

Current-costing plan controls claims

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See page 28

Air verdict appeal	10
Insolvency hurts hospitals	14
Signal sets up brokerage	20
Self-insurance: Management tool	37

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This Martin 404, owned by Lehigh Acres, Inc., crashed into a car on Interstate 285 near Atlanta, killing all five occupants of the auto and one airplane passenger. The passengers were on a free trip to visit a land development site in Lehigh Acres, Fla. The cause of the crash has not been determined.

—Wide World Photo

Ribicoff asks wide U.S. health coverage study, including employe plans

WASHINGTON—Group health insurance purchased as an employe benefit will be under scrutiny as part of a general study of private health insurance requested by Sen. Abraham Ribicoff (D.-Conn.).

Sen. Ribicoff has asked for a Federal investigation of the more than 1,200 private health insurance plans operating in this country with an eye toward helping the consumer determine what he is buying or what his employer has bought for him.

In letters to Robert H. Finch, secretary of Health, Education and Welfare, and to Mrs. Virginia H. Knauer, special assistant to the President for consumer affairs, the senator declared:

"Health insurance is perhaps the most difficult choice that a consumer must make, and it is one for which he can find little objective guidance. The consumer has the right to know what kind of insurance he presently has and whether he might find a better policy elsewhere."

An aide in the senator's office here told *Business Insurance* that such an investigation ought also touch on what health insurance plans the nation's employers are providing their employes.

as he has become aware of the shortcomings of health insurance as it is known today.

In his letters, Sen. Ribicoff went on:

"An essential question in the debate over the health care crisis in our country today is the role of private health insurance in securing for the public the best possible care at the lowest possible expense."

About 150 million Americans covered by some form of insurance spent \$13.5 billion on premiums last year, or about one-quarter of the nation's total health care costs, Sen. Ribicoff noted. Yet, he complained, few of those enrolled in private programs have read or can interpret the fine print of their contracts to know what they are entitled to.

Elaborating on this point, the senator's aide told this magazine

Continued on page 42

"IT WOULD necessarily follow, although the senator has not expressly stated it in his letters, that an employe has the right to know whether his benefit dollars are being well-spent by his employer," the aide said. "If they're not, then something should be done about it," he added, noting that the senator's interest in the subject has become more acute

Coast Guard strike unit will deal with oil spills

WASHINGTON—The U.S. Coast Guard will establish a "strike force" that will be "trained, prepared and available" to deal with oil spills, according to a plan announcement by the White House.

The "national contingency plan" for a Federal cleanup of oil spills from ships and onshore and offshore oil installations when their owners fail to do the job is an extension of the Water Quality Improvement Act of 1970, signed in April by President Nixon. Under the act, Congress directed the President to come up with such a plan within 60 days of his signing the act.

Also authorized by the act is a \$35 million revolving fund to pay for the cost of cleanups undertaken by the government. The government will then be reimbursed up to a limit of liability by companies responsible for oil spills. The limit of liability has been set at \$14 million or \$100 per gross-weighted ton of vessel,

whichever is less. Owners of onshore and offshore oil facilities will be liable up to \$8 million per occurrence.

Such costs will no longer be insurable exposures under exclusions that have or are about to be put into effect by the insurance industry. See related story on page 46.)

ACCORDING TO Russell E. Train, chairman of the White House Council on Environmental Quality, the nucleus of a national strike force for oil cleanup has already been established by the Coast Guard on the East Coast. It will soon be augmented by other regional forces and by "emergency task forces of trained personnel at major U.S. ports," he said.

In addition, a national response center has been set up in Washington to provide "communications, information, storage, necessary personnel and facilities to coordinate Federal activities"

Continued on page 42

Georgia's commissioner calls for private plane insurance standards

ATLANTA—The crash landing of a private plane on Interstate 285 here on Memorial Day, killing six people and injuring 35 others, raises the issue of Federal insurance standards for private airplanes.

Georgia Insurance Commission-

er James L. Bentley commented to *Business Insurance* on the lack of Federal insurance requirements, saying: "Every common carrier must have proper insurance and companies like this one (Lehigh) are only a step removed. Good business practices thus necessitate

that they meet formal insurance requirements."

The plane, a twin-engine Martin 404, was carrying 32 passengers from Atlanta to Lehigh Acres, Fla., to view a land development site when it crashed into a car on the highway, killing the five occupants and one passenger on the plane. Lehigh Acres Inc., a real estate company, owns the plane and was sponsoring the free trip for prospective land buyers. Harold Jantz, insurance manager for the company, told *Business Insurance* that the cause of the crash had not yet been determined.

The four crew members, including two stewardesses, he said, are covered under the company's workmen's compensation policy, written by Great American Insurance Co.

"FROM A regulatory standpoint the Federal Aviation Assn. would not be involved," Irving Ripps of the FAA's news division said. He added that the FAA legal staff was, however, checking into the situation.

"The Civil Aeronautics Board, of course, has public liability insurance requirements on scheduled and nonscheduled air carriers," he said, "but not on private planes."

Late news

Liberty Mutual drops 200 salesmen

BOSTON—Liberty Mutual's decision to fire 25% of its salesmen selling personal automobile insurance and its announcement that it will institute curbs on writing new business "will not in any way affect commercial auto coverage," such as fleets, a company spokesman told *Business Insurance* last week. Liberty Mutual is a heavy writer of fleet and commercial auto business (as much as two-thirds of its vehicle underwriting is commercial) and the loss experience there has been "a little better," the spokesman said. The company has released 200 personal lines salesmen. A loss ratio in excess of 100% over the past two years was the reason cited for the cut-backs.

Lubbock damage may reach \$150 million

LUBBOCK, Tex.—The Great Plains Life building, a 21-story edifice here, was badly damaged by a tornado that tore through the town recently. The building has a large crack from the third floor to the fifth floor and many of the interior walls have crumbled. A spokesman for the owner, Equity Realty Co. of New York, assured the city that the building was structurally sound, however. No damage estimates on the building, insured by Continental Insurance Co., were available, pending further evaluation of the damages. Total damage caused by the tornado is expected to reach between \$100 million and \$150 million, according to the General Adjustment Bureau estimates.

Insurance question raised in suit against Wall St. Journal drivers

NEW YORK—Dow Jones & Co., publisher of the Wall Street Journal, will file a damage suit against the Newspaper and Mail Deliverers Union here, charging that an "illegal" strike has disrupted distribution and sale of Wall Street Journals in the New York metropolitan area.

According to sources close to the union, the labor organization is not insured against such a loss

should Dow Jones win a suit, nor are its leaders protected by directors' and officers' coverage.

The strike, which began with the Monday, May 18, edition of the daily financial paper, has prevented distribution and sale of about 80,000 copies at newsstands in the New York area. At the weekend, it also affected New York newsstand sales of Barron's, a financial weekly also published

by Dow Jones.

THE SUIT WILL BE filed in Federal district court here and will seek damages of \$75,000 a day, or \$375,000 for a five-day publishing week.

The company also disclosed it is preparing to file a charge with the New York offices of the National Labor Relations Board that the union has "failed to bar-

gain in good faith." The basis for the charge, according to Dow Jones, is that the union didn't give a 60-day strike notice as required by law and also failed to notify the Federal mediating and conciliation service and the New York state board of mediation of its intentions to strike.

The dispute that has led to the disruption of circulation here involves 15 employees who deliver copies of the Wall Street Journal to New York metropolitan area wholesalers. The wholesalers in

turn pass them on to newsstands. The workers reportedly struck after the company assigned mail-room duties to another union at the newspaper's newly opened printing plant at Chicopee, Mass.

The union, in response to that charge, has charged the company with refusal to bargain on the handling of deliveries from the plant.

It is generally believed that insurance against such risks is not sought nor would it be available to labor unions.

National health insurance program coming: union social security chief

WASHINGTON—A top union official has predicted adoption of a national health insurance program that would have a marked effect on the pattern of employe benefits and health insurance underwriting.

Bert Seidman, social security director of the AFL-CIO, said, "Even the American Medical Assn. is waking up to the gravity of America's health care crisis."

The AMA's newspaper recently acknowledged the trend toward "some kind of universal health insurance system," Mr. Seidman said, adding that a growing number of doctors realize that "Medicare has not been a disaster" and that "national health insurance might not be either."

Mr. Seidman said that with "renewed and much greater in-

terest in national health insurance (today) than at any time in the recent past," it is likely to be a major issue in the upcoming Congressional elections.

"THE QUESTION is no longer whether we are going to have national health insurance," but when and what type, he added.

The official said the National Health Insurance bill introduced by Congresswoman Marth W. Griffiths (D-Mich.) "sets out the principles" that the AFL-CIO believes must be embodied in such a program. He noted that with a few minor exceptions, the Griffiths bill would immediately establish a comprehensive system ranging from diagnosis and preventive care to out-patient treatment, nursing home and rehabilitative care, and in-hospital treat-

ment, when necessary.

Such a system would allow more efficient use of existing health care resources and make it possible to provide "a much greater degree of medical care" without being "pressed for a tremendous expansion of health manpower or health facilities," he said. "The most expensive kind of medical care," hospital treatment, demonstrates how inefficient use of existing resources pushes medical costs up and puts unnecessary pressures on facilities, Mr. Seidman said.

U.K. to support oil pollution agreement

LONDON—Britain intends to support world oil pollution agreements as soon as the necessary legislation can be gotten through Parliament.

It will ratify the International Convention of Civil Liability for oil pollution damage, which was signed by 19 nations at Brussels last November.

Tougher measures to combat oil pollution from ships, by hiking the fines from \$2,500 to \$12,500 will be introduced as soon as possible.

California hair aid firm may get scalped by state

OAKLAND, Cal.—A \$100,000 punitive damage suit charging false advertising has been filed in superior court here against the nationwide firm of Thomas, hair and scalp specialists.

State Attorney General Thomas C. Lynch and Alameda District Attorney Lowell Jensen joined in the action naming the three Chicago partnerships controlling the hair company; the Thomas, the Thomas System and Lauron Enterprises.

Also named were all the partners: Norbert J. Thomas Jr., Paul A. Thomas III, Robert W. Thomas, Mary Sue Thomas and Noel John Thomas.

