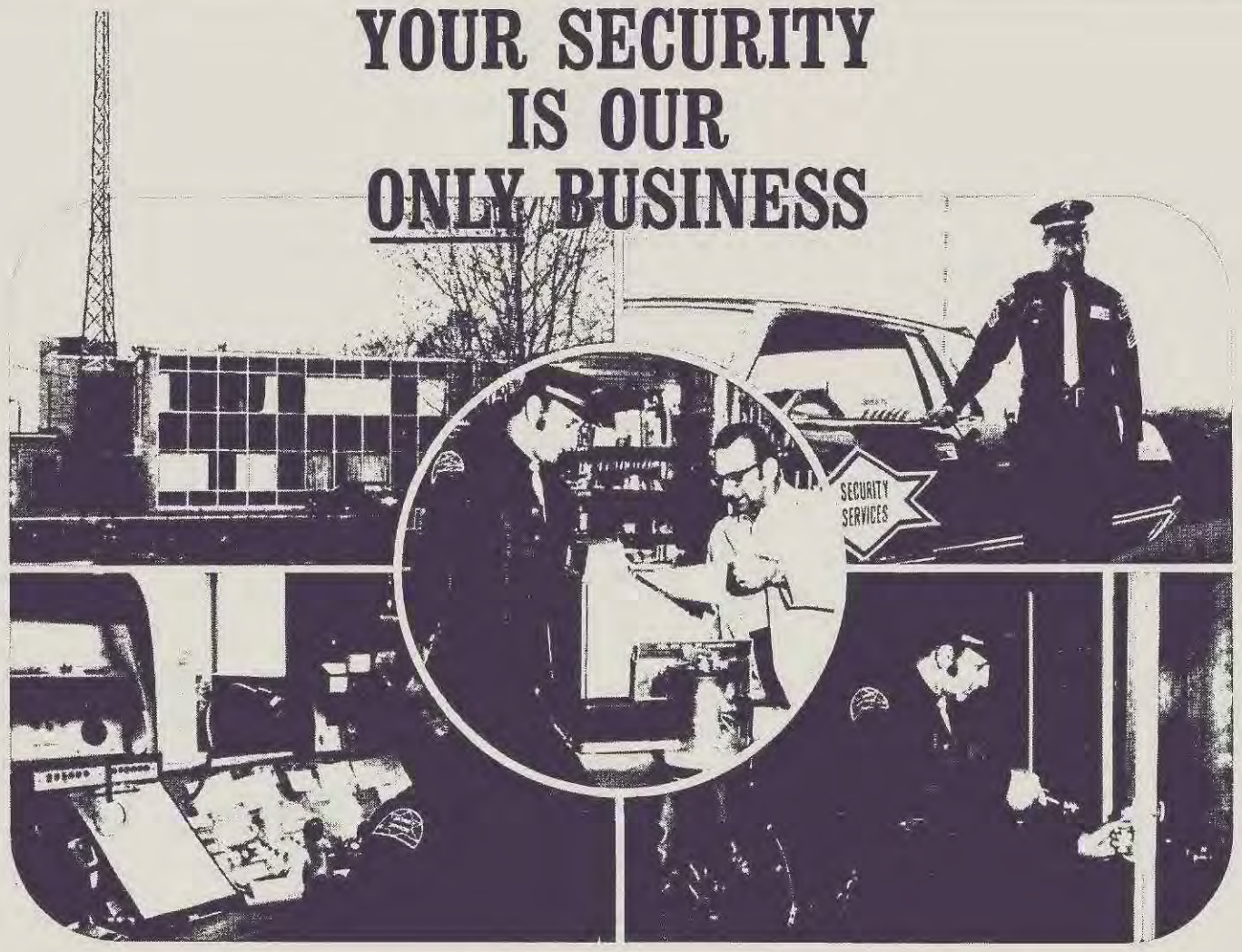
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Continued from page 43

CALCIUM CHLORIDE extinguishers are effective in fighting Class A fires. They employ a calcium chloride (antifreeze) solution as the extinguishing agent and either carbon dioxide or pressurized inert gas as the expellent. These units are basically similar to pressurized water extinguishers except they need not be protected against freezing. The chemical solution usually contains a substance to prevent corrosion and deposits. When the carbon dioxide cartridge is inverted and bumped, the gas pressure expels a 30- to 40-foot stream of calcium chloride solution. The stream ejected from a stored-pressure type extinguisher is essentially the same, depending on the type and pressure of the stored expellent. These extinguishers are recommended for fires in wood, paper, and rubbish in unheated buildings.

CHEMICAL FOAM extinguishers are provided to combat unusual kinds of fire. There are five different types of chemical foam extinguishers, which are identified by the type of extinguishing agents they employ. The agents are a two-liquid chemical solution, a two-powder compound, a single-powder compound, a single-liquid solution and a high-expansion foam solution. The type employing two separate chemical solutions and a foam stabilizing agent is especially effective in combatting vat or tank fires of flammable liquids. When mixed, the solutions produce an extinguishing foam and carbon dioxide to expel it. The foam forms a stiff, dense mass that floats on a burning liquid and smothers the flames. This unit is recommended particularly for use against Class B fires, and is equally effective in fighting Class A fires. It must be protected against freezing.

The type employing two-powder compounds is effective in fighting Class B fires involving oils and gascline. The two powders are introduced into separate

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water lines and are then mixed to produce a foam that has excellent smothering qualities. It is recommended for blanketing fires in petroleum distillates.

One kind of single-powder extinguisher employs a compatible foam generator. The powder is drawn into a hose line and combined with the foam to smother fires in oils, gasoline and other petroleum products.

Another kind of single-powder extinguisher employs a chemical foam generating system to produce a special type of foam that smothers fires in alcohol, esters, ethers and similar nonpetroleum products. This unit is also effective for Class B fires.

Air-foam extinguishers employ a liquid solution that is mixed with water and air to produce a foam designed especially for fighting oil fires. Some types of this extinguisher produce a foam that is effective on fires of flammables that mix with water, such as alcohol. Other types employ special compounds for use at low temperatures.

One high-expansion foam extinguisher uses a liquid concentrate that produces an exceptionally large amount of foam when used with a water stream. This unit is recommended for combatting inaccessable fires in storage and process areas involving both Class A and C materials. ■

Disastrous decade for lumbermen

MONTREAL—J. M. White, executive vp of Lumbermen's Underwriting Alliance of Kansas City, Mo., a reciprocal insurance organization doing business in Canada and the U.S., told a convention of the Canadian Lumbermen's Assn. here that the reason the lumber industry was having trouble obtaining insurance was a series of disastrous fires that caused LUA's losses to exceed premium income for the past decade.

Mr. White pointed out that Canadian property and liability insurance profits had been generally unsatisfactory during the past 10 years. An underwriting loss of $56.7 million was produced in 1969 alone. For this reason the availability of insurance has been drastically restricted for property owners, including lumbermen.

"We feel it best to be frank with you," he said. "Canadian operations of the LUA have been unsatisfactory for many years. Losses and expenses have exceeded income for the past decade.

"During the last three years we have paid in Canada 14 losses on sawmills, each loss in excess of $100,000. The total of these sawmill losses exceeded $5 million," Mr. White continued.

ASIDE FROM the sawmill losses, there were large losses on planing mills, dry kilns, retail yards and other operations.

Mr. White noted that representatives of LUA often found far too many fire hazards when they visited Canadian lumber operations.

"Many lumbermen have been faced with the necessity of absorbing higher deductibles along with higher premiums," he noted. "Even with this burden, some lumbermen have been unable to purchase sufficient insurance to adequately insure their properties at a reasonable cost. Some cannot buy enough insurance at any price."

Mr. White felt that another factor contributing to the disappearance of insurance was "the depression of insurance rates, or the price level, which started in the early 1950s when the greed of many carriers for more premium, because of the fantastic growth of the stock market, made investment income more important than underwriting profits.

"The drastic decline in the stock market in 1969 and 1970 reduced the market value of stocks, causing a serious decline in insurance company surplus," he said. ■

Mutual Life acquisition

NEW YORK—Mutual Life Insurance Co. of New York, better known as MONY, has agreed in principle to acquire outstanding shares and control of North American Life & Casualty Co.

Under the agreement, MONY could pay up to $55 million to acquire at least 60% of North American's shares from major stockholders or through a tender offer.

Agreement, North American said, has already been reached to acquire at least one-third of North American's 5 million outstanding shares from a bloc led by H. P. Skoglund, the stock company's chairman. ■



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Seattle marshal: Insurers are 50 years behind the times in fire safety rules

SEATTLE—The insurance industry uses methods 50 years out of date with respect to building safety, insurance underwriters and engineers were told here by Stephan MacPherson, Seattle fire marshal.

Addressing a luncheon meeting of the Washington Insurance Underwriters Assn., Mr. MacPherson said "the insurance industry and the fire service are nowhere near cooperating to the extent they should.

"STANDARDS SET by the insurance industry," he added, "are not modern and often are not realistic."

He cited a recent Seattle apartment fire which killed 13 people as an example of problems involved in building safety.

"Years ago," Mr. MacPherson said, "this building would have been considered a good risk. But with the improvements in fire protection engineering of the past 10 years, it could no longer be considered as such.

"When looking at a building, the insurance industry should see that it meets the standards of various building and fire codes." ■

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'Too early' . . .

Continued from page 29
have to come."

"THE EMPLOYER and the employes must abide by the bill. If a rule is broken, there are penalties galore for the company but nothing for the employe," said another safety director. "This is where the bill is lacking."

He went on to tell the story of "Fairy Pink":

"In the old days, the employe could walk into the safety director's office and say, 'Your office walls are blue. I think blue is unsafe and they should be re-

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painted fairy pink. The safety director would tell him to make a grievance out of it and the grievance committee would laugh the guy down. Under this law, he comes in and says 'I want you to paint your walls a nice, safe fairy pink or I'll file a complaint.' The chances are that you will paint your walls because once an allegation of any unsafe condition has been made, the inspector must come. And once he's there, he must inspect the entire plant."

Stanley Spence, director of safety at American Cyanamid Co., Wayne, N.J., said that he "expects to see some crying and bitching by some of the employes. And, undoubtedly, the law will be taken advantage of but I really don't think it is going to be as bad as some people think."

Mr. McClushey pointed out that there would be fewer problems if the employes would observe posted safety regulations.

"The problem is that you can put a guard on a machine and if an employe removes it and is caught by an inspector, under this law it's the company that catches hell. The employe gets off scot-free. How do you convince them that you put a guard on a machine for the same reason you put a roof on a building? I mean you don't see anybody removing the roof just because he wants a tan."

Another problem brought up by one of the safety directors is that of expense. "The inspector can levy all sorts of fines. And in many cases, if you have to replace some faulty equipment, it's going to be very expensive," he said. "I have talked to a few managers and they indicate that if some of our older plants get rapped, we will close them rather

Continued on page 66

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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.

• National Loss Control Service Corp., part of the Kemper Insurance Group, has prepared a booklet describing its **Occupational Safety & Health Act Survey Service.** Available at no charge, the item contains a summary of initially adopted standards of the 1970 federal act and future probable standards. It also contains requirements for recording and reporting of occupational injuries and illnesses and sample reporting forms. For a copy of the booklet write: National Loss Control Service Corp., 4750 Sheridan Rd., Chicago, Ill. 60640.

• Tomenson, Saunders Ltd. offers information on the current position of **Directors and Officers Liability** for those corporations chartered in the Province of Ontario, Canada. Federally chartered companies can expect similiar legislation, as the Federal Corporation Act is in the process of being rewritten. For more information write James K. Cramb, Tomenson, Saunders Ltd., 401 Bay St., Toronto, Ontario, Canada.

• **Third Country Nationals** is a booklet published by the American International Reinsurance Co. discussing the problem of third country national and foreign service employes and the difficulties encountered in providing them with adequate group insurance and pension benefits. The brochure then describes the off-shore facilities of Airco that provide an approach to what is becoming an increasing problem for the broker or benefits manager. For a copy write John H. Ellams, Manager, Pensions Marketing, American International Reinsurance Co. Inc., P. O. Box 152, Hamilton, Bermuda.

• Johnson & Higgins has released **Pension Funding Levels—The Role of Management Decision.** The booklet discusses the implications inherent to various pension plan cost methods and actuarial assumptions taking into consideration the funding method, the interest assumption, the salary projection assumption, the market value of the assets, and the employe turnover assumption. For a copy write Donald R. Marcy, Consultant, Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

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• American International Underwriters **Worldwide Directories** (two brochures) list the company's offices around the world and give a description of the coverages available to foreign and domestic companies with overseas risks or operations abroad. It is available free of charge to agents, brokers and buyers by writing Mr. John Phair, American International Underwriters, 102 Maiden Lane, New York, N.Y. 10005.

• The State Farm Insurance Co., 112 E. Washington St., Bloomington, Ill. 61701, has made available a brochure dealing with the problems of burglary. **How's Business . . . After Hours?** discusses exterior doors, locks, windows, illumination, maintenance, alarms, safes and cash registers and personnel. It also provides a checklist for a rapid way of reviewing the security of your building. For a copy write the firm.

• **Some Suggestions for Reducing Securities Thefts from Stock Brokerage Firms** deals with the security officer, personnel, treasuries, negotiable bonds, electronic data processing, vault count, replacement and reporting missing securities and messengers. The booklet is prepared and offered by Marsh & McLennan Inc. Direct requests to E. A. Eimond, Advertising and Sales Promotion Manager, 231 S. LaSalle, Chicago, Ill. 60604.

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

• **What Is the Color of Safety?** is a 16-page booklet describing and illustrating the use of daylight fluorescent color for safety applications. Areas covered include drivers of slow-moving vehicles, factory workers, highway workers and utility workers. The booklet is available, free of charge, from the Day-Glo Color Corp., 4732 St., Clair Ave., Cleveland Ohio 44103.

• The Identi-Logic Division of Eaton Yale & Towne has released a leaflet describing its Identi-Lock System. The system is available for multi-access installation or where there is a need to know what key was used, the location of entry, time and date. For more information or for a copy write the firm to the attention of John F. Regan, Marketing Manager, 3074 Miraloma Ave., Anaheim, Cal. 92806.

• Information about Halon 1301 fire protecion systems for industrial and commercial total flooding applications is available from Safety First Products Corp., 175 Saw Mill River Rd., Elmsford, N.Y. SF1301 automotive systems are manufactured by Safety First and are the first Halon clean gas fire extinguishing systems to be listed by Underwriters Laboratories in their catagories.

• **Risk Control** is a book prepared to assist managers to develop a practical program of risk control in plants, buildings and operations they supervise. The books shows how to identify risks, how to eliminate or avoid them and how to deal effectively with emergencies. The Financial Group of the Kennecott Copper Corp.

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prepared the book. For more information write George V. Austin, Manager Insurance Division, 161 E. 42nd St., New York, N.Y. 10017.

• The Mosler Safe Co. has released a **Brief Guide to Security Alarm Systems for Financial Institutions.** The booklet has been prepared for the purpose of explaining, in an objective sense, the state of the art in its present form. Except where noted, it is not intended to describe particular brands of equipment or systems. The prices shown are included only as rough comparison guides. The publication defines local, central station, proprietary and police connection alarm systems. Also covered are vault protection, night depository, perimeter and interior security doors, emergency switches, watchman's tour systems, fire protection and detection, communication systems, area protection, authorized access control, auxiliary supervision, safe and security file protection central console, and tips on planning a security alarm installation. In addition, the guide contains a glossary of commonly used technical terms. For a free copy direct requests to William R. Needham, Director, Advertising & Public Relations, Mosler Safe Co., 1561 Grand Blvd., Hamilton, Ohio 45012.

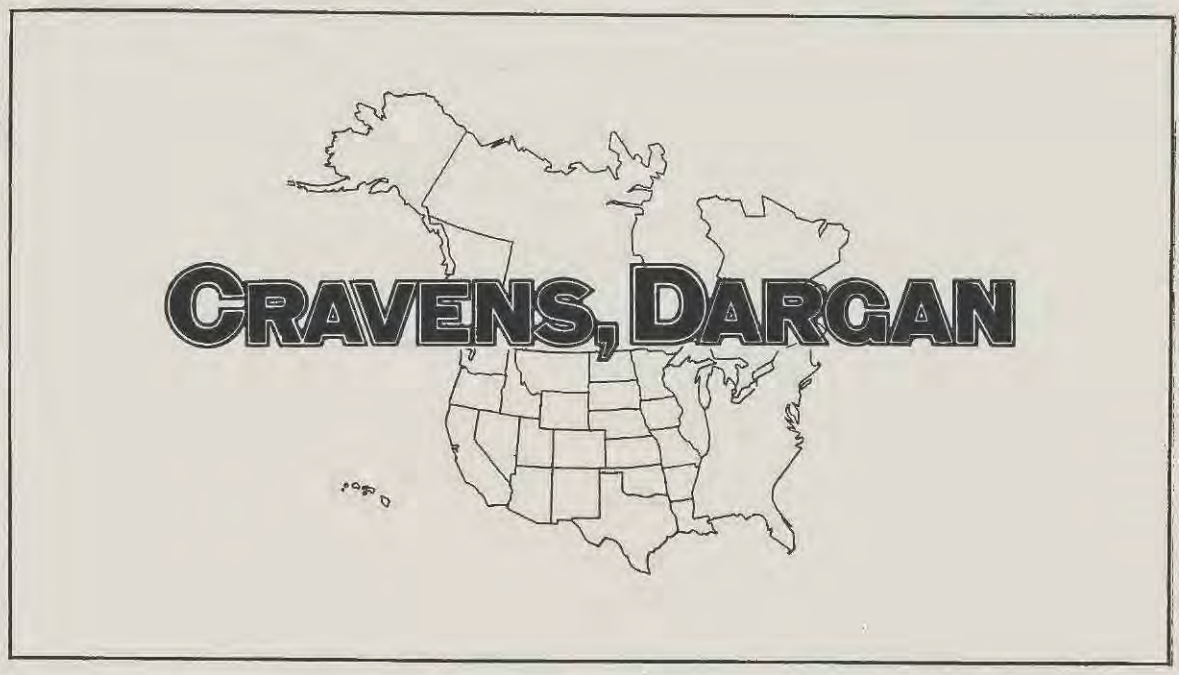
• A booklet describing its telephone voice scrambler is offered free of charge by Signatron, Inc. 21748 Devenshire St., Chatsworth, Cal. 91311. The scrambler is shaped like a standard telephone handset and once attached to a telephone it scrambles the conversation to protect it from wiretapping. The scrambler costs about $295. For more information write Larry Czubiak, Vice President, Marketing, at Signatron.