The regional director for the western region and the directors of the seven Thomas offices in California are also included.

THE ATTORNEYS also are seeking an injunction against the "false presentations" by the company and civil penalties of \$2,500 for each misrepresentation.

The complaint lists six such major misrepresentations:

- That the company only accepts customers whose hair and scalp problems can be treated successfully.
- That they will inform customers if their condition is untreatable.
- That they will refuse cases of male pattern baldness.
- That they will refund money if a case is untreatable.
- That the director of each office is qualified to diagnose for

hair or scalp disorders.

• That a physician and a laboratory make meaningful evaluations of hair and scalp problems.

The complaint alleges that the representations are all false and seeks to enjoin the company from making such claims in its advertising or elsewhere.

The State Bureau of Food and Drugs conducted the investigation leading to the suit. This is the fourth action brought by the Attorney General's office against hair and scalp companies during the past year.

GUIDE TO FEATURES

Washington Watch	4
Info for Buyers	8-9
Editorials	12
London Line	15
Following the Funds	16
Speaking of Security	23
Giles on the Law	36
Perspective	37-38
Dates for Buyers	41

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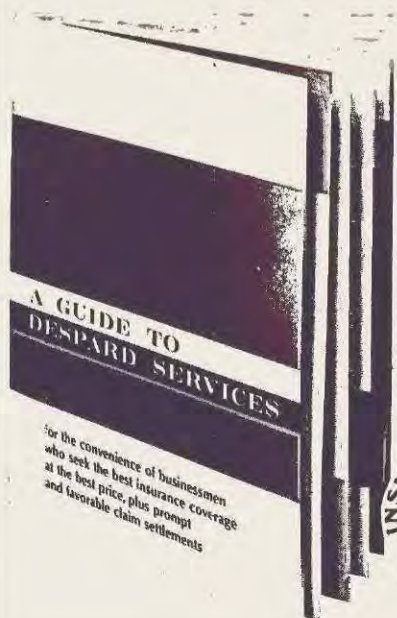
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Indict former State Fire officers for mail fraud

MIAMI—Two former officers and directors of State Fire & Casualty Co., which was declared insolvent by more than \$8 million last year, have been indicted by a Federal grand jury here on charges of mail fraud and violations of U. S. securities laws. The case, when tried, may reveal a web that led to the once-healthy Miami firm's demise. (See related story on page 14.)

Named as defendants in the indictment are Raymond E. Karlinsky, who was chairman of State Fire from Dec. 31, 1965, until sometime in 1967, and William H. Malone, a former secretary and director of the firm. During the time of the alleged violations, the two men also owned and controlled B&R Excess Corp., a New York brokerage, the indictment says.

B&R Excess Corp., located at 26 Court St., Brooklyn, specializes in special risks and reinsurance, Mr. Malone is no longer connected with the firm. However, Mr. Karlinsky is still listed as its president.

A considerable portion of the firm's business, indirectly at least, is in malpractice and general liability covers on hospitals in the New York area.

THE NEW YORK insurance department last month held hearings on charges that B&R placed business with State Fire in violation of New York insurance laws. Briefs were to have been submitted last week and a decision is expected to be rendered in about 30 days.

"The question," Malcolm McKae, a deputy superintendent of the N. Y. department told *Business Insurance*, "is whether or not B&R's license should be removed for untrustworthiness. The reason that the department gave for the charge," he said, "is that the president of B&R (Mr. Karlinsky) knew about the impaired financial condition of State Fire & Casualty, but continued to place business with the company even after he knew."

Both Mr. Karlinsky and Mr. Malone are charged with six counts of mail fraud, one violation of the securities law and one count of conspiracy to commit mail fraud and to violate securities law. Mr. Karlinsky, in addition, was also charged separately on one count of violating securities law.

According to the indictment, handed down May 20 and made public last week, the two men "did devise and intend to devise a scheme . . . to defraud . . . policyholders, stockholders and creditors" of Windsor Insurance Co. of Chicago and State Fire & Casualty. The alleged scheme, according to the indictment, was "for obtaining money and property from Windsor and State Fire by means of false and fraudulent pretenses, representations and promises."

IN A STATEMENT prepared in reply to the indictment, Mr. Karlinsky said: "I deeply regret that the Securities and Exchange Commission has taken this reprehensible action, especially since it is based on matters which occurred in 1963 and in early 1964 and are many years old. Because of the time lag," he said, "it will be difficult to establish all of the facts, but I know that it will be shown that the charges are without any substance."

According to court records, Mr. Karlinsky obtained an interest in State Fire through the Chicago firm, a company he helped form and for which he served as presi-

dent for a time. Windsor obtained financial control of State Fire in 1964. The two companies were formally merged Dec. 31, 1965, at which time Mr. Karlinsky took over as chairman. Mr. Malone, at the time of the merger, was an officer of Windsor, the indictment notes.

The charges of mail fraud and securities violations, according to the Federal indictment, involve two checks allegedly issued by Mr. Karlinsky and Mr. Malone against a bank account in the name of Windsor Insurance Co. The instruments totaled \$143,038.68 and were drawn in July 1964, and February, 1965, the indictment states.

The checks were made payable to a London insurance broker and the payment was recorded on the books of Windsor as "pay-

ment of a commission due the London broker by Windsor," the Federal jury charges.

HOWEVER, the court went on, "in truth and in fact . . . no such payment was owed by Windsor." Instead, the court said, the sum was "used by the London broker to reduce certain indebtedness owed to the London broker by B&R Excess Corp." The transactions were done without the knowledge and authorization of the other directors, stockholders and policyholders of Windsor, the indictment says.

Mr. Karlinsky is also charged in the indictment with making "false and misleading statements with respect to material facts and knowingly" concealing required information in the Chicago company's annual report for 1964.

The report, filed with the SEC in May of 1965 allegedly "failed to state and otherwise describe the appropriate amount of Karlinsky's and Malone's beneficial interests in the proceeds of the two checks."

Both men, in addition, are also charged by the Federal panel with misrepresentation of certain facts in proxy statements issued to all stockholders of Windsor and State Fire for approval of the Dec. 31, 1965, merger.

It charges they used "proxy statements and financial information which misrepresented, understated and otherwise concealed the indebtedness due Windsor and State Fire by B&R Excess . . . and the amount of Windsor's and State Fire's assets, which (they) had knowingly diverted and appropriated for their

own direct and indirect benefit, including the proceeds of the two checks."

Form partnership

David W. Shand Jr. and Joseph E. Morahan Jr. have formed the Shand, Morahan & Co., Evanston, Ill. The firm will write excess and surplus lines and will have reinsurance facilities in the U.S. and abroad.

New assistant vp's

Edwin B. Barber, assistant secretary of American Reinsurance Co., New York, has been named an assistant vp of claims. Stanley C. Lundy, also an assistant secretary of the company, has been named assistant vp of the bonding department.



Captive Insurance— Asset or Liability?

Rising replacement costs, physical concentration of assets, taxes, tight money, the higher costs of losses—these are some of the factors that cause corporate management to flirt with the idea of creating or buying a captive insurance company.

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washington watch

House-passed bill encourages more 'health maintenance organizations'

WASHINGTON—Largely because of the precedent-breaking move by the House calling for automatic cost-of-living increases in Social Security benefits, many other equally important sections of the House-passed Social Security reform measure—with even broader implications for the employe benefits manager—have been ignored by the press and by the general public.

Probably the most important of these is a provision in the bill

that permits Medicare beneficiaries the option of having their health care provided by a "health maintenance organization," such as the Kaiser plan in California.

The provision is specifically aimed at stimulating the formation of physician group practices. The short-term effect of such a trend could be to provide an important new channel to corporate insurance buyers for obtaining health coverage for their employes.

THE LONG-TERM effect of the provision, many experts hold, could be to avert a national health insurance system and possibly eliminate most of the national need for private health insurance firms and Blue Cross and Blue Shield.

The corporate insurance buyer is made an integral part of the success of the new plan by a requirement that at least half of a health maintenance organization's enrollees be younger than

65 in order for the group to qualify to treat Medicare beneficiaries.

Thus, if the government can spur the formation of such practices by waving its multi-billion dollar Medicare purse strings in front of the medical profession, it can be anticipated that such groups will begin to hard-sell corporations on their plans in order to meet their 50%-under-65 quotas.

Many observers feel these group practices can be highly competitive with private insurers and the Blues, by offering complete health care, including preventive services, for a flat per capita fee. It remains to be seen how much this fee will be, but some experts say it could be very close to what many companies now pay for a complicated insurance policy filled with options, double options, triple options, partial coverages, no coverage on certain items and deductibles.

THE FIRST HURDLE, of course, will be to get hundreds of these group practices established around the country. It is thought that such a trend will be fueled significantly by the House measure, if it is agreed to by the Senate. Insiders say Senate approval is very likely.

Initially, the Medicare beneficiary who opts for the new plan in place of Part A and Part B of Medicare will not get preventive care services paid for by the government. In other words, he will get only those services paid for under Parts A and B.

For these services, the government will pay the group practice not more than 95% of the estimated amount (adjusted for geographical area) that would be payable if Medicare services were furnished outside the framework of the health maintenance organization.

In effect, the government is willing to pay the group practice 95% of what it has now been paying both hospitals under Part A and physicians under Part B. The economies of group practice, then, are expected to provide the profit incentive for physicians to practice in this manner.

UNDER THE PRESENT system there is an economic incentive for health care providers to give more, nonessential and often unnecessary services because payment is made for each individual service performed, the House Ways and Means Committee points out.

A second major problem with the current system, according to the committee, is that, ordinarily, the individual must find his own way among various types and levels of services with only partial help from a hospital, a nursing home, a home health agency, various specialists and so on. Health maintenance organizations lend themselves to a solution to these problems, the committee decided.

Because the organization receives a fixed annual payment from enrollees, regardless of the volume of services rendered, there is a financial incentive to control costs and to provide only the least expensive service that is appropriate and adequate for the enrollees' needs, the committee points out.

Moreover, it says, such organizations take responsibility as a provider of services for deciding what services the patient should receive and then seeing that those are the services he gets.