• The Cardox Division of Chemetron Corp. has released two brochures describing their fire extinguishing systems. **Cardox Foam Fire Extinguishing Systems: Folio 5-1** describes the Cardox pressurized and pumped foam systems and the Cardox foammaker pump. **Cardox Halon 1301 Fire Extinguishing Systems and Equipment: Folio 9-2** describes the firm's high-pressure Halon 1301 systems. Included are illustrations of a typical high-pressure setup and actuation diagrams. Additional information is on optional components, Cardox engineer capabilities and advantages in safety and operation of Cardox Halon 1301 systems. For copies of the material write William Berglind, Advertising Manager, Cardox Division, Chemetron Corp., 840 N. Michigan Ave., Chicago, Ill. 60611.

• **Applications Manual for LITE-LINK All-weather Infrared Intrusion Detector.** Describes a new false alarm-free outdoor perimeter intrusion detector which operates in rain, snow, or heavy fog. The manual presents diagrams showing effective use of infrared detectors for personnel intruder detection and includes typical case histories of perimeters that have been protected and how to avoid installation pitfalls. For a copy write R. E. Gray, Manager, Security Products, Optronix Inc., 3001 Copper Road, Santa Clara, Calif. 95051.

• **Engineered System for Combustible Gas Detection,** describing their continuous monitoring combustible gas alarms, has been released by Bacharach Instrument Co., Division of AMBAC Industries Inc. The booklet covers such items as applications, operating principle, maintenance, safety and sampling methods. Diagrams and specification data is also included. For a free copy write the Advertising Manager, Bacharach Instrument Co., Division of AM-BAC Industries Inc., 625 Alpha Dr., RIDC Industrial Park, Pittsburgh, Pa. 15238.

• **Standards for Preventing the Horizontal and Vertical Spread of Fires in Grain Handling Properties** has been compiled by The Mill Mutual Fire Prevention Bureau. The publication lists the minimum requirements that can prevent the vertical and horizontal spread of fires. Construction and equipment is described in detail as well as fire ratings for specific construction. Tables and diagrams are included for better understanding. A list of the Mill Mutuals and regional offices is included. For a copy write Donald D. Mauger, Assistant Manager, Mill Mutual Fire Prevention Bureau, 2 North Riverside Plaza, Chicago, Ill. 60606.



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Books for Buyers

'Peril on the Job' tells industry horror stories

NEW YORK—It is doubtful that Ray Davidson would claim to be a descendant of Edgar Allen Poe or H. P. Lovecraft but he has written a horror story equal to anything produced by the two masters of the genre. The difference being that Mr. Davidson's book is nonfiction. And, perhaps, that makes it all the more frightening.

(For another view of the job safety problem see Perspective, page 55.)

The book, "Peril On The Job," (Public Affairs Press; Washington, D.C.; 198 pp; $6) is basically a compilation of hundreds of interviews with workers in the oil, chemical and atomic fields. The men recount hair-raising tales of accidents with chemicals, gas leakages and other hazards of their occupations. Consider some examples:

"We had a man out there handling a chemical who just happened to be standing over a ditch when the chemical ate the bottom of the galvanized bucket out," says one union chairman. "The chemical hit the water. Nobody really knew at the time what the reaction would be. It didn't do anything but cover him up with foam and gas. He got some in his nose and it ate the bone out of his nose. The company recognized this as an industrial accident and they had to put in a plastic nose."

"I went down to the acid plant to put up some light bulbs. I came back and had to go over to the pipe shop. I was standing there talking to one of the pipefitters and I heard a hissing. I looked down at my shoes and they were on fire," says an Illinois workman.

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"One night he got hydrogen cyanide to the extent that he just completely passed out, quit breathing, turned black around his mouth, his nose, his fingernails," recalls another union man. "He was a big, husky, healthy, normal guy. So after this he kept complaining of a headache. Eventually he quit and got another job and then died of some cause unknown to me."

The stories go on and on, most of them somewhat similar in a morbid kind of way. Many of the accounts end or begin by placing the blame for all the carnage on a familiar demon, management.

There are tales of high rates of cancer, emphysema and dermatitis in plants where the employes are exposed to gases and chemicals. There are stories of accidents and unhealthy conditions brought about by the alleged general state of disrepair in American industrial plants. The men tell of the treatment they receive from company doctors, who are referred to as veterinarians.

ALL OF THESE conditions are blamed on management, either directly or indirectly. Mr. Davidson sums it up:

"There probably is not a manager in North America who would knowingly cause or permit a death even to save a million dollars. But the financial incentives pressing on managers to take risks leading to possible illness, injury or death are overwhelming.

"Management spokesmen testifying before legislative bodies assert that they have financial incentives as well as humanitarian reasons for maintaining safe and healthful work places, but this is not quite true. By and large, it pays to operate equipment until it collapses rather than keep it in constantly good repair. To make repairs for health and safety's sake is a nonproductive cost item."

Mr. Davidson, who is publicity director for the Oil, Chemical and Atomic Workers International Union, pulls no punches in his attack on unsafe conditions and the reasons for them. He names names.

The opening of the book perhaps gives the reason that it was written: "The records say that somewhat over 14,000 men and women are killed and 2.2 million injured seriously enough to lose time from work in the United States each year as they labor to earn their daily wages, but the records are tragically incomplete.

"COUNTED IN the statistics are only those who die violently and some, not all, of those who are injured by physical accidents such as fires or falls from high places. Not counted are thousands more who die at home or in hospitals because of health damage suffered in their places of work. Not counted are still others who are prematurely aged, or suffer crippled bodies or minds from insidious, hard-to-pinpoint health hazards they were exposed to while earning their bread."

The new federal occupational health and safety law may temper some of the arguments Mr. Davidson puts forth but only time, and the government, will tell. It is a tragedy that books like this one have to be written and maybe the new law will end the need.

It may not be absolutely true that working in a chemical plant, or even near one, is tantamount to fighting a shark but as long as people are dying unnecessarily, the reasons for their deaths should be known. Mr. Davidson's book does an admirable job of making the story public knowledge.

It might be added, parenthetically, that *Business Insurance* contacted a number of safety directors in the oil, and chemical fields to get their reactions to the book. Of those contacted, and that is by no means a great percentage of them, none had read Mr. Davidson's book. P. T. ■

Adopts measure

The Connecticut legislature has passed a measure that exempts municipalities from liability for damage done by mobs. Sen. Jay W. Jackson, West Hartford Democrat, said that suits for damage caused by riots in Connecticut have never been successful and that municipal governments have been subjected to substantial costs of litigation.



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Unionmutual

NAM 'Teleconference' on federal safety bill

NEW YORK—Industrialists in 27 cities on Thursday, June 10, will hear a complete explanation of the federal Occupational Safety and Health Act on a national Teleconference sponsored by the National Assn. of Manufacturers.

Labor Secretary J. D. Hodgson will be joined on the program by Under Secretary of Labor Laurence Silberman, Assistant Secretary for Occupational Safety and Health George C. Guenther, and John G. Veneman, undersecretary of the Department of Health, Education and Welfare.

Other participants will include members of the new Occupational Safety and Health Review Commission, a quasi-judicial body set up under the new law.

W. P. Gullander, president of NAM, said, "This measure imposes totally new responsibilities and obligations on business and industry. It provides both civil and criminal penalties—including fines up to $1,000 a day for violations and imprisonment."

The Teleconference, which begins at 10:30 a.m. Eastern time and at other times across the nation, is open to NAM members and nonmembers who make reservations through their local NAM office.

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Holmes man: Carriers don't understand

NEW YORK—The question of who watches the watchers invariably comes up when talking security with a security firm.

Frank A. Fritz Jr., senior vp and counsel of Holmes Protection Inc., said his firm's 1,500 employes have been cleared through "secret pre-employment checks" by an "outside investigation service." Moreover, he added, periodic rechecks are conducted.

In addition, all Holmes electronic equipment is approved by Underwriters Laboratories.

EMPLOYES ARE also bonded. Insurance Co. of North America writes Holmes' employe bonds. The company also has the usual range of coverages, including errors and omissions, general liability and property protection

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written by a variety of carriers. Marsh & McLennan is broker on most of the business.

Mr. Fritz did admit that insurance coverage for his own company is not one of his favorite subjects and that the company had had some difficulties obtaining certain coverages in the past.

However, he is not as concerned about Holmes' relationship with the insurance markets as he is with insurers' general attitude toward electronic protection and security firms.

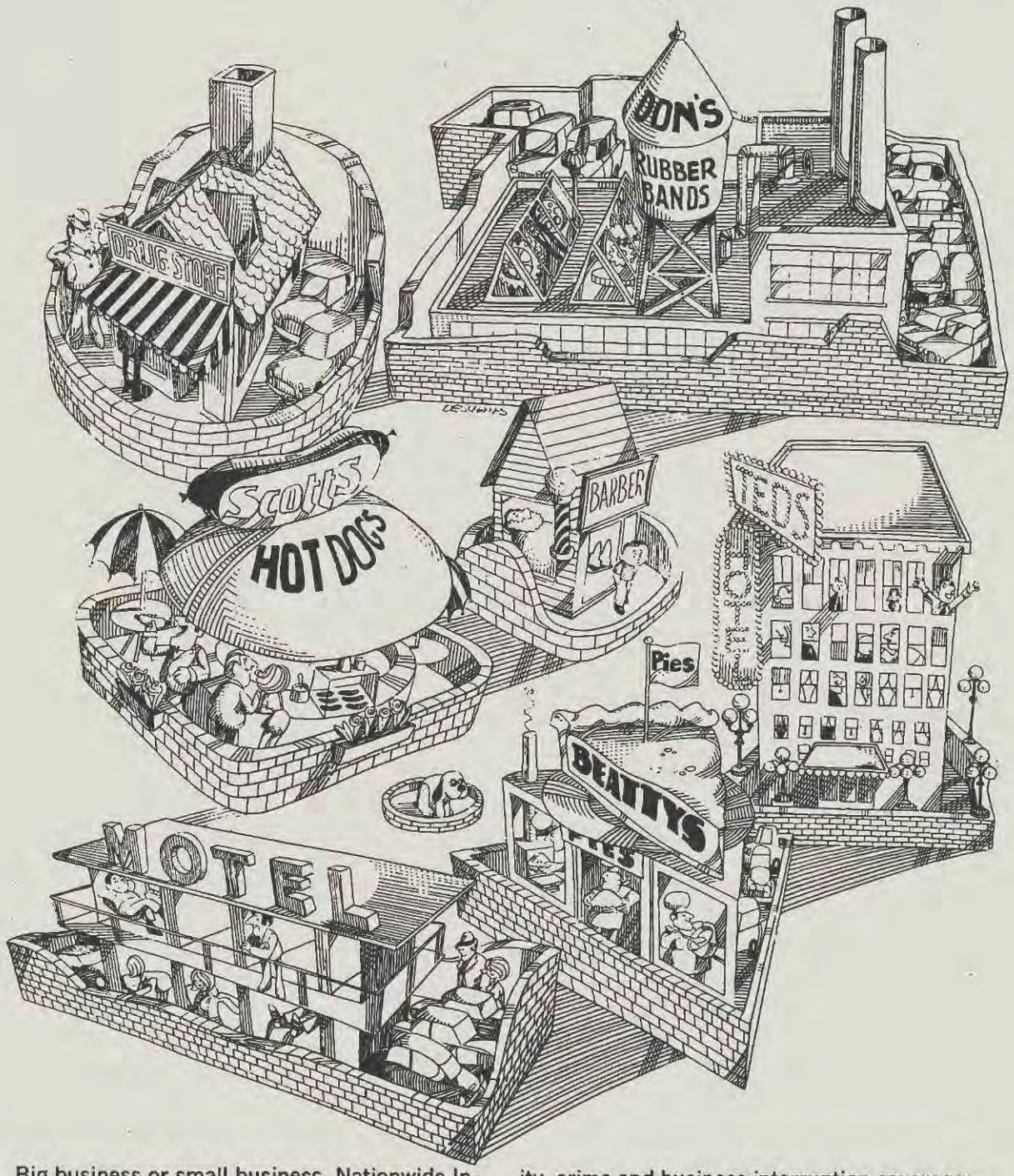
In what can best be described as a blast at the insuring community, Mr. Fritz said:

"**INSURANCE** companies just don't seem to realize that we are both trying to solve the same problems. We've worked hand and glove with insurers in trying to reduce losses and in the past years I think the alarm industry has saved the insurance industry many millions of dollars."

Citing this lack of understanding between insurers and alarm concerns, Mr. Fritz added that carriers "continually grope for a scapegoat" when a loss occurs. If it occurs on property protected by Holmes the carrier often "finds some way" to turn around and try to pin the blame on Holmes.

The alarm company counsel noted that it is not unusual for an insurance carrier to pay the loss to the Holmes' client and then turn around and subrogate against Holmes. ■

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California workers no safer now than a decade ago: state survey

SACRAMENTO—In the century that saw man walk on the moon, most Californians from plumbers, painters and carpenters to real estate salesmen and auto mechanics, were no safer on their day-to-day jobs than they had been in 1960.

The number of workers employed in industries covered by the California workmen's compensation act, however, advanced by 39%, from 4,932,800 in 1960, to 6,873,100 in 1969.

Job connected injuries nearly kept pace with the rise in employment. Lost time work injuries in California totalled 158,663 in 1960 and 218,242 in 1969, a gain of 38%.

The work injury rate, however, the number of lost time injuries per 1,000 employees, remained on a virtual plateau during the 60's, fluctuating within an extremely narrow range.

THE JOB INJURY rate, which was 32.1 in 1960, inched up to 32.2 in 1964, then turned down to 30.8 in 1967, narrowly the all time low. The rate edged back up again to 31.6 lost time injuries per 1,000 workers in 1969.

This was in sharp contrast to the record of the 1950's when California's job injury rate was cut nearly 20%.

William C. Hern, director of California's department of industrial relations, reported that while the number of workers who suffered lost time injuries on the job advanced 38% during the decade, the direct cost to California employers of work connected injuries was nearly two and a half times as great in 1969 as in 1960.

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The cost of employee injuries, Mr. Hern said, rose from about $250 million in 1960 to an estimated $500 million in 1969.

THE MAXIMUM temporary disability benefit under workmen's compensation advanced from $65 a week in 1960 to $87.50 by the close of the 60's, an increase of 35%.

The average weekly earnings of workers hurt on the job rose 42% over the 10-year period, from $102.64 in September, 1960 to $145.36 in September 1969.

In California in the 1960's, according to Mr. Hern, "witnessed a decided shift in the proportion of persons employed in the higher injury rate production and extractive industries toward the lower rate service industries, financial and insurance institutions and government service.

"Thus," Mr. Hern points out, "the rise in the proportion of California's workers employed in relatively low risk industries over the decade contributed in some measure to the moderate overall injury rate reduction during the period."

California's construction workers were injured less frequently at the end of the decade than at its beginning. The job injury rate for construction workers as a group dropped almost 8%, from 79.6 per 1,000 in 1960 to 73.4 in 1969.

ALL THREE major segments of the construction industry shared in the rate decrease. However, the most significant improvement was in heavy construction where the rate dropped from 78.8 in 1960 to 64.4 in 1969.

The rate for building construction declined from 79.2 at the start of the decade to 74.4 at its close and the rate for special trade contractors moved downward from 80.2 to 77.3.

However, in spite of the gains made in construction safety in the past 10 years, the industry still retains the number one spot when major industries are ranked by injury rate, followed in close order by mineral extraction and, strangely, agriculture.

Disabling work injuries among workers in the plumbing, heating, air conditioning and sheet metal trades rose to 2,358 in 1969, with ten of these proving fatal to the victims.

THE CONSTRUCTION business as a whole, in 1969, suffered 22,308 work injuries, 134 of them fatal. This was up from 1968's total of 21,072 and 116 fatalities.

In 1940 when California had a total of $2,352,885 payroll insured, the incurred losses amounted to $19,283 and medical costs totalled $7,933.

By 1967, payrolls insured had risen to $32,913,539; total losses to $292,686 and medical costs to $113,432.

In 1968, self-insurer payrolls amounted to $6,003,521, with 370 self-insured employers. ■

Phil Wilson, pals face mail fraud trial July 26 in St. Louis

ST. LOUIS—Philip M. Wilson and three of his associates will face trial on 16 counts of mail fraud in U.S. district court here on July 26.