IN ADDITION to the group practice incentive plan and the automatic cost-of-living escalator clause, the House-passed Social Security bill includes a number of other provisions of interest to employe benefits and pension plan managers.

The bill would modify the provisions under which Social Security disability benefits are reduced in certain cases in which workmen's compensation is also payable.

Under present law, the combined Social Security and workmen's compensation payments for a disabled worker and his family cannot exceed 80% of the worker's average earnings before he became disabled. Under the House bill, the disabled worker and his family would be able to receive combined benefits equaling 100% of his average earnings for the previous five years adjusted to take into account rising wage levels.

Another provision in the bill would provide an age 62 computation point for men. Under present law the number of years used in figuring a man's average earn-

Continued on page 6

Employee euphoria: Can you profitably create it?

If you're like many of the companies who have called us in to help, your employee benefit program shows as many growth rings as a California redwood, with new benefits simply tacked onto old ones year after year.

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Touchy Question #45

Who says pig iron under water is a good fire insurance risk?

It depends—on the loss exposures to be covered, and the premium offered, and on how many others own submerged heaps of pig iron they'd like a little insurance on, and where it's been heaped and how far down, and whether anybody ever walks out on the dock to make sure it's still down there, and—

You know. Lot of variables to be considered in property underwriting. Variables we can't control but the owners can. And it's how those variables are handled that determines whether something is a good insurance risk—not what or where it is.

Owners who have worked hard to control variables and who have thus created good fire risks are naturally jealous of the position they're in. The underwater pig iron people, in other words, get mighty quiet when the dynamite people walk in. The pig iron rate is bound to be low (the less the risk, the less the premium), and they don't think it's fair to lump a high-hazard prop-

erty risk with a low-hazard one.

Neither do we. And when a fire underwriter studies an application for coverage, he's representing all the owners in the same class already insured with us—men who have worked hard to achieve a measure of loss control and the consequent savings in premium. They'll accept anybody who's willing to do the same.

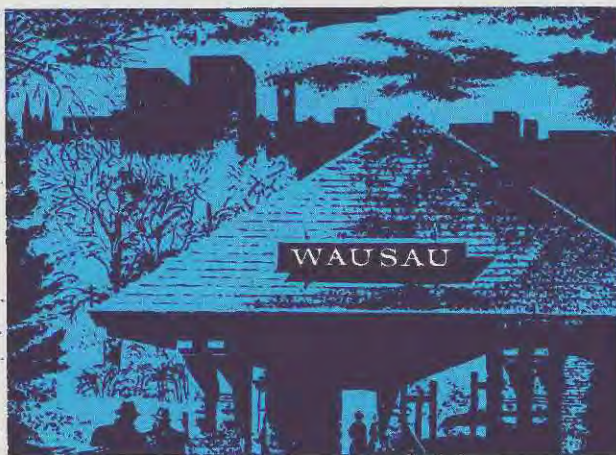
But even the dynamite people don't want to visit the guy who stores *his* in open crates next to the furnace.

So if you have a property insurance risk (and who doesn't?), your first step is to take a long hard look at it with a specialist who can tell you what other owners in your class have done

to minimize their property risks and achieve low premiums—and what you should do to earn a place with them.

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Religious zealot wins award for his dismissal

NEW YORK—A man who charged that the Hartford Steam Boiler Inspection Insurance Co. fired him because of his religious beliefs will receive a \$100,000 settlement from his former employer, according to the New York State Division of Human Rights.

The complaint was filed with the human rights panel a year ago by Norman R. Davis, 59, of Syracuse. Mr. Davis charged that he was fired from his \$15,200-a-year job with the insurance company in 1965.

The Syracuse man became a member several years ago of the Christian Missionary Alliance Church, an evangelical denom-

ination. Thereafter, he admitted, he felt he should share his religious experiences with his business colleagues. Mr. Davis alleged that the Hartford firm dismissed him after warning him several times not to bring up the issue of religion at work.

The Human Rights Division, after an investigation of Mr. Davis' complaint, found there was "probable cause" to believe Mr. Davis's charge of discrimination. Following a public hearing on the matter, Mr. Davis and the company worked out the settlement, which was then approved by the human rights panel.

According to Assistant Commissioner Florence Lucas, the

agreement is "a stipulated settlement" and one agreed to by Hartford Steam Boiler. The settlement was worked out, she said, by taking into account back pay owed Mr. Davis for the past five years. "Some of it is also health and welfare benefit payments and pension payments that would have accrued to him," she told *Business Insurance*.

Mr. Davis will be put back on the Hartford Steam Boiler Inspection and Insurance Co. payroll until Dec. 7 when he becomes 50 years old and eligible for early retirement. He will not return to work in the meantime, however. He had been a manager in various company branches before being transferred to the Syracuse office in 1965.

The \$100,000 award is believed to be the highest ever ordered by a human rights agency on grounds of discrimination in employment. ■

Armstrong Rubber is suing union over strike

NEW HAVEN—The Armstrong Rubber Co. has filed a suit for \$700,000 in U.S. district court here against the union representing production workers at its West Haven headquarters plant because of two wildcat strikes earlier this year.

The action charged that the unauthorized strikes resulted "in substantial fixed costs and losses, which must be recovered."

The defendants are the United Rubber, Cork, Linoleum & Plastic Workers of America (AFL-CIO) and West Haven Local No. 93. The Local represents some 1,000 production workers at the West Haven plant, which carries 1,500 persons on its payroll.

A NINE-DAY STRIKE of 170 union members began Jan. 26 and a five-day strike occurred in April.

Although it had a relatively small portion of the union's membership, the first strike had a snowballing effect and caused a large-scale layoff. The Armstrong suit charged that the contract between the company and the union contains a no-strike, no-lockout clause.

Armstrong president Frank L. Dwyer asserted: "In our judgment, there is an apparent failure of the international and local union officers to assume their responsibilities under the contract to discourage, prevent and terminate such illegal work stoppages."

Mr. Dwyer commented that there is no potential liability to employees under the suit.

IN BOTH STRIKES, spokesmen for the men who protested told the press they were walking out general working conditions. They said that the company had applied increasing pressure on them to increase their output.

The strikers lost a considerable amount of money as a result of their protest action.

In addition to not getting paid for the days they were out, each striker was suspended, without pay, for three days after each walkout. (This is provided for in the company contract.)

Armstrong did not conduct talks with the union during the strikes—which is also a built-in procedure in the case of an unauthorized strike. ■

Wash Watch...

Continued from page 4

ings on which his retirement benefit is based, and the number of years of work under the Social Security program a man must have to become insured for retirement benefits, are different than they are for a woman.

FOR A MAN all years up to age 65 must be taken into account for both of these purposes while for a woman, only years up to age 62 are included. As a result, when a man and a woman of the same age have exactly the same earnings and retire at the same age, the man's retirement benefit will be lower.

The House-approved bill shortens by three the number of years over which a man's average monthly earnings are figured in retirement cases, and makes the ending point for determining eligibility for retirement benefits the year in which a man reaches age 62, the same as the ending point for women under present law.

In an attempt to hold down physician fees, the House adopted a plan to limit fee increases in all Federal health programs. Beginning in fiscal 1971, medical charge levels recognized as prevailing may not be increased beyond the 75th percentile of actual charges in a locality during calendar year 1969.

In computing this, the entire range of doctor fees in a given area during 1969 will constitute 100%, and the government will pay only to what the doctors in the first 75% charged.

Beginning in 1972, fee increases may be increased "only to the extent justified by increases in the cost of production of medical services, levels of living and the earnings of other professional, managerial and technical personnel." ■

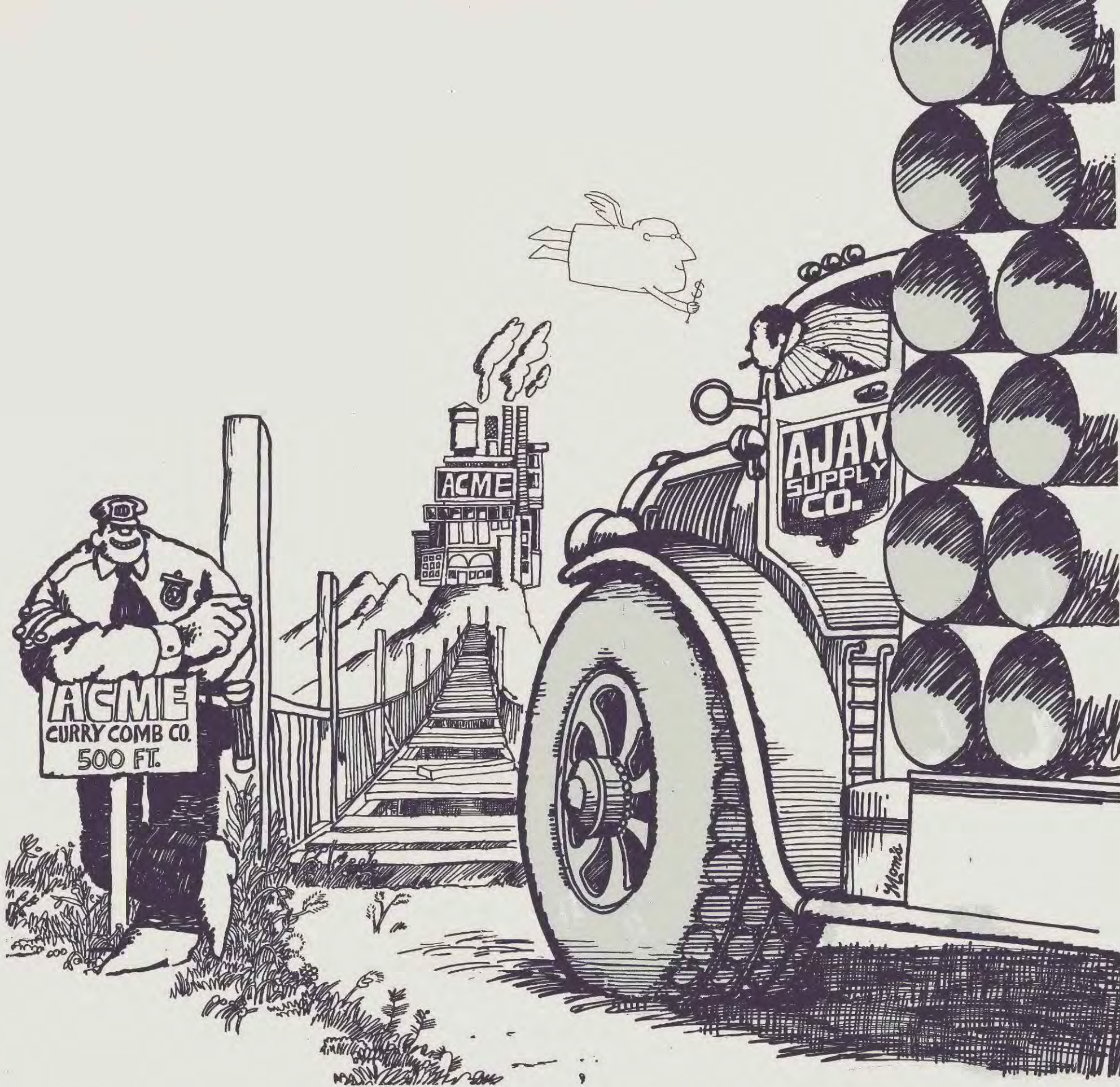


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Info for Buyers offers material that *Business Insurance* believes will be of value to its readers. The complete name and address of each supplier of information is listed so that readers can write directly to the publisher, simply saying that they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

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

• The Kemper Insurance group has published a revised **Management Guide on Alcoholism and Other Behavioral Problems** to provide all levels of management with help in handling these problems. The booklet provides a policy and a program, procedures, benefit plans and treatment services for employees and their families. An initial order of up to 50 copies is free, additional orders are 5¢ per copy. Orders should be directed to the Public Relations Department Kemper Insurance Group, 4750 Sheridan Road, Chicago, Ill. 60640.

• Computer programs of pensions and profit sharing materials are available to corporate employers, insurance companies, mutual funds and banks from the Babb Computer Systems, Inc. 850 Ridge Avenue, Pittsburgh, Pa. 15212. The information is available so that the reports can be produced on company computers or can be obtained on a service basis. For additional information containing the firms' clientele and describing its computer program and exchange library and the systems presently in the library and cost, write the company.

• **Notes on Old Age Benefits Under Social Security—Based on 1969 amendments** (\$7800 maximum earnings) can be obtained from the Consulting Actuarial Division, Alexander & Alexander, Inc., 2 N. Riverside Plaza, Chicago, Ill. 60606. Tables covering social security benefits, and average monthly earnings are also included. The booklet is an updated version of a previous one offered by the firm and is available free of charge when requesting it upon your company letterhead.

• The U. S. Department of Labor has released a 147-page bulletin in booklet form entitled **Paid Vacation and Holiday Provisions**. The bulletin is the ninth in the Bureau of Labor Statistics series covering major collective bargaining agreements. Paid vacation and paid holiday provisions have not been analyzed in detail since 1957 and 1958, respectively. The study is based on virtually all agreements in the United States covering 1,000 workers or more, exclusive of railroads, airlines, and government agreements. It is divided into six chapters covering: scope of studies; prevalence and trends of paid vacation provisions; administration of vacation provisions; innovations in vacation plans; prevalence and trends of paid holidays; and administration of holiday provisions. Twenty-six tables and four charts and a list of the previous bulletins are included in the booklet. It can be ordered for \$1.25 from the Su-

perintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

• An insight into such new approaches as the investment value fund for profit sharing plans, a new prototype **Master Plan** (approved by IRS) for pension plans and information related to group pensions and profit sharing is now available free from The Bankers Life, 711 High Street, Des Moines, Iowa 50307.

• A brief sketch of **Survivor Income Benefits** funded under group life insurance is provided by the Equitable Life Assurance Society. The brochure covers the questions of what type of plans are available, who is eligible, who receives the benefits and for how long, and how much the plans cost. Copies may be obtained by writing the firm to the attention of Group Sales Promotion, Area 24-E, 1285 Avenue of the Americas, N.Y., N.Y. 10019.

• **New Techniques, New Information, Better Communication, for Greater Product Safety—Summary of a National Symposium** contains the recommendations of a cross-section of 100 business and industrial leaders for achieving greater product safety, and for minimizing the possibility of unjustified losses. Design, value engineering; purchasing, manufacturing; quality control; marketing, advertising, products service; legal; and insurance were the seven fields represented in the two day meeting. Single copies of the booklet may be obtained free by writing Mike Biancardi, Director of Product Safety, Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wis. 54401. Employers Insurance was the host of the symposium.

• **Chimneys, Fireplaces and Venting Systems** (No. 211), is a 36 page pamphlet released by the National Fire Protection Assn. The booklet deals with the safe installation and use of chimneys, fireplaces and venting systems in residential, commercial, and industrial applications. A copy can be obtained from the NFPA, 60 Batterymarch St., Boston, Mass. 02110 for \$1.

• What a person does before, during and immediately after an earthquake strikes may mean the difference between life and death. **Earthquake Safety Rules** offers guidelines to follow in such a crisis. Single copies are 10¢ and quantity orders of 100 are \$5.50 from the Superintendent of Documents, U. S. Government Printing Office, Washington, D.C. 20402.

• **More Effective Employee Benefits Communications** is a brochure released by Halltech Associates, describing how their reports are vital to the success of an employee benefits program. The brochure outlines their role in helping employees to understand and to be aware of their benefits program and its specific meaning to them. The booklet is available by writing Mr. Edward McCaffrey at Halltech Associates, 176 Broadway, New York, N. Y. 10038.

• The Fidelity Appraisal Co. has released two booklets describing the measures an insured

N.Y. orders air trip insurance premium cut

NEW YORK—The New York insurance department has ordered that premiums for air trip ticket accident insurance be reduced by 60%, or that benefits be increased by that amount, according to a department spokesman.

Twelve companies are licensed to write such insurance in New York, however Mutual of Omaha and the Continental Insurance Cos. account for the greatest majority of such insurance. Sold in increments of \$7,500 of coverage for 25¢, air travel insurance is normally obtainable from vending machines or manned booths at airports throughout the country. Air travel insurance covers death, dismemberment and medical expense benefits incurred through accidents during the

specific trip covered by each policy.

Current rates have been in force since 1961. However, risk experience has improved dramatically since that time with a resulting decrease in the ratio of claims paid to premium dollars. In 1961 the companies writing air trip ticket accident insurance paid out 40.1¢ in claims for each premium dollar received. However, this figure dropped to 24.4¢ per premium dollar in 1963, 12.8¢ per dollar in 1965 and 5.2¢ per dollar in 1968.

CLAIMS PAID over this period (1961-1968) amounted to 25.7% of each premium dollar taken in by insurance companies writing such coverage.

"It is clear that the New York

insurance department has since 1961 utilized a 40% loss ratio benchmark for air trip-ticket accident insurance," explained Malcolm MacKay, deputy superintendent of the department and hearing officer in the air trip-ticket insurance case. He concluded that air trip-ticket accident insurance policies "which are likely to return as benefits only 25¢ out of each premium dollar are policies which provide benefits which are unreasonable in relation to the premium charged."

One of the major arguments against this action raised at the hearing by the respondent insurance companies was the advent of jumbo jets. The companies attempted to show that the much larger planes which are more

complex than their forerunners and will carry up to three times as many people would drastically change the underlying risk factors involved in fixing the rate of air trip-ticket accident insurance.

SAID Mr. Mackay: "No persuasive evidence was presented in support of this possibility, however, and I discount it. In fact, the companies' own expert witness stated that the jumbo jets should prove to be the safest aircraft yet. Moreover, a department witness recalled that companies had advanced similar contentions when other aviation developments occurred, but that the experience on those prior occasions never reflected the dire forebodings, and, in fact, the long-term experience has been constantly improving." ■

should take in order to fully understand and benefit from his insurance policy in case of loss. The booklets answer such questions as: is the insured liable to be adjudged a co-insurer; how can total insurable value be ascertained; how does the reduced rate clause operate; and how is a fire settlement negotiated? **Ashes are not Evidence** pertains to appraisals of industrial, commercial, and municipal properties. **Ashes are not Evidence . . . and how I learned that the hard way** pertains to appraisals of residence furnishings, household effects, and objects of art. For free copies of the booklets write the firm at 2405 N. Maryland Ave., Milwaukee, Wis.

• **Employe benefit plans and other institutional investors can receive Portfolio Planning News** without charge. This pamphlet explains the most effective methods of selecting investment advisers, both banks and counsel firms. For more information write Portfolio Planning, Inc., 200 Park Ave. Suite 303 East, New York, N. Y. 10017.

• **COPSI** is a booklet prepared by the Council of Profit Sharing Industries describing the services it offers to members of the Council: legal and legislative, communications, and technical. A list of officers and directors of the council is included. For a copy write COPSI, 29 North Wacker Dr., Chicago, Ill. 60606.

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

• **Pyroxylin Plastics in Warehouses, Wholesale & Retail Stores**, NFPA No. 43, lists the recommended practices in section cover sales and handling of articles (loose or packed), storage of pyroxylin plastics not in containers, and the storage of finished articles or raw stock in containers. The Pamphlet may be ordered for 40¢ from the National Fire Protection Assn., 60 Batterymarch Street, Boston, Mass. 02110.

• What do professional drivers need to learn about driving? **Deadly Driving Errors** is a 30-minute film series divided into three 10-minute segments dealing with particular professional driving problems; **A Matter of Speed**, **A Matter of Adjustment** and **A Matter of Distance**. The films are available in both standard 16mm or the new Super-8 and can be ordered in either color or black and white and either as a series containing all three films or separately under the individual titles. One copy of the series costs \$435, color, and \$290, black and white. Individual segments for one copy costs \$155, color, and \$103, black and white. Discounts are available when ordering in quantity. For more information write the National Safety Council, 425 North Michigan Ave., Chicago, Ill. 60611.



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formed in 1955, has grown to a worldwide organization by following this policy: give customers the most for their money.

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PA&E, with headquarters in Los Angeles, ranks as one of the largest design firms on either side of the Pacific. The company is equipped to guide a project from initial feasibility studies to detailed supervision of construction.