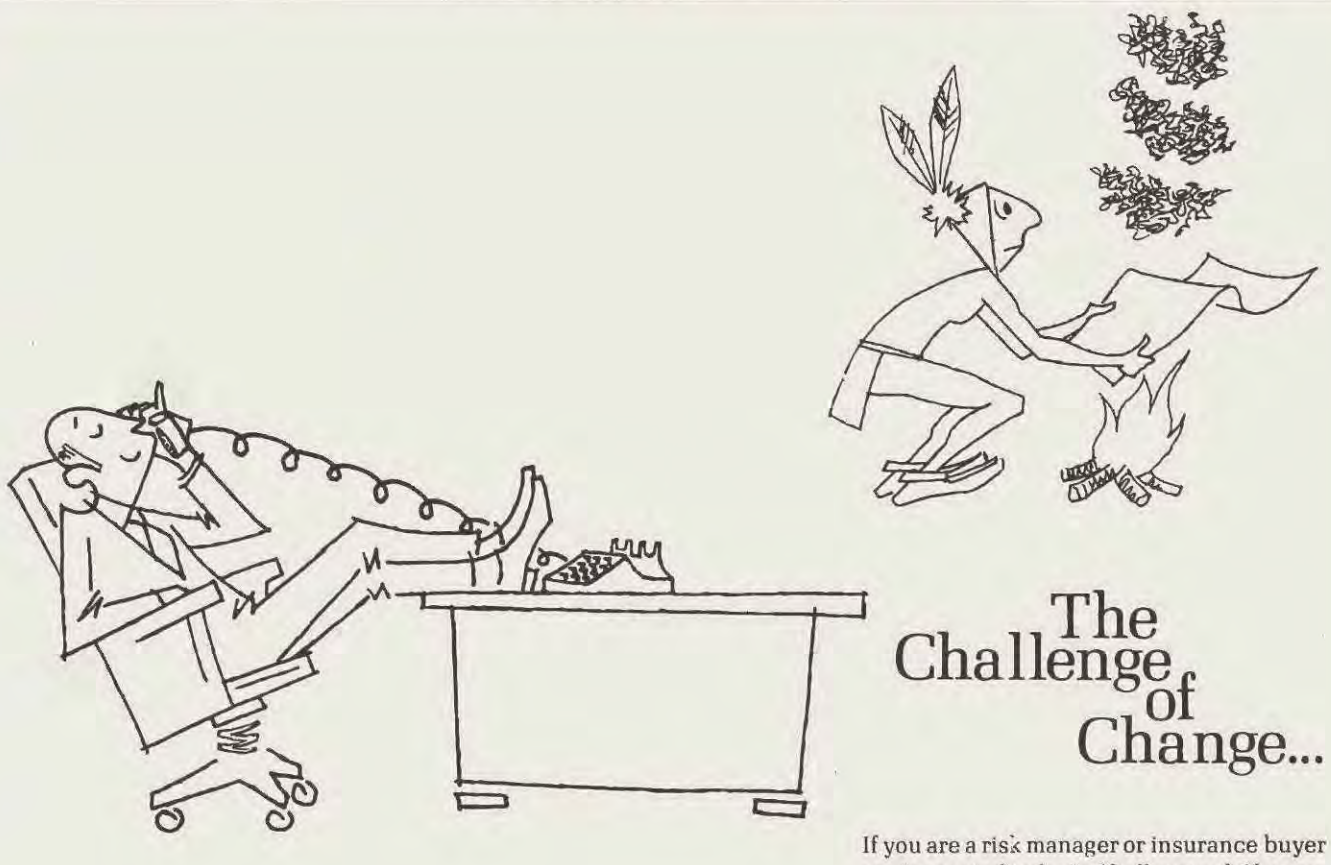
Pleas of not guilty were entered in February by Mr. Wilson, Charles Earl Brown, Monte Schuff and William E. Fox before Federal District Court Judge John K. Regan, who freed them on $20,000 bonds.

The four were originally indicted in July of 1970 on charges stemming from Mr. Wilson's insurance operations in St. Louis. A new indictment returned in February added charges that Mr. Wilson, Mr. Brown and Mr. Fox sent worthless checks drawn on the Bank of Sark Ltd., Guernsey, Channel Islands.

Business Insurance revealed in December, 1968, that Farmers and Merchants Mutual Insurance Co. and Bankers Security Mutual Insurance Co., domiciled in Missouri and operated by Mr. Wilson and his associates, had far exceeded their underwriting authority and had written extensive coverages on business risks ranging from Ethiopia to Texas.

$173,000 award

The lack of a town ordinance banning swimming after dark at a town beach cost the Lake Placid, N. Y., community treasury $173,000. A jury ruled against the town when it failed to demonstrate it had written an ordinance against swimming after dark.



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Computer tape info theft is settled out-of-court

TOKYO—The Reader's Digest Co. of Japan has negotiated an out-of-court settlement with a McGraw-Hill joint venture in this country's first "computer crime" incident.

Differing from previous cases of industrial spies' theft of documents, this incident is one of the alleged theft of computerized information. In revealing the security and legal problems related to computers and computerized information, this case has created a considerable stir among business circles here.

Officials of the two companies would not disclose the amount of the settlement; in Japanese fashion the Reader's Digest announced that it would also deliver an apology to McGraw-Hill's subsidiary.

McGRAW-HILL and the Japanese equivalent of the Wall Street Journal, the Nihon Keizai Shimbun (Japan Economic Journal) have created a joint venture to publish a Japanese magazine based primarily on Business Week. Two magnetic tapes containing the names and addresses of subscribers were copied in early February, and the copies were obtained by a director of Reader's Digest.

The magazine, Nikkei Business, is sold exclusively on a subscription basis, and although the publication is only about one year old, circulation is said to be at 80,000. This would make it the best-selling business magazine in Japan. By way of comparison, the Japanese adaptation of Fortune, published by a different joint venture, has a monthly circulation of 50,000 copies.

Printing of address labels and mailing of Nikkei Business is done by Athena Co., a Japanese concern under contract to Nikkei-McGraw-Hill Inc. After Athena discovered that the tapes had been copied and that the copies had been acquired by Reader's Digest, it filed a complaint with the Tokyo district public prosecutor's office. Buying the stolen property made the Reader's Digest culpable, Athena maintained. A complaint was also filed against the unknown person or persons who did the copying.

When the out-of-court settlement was announced, Athena agreed to withdraw its complaint, but the prosecutor's office will continue to investigate the case, and Athena will continue to seek to discover who did the copying.

THE INCIDENT has shown that the Japanese penal code does not provide sufficient protection to users of computerized information. Japanese law is not clear as to whether copying of the information constitutes theft. Reportedly, many jurists are of the opinion that copying of the information does not constitute a crime.

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Whether names and addresses alone can be considered a company's secret is also open to question. If they can be considered to be secrets, copying them constitutes a crime, according to lawyer Toshitaro Naka, in a commentary in an industrial daily. For failing to maintain secrecy, Nikkei-McGraw-Hill could seek damages from Athena, in his opinion.

Also, there is the question of how Reader's Digest stands in respect to the civil code. In view of the facts that it is a common practice to purchase lists of names and addresses for direct-mail use, and that Reader's Digest, which is selling English-language educational kits in cassette form and other products dissimilar to the publication of Nikkei-McGraw-Hill, and is thereby not in direct competition, it seems that Reader's Digest may not have legally erred.

The Digest has pledged that after returning the tapes to Nikkei-McGraw-Hill, the contents of the tapes would not be divulged, according to press reports. Unless it can be shown that Reader's Digest used the information to its own advantage, it has been considered highly unlikely that a court decision awarding damages to Nikkei-McGraw-Hill would be made.

Although a start has been made in revision of the penal code to cover computerized information, it is expected that it will be some time before companies in Japan will have clear-cut legal protection in this regard. ■

Container safety pushed by Japanese

TOKYO—With containerization growing faster than exports here, prevention of damage to containers has become an important subject of concern to exporters, export associations, port authorities, warehouse companies and others.

Due to fear that risks are increased because of unfamiliarity with containers and their proper handling, the Marine and Fire Insurance Assn. of Japan has announced a container handling safety campaign, to be implemented in Japan's five major port cities.

The containerization rate for exports for the first quarter of 1969 was 7%, in terms of exports' value. It rose to 11.2% for the second quarter of 1970, and has continued to rise.

BECAUSE RAW materials account for a relatively greater portion of imports, the containerization rate for imports has remained lower, at 4.7% for the second quarter of last year.

Cargo insurance rates, which are increasing at a faster clip than international trade, are expected to continue to climb. In fiscal 1969, trade increased by 21.6%, but insurance rates increased by 22.8%. For fiscal 1970, it is expected that the total coverage written will exceed $74,000 million.

Against this background, the campaign will attempt to stimulate association member companies, including harbor, warehousing and shipping companies, to load containers properly, inspect them for defects and take special precautions when dangerous materials are containerized. ■

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Fair Credit Act means more work in doing pre-employment checks

NEW YORK—The Fair Credit Reporting Act that went into effect April 25 may take some of the ease and mystery out of pre-employment security checks but it will not have any devastating consequences for companies that are extremely security-conscious in their hiring practices.

This is the concensus that can be drawn from interviews with several security agency people and corporate security officers.

Most agree, for example, that the law is "decent legislation," that it will add to the paperwork burden, that in the past there may have been some credit reporting abuses (although certainly none that they themselves participated in knowingly) and that, in general, it will not hamper pre-employment screening techniques, although it may take longer and cost more.

UNDER THE measure, persons are entitled to notification when an agency starts an investigation of a personal nature—such as drinking habits, family affairs or health. Persons are also entitled to know in advance the scope of the investigation.

Agencies must also inform persons at any time they are turned down for credit, refused employment or charged higher insurance premiums because of a bad credit report.

The law also provides that even if an individual does not get a bad report, he still has the right to be informed of all the information—except medical—in his credit bureau files, along with the name of anyone receiving a credit or insurance report in the past six months or an employment report in the past two years. Disputed

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reports must be rechecked and, if not resolved, the consumer may enter his own brief explanation in the file.

However, one of the more significant effects of the new law is that it will take the business of obtaining a credit report out of the hands of a third person. In the past, for example, a company has been able to ask a security agency to do a pre-employment check on a prospective employe, and as part of that check, the security company was able to obtain, for a small fee, a credit report on the person in question and routinely include that in the overall report submitted to the client.

ACCORDING TO John J. Janssen, national manager of the banking and hotel protection department for the William J. Burns International Detective Agency Inc., companies such as his have "had this card taken out of their poker deck."

"Under the new law," Mr. Janssen told *Business Insurance* "we must now get a letter from the person we're screening. He must first grant his permission before a credit reporting firm, such as Retail Credit Co., can release information to us."

Mr. Janssen said, however, that from now on Burns is going to avoid using credit checks as part of pre-employment screening.

"We'll ask the client to get his own," he said, noting that prospective employers may still get credit bureau reports without the permission of the third party. Nonetheless, he added, notification will still have to be made to the person being investigated and Mr. Janssen feels that "there may be some reluctance on the part of employers to do this" since employers usually like to keep their hands clean of investigatory matters.

COMPANIES such as Burns, according to Mr. Janssen, have used credit reports for essentially that reason—credit standings—and not for the personal background information some of them contain.

"All we used them for was to find out if a person was ever refused credit or just where he stood. Our clients, for instance, are interested to find out if a person is living beyond his means, in which case he might be vulnerable to all sorts of dishonesty," Mr. Janssen said, noting that the company relies on its own staff to do such things as neighborhood and police checks. But he added, reports from credit companies have generally been "accurate" in the past.

The new law was drafted by Sen. William Proxmire (D.—Wis.) and passed last fall as a little-published amendment to a bill for disclosure of secret foreign bank accounts held by American citizens.

"The new law gives every user of credit," Sen. Proxmire said, "be he rich or poor, a chance to prevent the kind of heartaches and inconveniences that have plagued so many customers in the

Continued on page 70

Credit act provokes question of liability

NEW YORK—The new Fair Credit Reporting Act may open up a "hornet's nest" of liability for companies engaged in the business of doing credit reports, according to some sources familiar with the law.

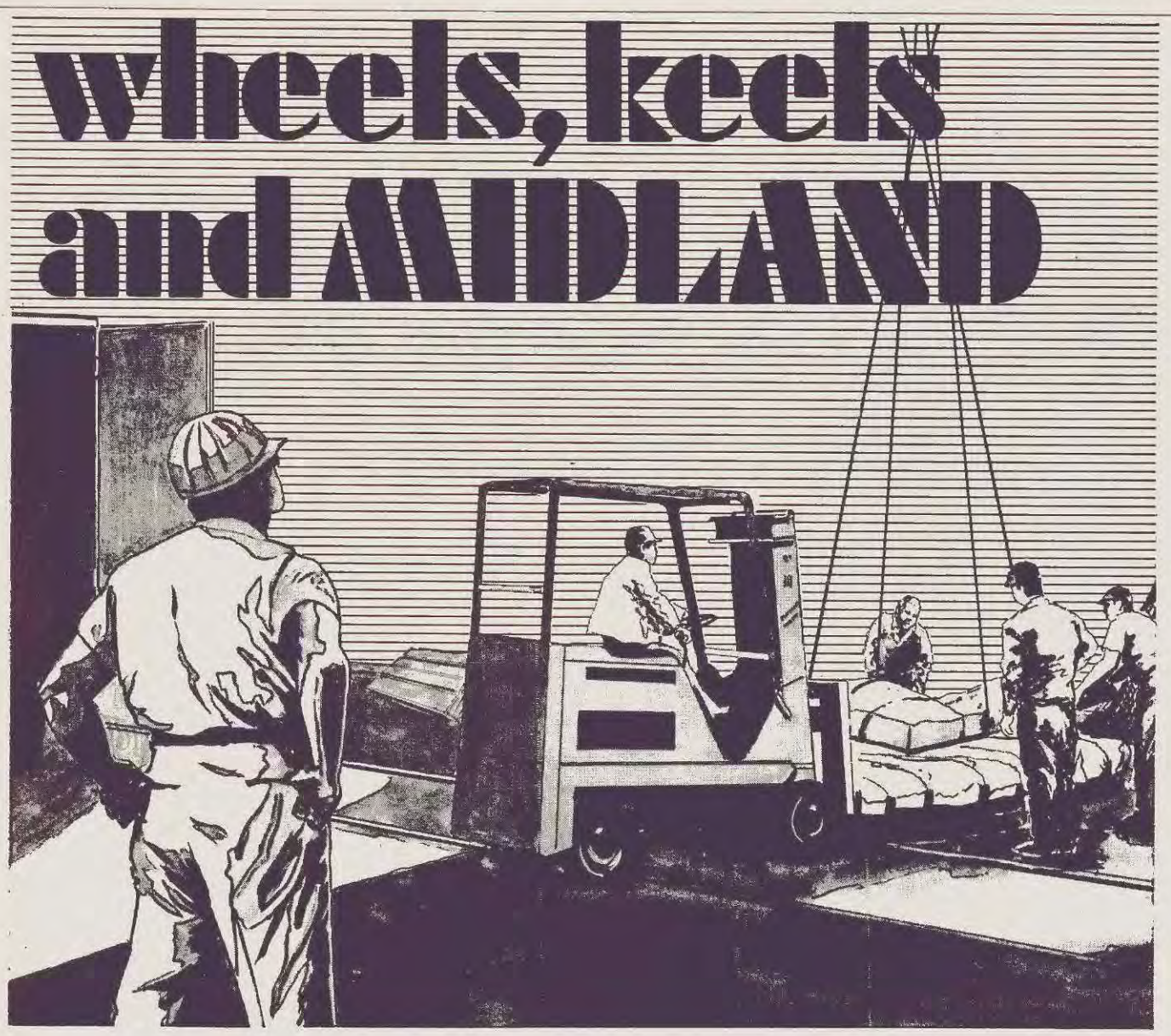
Under the law, a person on whom a report is based is entitled to see the information compiled in his file and correct it—or at least offer a statement of refutation. This provokes at least one interesting question: What about the person who after getting a look at the substance of the report on him, feels he has been slandered or libeled?

The question, incidentally, recalls a suit against Retail Credit Co. of Atlanta, Ga., in which an insurance broker was awarded $290,000 in damages for a background report which the company admitted was based on false information (*Business Insurance*, April 12).

While that case is still being appealed by Retail Credit, the new law is giving credit reporting agencies reason for pause.

Retail Credit is insured by the Travelers Insurance Co. under an umbrella liability policy, including a libel clause, for an amount said by the company to be higher than this particular award. As reported earlier, the policy has a $50,000 deductible.

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'Awareness' keynotes safety plan that saves manufacturer money

MINNEAPOLIS, Minn.—There's an old saying that has something to do with leading a horse to water.

Amos Rosenbloom believes there is a direct relationship between that saying and the new occupational health and safety law. Mr. Rosenbloom is vp of Brandow Howard Kohler & Rosenbloom Inc., insurance brokers here, and he has "scientifically" proved that relationship with a safety program he designed for a small metal stamping firm whose insurance he handles.

He proved that the company didn't have to alter its machinery, protective devices, products



Amos Rosenbloom

or procedures to achieve a better safety record. But it did have to alter its approach to and attitude toward safety. This, he emphasized to *Business Insurance*, is something that isn't covered by any occupational health and safety law.

BERMO INC, Bloomington, Minn., is the firm involved and since October of 1968, when Mr. Rosenbloom began placing their

special 1971 safety and security report

workmen's compensation insurance they have had, he said, about a 1.3 loss ratio, which he considers "so-so." After two years of letting Bermo handle its own safety the broker decided that Bermo's record could definitely be improved and he sat down to talk, first with management and then with supervisors.

"Between 1968 and 1969," he said, "Bermo's 100 employes had 44 accidents." Most were to toes, feet, fingers, hands and eyes and after reciting the list Mr. Rosenbloom said that they were, basically, caused by inattention. To date, Bermo has reached more than 90 consecutive accident-free days and Mr. Rosenbloom described the techniques that brought this about.

"Of course, they had had a safety program in operation at the plant continuously," he said, but, as is the case many times, it was management's program and not the employes'. Mr. Rosenbloom first sat down with management at the plant and presented a survey he had done which proved that some shops doing similar work had better safety records. He then told them he would like to build a safety team in his own style.

On of the suggestions he made was that the shop people should be made responsible for the success and style of the safety program. It wasn't long he said, before the vp of Bermo, who was meeting with them, said, "It doesn't look like you need me here at all" and the broker began meeting with the plant supervisors.

AWARENESS, not teaching, was the watchword for his work with the employes. During their discussions, supervisors reviewed each man under them with regard to his safety habits and they became aware, Mr. Rosenbloom said, that many accidents related to new employes. From this discovery an awareness on the part of older employes of the educational needs of new workers was developed, he explained.

"What we did," he said, "was establish a vertical and horizontal communication system in which the interest of each employe was involved."

Federal Insurance Co., part of the Chubb & Son Inc. group, writes Bermo's workmen's compensation coverage and Mr. Rosenbloom obtained the services of one of their safety engineers for the employe safety committee. "Impromptu visits were made on several occasions for plant tours

Continued on page 70



"60 in '71" was the slogan that helped Bermo Inc. employes reach and surpass the r goal of 60 accident-free workdays. After the 60-day period a drawing fo· a $25 dinner certificate was held and employe Allen Linder, right, won. The prize was presented by his supervisor, DuWayne Gulseth.

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The safety and health act: An activist's point of view

by M. F. Biancardi,
Assistant Vice President,
Employers Insurance of Wausau,
Wausau, Wis.



M. F. Biancardi

'The days are past when management, labor or government could hide in the murky depths of public indifference.'