The company's customers are private firms and government agencies in the United States and abroad. A cross-section of projects includes: public buildings, airports, commercial and industrial plants, highway survey and design, and port facilities.

Facilities Engineering in Viet Nam

PA&E's largest area of operation, in terms of manpower and equipment, is in providing maintenance services for U. S. military bases stateside and overseas.

In Viet Nam 25,000 employees of PA&E serve as the U. S. Army's "Public Works Department." Someone has to build barracks, operate power plants, and provide potable water. With PA&E on the job, military personnel are freed from these non-military tasks.

Insurance Problems Overseas

In PA&E's Viet Nam operation, casualty claims had become a costly problem. Mr. Rothbart, Corporate Administrator for PA&E, in cooperation with Mr. Zimmerman and Mr. Schweitzer, representing Zimmerman Insurance Associates, Inc. of Los Angeles, worldwide insurance brokers for PA&E, believed improvements could be made in the insurance program. Based on Argonaut's successful competitive bid, and experience developed during numerous field trips to the Far East, brokers recommended placing coverage with Argonaut.

Argonaut prepared an insurance package covering casualty lines and bonds for PA&E in Southeast Asia. In July 1969, Argonaut Pacific Operations opened a Saigon Office to service the account.

Recently Mr. Rothbart commented, "Argonaut has provided us with the kind of prompt claims service that's important to our people in Viet Nam. At the same time, cost per claim has been reduced. With Argonaut we have cut the net cost of our workmen's compensation and other insurance by 25%. That's efficiency PA&E appreciates."

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Lloyd's may appeal \$1.8 million verdict against airline in disaster

By DON BEDWELL

MIAMI—A Florida jury has returned a \$1.8 million damage verdict in favor of a Miami couple who lost two teenage sons when a Dominican cargo transport plane crashed onto them.

An attorney for Lloyd's of London, which had insured the Dominicana Airlines aircraft, indicated Lloyd's would appeal the verdict.

Four crewmen and six victims on the ground died when the modified DC-8 crashed onto busy NW 36th Street, as it sought to return to Miami International Airport nearby. Mr. and Mrs.

Charles Knapp had asked \$4 million for the loss of their 15-year-old son, Clifford, who died with his brother, Clyde, 17, in the wreckage of the family's auto paint shop.

ATTOENEY J. B. Spence, became so emotionally involved in the case that he collapsed in a faint and later wept when the six-man jury returned its verdict after seven hours of deliberation.

Mr. Spence, who is to receive 40% of the award, said grief will be with Clifford's parents "until they die." He told the jury that doctors feared for a time that the couple might commit suicide be-

cause of their loss, which psychiatrists testified had instilled in Mrs. Knapp an obsession over air crashes and aviation safety.

Attorneys for Lloyd's, which held an \$8.5 million policy on the airline, tried unsuccessfully to convince the jury that the aircraft was capably maintained and operated by a competent crew.

Witnesses for the Knapps testified that the Dominicana crewmen "created their own emergency and failed to correct it" by feathering the wrong engine after another began billowing smoke immediately after takeoff from Miami International.

MR. SPENCE argued that the

pilot could have averted the crash even after the blunder by restarting the feathered engine during the four minutes that the cargo transport was airborne.

He said the crewmen also contributed to the crash by lowering the landing gear prematurely, adding to the drag slowing the already laboring aircraft.

The Dominicana crash spurred a crackdown by U. S. investigators to screen prop-powered cargo transports operating out of Miami.

Dominicana has not resumed operations into Miami since its only jetliner crashed into the Caribbean in February. After that accident, which claimed 102 lives, the Federal Aviation Administration withdrew Dominicana's operating authority until the carrier could prove that it intended to conduct safe operations into U. S. territory. ■

Computer loss analysis being offered

HARTFORD—Despite the talk of shrinking capacity and it being a seller's market in the insurance buying business, the industry is joining the computer age at an ever increasing pace. Efficient servicing of accounts is becoming a more important ancillary benefit in the industry's wheeling and dealings.

Now comes word that the Hartford Insurance Group is offering a computerized reporting system that gives commercial buyers a detailed breakdown of insurance losses by individual departments, divisions, plants or regional operations. The Hartford says it is the first such service of its kind.

"Loss Analysis Reporting System (LARS) is the industry's only computerized loss analysis program with a full narrative description of each insurance loss," according to John L. Pickens, secretary and loss control department manager with the Hartford. "We believe it is the best and most complete program of its kind in the insurance field today."

"Very often," Mr. Pickens said, "high insurance losses in a plant or department indicate operational weaknesses with implications far beyond the matter of insurance. For instance, a supermarket chain that finds a large percentage of its insurance losses coming from a relatively small number of its stores would be safe in assuming that other problems were developing in the same stores."

In addition to its computer reporting service the LARS program includes analysis by Hartford loss control engineers who review the causes of significant losses and to suggest corrective action.

LARS is now servicing approximately 3,000 policies for such diverse companies as National Cash Register, the Dravo Corp. and White Consolidated Industries. White, for example, is using the system to analyze its insurance losses at over 200 profit centers employing approximately 26,000 persons. ■

Owners win suit against 3 insurers

NIAGARA FALLS, N. Y.—A laundry here has won its suit against three insurance companies that refused to pay a fire insurance claim on the grounds that their investigations had shown the fire was set by the owner. The allegations were not proved in court.

The case involved a blaze at Figler's Shirt Laundry Inc. in the fall of 1967. The contents of the laundry, owned by Eugene Figler and Carmen Caggiano, were insured by New York Fire Insurance Co., Queen Insurance Co. of America and Old Colony Insurance Co.

The insurance companies refused to pay a claim for \$47,000 in equipment and inventory lost in the fire, alleging that their investigation disclosed arson by the owners. However, the plaintiff's lawyer introduced evidence that neither owner was near the scene of the fire when it started.

The supreme court judge awarded the laundry owners \$37,900 for the blaze. ■

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was constantly impressed with the constructive, cooperative attitude of Atlantic's top management."

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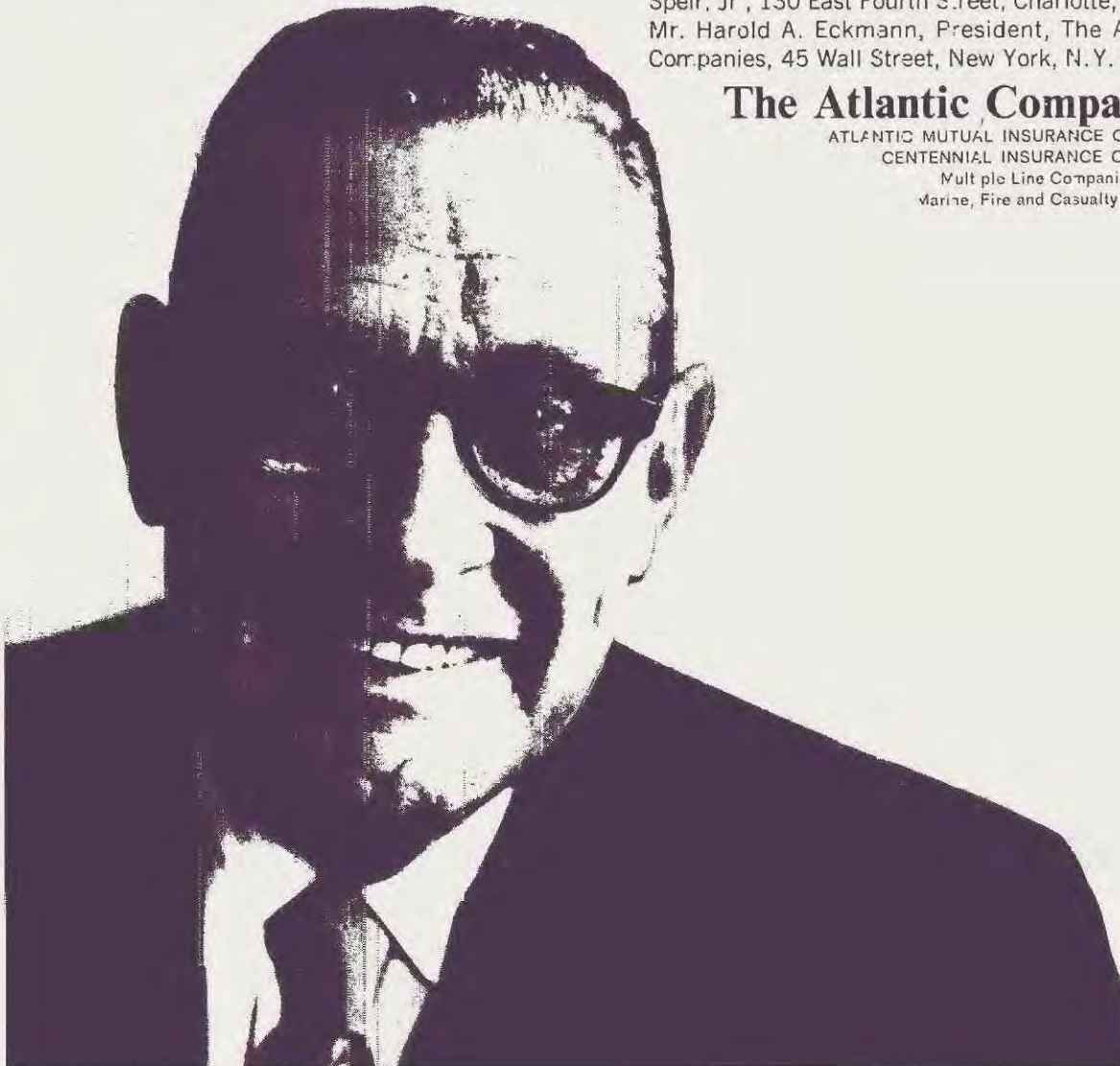
This positive outlook is one of the reasons for Atlantic's 128 years of consistent progress. Atlantic's solid growth record was enhanced last year by new highs in written premiums and assets.