AS ONE SCANS the past half century and more of the safety movement, it becomes evident that much of the action originated in Wisconsin. Workmen's compensation, in the form of the first effective constitutional legislation in the United States, was born in Wisconsin on Sept. 1, 1911. The National Safety Council tried its wings in Milwaukee two years later. Wisconsin is the home of the oldest continuous foreman safety school in the nation.

So the comments which follow derive from our vantage point of being participators and observers in a state safety movement recognized nationally as a highly successful one. The touchstone of this whole movement has been its recognition of the partnership which must exist between government, the public, labor and management to move successfully toward a safer working place for those who man the machines and processes of industry.

It is our view that we are now entering an era where this same kind of working relationship can be extended with reasonable uniformity (but not necessarily identically) to all of the states. On the other hand, we could, if those who have led the safety crusade these past decades willingly relinquish their rightful roles or surrender them by default, be embarking on an era of bureaucratic, totally governmental safety efforts where motivation is by threat of enforcement and where safety based solely upon rules replaces that which gains its force and strength from the heart and will of the people. In short, the Occupational Safety and Health Act of 1970, like Robert Frost's "The Road Not Taken," may well give us a classic example of "two roads diverged in a yellow wood . . . ." One leads to an era of partnership, cooperation and the recognition and respect for the separate and mutual responsibilities of all who espouse the cause of safety. The other, of course, leads to fragmentation, adversary relationships, loss of motivation and initiative, passivity—all at the expense of the individual worker's safety.

LET'S FIRST TAKE a look at some of the broad aspects of the law itself—not specific provisions. While it seemed that the need for uniform safety standards was the primary thrust for the federal legislation, the legislation now appears to leave no stone in the safety rock pile unturned. This act is just about as comprehensive as can possibly be imagined. It is a masterwork of delineating responsibility, not only for industrial management, but for governmental officials and for the employes themselves. With the exception of employes, complaint procedures can be brought to bear against all who fail to meet the obligations engendered in the legislation.

R. D. Gidel of the Department of Labor has described the act as "fishbowl" legislation; with that I fully agree. Fail in your responsibilities under the federal act and there will be no place to hide. And that, in my opinion, is healthy. It is certainly compatible with present trends toward total communication and full disclosure. The days are past when management, labor or government could hide in the murky depths of public indifference and ignorance.

In some ways the act appears to be ambivalent. On the one hand it appears to be a clear-cut case of government takeover—and certainly that danger is very present. At the same time, it does allow for initiative to remain with the voluntary safety movement and in the hands of industrial management.

Getting from the general to the specific, let's take a closer look at three provisions of the act:

There has been little controversy on the need for standards. Perhaps the Achilles' heel of the voluntary safety movement has been the inability to positively, definitely and concretely document standards for safety. By that I mean those rules and guides which help remove the guesswork from safety conditions and procedures and help individuals—regardless of economic sector—to look at a situation and arrive at reasonable uniform conclusions. The act emphasizes the need for standards and provides for the promulgation of those which are regulatory in nature. The areas of disagreement regarding these standards fall primarily into: the number of standards needed; the speed with which they can be realistically developed whether or not standards generally have broad applicability across industry lines.

THESE PROBLEMS remain and a real danger in the new law is that it allows these questions to be answered unilaterally by governmentalists. This is not to say that the knowledge and experience of the private enterprise sector would not be welcomed in arriving at and tempering the final judgment. However, if we do not vigorously make our opinions heard, we could find ourselves on the sidelines—losing, by default, our opportunity to speak.

I am personally disappointed that the voluntary safety movement never did satisfactorily rise to the challenge of providing a sufficient number of broad-based, nationally acceptable standards. We have another chance now, but we could fail again—this time with a ring of finality. Any codification of safety standards, to be useful and successful, should have the depth of knowledge and experience which only the people who will be "subject" to them and who have responsibility for implementation can provide. The opportunity to participate is ours, *now!* In my opinion we must get aboard and lean into the oars to get this new ship of safety to its proper destination as quickly and by the straightest course possible.

While much progress can reasonably be expected from the act as standards gradually are developed and issued and enforcement procedures get underway, we've got to remember that the need for new ideas, new approaches to loss control by private enterprise, will be undiminished. We must remember that occupational injuries are triggered not only by the environment, but also by faulty human behavior and attitudes . . . areas that cannot be surveyed by a federal inspector, or *any* inspector. Therefore the employer must constantly seek better ways to educate, to re-educate, to motivate—and his insurance carrier must continue to offer professional assistance in this continuing effort.

In terms of the act's impact on the insurance industry, I foresee greater opportunity, a greater need than ever before for top-level, professional, consultative service, to assist policyholders in establishing and strengthening their loss controls.

The federal safety act will provide an equalizing effect among the states with respect to standards and the benefits of research. Until now, some states have done an outstanding job in promoting and enforcing occupational safety and health

Continued on following page

How will you handle leisure and education as benefits?

'If everyone goes to school throughout his life, the nature of the school system will be an important part of life.'

by Bion H. Francis,
Manager of Benefits Planning,
Colt Industries, New York, N. Y.

This is the last of a series of eight thoughtful columns by Bion Francis on the subject of retirement, which he dissects into a series of provocative questions for the employe, the employer, society and, most of all, for those responsible for planning employe benefits programs and compensation schedules.

IT WON'T WORK, you cry! It's too great a change!

People won't do it!

But the human animal is capable of infinite adjustment. And what are we proposing? Simply that, as our productivity increases, we utilize this to provide leisure and education. This is natural and will create further productivity in an endlessly rising spiral.

What could interfere with this? Perhaps the most important possibility is that some of our institutions might conceive that their best interests are threatened, and might try to block natural developments. What institutions might be affected? Let's consider a few of the possibilities.

Unions and Professions

Obviously, as the workweek shortens, the number of workers must increase. This will be true in each area of specialization. Yet, the specialties frequently exert tight control over the number of qualified members. This is true whether we are talking about trade unions or professions.

In effect, these organizations may have semi-monopolies in their areas—semi-monopolies that might enable them to delay developments in the form of shorter workweeks or increased leisure.

However, this ability to hold back may be more apparent than real. A shorter workweek is a frequent union objective in any event. And, in another generation, we will have only a few million factory workers, most of them skilled workers, who are also obtaining college educations. If they are spending one or two days a week in advanced study they may be more concerned with their own future development, and the opportunities awaiting them, than with imposing restrictions on their present jobs.

That does not mean that they will be uninterested in their employe benefits. Try to visualize the nature of union bargaining at that time—if such bargaining is still in existence.

The School System

If everyone goes to school throughout his life, the nature of the school system will be an important part of life in this country. Who will run the schools?

Who runs the schools now? Local school systems, both public and private, now run schools up to and including college level

Continued on following page

Safety . . .

Continued from preceding page

measures while others have done very little. The marked variation from state to state has contributed to confusion regarding safety requirements. Additionally, some manufacturers have equated low safety requirements with reduced costs. This, unfortunately, has been a decision factor in locating some plants. The act should minimize the confusion and eliminate safety requirements as a factor to be weighed in the selection of plant sites.

OPTIMISTICALLY, the Department of Labor has made it clear that it desires to have the states assume a leading role in implementing this legislation. The law provides that individual states may take over enforcement of standards within their jurisdictions if their programs meet Labor Department specifications. About 35 states are already gearing themselves for this. Insurance carriers, industry, business, trade associations can all take an active part in helping the states prepare to enforce the new law.

It has long been suggested that the field of occupational safety is a fertile but relatively unplowed one in terms of research. The new act, if Congress funds it properly, provides a powerful thrust toward this goal. If it comes, we may at last be able to penetrate some of the imponderables and resolve some of the dilemmas with which safety professionals have been wrestling —armed only with faith, energy, and insufficient data. If we, as representatives of the private sector, give our rigorous support to these new research efforts, both independent and governmental, a proper mix of new knowledge will be achieved. What a leap forward that could provide!

Many have argued that the sudden, even premature, intrusion of this legislation upon the safety scene raises the spectre of a crucial and crushing shortage of safety professionals. Certainly, governmental requirements for manning the act will strain the existing supply. But, that is a recognized fact and the government is planning extensive training programs to help reduce the manpower problem. The problem of an adequate reservoir of well-trained safety professionals has been a long existing one anyway. It is one in which the American Society of Safety Engineers has long been active with increasing success.

TAKING AN OPTIMISTIC view, the manpower shortage, increasing opportunities, and the increasing level of responsibility being delegated to the safety professional should provide sufficient incentive for attracting capable new people to this worthy career. It is my guess, if we do not simply relinquish our safety role to the government, that this new competition for top-quality personnel will have a healthy effect over the long pull. We have seen this operate with other professions and there is no reason to suspect ours will be any different. The grim spectre of a manpower shortage does lie ahead, but the pressures and demands created by the law will be helpful in stimulating greater awareness and interest in the profession all across the board, including, of course, the colleges.

Will the Occupational Safety and Health Act of 1970 change our way of doing safety business? The answer, unquestionably, is yes, but to what extent remains open to speculaton, but those who are knowledgeable in the field almost universally predict that dramatic changes lie ahead. Will the Occupational Safety and Health Act of 1970 put those of us practicing the profession in industry and insurance out of business? That depends. The potential is there. The temptation to turn to the government with every problem and for every answer could cause us to lose our direction and our initiative. We could allow the ball to be taken from us—and it has been our ballgame up to now—and permit, by our own default, the role of government to expand beyond regulatory standards, enforcement and research and to flow into those areas we have vacated. If we continue to fill our traditional role —vigorously, and to grasp the new opportunities which this new element in the safety universe will surely create, that will not happen. The act will then serve as a truly important addition to the total safety arsenal benefiting the total program. That, in the end, will produce not only a safer working place but more total safety for the men on production lines and job sites.

And that, in the final analysis, is what it's all about in the practice of safety managment. ■

M. F. Biancardi, an assistant vp of Employers Insurance of Wausau, is a mechanical engineering graduate of Massachusetts Institute of Technology. Prior to joining Employers Insurance, Mr. Biancardi was corporate manager of product and personnel safety for Allis-Chalmers in Milwaukee. A registered professional engineer, he is a member of the National Society of Professional Engineers, a director of the National Safety Council and chairman of its product safety committee.

How . . .

Continued from preceding page

and will probably continue to run a part of the entire school system.

But what about the millions of adults who should be in school if they are to keep up with the exploding modern world? For them, there is another possibility. The organization that they are perhaps in closest touch with is the company for which they work. It would be natural for a company to run the schools that its employes will attend. The idea is not new. In Japan, for example, many corporations run schools not only for employes but also for the youngsters they hope to employ—and Japan's productivity is probably rising more rapidly than that of any country in the world, except that of the United States.

EVEN HERE the idea that companies should run schools for employes is finding support. Many companies have undertaken training and education for underprivileged youths. This has been done, in part, to eliminate the social and industrial problems that result from the fact that we have about 10 million functional illiterates in an increasingly technical society, which has little use for functional illiterates.

Programs of this type are usually directed at the basic skills needed in a modern technical society. Curiously enough, they seem to boil down to the ancient concept of what an education should be: Readin, Ritin, and Rithmetic. But many corporations do more. Many run apprenticeships and training programs that can include mathematics and technical work, sometimes of an advanced nature.

Some corporations go far beyond this. General Motors runs a four-year engineering school that grants degrees; International Telephone & Telegraph uses the adevrtising pages to tell about its educational efforts; Western Electric boasts that it is opening the second biggest university in Princeton. And recently there was an advertisement in the Wall Street Journal for a "Manager of Management Education."

From all of this you can see that even now the teaching activities of corporations run the gamut of the most basic training of semi-illiterates to advanced professional education of a high order.

There can be many advantages in an alliance of production and teaching in the same company:

- An interchange of teachers and executives could broaden the outlook of both.
- The value and relevance of an education will be much more obvious when the teaching is done by the same corporation that employs the students.
- The business approach to teaching may promote the use of teaching machines and other methods of teaching. If knowledge doubles every few years, and we want to keep up with the changes, the efficiency of the teaching process itself must increase.

THE MORE WE consider the future educational needs of the U.S., the more it appears that education will be the greatest industry in the country. This can raise the question: "What will we do with the education and leisure that we will have?"

The U.S. is a great nation—but perhaps the judgment that will be passed on it by history depends on what we do with the leisure and personal education and development made possible by the immense productivity of this nation. What will we do with it? Perhaps this is a time to state our national goals.

Here is a suggested statement of a main national goal:

A strong, healthy and intelligent people, well educated and well trained, living in peace and brotherhood, with a satisfactory standard of living and a drive for accomplishment and achievement.

Corny? Perhaps, but let it stand. It puts the emphasis on people rather than things. It does not say "as high a standard of living as possible" because, unfortunately, as the standard of living in material things goes up damage to our environment also seems to rise. And so we should perhaps express our goals in terms not of things but rather of people and what they can do. This is a world in which human knowledge is a runaway monster of tremendous potential—both for good and evil.

MOST JOBS in another generation will be services rather than production of physical goods. What services? How can we say when most of these services have not yet been invented? That is why the people of this country may have to go to school for one-third to one-half a week—to invent the services which they will render. Temporarily, at the beginning of their working lives, they can fill production jobs while they are creating their careers—or their first careers.

You will note that this places responsibility for the development of new jobs and new services on the people, which is where it should be in a great democracy.

When I started to develop this concept I thought I was working on the possibility of a workweek of three days (which would allow the same production facilities to be used by two crews of workers each week) and an education week of one to two days (which would allow the same educational facilities to be used by three to six groups of students each week.) The material presented in previous columns indicates that, on this basis, our standard of living can double, and the workweek, in another generation, can be reduced by rising productivity to two to three days. This would require one to two days a week of study throughout our lives.

We can extend this. I will not try to develop the figures because, beyond a certain point, extrapolation becomes silly and dangerous. Let us state simply that, within the working lives of people now living, the workweek could be reduced to three days, but only if at least two of the three days are spent in school, in study, and in personal development.

A one-day work week! I can hear some of you murmur, "Francis has really flipped!"

So I will close with a quotation from an outstanding American authority on productivity: "The job of getting our subsistance will eventually take so little time that we will not pay much attention to it." (Henry Ford, Time magazine, 1941.)

How will you organize a benefit program to fill this concept? I will repeat: The greatest employe benefits at that time must be leisure and education. ■

Explaining pollution terms

by Gerald W. Wilson,
Analyst of Corporate Insurance,
New York, N. Y.

DEAR GERRY: What is meant by the concluding words of the pollution endorsement, which say, "(2) caused by the discharge or escape of any other pollutants or contaminants, unless such discharge or escape results from a sudden happening during the policy period neither expected nor intended from the standpoint of the insured?"

ANSWER: It looks like the carrier is in a position to second-guess and any burden or proof of intent rests with the insured and this is not limited to the named insured. Tearing the wording down further one can see that "occurrence" is eliminated and accident is precisely defined into two conditions. What is meant by expected or intended is vague because it is of different tense if one sees that, one must from future result determine a past intent. This is, however, better than nothing and not as absolute as the exclusion to claim arising from oil pollution or contamination. (The oil is not restricted to petroleum.)

I might point out that the coverage excluded is partially the coverage rendered under Republic of West Germany liability policy covering water contamination from stationary tanks.

As for what is intended, one can only ask the underwriters, and if overly concerned with the answer that appears to grant coverage—ask for a letter of intent or agreement.

DEAR GERRY: What do you think about manuscripting of insurance policies?

ANSWER: The objectives in manuscripting are:

- To achieve a known coverage position (it's your wording, and you knew what you meant when you designed it).
- To eliminate troublesome overlaps in coverage.
- To cover certain recognized situations peculiar to your business. Examples of these situations would appear in subrogation, broad contractual, loss settlement options, definitions of subjects of insurance and insurable interest.

At one time manuscripting was more important because we did not have the broad multiple peril policies that we have today with their many options. We also have learned the important lesson that the interpretation of wording is usually made against the person who wrote it.

Manuscripting should only be done by experienced professionals. This, whether you like it or not, excludes most insurance managers. ■



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'RAP' program saves limbs, lives on Minneapolis high-rise project

By ROBIN SUHRBIER

MINNEAPOLIS—Recognize, avoid and prevent, known affectionately as "RAP," is the key to the safety program set up for the construction of the Twin .Cities tallest skyscraper.

The Turner Construction Co. is general contractor for the Investors Diversified Services new complex which includes the 57-story skyscraper. Turner wants to minimize accidents by reaching all levels of workers. The safety program for the three-year construction job begins with D. A. Beyer, project safety director.

Besides physical safety measures taken to protect the workers, Mr. Beyer has put together a safety communications program that involves all workers which may total upwards of 500 to 1,000 men at a given time.

ACCORDING TO Mr. Beyer, "we must make everyone aware of recognizing, avoiding and preventing hazards before accidents occur." He emphasized that communication is the best method for eliminating hazards.

At bi-monthly meetings for foremen and stewards of both the general contractor and all subcontractors potential hazards are discussed and corrective measures planned. Following these meetings, copies of the minutes are distributed to all who attended.

The foremen and stewards, in turn, hold "tool box" meetings with their men to communicate what needs to be done. The workers, also, have a chance to bring up any problems or unsafe practices that they have observed.

With so many men working on the building at one time and with such diverse activity going on, Mr. Beyer contends that "we have been quite successful in making them aware of the need for safety." He added that written into every contract with the subcontractors are certain safety rules which that subcontractor must follow.

A VARIETY of safety measures have been taken to ensure the safety of the men. The work is strictly hard hats and it's up to the foremen to check their men. Other safety equipment may be required including safety belts, harnesses, safety glasses, safety shoe and protective clothing. It's the responsibility of each subcontractor to see that his employes wear the proper equipment.

For Mr. Beyer, one of the main worries is "someone walking off the side of the building." A one-inch metal cable has been strung around all open floors and is removed as the permanent enclosure goes up. From this cable the workers using their safety belts and life lines can tie off.

Mr. Beyer explained that with each trade there are certain inherent job hazards and that's particularly true for the steelworkers who have no way of tying off. They walk the six- to ten-inch steel beams relying on their sure footedness.