Atlantic's determination to continue this progressive record could open up a new vista for you. If what we offer appeals to you, write to Morgan B. Speir, Jr., 130 East Fourth Street, Charlotte, N.C. or Mr. Harold A. Eckmann, President, The Atlantic Companies, 45 Wall Street, New York, N.Y. 10005.

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Financial vp handles insurance 'scientifically'

WESTBURY, N.Y.—ICM Magnetics is a rather small industrial firm with plants in four U.S. locations that make small electrical motors and solenoids. Its property and inventory insurance exposures total about \$4.5 million.

There's nothing particularly unusual about that. There must be a thousand similar companies doing business from Portland, Me., to Portland, Ore.

However, there is a thing or two unusual about the way insurance is handled out of the corporate headquarters here on Long Island:

Dr. Joseph Singer is financial vp and treasurer of the firm. He also functions as insurance manager, in addition to his duties as the one-man ICM financial wizard in a department that also employs seven women.

ONE-MAN financial departments, even in a company the size of ICM Magnetics, don't have time to waste. Thus, over the years Dr. Singer has developed a rather scientific system that relegates his insurance buying functions to the minimum amount of energy and time. Dr. Singer is a meticulous man, and one gets the distinct impression he does not want to waste time shuffling papers and insurance policies around over and over again.

In a recent Perspective article in *Business Insurance* (April 13), Dr. Singer described how he has tied all ICM's insurance policies to the company's fiscal period. All policies run from March 1 to March 1 and are renewed and reviewed at the same time annually, thus avoiding the situation many companies find themselves in. "I once observed a company that had as many as 400 policies and, because of the manner of handling, half the time of the clerk in the financial department was taken up," he wrote.

"Why do you think some companies have 12 persons in their insurance departments?" Dr. Singer said when asked if his principles could be applied to larger companies with more complex insurance problems than those of ICM Magnetics. The problem, he feels, is that not enough insurance buyers are "administratively conscious."

ICM Magnetics has plants, in addition to the Long Island operation, in Rochester, N.H., Tempe, Ariz., and Los Angeles. The company employs about 600 persons.

INSURANCE coverage for the firm is fairly typical of most small manufacturing concerns. Fire, sprinkler leakage, vandalism, boiler and business interruption is written by Factory Mutual companies. The company also has a manufacturer's output policy with William H. McGee & Co. Inc. The output policy, according to ICM's broker, Edwin H. Zeitlin, president of Harris Sloan & Finn Inc., New York, is a "very flexible" cover that insures goods for a variety of exposures they might encounter before goods are put into the hands of purchasers.

The company also has a marine cover with the McGee firm that covers goods from warehouse to warehouse in ICM's small export business. Deductibles on all policies are "modest," Dr. Singer said, in the \$500 to \$1,000 range, and experience has been good. "We don't put in a claim unless it's substantial. We want to continue to get the best possible coverage for the smallest possible cost," he said.

ICM Magnetic's umbrella li-



Dr. Joseph Singer

bility coverage, with limits of \$1 million and no deductible, is with INA, as is a comprehensive fidelity policy that has a \$500,000 limit.

Auto coverage on the several vehicles the firm owns is written

by Employers Insurance of Wausau. The same company also writes workmen's compensation and products liability. In 15 years or so, ICM has had only one products liability claim, and that was for the alleged failure of a small motor that caused some property damage.

ICM REVIEWS its policies once a year, or whenever a new exposure might arise, and sits down with its broker shortly before the policies are to come due again.

"We've done our homework when we come to the meeting," Dr. Singer, who was European-born and Vienna-educated, said. "We don't waste a lot of time at the meetings," he said.

"The crux of the whole thing is having all policies start and end on the same day," the vp said,

noting that day is keyed to the end of ICM's fiscal period (Feb. 28) "so we don't have the split between current expense and

past expense." The fiscal period ending, he said, simplifies accounting procedures greatly. Pre-

Continued on page 34

Adjusters for Insurance Companies and Self Insurers

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opinions

Widening horizons

WE HAVE NOTED with approval the current trend in the insurance business to wrap up under one corporate roof a full range of insurance and financial services. It makes good sense for a coordinated company team to sell to corporations and individuals a complete financial security package including property-liability insurance, health and disability coverage, as well as financial services, including mutual funds. A number of aggressive organizations have already provided one-stop shopping, as it were.

Now we are witnessing the development of another trend, equally exciting, that finds the staid insurance industry moving in yet another marketing direction intended to satisfy the basic needs of American business. This trend finds insurers offering their expertise to businesses that may wish to self-insure to improve their cash flow, an option reviewed by insurance consultant David Warren in this week's Perspective section.

A number of forward-looking insurers recognize that even the most sophisticated and favorable retrospective rating plan requires major monthly or quarterly outlays by insureds who are already pressed by the tight money market. Wise businessmen figure that they can make 10%, 15% or more on money used in their own businesses. It makes little sense to them to pay significant premiums for workmen's compensation and general liability coverage before any claims accrue.

Insurers, therefore, have developed self-insurance service programs, a kind of a cost-plus arrangement under which the client pays an amount for claims adjustment, loss prevention and related services from an insurance company. But the client is not a policyholder; rather he is a self-insurer who gets the very real benefit of retaining a major share of his premiums to put to work in his own business.

It makes good sense to us that in a competitive economy each do what he does best. Insurers have developed tremendous expertise in such areas as loss prevention, rehabilitation, claims adjusting and defense law. Their track record is not outstanding in making the best use of investment capital, a fact that is pointed up by the high performance of the assets of insurers that have been taken over by conglomerates.

Therefore, it follows that these self-insurance service programs allow insurers to apply their experience while the self-insured keeps his money at work. It is likely that such self-insurance service programs will be introduced in the near future by a number of insurers, though those who enter this activity must provide widespread and expert service.

It is noteworthy that in addition to entering the self-insurance service field, some insurers are selling their special abilities to each other.

Insurance Co. of North America announced recently that it is setting up a subsidiary to sell rehabilitation services to self-insurers,

business insurance

for buyers of employe, property and liability protection, pension investments, financial services

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UNION HOURLY WAGE/BENEFIT SCALES

	Basic wage scale	Insurance	Pensions
Bricklayers	\$6.55	25¢	25¢
Carpenters	6.05	19¢	33 1/2¢
Electricians	7.30	3 1/2 %	4 %
Painters	5.65	17 1/2 ¢	20 ¢
Plasterers	6.00	29 ¢	6 ¢
Plumbers	6.20	25 ¢	25 ¢
Laborers	4.75	12 ¢	35 ¢

Diversity in the hourly wages and benefits is demonstrated by these figures for building trades in the Chicago area as of April 1. Employer contributions for benefits increased 10.2% during the past year.
 Source: Bureau of Labor Statistics

reinsurance carriers and other insurance companies. This move will bring highly specialized abilities at physical and vocational rehabilitation within the reach of insurers and self-insurers who might otherwise be unable to competently treat victims of accidents and disabling illnesses.

Now comes the announcement that Kemperco, holding company of the Kemper Insurance Group, will sell for a fee its underwriting, administrative and claims services to future property-liability subsidiaries of the Prudential Insurance Co. This move makes it possible for Prudential to enter the personal automobile and homeowners underwriting lines providing one-stop personal lines purchasing for customers. Kemper, which already sells loss prevention services through its National Loss Control Service Corp., will provide the expert property-liability service that Prudential needs to make a logical expansion move.

These exciting moves within the insurance business augur better service for individuals and businesses. They demonstrate that a staid old business is waking up to the realities of the times by adjusting to the real requirements of its customers. We trust that traditionalists among legislators and insurance regulators will be alert to these trends to give them proper encouragement and effective regulation.

Mute managers

AN INFORMAL Business Insurance poll on attitudes toward the Cambodian campaign resulted in a not-so-surprising split of 18 for President Nixon's action and 12 opposed.

What was more surprising—and disappointing—was that only one among the risk managers, employe benefits administrators and others polled was willing to be identified. It struck us that this indicates that Americans—whether they favor or oppose the Vietnam war—have become “the silent majority.” Too few of us are willing to stand up and be counted.

This silent syndrome especially infects the business community, which has within it the most pragmatic and intelligent spokesmen in the society. When business leaders are afraid to speak up and be counted, we have something to be concerned about.

This “silent syndrome,” as it might be called, affects not only such burning national issues as the Vietnam war, but also minor but critical issues that affect the managements of corporate risks and employe benefits. Too few persons active in these areas are willing to speak out on pressing legislative and administrative actions that vitally affect their operations.

To the extent that risk and benefits managers are mute, they cheat their corporate managements and the business community of their best efforts. It should be part of corporate risk management and corporate benefits administration to get into the fray and speak out on matters of government, Federal, state and local agencies are becoming increasingly involved in areas that infringe or at least border upon benefits administration and risk management. It's about time that professionals in these fields speak up and make felt their voices and their experience.

Sock the polluters

Liability insurers here and in England have made the right move by opting to exclude pollution coverage from the policies to bar coverage for those companies that knowingly pollute the environment.

When the exclusions have been written into liability policies, fines, penalties, punitive and exemplary damages will all have to be borne by those who are guilty of pollution rather than their insurers. New policy provisions effecting these changes have already been adopted by Insurance Co. of North America and Lloyd's. Members of the American Insurance Assn. and the American Mutual Insurance Alliance are expected to follow suit.

We believe that such exclusions are well justified. After all, it has long been contrary to public policy to insure a motorist, for example, against the costs of being fined for drunken driving.

Just as surely as drunken drivers can snuff out life, polluters are capable of snuffing out the environment that supports life.

Insurance is intended to meet the risks of doing business legitimately. It is not intended, nor should it be used, to protect willful polluters from meeting the financial consequences of their crimes against air, water and earth.

letters

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

'No risk' bonds

To the Editor: The little ditty under the headlines “Black builder vainly seeks bond he needs” on the front page of your April 27 issue is simply not true. It is not always all right if you are white.

Many, many whites, especially contractors in Florida, get real close to signing contracts on jobs which exceed their bonding capacity. They, too, would like to make a big step from the medium-sized jobs to the larger jobs, but they, too, have to comply with the bonding companies, sometimes excessive, demands. The fact is that the surety companies apparently want to take all the risks out of writing performance bonds. The same is true to a large extent with the writing of workmen's compensation for roofers who pay an exceedingly high premium here in Florida.

As a result of this, our association has established a group self-insurers fund and is performing a valuable service to our members, small and large, financially writing their workmen's compensation coverage almost without question. We do require a past history of “good pay record.” With a million dollar premium we are giving our members the maximum advance discount allowed by law, 15%. In addition, we have been making some real good “indicated profits.” Perhaps we, and other construction industry associations, need to take a look at the bonding market to determine if we can help our members obtain this coverage.

By the way, we have black contractor members of our association, and will welcome applications from any others who want to join.

C. C. Dockery
 Executive Vice President, Florida Roofing, Sheet Metal & Air Conditioning Contractors Assn., Inc., Lakeland, Fla.

Destined for success

To the Editor: From the first issue of Business Insurance, it was apparent that it was destined for success. The insurance industry and the buying public is the better for its existence and will continue to benefit for years to come.

That your readers are from all corporate levels and represent every part of the U.S. and Canada was proven recently by the response to an article, “More effective employe benefits communications,” in your April 27 Info for Buyers column. We at Halltech Associates would like to thank you for making this service available to us.

In these times when mediocrity is praised as “above average” it is important that the true professional set the pace. Keep up the good work, as there will always be a place and a profit for “first raters.”

Edward T. McCaffrey
 Manager, Halltech Associates, New York, N.Y.

Mass buying plan

To the Editor: Your article “Mass buying plan wins acceptance” in the April 27 issue of Business Insurance, aroused our interest.

We would appreciate any information you have available

Continued on page 14

Connecticut doctors taking aim at malpractice insurance problems

HARTFORD—Not satisfied with other efforts to curb costs of malpractice insurance, the Connecticut State Medical Society has begun a nine-month program to devise a completely new formula and push for legislation to solve the problem, said a society official heading up the project at a conference held here the other day.

"We're in the middle, between the highest and the lowest rates for malpractice insurance in the country," said Dr. M. David Deren, chairman of the Connecticut State Medical Society's committee on medical economics and insurance, which heads up the malpractice insurance reform project.

"We are faced with several problems with our professional liability coverage—for example, we're paying, at maximum, about \$2,300 a year for this coverage. Just two years ago, in 1968, our premium was only \$680. During the last six months we've had a 75% premium increase," Dr. Deren explained.

THE RATE IS applied both to established physicians and to new medical school graduates just starting out, he said, noting that this was a real "sore spot" among Connecticut doctors. "They consider it unfair to be indiscriminate this way," he added.

Malpractice suits are increasing all over the country, bringing with them increasing costs of insurance. Especially hard hit are New York, Washington and California. Doctors in the latter state, for example, have had premium increases of 210% in the last two years.

Senator Abraham Ribicoff (D.-Conn.) recently reported in subcommittee findings that publicity of higher malpractice action awards in several states might well result in an acceleration of malpractice litigation in other areas. The subcommittee catalogued several reasons for malpractice suits, including the deterioration of the traditional patient-doctor relationship, greater patient awareness of the right to legal recourse, the growing sophistication of medical techniques and an acute doctor shortage, which may contribute to more instances of overwork and error among doctors.

"We don't know just how serious a problem malpractice is in this state because there's just not that much data available," said Dr. William R. Richards, executive director of the Connecticut State Medical Society. "One of the things we are doing is developing a good data-gathering mechanism. We're making it a condition of membership in the society that mandatory reports on each malpractice claim be made to the society regardless of whether it comes to court trial or not," he added.

WHEN IT BECOMES available, new information on mal-

practice claims will be used for a new peer review board similar to the one set up by the Los Angeles County Medical Assn. in conjunction with its new group malpractice plan, which goes into effect July 1 (*Business Insurance*, April 27). The LACMA's review board of physicians will deliver an opinion on whether or not malpractice has been committed in each individual case. The board will recommend that necessary action be taken in those cases in which it finds evidence of malpractice. However, if the board finds no such evidence it

will support the physician, even to the point of testifying in court.

"Peer review has proven itself a real deterrent to excessive cases," said Dr. Deren, pointing out that the New Hampshire Medical Society has had a peer review program in operation for 40 years. "They've only had two malpractice cases reach court in all those 40 years," he asserted. "The first was settled and the other thrown out of court."

Queried on his reactions to the LACMA plan, which will be underwritten by the Hartford Group, Dr. Deren said, "We feel that plan

can certainly be improved on and we think we can do it. We intend to use Connecticut as a prototype for a real answer to this problem of malpractice coverage. We'll spend about a year groping our way until we come up with a solution, including some legislation."

DR. DEREN revealed that the Hartford Group indicated they would not commit themselves to other plans similar to the group malpractice plan undertaken with the Los Angeles County Medical Assn. "They want to get at least a year's experience under their belt before they go ahead with other ones. It's purely experimental as far as they're concerned at this point," he said.

A number of insurance brokers have contacted the society, expressing interest in the medical

group's malpractice problems. "Most of their ideas are merely restatements of existing policies. I've torn these policies up and simply explained to those brokers who were interested what we have to have," said Dr. Deren, noting that there were a few who said they would "work" on it.

In the meantime, Dr. Deren's committee has scheduled a series of meetings this summer to thrash out the nine proposals of the new program. He declined to reveal these points, saying that there was still some disagreement about them. "We all know that we've got to get our risk exposure down. We've also got to educate the lawyers and public as well as the doctors to just how big a problem malpractice suits are becoming."

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Additional safety for motorists

The Federal Highway Administration conducted a test on break-away poles that revealed no fatalities arose from the 60 accidents that occurred. Of the vehicles damaged, 38% could be driven away and estimated average damage was slightly over \$600 per auto.

Credit union insurance has bipartisan support

WASHINGTON—Bipartisan support is building in both the House and the Senate for a bill introduced by Sen. Wallace Bennett (R.-Utah) to establish a Federal insurance plan for state- and Federally-chartered credit

unions.

The idea for such a program has been kicking around Capitol Hill for years, but has never been looked upon as a crisis issue, so has never been seriously acted upon.

While there still has been no major credit union bust to spur prompt action and heated Congressional rhetoric, many legislators feel that the continuing decline in the economy has led to situations in certain large industries where credit union protection similar to the type provided to banks by the Federal Deposit Insurance Corp. is badly needed.

Under the Bennett bill, the insurance program would be supported by the credit unions themselves through premiums paid for the insurance. The plan would be administered by the recently es-

tablished National Credit Union Administration.

While the proposed insurance plan could potentially cover substantially all of the \$14 billion savings now in credit unions, only Federally-chartered credit unions would be required to have the insurance. State-chartered unions could obtain the coverage if they wanted it.

In introducing his proposal, Sen. Bennett pointed out that strong support for such a plan has been indicated by moves within some states for statewide

credit union share insurance.

The first effort was in 1955 in Illinois, but it had to be abandoned in 1964 "because of structural weakness and . . . internal squabbles," he said. Voluntary share insurance for state-chartered credit unions in Massachusetts was started in 1961 and has been highly successful, according to Sen. Bennett. The Massachusetts Share Insurance Corp. now has assets of about \$5.5 million, he pointed out.

During 1969, credit union share insurance bills were passed in Wisconsin and in Rhode Island. ■

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Hospitals may have to pay claims as a result of Florida insolvency

NEW YORK—Many New York area hospitals may be forced to settle millions of dollars of liability and malpractice claims for which they thought they were fully insured, according to reports here. Others may also be faced with similar problems.

The difficulty apparently stems from the collapse last year of State Fire & Casualty Co., Miami, and has spread to at least one other insurer, Home Owners Insurance Co. of Chicago, which reinsured many of its hospital risks with the Miami firm.

Home Owners Insurance Co. is solvent. However, officials of the Illinois State Insurance Department say the company is in "financial straits" because many of its high-risk policies on hospitals and doctors were reinsured with the Miami firm. The latter was ordered liquidated by a Florida court after it was determined that the company was insolvent by more than \$8 million. Liquidation is proceeding, but it is expected to be some time before it is known just how much, if anything, insured parties will be able to recover on their claims. Home Owners must also wait out the proceedings to determine the extent of losses it can expect.

AT LEAST SIX New York

hospitals are known to hold policies issued by either State Fire or Home Owners. They are Mount Sinai, Madison Avenue Hospital, Montefiore Hospital and Medical Center, Jewish Hospital & Medical Center of Brooklyn, Long Island Jewish Hospital and Hillside Hospital. Some of the hospitals have already filed suit to determine who is responsible for the policies. In at least one case, Home Owners has refused to honor a policy issued in its name, alleging that the policy was issued without its knowledge or approval.

The situation has raised some complex legal questions and also presents a confusing list of individual and corporate intermediaries entering into the issuance of the policies.

Court records and hospital sources indicate that most of the policies now in doubt were procured, indirectly at least, through two New York insurance brokers. They are B&R Excess Corp. and William H. Malone Inc.

According to records, Raymond Karlinsky, president of B&R Excess, had been chairman of State Fire from Dec. 1965 until sometime in 1967. William H. Malone had, in turn, been for several years a principal in B&R Excess. Both men also worked for Home

Owners for "a short time" several years ago. In 1964 they were listed as a director and as an assistant secretary respectively.

JUST HOW MUCH in claims is in dispute is not precisely known. However, at least one hospital, Madison Avenue, has eight malpractice suits now pending against it. The suits, brought by patients or former patients against doctors and the hospital, seek a total of \$4.6 million in damages. The hospital was supposedly insured by Home Owners during the time alleged malpractices were to have taken place, July 1, 1964, to July 1, 1967.

The hospital's suit names as defendants, besides Home Owners, B&R Excess, William H. Malone Inc., Mr. Malone individually, and Peter E. Kramer, who is identified as the broker through whom the hospital obtained its policy.

The complaint charges that Home Owners "repudiated all obligations under said policy."

According to the hospital, Mr. *Continued on page 36*

letters

Continued from page 12
that may permit our company to apply for this type of "Mass-buying" for our employes.

We, here at Wayne Supply Co., like so many of your readers, feel *Business Insurance* is most worthwhile and has helped us considerably with our company's insurance coverage.