PORTABLE FENCES have been put around all elevator shafts to prevent workers from falling down the shafts. These fences can be lifted out to allow men to go in but must always be replaced.

The two active elevators used by the workers are manned by operators and can only be opened from the inside.

All open holes on the floors are protected by guard rails and toe boards, the boards being used to prevent things from being kicked down the holes.

special 1971 safety and security report

Protection from Minnesota's winter weather has been accomplished by using fuel oil heaters on the floors until they are enclosed. After that, steam heat warms the air. The workers also wear appropriate winter clothing.

As for the Minnesota wind, all subcontractors are required to secure their materials. The workers then untie what they need.

At the end of each day, all debris must be removed from the tower and substructures. Subcontractors put their debris in a designated area, then the general contractor removes the debris from the building. This prevents a buildup of debris, a major cause of constuction fires.

Mr. Beyer explained that certain people have been designated to use the fire fighting equipment which includes, among other things, a portable fire cart equipped with extinguishers to fight all types of fires.

A full-time nurse mans the medical department. Minor accidents can usually be handled here but more serious accidents would be sent to one of the hospitals in the area.



One-inch metal cable strung around all open floors protects workmen on Investors Diversified Services skyscraper. Safety director D. A. Beyer checks the protective cable railing.

AN INJURY occurring anywhere on the site would be re-

Continued on page 59

a big word

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Fire marshal attacks lack of arson investigation

SALT LAKE CITY, Utah—Since the first of the year, six suspected arson fires in Utah have caused damage in excess of $650,000, according to Robert A. Tanner, state fire marshal.

"Arson is considered to be the most costly crime in the country today," he asserted. In Utah alone, arson losses reached about $2 million dollars during 1970. "Yet," he said, "out of the numerous incendiary, suspicious fires last year, only two arson convictions were obtained. Some 20% to 25% of all fires in the state now involve arson."

Fires this year have involved a shopping center, a church house, a church welfare cannery and three smaller blazes.

THE FIRE at Harman's City Shopping Center, Feb. 3, in suburban Salt Lake County caused about $500,000 damage and forced 100 residents in a nearby residential area to evacuate their homes. The store, which employs about 75 full-time and part-time employes, was insured for $350,000.

A church house of the Church of Jesus Christ of Latter-day Saints (Mormon) in Salt Lake County was broken into Feb. 8 by burglars and then set ablaze. The fire was started in the church library and caused about $75,000 in damages.

A similar fire was started in Murray, Utah, Feb. 12, at the welfare cannery, also belonging to the Mormon church, by burglars who set the fire in huge stacks of cans, igniting cardboard boxes and wooden pellets holding the cans. Damage was estimated at $40,000.

The Mormon Church, which has thousands of buildings throughout the world, is a self-insurer.

Mr. Tanner said that arson, unlike other crimes, results in a total loss to all. "In auto theft, there is about 96% recovery. In arson, there is virtually no salvage or recovery—ashes are a total economic loss to the country," he said.

special 1971 safety and security report

HOWEVER, he continued, very little effort is put into arson investigation in the state. "A man can rob a bank of a paltry sum, and immediately several law enforcement agencies are called in to investigate and apprehend the suspect. But in a million-dollar fire, only one or two men work part time gathering evidence."

Mr. Tanner said arson prosecution requires extensive and time-consuming investigations. Otherwise, there is no hope for gaining convictions, he maintained.

"Utah's arson laws are clearly defined and adequate penalities are provided," he declared. "However, no one in the state is epecifically charged with investigation of fire causes. Some cities have investigators, but the state as a whole is left without such protection."

The Utah legislature, which is now in session, is considering a bill to create an investigator's office under the fire marshal. Additional funds would be needed for such an office, Mr. Tanner said, but monies could be obtained in part from the federal Omnibus Crime Bill.

UNTIL RECENTLY, the state was substantially aided by a National Board of Fire Underwriters investigator who covered the intermountain area to protect his sponsoring companies. His findings, although helpful to the state and valid in civil courts, were not adequate for criminal prosecutions.

"The insurance companies get just enough evidence so they won't have to pay in owner-caused fires. They can't afford the highly specialized investigations necessary to gather criminal court evidence," the fire marshal said.

The insurance investigator was released last November in an effort to combat rising costs in the fire insurance field. *Business Insurance* Dec. 10, 1970, carried an editorial on this subject.

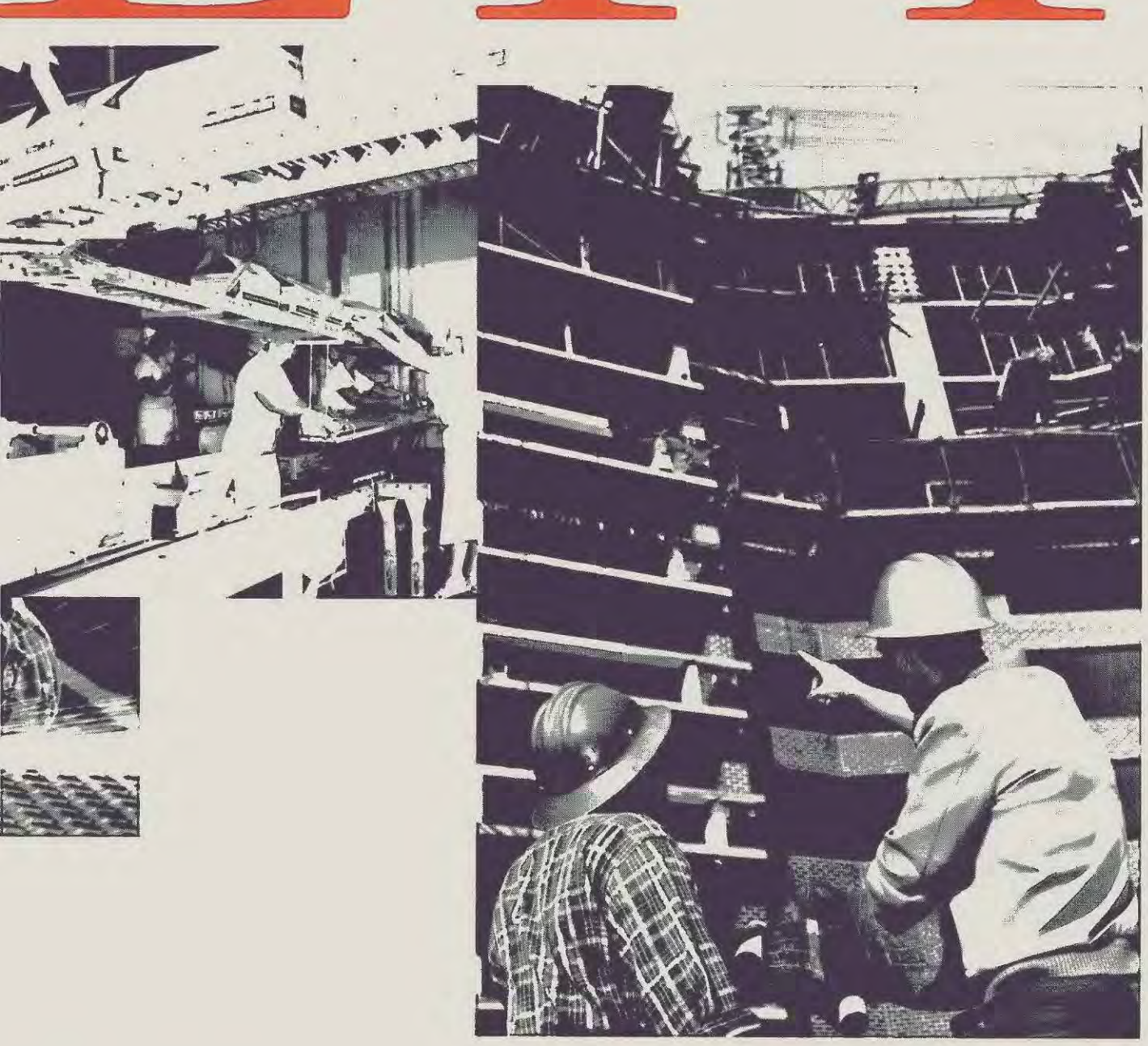
Even with premium increase of more than 400% in some cases the companies are finding it impossible to keep up. Arson fires in Utah alone have tripled since 1956, Mr. Tanner continued.

Arson prosecutions in the state are a rarity and arsonists know this, he contended. If the state had the facilities and manpower to gather evidence that would stand up in a criminal court, arsonists would be afraid to ply their trade, he said.

The title, "marshal," traditionally connotes an investigative person, but Utah's fire marshal has never been responsible for anything except fire prevention and education. ■

at C&F

ETY



'RAP' . . .

Continued from page 58

ported immediately through the central communication center. The company nurse with the first aid bag and oxygen goes directly to the site of the accident. Both personnel elevators are equipped with basket stretchers and on the floors not yet serviced by elevators, a stretcher sets in a box and this box is lifted down the side of the building to the ground.

So far, according to Mr. Beyer, "we have had no serious injuries." Should one occur, a complete check would be made as to the causes and what preventive measures would need to be taken. After this investigation, "we would make the employes aware of the accident and what has been done to prevent a reccurrence," Mr. Beyer added.

Mr. Beyer, who spends most of the working day on the site, has as his headquarters a house trailer which also houses the medical department and the communication center.

Danger signs and other safety posters are used throughout the site to remind the men of certain hazards and to use safe work habits.

Mr. Beyer hopes all this emphasis on safety will in the end pay off with "no serious injuries and no deaths." ■

Union insurer

The Ohio AFL-CIO began selling stock June 1 in its own automobile insurance company, said to be the first wholly-owned union auto casualty company in the nation. First policies are expected to be issued March 1, 1972.

Britain's accidents tally pinpoints hazardous jobs

LONDON—Pumping air into a pneumatic tire ought to be a job that bears no risks. So should simple repairs to machinery in most factory plants.

But like all life's hazards, these tasks can be pursued safely for years, till suddenly fate overtakes the careless operator before he has time to escape.

The latest industrial safety report of the British government spotlights some of the plant errors which can cause loss of life.

It comments: "The apparently simple process of inflating has long been known to be potentially dangerous. In one case an airline mechanic borrowed a nitrogen cylinder to inflate an aircraft landing-wheel tire to 140 pounds per square inch.

"In error he introduced nitrogen at 3,000 pounds per square inch, and was killed when the tire flew off."

But the story of the ill-fated aircraft mechanic is only one of hundreds which the government tabulates annually so that every plant safety expert can see where disaster lurks.

Fatal accidents in Britain are reported to be on the downturn in factory plants, and likewise are industrial accidents of all types, for the first time in nearly ten years.

The newest statistics show that

special 1971 safety and security report

fatalities are at the rate of 4.5 for every 100,000 workers, which can be guessed at 1.12 for every 100 million man-hours on the basis of a 40-hour working week.

ORDINARY ACCIDENTS total 3,500 for every 100,000 workers which may seem substantially higher on a man-hour basis than U.S. statistics.

But sources in Britain explain that the accident-rates are assessed on a different system which calls for an accident to be reported to government inspectors if it disables any person for more than three days from earning full wages at his work.

Statistics per man-hour worked were abandoned several years ago as corporate employers failed to make full returns, and now there is a new probe going on to find the extent of serious disablement.

High-risk industries in Britain are rated as metal manufacture, shipbuilding and marine engineering, brick and glass works, and the building and construction industries.

LOW-RISK activities are in laundry and dry cleaning trades, and in clothing manufacture, as well as in public utilities like water and electricity supplies.

Chief Factory Inspector Bryan Harvey declares: "There has been a 5% drop in industrial accidents in the past year, and this might be signs of a favorable trend that will continue."

The annual summary of fatal accidents which Parliament publishes ranges from factory plants to construction sites.

It warns: "Where complex automated machinery is in use the maintenance worker is exposed to risks if the machine moves when he is inside it. In one case an electrician had gone inside a complex conveyor system to trace a faulty limit switch. He touched the switch, made contact, and was crushed when the machine moved."

The lesson to be learned? Risk of such deaths can be minimized by a well thought out, and carefully applied, "permit to work" system.

Secure fencing could have prevented accidents where men were trapped in apparently innocent rotating shafts because their clothing was caught.

Elementary dangers include manhole covers that are not replaced when workmen go off for meal breaks.

Corporate executives are blamed for failing to take reasonable safety precautions in more than 60% of the incidents where workmen died. But in half these cases it is accepted that blame should be shared by either the victim or his fellow-workers for contributing to the accident by their own negligence.

The victims are held solely at fault in 14% of the cases, though in previous years they have been held to blame for as high a proportion as 30% of their fatalities. ■



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Memo from
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—San Diego Tribune photo

Water bumpers tested for use on all Ward's trucks

EL CAJON, Cal.—Above are two of the 21 vans operating out of Montgomery Ward's El Cajon repair service center that are now equipped with water bumpers.

Results of recent bumper tests, said H. E. Stirmell, corporate security and risk management director, were "fantastic" and enabled the El Cajon location to reduce its $600 self-assumed portion of crash risks to $300.

Testing in Ward's three other geographic locations will be under way soon and as many as 300 to 400 trucks may eventually be using the bumpers, he told *Business Insurance*. "Our big expense is truck accidents," he said, but once the trucks are equipped with the safety bumpers Wards "may go on to fleet cars with the water bumper program."

The bumpers, made by Energy Absorption Systems of Sacramento, were also tested on one van in Chicago. The driver, whose former accident record was 11 in six months, has had only one accident in 15 months, involving no damage.

Wards is the first national retailer to adopt the bumpers, Mr. Stirmell said. They are made of quarter-inch thick vinyl plastic known as PVC (polyvinyl chloride) and weigh about 80 pounds a pair. Each holds approximately seven gallons of water in hollow chambers that are mounted at regular bumper level.

Because water cannot be compressed, plastic plugs along the upper surface of the bumper pop up during impact to release the water and absorb the shock of the collisions. The bumpers can withstand impacts of 20 mph without damage to the vehicle.

New rail underwriting group adds $5 million of new capacity to market

NEW YORK—Railroad property insurance is expected to get a shot in the arm—not to mention $5 million more in added capacity —with the formation of Railroad Transportation Insurors, a new underwriting association formed last month by 18 U.S. insurance companies.

The association replaces Railroad Insurance Underwriters, which ceased writing new business last Dec. 1 after some dismal underwriting experience, according to spokesmen. The new association, however, will retain the former group's basic organization and management. Donald A. Darr continues as manager.

According to Mr. Darr, the new group will now cover up to $10 million per occurrance on a single railroad exposure. That amount was formerly $5 million. The association will not write casualty, however, and this is said to be one of the major departures from the former association's style.

"RAILROAD Insurance Underwriters had a rather narrow underwriting base (12 companies as opposed to 18 in the new group)," Mr. Darr said of some of the problems that lead to the group's termination of business late last year. Under the realignment some of the 12 companies resigned membership and new ones have made up the balance.

"Also," Mr. Darr added, "the size of the net retention being taken by companies in the new group is larger. Railroad Insurance Underwriters had made greater use of reinsurance. "This," he said of the larger retentions, "is a reflection of the determination that the job be done right this time." Mr. Darr also noted that the structure of the new association also allows for new members to come in "on the top" if other companies decide to join later.

The new organization also has the support of the Assn. of American Railroads, something its predecessor underwriting groups never had.

"Until now they hadn't been aware of the railroad underwriting problem," Mr. Darr said, adding that he expects the rail association's support will contribute to more understanding among underwriters and insured railroads.

ACCORDING to the group's manager, the biggest risk being underwritten is the movement of trains. "We have about 90% in the movement of trains and about 10% in fixed property," he said.

Underwriting of new exposures for the association, Mr. Darr admitted to *Business Insurance*, is likely to become even more strict than it has been. Deductibles, which, typically, have been rather high in rail underwriting, will also remain largely unchanged. Some railroads have deductibles per occurrence as high as $2.5 million, he said. Others are in the $1 million to $1.5 million range, and the lower deductibles run about $500,000 per occurrence.

One railroad insurance broker questioned about the development told this magazine that the new underwriting group would be "helpful" to the industry.

"There has always been a problem of capacity for the railroads," he said, "and this should help somewhat. It should stabilize the business somewhat," he added. "It used to be that if carrier A wrote several railroad risks and got hit he would say, "Well, that's it for me. Now losses will be shared more equally among the participating carriers and no one should get hurt too badly."

AT THE SAME time, however, he lamented the fact that casualty would not be written by the group. "I immediately made an inquiry about casualty when I heard about the new group, but was told I could take my casualty business elsewhere. Of course," he added, "Railroad Insurance never was much of a casualty underwriter anyway. They seemed to prefer the property business."

Casualty business, he further explained, will likely now be written through the individual members of the association and the other casualty markets, including London.

The new association's president of the board of governors is Henry U. Harder, executive vp of Federal Insurance Co., a Chubb company. The new group was formed under the coordination of a committee headed by Myron DuBain, senior vp of Fireman's Fund American.

Organizing companies of the new group include, in addition to Federal and Fireman's Fund, Aetna Casualty & Surety, Aetna Insurance Co., Continental Casualty, Employers-Commercial Union, Employers of Wausau, Hanover Insurance Co., Hartford Fire Insurance Co., Insurance Co. of North America, Maryland Casualty, National Indemnity, Royal Insurance Co., St. Paul Fire & Marine, Travelers Indemnity and United States Fire. ■

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London Line

Continued from page 16

been alarm that the losses suffered by the two syndicates might force premiums higher.

* * *

Industrial firms are losing too many people off work through sickness.

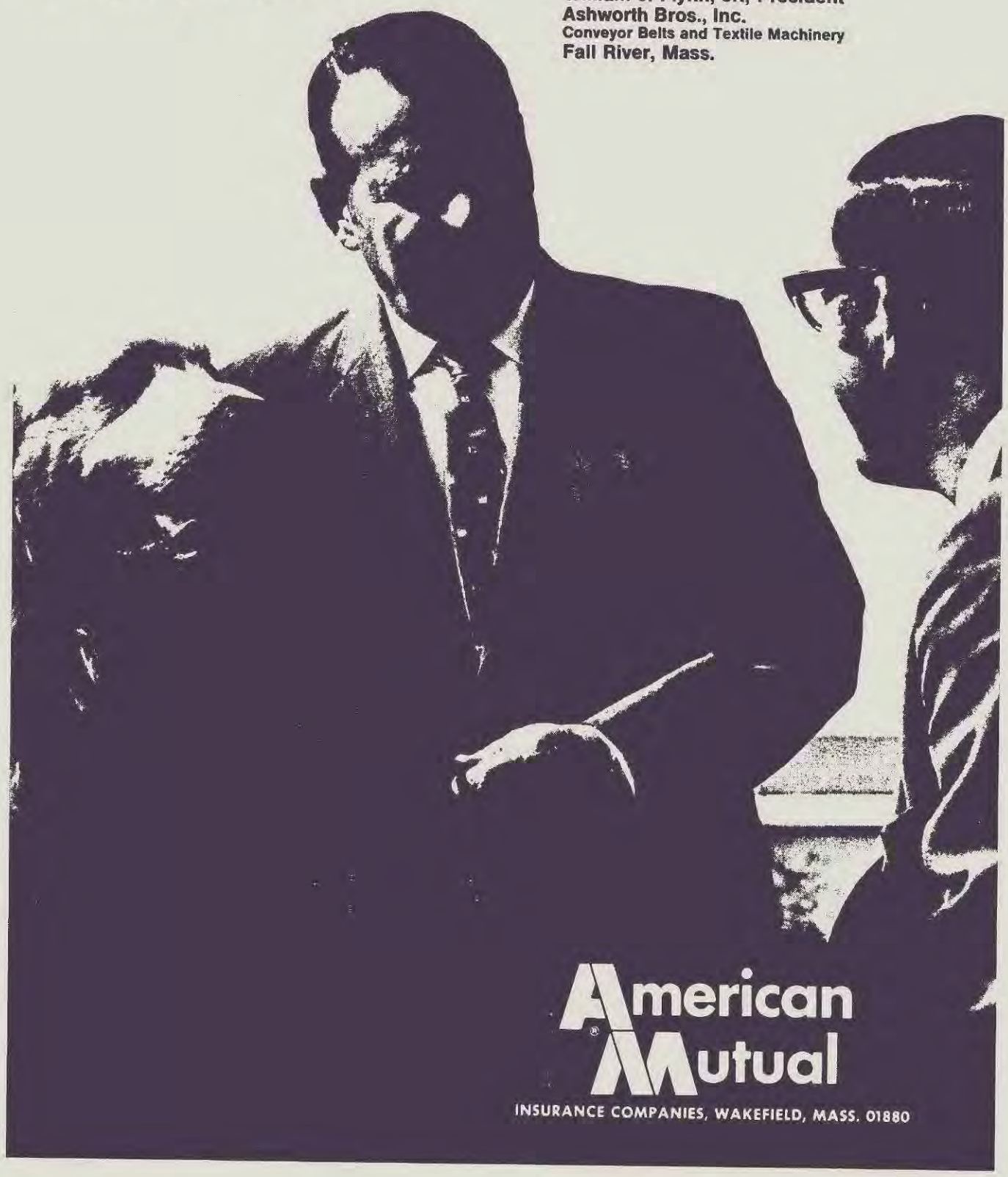
The remedy is to make more doctors available on the plant floor where they can treat employes actually at their jobs.

This move to cut corporate losses in money and manpower is urged by George Teeling-Smith, director of Britain's Health Economics Office, who has told business executives: "Increasing numbers of people are staying away from work with trivial illnesses. Doctors should be employed inside factories so as to find what makes people get sick."

His estimate is that one working day in every 20 is lost nationwide through sickness, and that this costs British industry $4 billion every year. ■

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William J. Flynn, Jr., President
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First National City Bank moves into individual life insurance field

NEW YORK—First National City Bank, New York's largest and the second largest in the country, will soon become the first commercial bank to venture into what was once the province of savings banks only: a savings account and inexpensive life insurance available at one stop.

The plan, which is not viewed as any competition for group life coverage, will be underwritten by Connecticut General Life Insurance Co. through Johnson & Higgins.

A spokesman at Johnson & Higgins told Business Insurance, "This will be no competition for group life. This kind of coverage has been available through savings banks for quite a while and group hasn't suffered. Let's face it, it's easier at work. You don't have to fill out application forms or anything."

"NO, THIS WON'T hurt group sales," said James D. Farley, exec vp of the bank. "Where we want competition is with the savings banks. They have 70% to 80% of the savings business in this city and that's one helluva market to dent. They have been selling life insurance and it has obviously done them some good."

The life insurance coverage, in amounts up to a maximum of $15,000 based on the customer's age, savings balance and rate of interest paid on the account, will be offered to the bank's regular savings and Golden Passbook account customers whose accounts earn at least $2.50 quarterly interest.

The premiums on the term life policy will be paid by a portion of the interest earned by the savings. Every three months, the bank will automatically deduct about one-half of the quarterly interest to pay the premium for the next quarter. The insuror will send each participant a quarterly statement showing the amount of his current protection and the premium paid.

"Premiums will be comparable to group life insurance rates and substantially lower than rates for individual policies," Mr. Farley pointed out. "In addition to low rates, the plan offers the convenience of an automatic premium payment system and is issued without a medical examination or health statement."

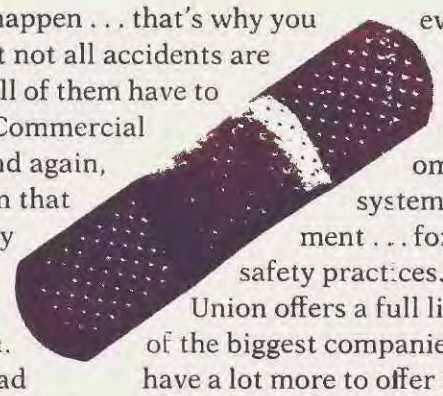
He also noted that, "in my opinion, it won't be long before you see other commercial banks doing the same thing."

The source at Johnson & Higgins was more guarded in his feelings about the move. "This is a pilot project," he said. "If it works it will spread to other banks. If it doesn't work, it won't."

Regarding the possibility that the bank could decide to branch into other areas of insurance, such as auto or homeowners if the project is successful, the broker said, "Something like that is a long way off. The savings banks are not doing it and they've been selling life insurance for a long time. Life insurance is not complicated as far as the bank is concerned." ■

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Letters

Continued from page 22

lating costs of medical care, we encroach on the earnings capacity of the medical doctor.

However, in all fairness to the American people we must talk cost control when we talk national health. To speak of various ways of funding the plan is to waste time. Before serious proposals for funding a national health plan can be discussed, we must know our exposure. To control the cost of the plan we must control the exposure.

What is the nature of the exposure? It is charges made by doctors and hospital costs.

In many state workmen's compensation laws there is provision for fixing the charge that can be made by a physician. This seems the only realistic solution to control physicians' charges.

Hospital costs are a reflection of staff salaries, maintenance and utilities costs and finally equipment costs. The federal government should, in conjunction with adopting a national health plan, study these aspects with, again, an eye toward control. Once it can be established what our overall exposure is, we can then discuss funding a plan.

The answer to our problem is not to find more money, but to find fewer costs.

Edward Sanzo
Employe Benefits, McCrory Corp., New York, N. Y.

Freight claim problem

To the Editor: Respecting the comments on the news item "Whirlpcol is settling freight damage claims quicker and with less 'hassle,'" I believe Whirlpool's source of information is erroneous concerning the remark "truckers fight damage claims tooth and nail because such claims, if settled, are capable of eating up 7% or more of the hauler's revenue."

As indicated by a recent survey by the National Freight Claim Council of the American Trucking Assn., summarizing the total loss and damage claim experience of 79 motor common carriers of general commodities who ranged in size from $500,000 to more than $252 million annual gross revenues, these carriers averaged paying only 1.56% of their gross revenues to claimants for shortage, damage and delay. Further, 98.8% of the shipments handled were transported claim free. Less than 11 shipments in each 1,000 resulted in a claim for loss, damage or delay.

While household appliances, including radios, televisions phonographs, refrigerators and air conditioners, were second only to clothing as the commodity most likely to experience shortage, damage or delay, it is satisfying to report that the percentage of claim payments on household appliances as compared to all other commodities transported has decreased from 7.06% in 1968 to only 5.71% in 1970. Certainly this speaks well of carriers' claim preventative efforts as well as shippers' better packing achievements.

Hopefully this letter will express the Motor Carrier Industry's concern about the freight claim problem and our never-ending effort toward claim prevention.

Harold R. Rodgers
Director, Loss and Damage Claims, Terminal Transport Co. Inc., Atlanta, Ga.

Wash Watch

Continued from page 12

part-time and volunteer officers, would be modeled after the life insurance programs provided the armed forces and federal government employes.

It would be administered by the Justice department, which would contract with private insurance carriers for life insurance and disablement coverage.

The premiums would be split, with the officer responsible for two-thirds and the federal government paying the remaining one-third.

PAYMENTS ON death or severe disability would be the sum of the next higher thousand of the officer's annual pay, plus $2,000. The policy would have a double indemnity clause.

The plan would permit local option in retaining present ongoing programs. Also, those who gained membership in the group program while in the law-enforcement or fire-fighting forces, would have the option to convert membership upon leaving the force.

Sen. Humphrey said the average police or fire-fighting officer would pay approximately $30 to $40 a year for the insurance.

* * *

SENATORS EVERETT Jordon (D.—N. C.) and Milton Young (R. —N. Dak.) have joined in introducing legislation to establish a federal commodity account insurance corporation to insure consumers against bankruptcies and insolvencies among brokers in futures contracts.

The bill parallels the Securities Investor Protection Act of 1970, which set up a federal insurance program for insuring consumers against losses due to stock brokerage house failures.

The proposed commodity account insurance corporation would be administered by the Commodity Exchange Authority, an agency of the Agriculture department. It would provide that each customer account of a futures commission merchant be insured up to $50,000. Accounts owed by the insolvent broker to other futures commission merchants and to clearing organizations of commodity exchanges arising out of futures transactions would be insured up to $200,000.

THE CORPORATION would be funded through an initial assessment against all futures commission merchants, who would then pay annual fees based on their gross commission income from commodity futures trading.

The reserve of the corporation to meet insurance losses would be accumulated to $10 million, plus interest earned on such funds.

In addition, it would be allowed to borrow up to $50 million from the U. S. Treasury in the event that a catastrophic loss occurs which cannot be fully met from the insurance reserves.

If this borrowing occurred, the government would "impose certain revenue-raising procedures designed to effect a prompt repayment of such loans."

The corporation would be empowered, under certain circumstances, to make loans from its insurance reserves when such loans would likely avoid the need to declare a futures commission merchant "closed."

Minimum financial requirements for futures commission merchants would be established by the corporation, which would also have the power to audit commodity brokers' books.

In addition, the annual rate of assessment could be adjusted by the corporation with respect to any insured futures commission merchant posing "special risks to the public or to the corporation." ■

Boy's parents win $149,000 in Texas malpractice case

HOUSTON—The parents of a 10-year-old boy who lost a leg after being run over by a car six years ago have won a $149,000 malpractice suit here.

A jury awarded Mr. and Mrs. Joe Paul Wright, parents of Curtis Wright, $134,000 in damages against Dr. Richard W. Leong, a Houston orthopedic surgeon.

The court added $15,000 for an artificial limb.

SPRING BRANCH Memorial Hospital also was a defendant in the original suit, but reached an agreement with the plaintiffs. The hospital credited $15,000 toward the amount of the judgment against Dr. Leong without admitting any liability.

The boy was injured when an auto backed over his leg in 1964. The suit said the boy was taken to Spring Branch Memorial Hospital and Dr. Leong was called in as a specialist.

After the leg was set, the suit said, a loss of circulation developed that caused the boy's leg to be amputated between the knee and ankle. ■

Employer is liable for lost wages

TORONTO—The appeal tribunal of the Ontario workmen's compensation board has lifted the financial responsibility of unions in cases involving employes who are injured when given time off to do union business by ruling that, in such instances, employers are liable for lost wages.

The case which brought about the decision revolved around an official of Local 1000 of the Canadian Union of Public Employes who was injured in an automobile accident last February.

He was on leave from his job at Ontario Hydro and doing work for the union when the accident occurred. At the time, the employer was paying his wages with the union reimbursing the company.

The union official, Kealey Cummings, felt that the decision was really of more importance to smaller unions than to his own, which has 11,000 members.

"An organization of our size can afford to foot the bill for something like this," he said. "A lot of small local unions that have people going to conventions, for example, couldn't exist if one tragedy should befall a delegate. The union treasury would be wiped out."

The appeal tribunal, in reversing earlier decisions by a board officer and a review committee, ruled that Mr. Cummings was still "subject to the direction of the Hydro in that he could be recalled at any time."

The ruling also means that Hydro will have to pay back the board for Mr. Cummings' lost wages and administrative costs. ■

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Key role . . .

Continued from page 32

through countless inspections, surveys, analyses and conferences should produce the reports of vital importance to the insurance manager. Available data from fire inspections should provide considerable assistance regarding insurable values of the plants and fixtures of the company. Safety department records and statistical data on all forms of losses including but not limited to compensation, automobile, product, unusual third party liability occurrences and contractual developments can provide the insurance department with invaluable facts.

THE SAFETY department's annual or semi-annual comprehensive engineering report to management on the scope of control action in force, the evaluations of existing exposures and the summation of results achieved in each major company operation, should provide the insurance manager with further significant material.

Conversely, it is necessary that the safety department is continuously cognizant of the major insurance coverages in force; otherwise its concept of loss control priorities in relation to the insurance interest is weakened.

Continuing with the insurance manager's risk engineering tools, it is advisable that all benefits be obtained from the carrier's service division.

Limiting this discussion to the engineering phase, it is most practical that the insurance manager develop a plan to receive, on agreed schedules, technical reports from the carrier's engineering division. The scope and subject matter involved should serve to supplement, complement and also confirm within reason the technical aspects under similar administration by the company's own safety department. The carrier's loss prevention service would also be a most valuable tool of assistance to the insurance manager of the small concern which cannot afford its own safety division.

A CRITICAL benefit of the carrier's technical services to the insurance manager should be explained here. The insurance company's accumulation of loss data developed over many years of claims analysis and associated with a wide coverage spread of similar exposure conditions affords their engineering staff a greater experience of comparative analysis data. Proper use of this information by the carrier's engineers when surveying exposure potentials of an insured, followed with factual presentation of the report data to the insurance manager, creates the practical service value to the insured. This is particularly important to the insurance manager of a small company or to any organization developing new processes or products or absorbing new business operations.

Corporate insurance managers responsible for the protection of worldwide facilities and operations are generally faced with great difficulties in obtaining practical data to evaluate the insurance protection requirements in extra-territorial areas.

Though the home office safety division may provide the insurance manager's needs for all continental functions, this safety division is normally not involved or concerned with the corporate operations on the international scale.

It is precisely in this world area outside of the U.S. that a carrier with diversified engineering facilities can provide operation and classification information and special technical data on unusual processes, including the analysis and evaluation of exposures and loss potentials.

IT IS UNNECESSARY to cover in great detail the fantastic production diversity which has developed in many organizations since the end of World War II. We have seen food companies expand into chemical and machinery production and heavy hardware and utility companies have ventured into complex electronics and nuclear production operations. The areas of manufacturing, byproduct development and new product concepts for the future are quite unlimited.

When the engineer, therefore, looks at today's insurance developments and visualizes the future, a certain concept of the problem becomes evident. A challenge is now presented for the insurance managers to cope with the complexities of a changing profession.

The insurance problem is now beyond the basic mission of providing reasonable protection from what appears obvious as major risks. It is the obscured, the unclear and the changing "grey" areas of the total operations which deserve the additional insurance research, analysis and control.

The general theme emphasized here has been the suggestion to insurance or risk managers to exploit to the maximum the available talent present in their companies and available from their insurance carriers. These elements are the tools within reach.

The total visualization of the insurance problem emphasizes a greater technical approach through a risk engineering procedure covering all levels and phases of the corporate structure. The insurance manager's risk engineering is a technical specialty supplementing his basic capabilities. This would appear to encompass the emerging term of risk management.

In the construction and establishment of the over-all corporate insurance plan it could resemble the necessary study and placement of the integral parts of a jigsaw puzzle. When each part is in correct position the entire picture is clear.

We have called these preparatory phases of the insurance manager's mission risk engineering. He has taken in hand constructive tools, planned their use and created the foundation upon which he can build his corporate insurance program. ■

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Record . . .

Continued from page 27

miums, 2% on casualty premiums and .5% on marine premiums.

Four-day workweek negotiated in Alaska at Sargent division

ENTERPRISE, Ala. — A four-day workweek has been negotiated here in a three-year contract between the International Assn. of Machinists and the Gar Wood division of Sargent Industries.

The first contract in the state to provide for a shorter workweek carries a provision that allows either the union or the company to terminate the four-day week in March, 1972. The workweek consists of four ten-hour days, Monday through Thursday.

Negotiated improvements in the company-paid health program include payment of hospital rooms up to $35 a day for 120 days, and free physical exams. ■

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Too early . . .

Continued from page 45

than pay the fines or spend the money to make the corrections. It just would not be worth it to keep them open. And there you are, more people on the streets without jobs."

"OH SURE, this law will be rough on the small business which has been taking calculated risks with its people for economic reasons," said Mr. Muller, "but if that businessman has been piling people up, I can't really feel sorry for him if he gets hit."

"You can also watch the appeals back up," the safety director of a large manufacturing company told *Business Insurance*. "The appeals will be overwhelming. The law gives the company the right to appeal and you can bet just about everyone will."

Most of the respondents felt that the law would have little effect on their own business but that, in some respects, it was needed. Even the most wild-eyed among the survey participants would concede that the law contains some good points or, at least, would have some good results.

"This will bring safety from the level it's been at, that of a stepsister, to the level it belongs on, an integral part of the whole picture," said Mr. Moscato.

"SAFETY WAS voluntary in the past. You sometimes had to wait for long periods before things got done," Mr. McClushey said. "There are primitive laws in some states. I am enthused about many aspects of the law and I think that it will help. But what we don't need is the help of 57 million people."

One safety professional felt that there was no real way to speed up progress. "This bill has both strengths and weaknesses, just like anything else. Industry has been dragging its feet safety-wise so, in a way, its our own fault. But this bill is really a labor bill."

Mr. Muller felt that the law would give safety people much-needed tools. "Management has not been overly cooperative with safety directors in some companies. This is a good, I think realistic, law that will give the safety director the tools with which to really get in and do his job. I think the idea of unannounced inspections and having employes accompany the inspectors is excellent."

"Management has now got to take a long, hard look at safety," said Mr. Spence. "On the other hand, it must make the unions more safety conscious, no matter what their intent. They have a huge stake in this thing. We aren't going to let them run it, but we certainly welcome their participation."

SO, IT APPEARS that the members of the safety profession are preparing for what may come. What of the states? What happens to state standards?

"What we have is a pretty complex situation," said C. J. Mattie, director of the division of industrial safety services of the New York state department of labor. "Basically, we have entered into a temporary agreement with the U.S. Department of Labor. Under this agreement we will continue to enforce our own health and safety laws as we have in the past."

New York State Industrial Commissioner Louis Levine explained the situation to a session of the Western New York Safety Conference.

"The interim safety agreement is provided for in the Federal Occupational Safety and Health Act. The act permits each state to continue to enforce its own laws and safety regulations under such an agreement until December 29, 1972, or the date on which a full state safety plan is approved by the federal government, whichever comes first.

"THE ACT authorizes the U.S. Secretary of Labor to set and enforce safety and health standards applicable to business affecting interstate commerce. States which desire to enforce their own safety standards may submit state plans to the U.S. Secretary of Labor for approval.

"Every indication is that states, such as New York, which have been doing a capable job of safety enforcement, will receive approval of their state plans," Commissioner Levine went on, "although we cannot, of course, predict what the federal government will do."

Apparently it is just a matter of time until the full impact of the new law is felt. Mr. Snyder may have summed it up best when he said, "Regardless of what people say, it is now law. Being unhappy about certain aspects of it is not going to solve any problems. There is no need for hysteria if you already have a good safety program. And that's what it's all about." ■

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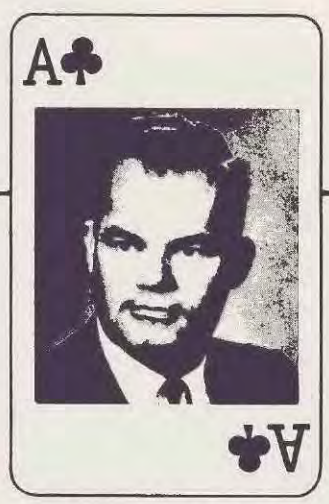
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Lloyd's . . .

Continued from page 29

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Dreher starts own firm

NEW YORK—William A. Dreher, eastern division manager of A. S. Hansen Inc., actuaries and employe benefit consultants, has left that organization to form his own firm specializing in employe benefits, investment supervision and actuarial consulting services.

William A. Dreher & Associates Inc. is located at 444 Madison Avenue, New York. According to Mr. Dreher, the firm intends to "put more emphasis on other compensation elements, particularly for executives.

"We expect to staff up and be able to do personal financial counseling for executives, Mr. Dreher told *Business Insurance*. "It will likely be similar to ongoing programs now at some insurance companies and banks," he added, noting that there "is a need for a somewhat more professional and confidential financial counseling for executives." He indicated that "personal financial counseling" is also becoming a popular benefit. ■

Aetna computer set-up may one day improve risk management efficiency

HARTFORD—Aetna Life & Casualty brought the insurance world just that much closer to 2001 the other day when it was announced that 72 Aetna offices were linked together by a teleprocessing system known as SAFARI.

As of the moment, the system is being used in the automobile insurance area alone but Aetna officers have indicated that ways are being sought to expand the system into other areas. Francis J. (Bud) Kelly, assistant secretary in the marketing department, explained, "Because of the magnitude of the problems in personal lines, particularly auto, they have priority with the system. Once it gets going, however, you will definitely see this computer system involved in commercial lines. It's only a matter of time."

SAFARI, which is an acronym for System by Aetna for Fast Access to Records and Information, is basically a network of terminals linked to a computer in the home office here by some 20,000 miles of telephone lines. There are 256 terminals located in the 72 offices from coast-to-coast. The system is expected to average around 15,000 separate transactions per day.

AETNA OFFICIALS admit that other insurers have advanced computer systems but point out that SAFARI, which they estimate cost $5 million to develop and will cost $4 million a year to operate, processes insurance policies as well as transmits data.

The system, using IBM equipment and leased telephone lines, can calculate rates and issue policies, change policies and renew them, prepare bills or provide information needed to settle a claim. It can do any one of those things in about 10 seconds. In addition to hastening service to customers and agents, SAFARI also delivers current statistical reports to the company's management.

"Here's a hypothetical situation," Mr. Kelly mused. "Say a policy-holder in Omaha wants to have one car deleted from his policy. So, someone in the Omaha office types the change into the system and it is fed into the computer here in the home office. In 10 or 15 seconds, all the differentials are taken care of. The same will hold true when we start using it in commercial lines."

He then went on to explain some of the advantages of the system and its commercial uses.

"THE TWO MOST important things as far as commercial lines are concerned," he said, "are the fact that the time lag on losses will be reduced and that we will be better able to analyze losses.

"When I say the time lag will be reduced, I mean that we will be able to get the loss picture very soon after the actual loss occurs. In the past, it was a loss to the client as soon as it happened but it wasn't a loss to the insurance company until a pay voucher was seen. That is the time lag that will be eliminated.

"That may sound like a small thing," he continued, "but when you are an insurance manager responsible for a great many areas, that speed can make a lot of difference."

Regarding the analyzation of losses, Mr. Kelly pointed out, "Now, losses are evaluated every so often manually. These evaluations try to find out if there are patterns developing in losses, things of that nature. The computer system will be able to do this. Loss record cards could be sent to branch offices quarterly. These cards would be current as to four or five seconds ago. If there was anything developing, we would know about it fast."

THERE WERE other areas Mr. Kelly touched on.

"The computer can be used in training. For example, the computer has all the information and a trainee could match wits with the machine and test himself. We have been doing this on a small scale for awhile. It's interesting and kind of fun.

"Manuals for branch offices could also be punched up on the machines," he said. "Then the branches wouldn't have to worry about storing them or the time consuming process of going through them when a question arises. It could be done almost instantaneously.

"How far this thing can go is limited only by imagination and company policy," Mr. Kelly emphasized. "By company policy I mean that we don't want to put our branch office people in a position where they can't rate and write a policy on the spot. We don't want them to be reliant on computers."

STILL LOOKING into the future, he began talking about the relationship between product safety and the computer system.

"Product safety will be the test of insurability in the future. The computer will help to put us in a position where we can make a manufacturer produce a safe product.

"For example, Ford recalled all those Pintos after a computer spotted a trend. The same will hold true for us. We will be able to tell sooner if patterns emerge —if one brand of toaster consistently causes kitchen fires, say. With the help of the machines, it will be much easier for us to analyze potential dangers."

At a press conference held immediately prior to the actual link-up between the Sacramento office and Hartford, Donald M. Johnson, Aetna's president of insurance operations, spoke of the system and its further applications.

"One prime new area of application for the network would be in group insurance," he noted, "especially health insurance, which produces more frequent claims than other group lines.

"Two factors influence the sale and retention of group insurance. One is cost. The other is service. Several years ago our electronic data processing resources made it possible for us to assume many of the administrative functions customarily performed by employers in processing group claims. The teleprocessing network ultimately will enable us to do a more sophisticated job of claim cost control through screening charges for medical service against computer banks of statistical data.

"In other words, the computer could break down the average cost per operation per city, even by doctors in the city. In just a few seconds the computer would be able to tell someone in our Chicago office that Dr. X in Chi-

Continued on page 69

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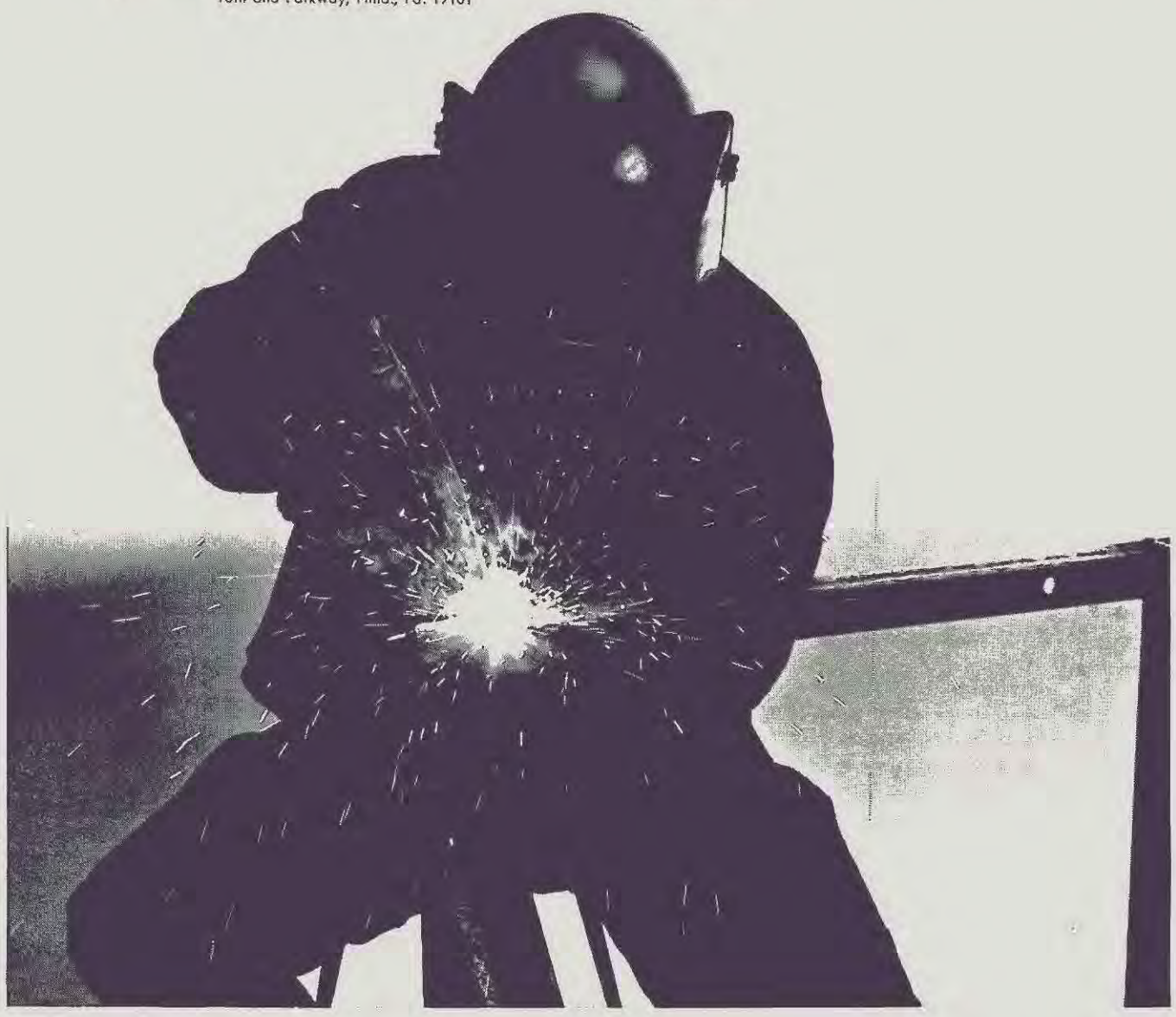
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Key sees enforcement job as one of education

CHICAGO—The man who is organizing the enforcement of the occupational health provisions of the new federal Occupational Safety and Health Act sees his job as one of education rather than policing.

Dr. Marcus Key, an assistant U.S. surgeon general, told *Business Insurance* in an interview here that "if we have to take enforcement measures, it won't work."

When the Health, Education, and Welfare Department's new National Institute of Occupational Safety is fully organized, Dr. Key said, the purpose of visits to industrial plants by industrial hygienists and other scientists will not be aimed at issuing citations, but rather at research and study of working conditions.

"WE WANT to educate both employers and employes to what industrial health hazards are and what should be done to eliminate and combat them," he said.

In addition to emphasizing the educational aspect of the HEW and Department of Labor enforcement program, Dr. Key denied reports that federal agencies plan to warn industrialists in advance of visits to their plants.

"The idea behind letting the employer know about an impending visit is simply to be sure that the operations that are to be viewed will be going on at the time we are there," he said.

"BUT I CAN assure you that health and safety compliance officers will not stand around and twiddle their thumbs once they visit a plant."

DR. KEY SAID HEW will set up 10 regional offices and 43 area offices. Though little staffing has yet been accomplished, Dr. Key said the department hopes to have a regional office director for each of the ten locations by the second week in June.

Initially, the federal program will operate with health and safety standards that now apply to federal construction sites under the Walsh-Healey Act. Standards will be published in the Federal Register during June.

Dr. Key said the existing standards under Walsh-Healey are current because revisions of the health standards under the act were made three years ago and noise standards revised about 18 months ago. ■

Confusion . . .

Continued from page 29

danger" clause to shut down an Allied Chemical Co. plant in Moundsville, W. Va.

The basis for the union charges is that some workers in the plant have received serious levels of mercury exposure.

AT THIS writing, Labor and HEW Department officials have taken the unofficial view that the situation can be handled through the law's usual procedures. An official announcement is expected any day, however, which could provide considerable insight into the Administration's regulatory philosophy toward the act and toward public pressures concerning its enforcement.

It also, of course, will serve as a guide in future cases.

The labor unions' major gripe with the Administration so far has been its willingness to turn inspection programs over to the states.

The philosophy behind the emphasis on state control is "new federalism," and the Administration openly states it hopes to have final agreement worked out with as many states as possible by July, 1972.

IT HAS ALREADY signed interim agreements with 27 states and the District of Columbia.

The law provides that the federal government will provide grants covering up to 90% of the cost of planning for a state program.

A recent issue of the AFL-CIO News raises the question of whether the states can enlist a sufficient number of personnel with satisfactory backgrounds to train as compliance officers. Then it states:

"Even more apprehension is caused by Mr. Guenther's record in setting up the Pennsylvania job safety program. Inspection jobs were Republican patronage handouts—to grocery store owners and gas station operators with little or no experience to qualify them for safeguarding the workplace. Mr. Guenther insists, however, that the federal program will not be based on patronage." ■

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Kodak employes get 'big colorful' annual employe benefits report

ROCHESTER, N.Y.—The personal benefits statement from the Eastman Kodak Co. to 50,000 of its U.S. employes is a bit different this year. Unlike its numerous predecessors—the firm has been sending personal statements to employes since 1947—this year's report is a big, colorful showpiece for all the company's major benefits.

The new, computerized statement contains about four times as much information as previous reports. It is large when folded out, rather than a booklet, and is broken down into easy-to-read sections. The sections make it easier for the employe to interpret his benefits and coverages in the following areas: illness requiring payment of medical bills under basic health care and major medical insurance plans; disability; death before retirement and retirement at age 65.

Carl L. Stevenson, assistant vp and director of compensation and benefits in the corporate relations division of Kodak, explained some of the advantages of the new statement.

"REGARDING medical bills," he said, "you're never really certain of your coverage. This statement spells it out very clearly. In the past, you found out for sure what coverage you had when you got in trouble.

"The key to it is in the retirement area," he went on. "There are many, many plans facing you when you are coming up to retirement. Again, its all there for you on this new statement. The employe won't have to wade through reams of literature trying to figure out his retirement benefits because they are right there."

The retirement section expresses in dollar amounts the employe's basic retirement benefit and tells him which formula was used to reach the best figure for him. It also tells, again in dollar amounts, the value of the individual's account in the savings and investment plan, estimated Social Security benefit at retirement and estimated retirement annuity.

"Many companies are sending benefits statements to their employes," Mr. Stevenson pointed out. "I just like the way this one is laid out. You can pinpoint exactly what you want in no time at all. There is no longer any problem of trying to put too much information into too little space."

ALSO, FOR THE first time, the statement tells each employe the estimated dollar cost to the company of providing his benefits as well as his own contributions. The employe's benefits are summarized for him at the end as well as detailed in the sections.

The statement was designed by Kodak's corporate information department, without the aid of an outside employe benefits consultant, according to Mr. Stevenson.

"Reaction from the employes will determine whether we continue with this type of statement or not," he said.

He noted that the statement was looked upon "as an annual report to employes instead of to stockholders." ■

Report to British risk men urges use of 'global cover'

LONDON—Growing interest in global insurance cover has led risk managers in Britain to issue further copies of their research group's report on the subject.

The report, compiled by a five-man team from the Assn. of Insurance Managers in Industry and Commerce, declares:

"There is obviously a place for global covers in the portfolios of many industrial and commercial undertakings.

"The wide coverage provided by most forms of global policy can be offered by insurers only to those groups with a sufficiently large amount of business to offer.

"A CONTRACT of this kind requires to an increased degree the operation of the insurance principle of good faith.

"Much of the caution shown towards global covers by insurers may be because of their unwillingness to rely on the large industrial concerns divulging to them all the necessary information to enable them to measure the risk fully."

The survey deals with package policies, and also with a wide variety of other policies, such as global cover in respect to certain individual classes of insurance.

It suggests that there is posibly greater scope in the fields of liability, fidelity and personal accident insurance for effecting some form of "floating cover" than in other classes of insurance. ■

Aetna . . .

Continued from page 67

cago usually charges Y amount of money for an appendectomy.

"The system will thus not only improve the services we offer but will also permit a savings in cost. We would also expect that our claim checks would be issued even more promptly than at present," he said.

SAFARI TOOK five years to complete but the Aetna officers feel that the time and expense has been, and will be, well worth it.

"The computer and our teleprocessing network will further automate our bookkeeping, improve the speed and accuracy of policyholder services and become an important marketing tool in each of our insurance divisions. One day, it may also change and transmute the nature of the products we sell," Mr. Johnson pointed out.

Bud Kelly was more specific. Regarding computers and the teleprocessing network, he said, "You can't stop this thing. No one wants to. You can't solve many of our problems by hiring more people. Maybe this is the alternative." ■

New work comp law

The new state workmen's compensation law in Idaho raises the maximum weekly benefit from $43 to $101. It is geared to the average wage in the state and will increase as wages increase.

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Awareness...

Continued from page 53

with supervisors and employes," he said. "The object of these visits was not to police efforts but to inspire those who best knew what to do. Where safety hazards existed that employes didn't immediately recognize, the insurance company safety engineer, supervisor or myself would discuss how the job they were doing could be bettered."

Mr. Rosenbloom asked supervisors to set safety goals they could realistically accomplish and he drove home the fact that severity of accidents is a matter of chance (approximately one out of six will require hospitalization, he said) and that the key, therefore, lies in reducing accident frequency.

ALTHOUGH the main force leading to Bermo's safety program success was the establishment of group awareness and pride, some small, tangible incentives were employed. During the campaign itself letters of encouragement and "thank you" buttons were given out and at the conclusion of each 30-day accident-free period drawings were held to award $25 dinner gift certificates to employes.

When the program had proven successful one Bermo employe said, "We had a safety committee for six years but nobody took it to heart. Now we're thinking safety and anticipating hazards before they create accidents."

The company's good safety record is naturally reflected in lower premiums and lower per-unit production costs, Mr. Rosenbloom told *Business Insurance*, but his is merely one side of the picture—the side management is interested in.

What the employe must be made aware of, he believes, is the fact that a low accident rate makes his plant more competitive in the open market and helps him preserve his job. ■

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May need U.S. no-fault: Mrs. Knauer

CHICAGO—President Nixon's consumer adviser warned the states that if they do not act promptly to adopt no-fault auto insurance plans, the federal government will step in.

Mrs. Virginia J. Knauer, speaking before the Planning Executives Institute conference here, said that under no-fault "compensation could be more complete, more prompt and more equitable.

Attempting to allocate responsibility, as is done by the present system, is cumbersome and costly, according to the Administration's consumer affairs chief.

"We have a very clear idea that a no-fault system would be highly desirable," Mrs. Knauer said. "But there is room for experimentation in the 50 states."

She said it is "too early" for the federal government to consider no-fault legislation, but that if the states lag, this will be "a possibility." Federal no-fault proposals have been made by Sen. Philip A. Hart (D.—Mich.) and Rep. John E. Moss (D.—Cal.).

Mrs. Knauer's Chicago statement was viewed by advocates of federal no-fault standards as a seconding of Transportation Secretary John A. Volpe's testimony before Congressional committees in which he acknowledged that federal standards may be necessary to gain a workable no-fault plan. ■

Credit act...

Continued from page 52

past. From now on, if you are refused credit even though you have paid your bills on time in the past you will be able to find out why. Unfounded rumors and innuendoes from neighbors that sometimes creep in can be weeded out."

Although the law clearly refers to checks as they are used in pre-employment screening, the Wisconsin Democrat's remarks and concern appear to be directed more at reports that deny retail credit than those that might hold up employment for a person. And, as such, there is still some confusion over the bare bones of the measure. (It will be administered, incidentally, by the Federal Trade Commission. Violations in the nature of unfair or deceptive practices will be subject to cease-and-desist orders and each violation of such an order is punishable by a $50,000 fine.)

"WE HAVE RECEIVED considerable playback from the business community in general, as well as from our clients," said a spokesman for the Wackenhut Corp., a Florida-based security and private investigation firm. "Because of questions on interpretation of some of the legal language and some generalities in the provisions, much of this playback indicates there exists a state of some confusion. The Federal Trade Commission, with enforcement responsibilities, thus far has refrained from making administrative interpretations. Some confusion is normal in the interpretation and initial implementation of any new law," he added.

The Wackenhut Corp., however, plans to continue using normal "consumer credit reports" and "investigative consumer reports" and had issued to area managers and clients procedural guidelines for compliance.

Late in May, however, the FTC issued new directives to companies like Wackenhut.

"We thought we had the whole thing worked out," said the Florida company's spokesman, "but now we have to revise those guidelines considerably. Even these," he said of the directives, "are still not clear. There are some real grey areas and if's and but's.

"The area of pre-employment checks is so important these days," he went on. "I saw a comment by the security director at General Motors the other day who noted that his company was having a real problem with infiltrating employes who might do something to disturb or disrupt operations. And then you read something like four to seven out of every 10 college graduates are or have been on drugs. Something is going to have to be done to weed these out of industry without invading anyone's privacy," he said. ■

Elect manager

John F. FitzGerald has been elected general manager of the Surety Assn. of America, succeeding Warren N. Gaffney who retired May 15. Mr. FitzGerald joined the association in 1940 after having been employed by the Royal-Globe Insurance Group. He left Royal-Globe to become counsel to the Money and Securities War Damage Group and subsequently returned to the association and was named secretary in 1959.

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Denenberg urges government to use buying power to get health controls

WASHINGTON—Pennsylvania Insurance Commissioner Dr. Herbert S. Denenberg told a Congressional committee here that the federal government should use its $1 billion federal employes' benefits program as leverage to exert pressure on Blue Cross, Blue Shield, insurance companies and hospitals to institute needed cost and quality controls and to provide greater consumer control of the health delivery system.

In characteristically blunt terms, Dr. Denenberg declared:

"Physicians and hospitals have been grossly irresponsible in protecting their own interests and in fostering an inefficient and ineffective health delivery system. No plan of national health insurance, no program of fringe benefits for employes, no method of delivering medical care will be successful until the consumer takes control of the health care delivery system."

DR. DENENBERG testified before the subcommittee on retirement, insurance and health benefits of the Committee on Post Office and Civil Service. The committee is investigating the efficiency of the Federal Employes' Health Benefits Program, which provides health insurance benefits for 8 million participating employes.

The federal government, just as all private employers, has faced whopping increases in health and welfare costs in recent months—increases that have been even more enormous than those in the private sector, if only by virtue of the fact that 8 million employes are involved.

Citing an example of the kinds of cost control measures he is trying to have included in the contract now being negotiated between Blue Cross and hospitals in Pennsylvania, Dr. Denenberg noted that he has suggested hospitals agree to eliminate unnecessary and duplicative facilities which now contribute to high costs.

"More than 17 hospitals perform open-heart surgery in the Philadelphia area," the commission said. "Only four of these hospitals do two or more procedures a week, considered the minimum from a medical cost point of view, and some do fewer than two a month. "This," he declared, "is bad medicine—and bad economics."

ANOTHER FACTOR that has driven the cost of medical care skyward, Dr. Denenberg told the committee, is in the area of loss prevention and control.

"Malpractice claims and costs are contributing to astronomical liability insurance premiums, and this in turn leads to higher health insurance premiums, as the cost is passed on to the patient," he said.

"The answer of the medical profession to this threat is defensive medicine and legislation. Defensive medicine is itself malpractice, as it calls for unnecessary x-rays and tests to minimize the chances of misdiagnosis and possible malpractice claims. The medical profession nonetheless freely admits it engages in defensive medicine, a modern form of malpractice," the Pennsylvania commissioner added, noting that the profession would also like to advance legislation limiting the public's right to sue, but that this would be an "unacceptable solution."

Returning to his efforts in his home state, Dr. Denenberg observed that he has "proposed that Blue Cross regime the hospitals to follow the first rule of insurance planning—take all reasonable measures to eliminate the unsafe conditions which can lead to accidents and malpractice claims.

"THE CASUALTY insurance industry has developed proven methods for eliminating and minimizing hospital accidents and resulting lawsuits," he said, noting that his own department has also developed guidelines of proper risk management.

"We are confident," he added, "that these guidelines will be incorporated in the Blue Cross hospital contract or some other similar provisions to achieve the same purposes." He urged the federal government to insist on similar provisions when it contracts with any Blue Cross plan.

While Herbert Denenberg's health insurance swipes in recent months have been directed mostly at Blue Cross—he attributes this to the "immediate need to adjudicate rate increases already proposed by three of the five Blue Cross plans in Pennsylvania"—he by no means has taken commercial insurers off the hook.

"Quite to the contrary," Dr. Denenberg told the committee, "the commercial insurers have almost totally abdicated their responsibilities for cost and quality control.

"BLUE CROSS," he went on, "may not have done everything it could to control costs and quality, but it is far ahead of the commercial insurers.

"In Pennsylvania, we are formulating plans to make the commercial insurers meet their responsibilities. As in the case of auto insurance, so in health insurance, commercial companies have been content to shovel money back and forth without taking steps to prevent and minimize loss, to control the cost and quality of services."

He also urged the committee to "consider imposing detailed criteria on commercial insurers relating to cost and quality control." ■

Chrysler cuts back on its bonus system

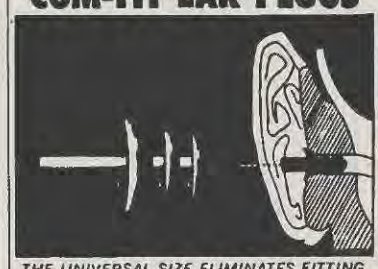
DETROIT—Chrysler Corp. has revised its policy covering annual bonuses and the net effect is that far fewer employes will qualify for them this year.

Under the new rules, which are similar to those adopted by General Motors Corp. a few weeks ago, employes will have to make at least $24,000 a year to be eligible for a bonus.

The last year in which the auto maker paid bonuses, 1968, 4,000 employes qualified. The company said the new revisions would have excluded about two-thirds of those employes.

The Ford Motor Co., by the way, thus becomes the only "Big Three" company that has not—yet, at least—tampered with its bonus system. Under that plan, employes are eligible when they reach a salary grade designated as Grade 11. A Ford spokesman said Grade 11 salaries usually begin at about $21,000, but he also noted that some employes in lower grades making more than $21,000 don't qualify for a bonus. ■

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What's your view on no-fault?

With 28 states and the U.S. Congress considering no-fault auto insurance legislation, it's important that you make your voice heard. Fill in this questionnaire and mail to No-fault Survey, **Business Insurance,** 740 Rush St., Chicago, Illinois 60611. Ballots received by June 25 will be counted in results to be published in the July 5 issue of **Business Insurance.** Be sure to complete the form with your name, title and company. This information will remain confidential, but the survey will include only responses from corporate insurance consumers.

1. On the no-fault concept for reform of auto victim compensation system:

- ☐ I would retain the present tort system with modifications such as advance payments for seriously injured victims.
- ☐ I favor a modified no-fault system with direct first-party payments to injured parties up to a certain amount, but victims would retain the right to sue.
- ☐ I favor adoption of a broad no-fault system that would compensate accident victims promptly without recourse to the courts.

2. On the treatment of commercial vehicles under no-fault:

- ☐ I would impose "absolute liability" on commercial vehicles in collisions with private passenger cars, making the commercial vehicle's insurer pay for all damages.
- ☐ I would not introduce any provisions setting commercial vehicles apart from private passenger cars.
- ☐ I would set up an equalizing liability factor that would take into consideration the greater potential for damage of large commercial vehicles.

3. On standards for no-fault auto insurance:

- ☐ I favor national standards set by Congress.
- ☐ I favor adoption of standards by each state.

4. On the scope of no-fault auto insurance laws:

- ☐ I favor no-fault for bodily injury losses only.
- ☐ I favor no-fault for bodily injury and property damage losses.

Any other comments?

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Company or Organization _____

Address _____

No. of Employes _____ No. of Vehicles _____

Date: _____ Returns must be postmarked on or before June 25, 1971

Insurers study future problems in container field

LONDON—Lloyd's underwriters are watching the effect which any "run down" of the Vietnam war effort may have on American merchant shipping facilities.

It is regarded as a long-term issue, but there is some concern in the insurance market here that surplus shipping may be diverted to unsuitable cargoes once it is not needed in the war zone.

This could create significant problems in the field of container services, and cause premiums to rise, or risks to be specially rated, for different types of cargo.

THE WARNING over future possibilities was given by Tom F. Poole, a leading cargo underwriter, to *Business Insurance* in an exclusive interview after addressing a marine discussion group at Lloyd's.

"Ending the war in Vietnam will bring many problems for cargo insurers. The tonnage released by such an event may mean an over-capacity of container services and cause cargoes to be carried which are not well suited to containers, as well as bringing other dry cargo vessels and tankers, many of them newbuilt, on to the chartering markets," he said.

FOR THE BENEFIT of risk managers in the U. S., Mr. Poole expressed his personal opinion this way:

"Over-capacity could happen if the Vietnam war effort no longer requires container vessels on the scale it has had for many years. If a freightage war starts in shipping circles, then rates will drop and naturally many shippers will be able to benefit from such competition. But this will cause insurance headaches unless proper attention is paid to the stowing and security of the goods that are being carried." ■

Ringling . . .

Continued from page 3

mary carrier. This layer provides $25,000 per person per occurrence, with an annual aggregate of $50,000. The next layer, $100,000, is written by the Market Insurance Co. Employers' Liability Insurance Co. has the $900,000 layer above that.

Lloyd's of London writes a $9 million excess liability, which completes the initial $10 million of the program. The second $10 million is also written by Employers Liability and the newest and last excess layer of $10 million is with the North Star Insurance Co.

According to Mr. Cook, circus loss experience has been historically good, with very few major losses.

"Of course," he said, "we do get the very, very minor things. A lot of nuisance claims happen to everyone who has huge public liability exposures—people ripping their pocket on a seat, that sort of thing," he added.

"BUT," he continued, "we go out of our way to hold down the risk exposure. At the beginning of the season, the R. B. Jones and Continental Casualty people hold a safety seminar at our winter headquarters in Venice, Fla. This is attended by the general managers and working crews on both shows. (Ringling has two shows touring simultaneously.)

"Of course," Mr. Cook added, "one can use his imagination and come up with all sorts of possible risk exposures, but I think most of these have been worked out well in advance." (One that wasn't was the time an elephant, being led through a parking lot, picked out a little red Volkswagen and sat on its roof.)

Mr. Cook also noted that Continental safety engineers sometimes visit cities in advance of the circus, seeking to correct possible exposures. The company is also at work on an engineering handbook that would outline rigging and safety techniques.

Workmen's compensation for approximately 600 Ringling Bros. employes and performers is also written by Continental.

MR. COOK said that the company has had few problems and claims under its workmen's compensation program. If there have been, he said of problems, they have mostly to do with the fact that comp laws vary so much from state to state. However, he added, "Continental is so large that there is nothing that cannot be worked out throughout the country."

There is one comp-related problem that does bother Mr. Cook, however. In California Ringling Bros. is rated under state law with all the "one-night" carnival shows. Rates, he said are quite high and he believes that his shows' loss experience does not warrant being put in the carnival class.

Ringling Bros., over the years, has escaped major catastrophes involving the public. Mr. Cook, naturally, has a theory:

"Ringling Bros. is very conscious of the fact it is a business and as such it has a responsibility to the public and its employes just as any other enterprise. But our business,' he added, "extends beyond product representation. It includes the safety of vast numbers of people who gather at one time under one roof." ■



This lion tamer is on his guard during Ringling Bros. circus performance. Risk exposures of the circus "are worked out well in advance," according to Arthur Cook, risk manager for "the Greatest Show on Earth."

Hall sets up in Hong Kong

NEW YORK—Frank B. Hall & Co. has moved to join with Sedgwick Collins & Co., London, and Butterfield & Swire, Hong Kong Ltd. in establishing a general insurance and reinsurance brokerage firm in Hong Kong under the name of Sedgwick Hall Ltd.

The association announced by Hall prexy Melvin A. Holmes at the company's annual meeting, is scheduled to begin July 1.

Butterfield & Swire, with headquarters in Liverpool, is involved in air, sea and land transportation, trading industries, engineering, travel services, real estate and insurance in the Far East, Australia and Asia. Sedgwick Collins is in the general insurance brokerage field. ■

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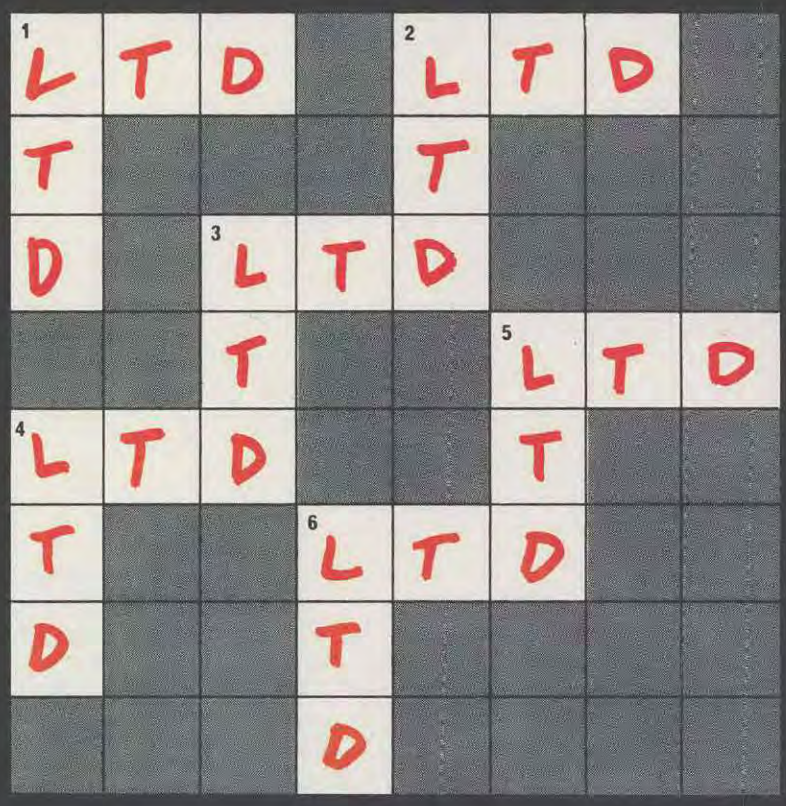
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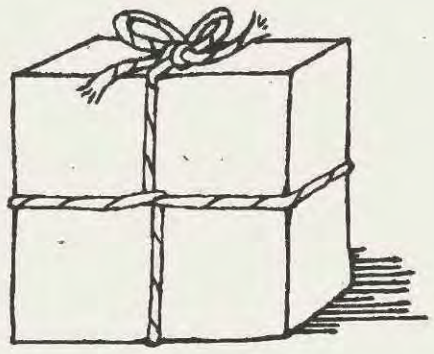
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