W. T. Underwood

Controller & Assistant Secretary, Wayne Supply Co., Louisville, Ky.

Editor's note: There must be many insurance carriers that would be pleased to send Mr. Underwood information about mass-marketed automobile and homeowners insurance. His address is P.O. Box 1737, Louisville, Ky. 40201

Name source

To the Editor: In the Following the Funds column of your April 13 edition you quote a "Washington Political Source." This quote appears on Page 12 in Column 3. I would be interested to know whether it is possible for you to name this source. If so, I would greatly appreciate this piece of information.

Norman F. Hausmann,

Supervisor, Personnel and training, Connecticut General Life Insurance Co., Hartford, Conn.

Editor's note: The source will remain anonymous.

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D-6



Mance to confer with U.S. business leaders

LONDON—Plans are in hand for Henry S. Mance, Lloyd's chairman, to make an official visit to the U.S. this fall. He revealed his intention to businessmen at the American Chamber of Commerce in London, and declared:

"I am looking forward to the occasion immensely. I will be there for a month on behalf of Lloyd's, which has longstanding and close ties with America."

Business Insurance understands that details of Mr. Mance's visit will become more fully known later this year. It is expected that he will meet leading personalities in business, finance, insurance and commerce, as well as organizations with whom Lloyd's has close relations.

MR. MANCE, who spent three weeks in Australia on a business goodwill tour last fall, is 56.

He has been with Lloyd's since 1935, and has served on its executive committee for the last five years. He is a marine underwriter and a director of Willis, Faber and Dumas agency.

Moves for expanding Lloyd's capacity by \$250 million, and other suggestions in the recent Cromer committee report on its set-up, have been occupying his attention, as noted in an interview with *Business Insurance* (May 11).

Announcing his intended visit to the American Chamber of Commerce, he said: "The North American continent is today the most important area of the world for Lloyd's as international insurers. Underwriters are well aware of the scale and enterprise of American business from the aspect of the risks we underwrite.

"The name of Lloyd's of London in the U.S. conjures up thoughts of the place where you can insure anything. While this is not quite true, it is my opinion that the reputation owes more than a little to the ingenious and original requests we receive from our American business connections.

"Leaving aside the odd hurricane such as Betsy or Camille, much of our insurance business in America is to our mutual advantage. America gets first-class cover, and Lloyd's makes a modest profit out of it."

AFTER A TWO-YEAR study of Britain's insurance industry, the government-backed Consumer Council has created a clash of views by suggesting that the system of payment for insurance brokerage firms should be drastically changed.

It proposes that brokers should cease to draw commission from insurance companies and should move toward a system by which they charge clients a fee for their services.

Brokers would get government licenses to operate, and there would be standards of financial soundness and expertise laid down.

NATURALLY British insurance brokers are opposing any change of this kind, and insurance firms have been reluctant to comment, except to admit through the British Insurance Assn. that the proposals are of great interest.

The study is also of the opinion that most people in Britain are underinsured.

It recommends that insurance companies set up marketing and information centers throughout the country so that people could

buy policies on the spot.

The report is mainly directed toward companies selling life insurance or domestic risk policies.

* * *

INTERNATIONAL pop stars

Tom Jones and Engelbert Humperdinck have had their life insurance raised to \$7.5 million each by their employers, Management Agency and Music, because they are such valuable assets for stockholders.

Their lives were previously

insured for \$2.5 million each, but because they contribute so much to the company's earnings every year, it was decided to keep the insurance more in line with their cash value.

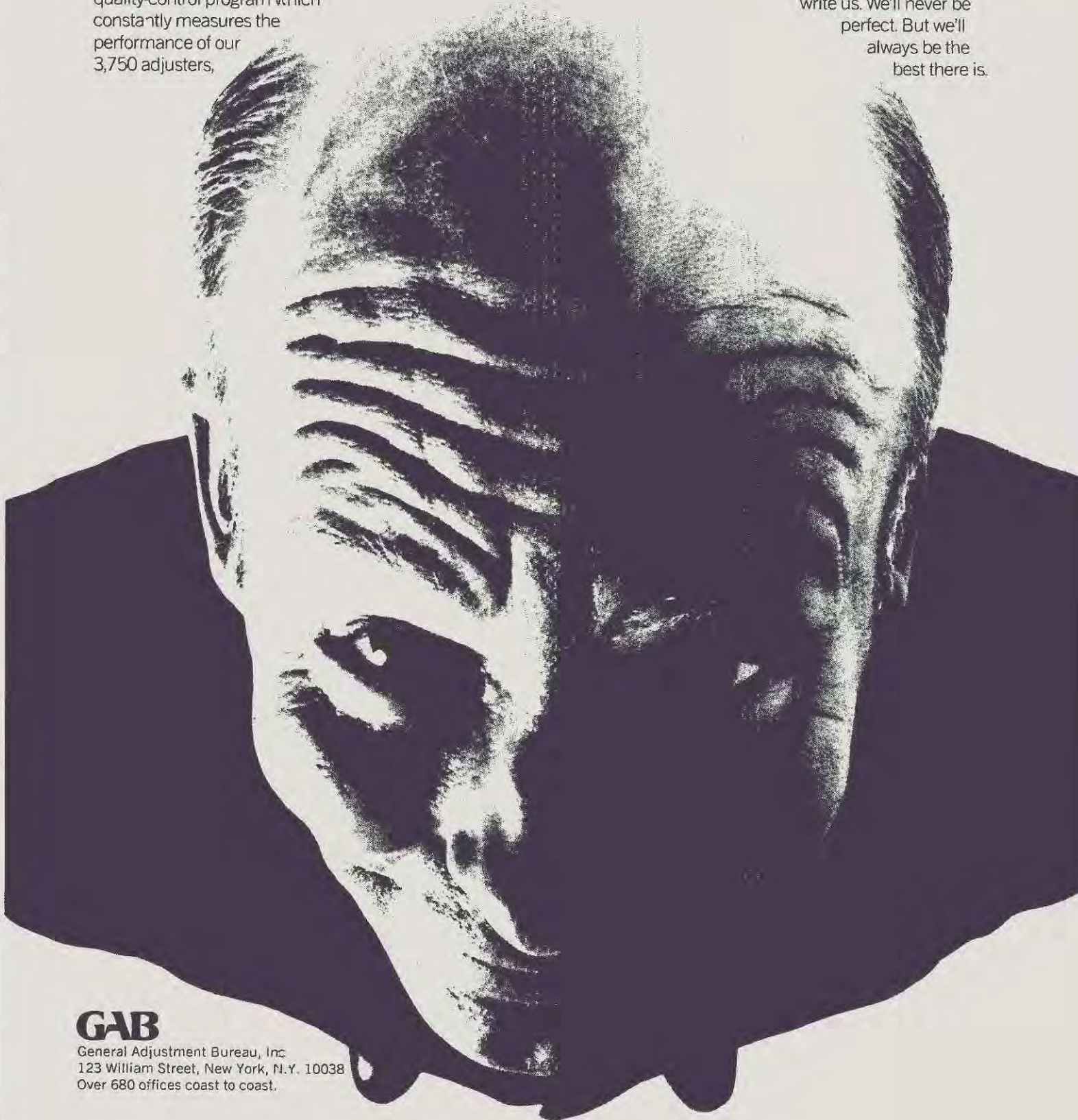
The insurance was placed on a

worldwide basis after nearly three months' negotiations. Both singers are under major contracts to the agency, which also has insurance for \$3.5 million on their manager, Gordon Mills, board chairman of the agency. ■

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following the funds

The 'go-go' thing is dead—or at least should be

By GEORGE LANGWORTH

NEW YORK—Some have whispered it and certainly the hint that such a time was near has come from developments involving Investors Overseas Services and the Enterprise Fund. However, a corporate pension fund officer said it aloud the other day when he asserted that "go-go" investors are a dying breed. Moreover, he added, those that are not dead had better get along with it.

At a recent meeting here of pension fund administrators and those serving them most of the speakers talked of the need for greater performance, higher per-

formance and sundry other things that those involved in pension investments discuss when they get together. For the most part, they repeated the two-year-old refrain.

William A. Hayes, director of pension fund investments for ITT, however, blamed the market's excesses—both high and low—on an "emotional and irrational" preoccupation with high, short-term performance. "Go-go" investing must go-go, in other words.

Mr. Hayes attributed the early development of this "mania" to a criticism of pension funds as being overly conservative. The crit-

icism gathered its real momentum in the early '60s, he said. Pension fund money managers began to look with envy at a new cult of mutual fund financial "wizards" who touted their soaring bull market success as "just the beginning" and built their "green thumb" reputations in tune with their fees.

LEGEND HAS it that someone lifted a phrase coined by the French to describe our pop music and sewed "go-go fund" to the coat tails of these high-flying geniuses who were buying a stock with a 25% dividend at 70 times earnings. Prices continued to rise and people continued to

buy. Now, in darker times, the go-go principle is still at work, said Mr. Hayes.

"One day when the market was going up sharply a broker called me to find out what I thought and what I was doing," recalled Mr. Hayes, who oversees slightly more than \$1 billion dollars in ITT's pension funds. "I explained that I was sitting tight and just watching—he was aghast: 'Aren't you going to participate?' he said incredulously. Now, when the market is plummeting, the same thing is happening. People are saying, 'How can I afford to be in anything. I have to be completely out of the market.'"

Mr. Hayes pointed out that this kind of short-term thinking about measurement forces the corporate money manager to try to out-guess the normal market fluctuations. "The quick response developed as an investment tool. Flexibility was the by-word. Now there is a financial consumer rebellion afoot: If somebody calls me up and tells me that a security has jumped up a lot of points, or a company is going to triple earnings this quarter, or split stocks or whatever, it would probably make me go out to lunch a little quicker. But that's about all," he quipped.

The name of the game has definitely changed, and people are beginning to appreciate the "prudent man" rules, Mr. Hayes said. "The more important objectives of a pension fund have to become preserving capital and making money in the long run rather than short-term performance," he pointed out.

MR. HAYES had a dual warning for both corporate pension officers as well as money managers seeking to handle a portion of their funds. "Pension funds must have much stronger leadership at the top. The strategy of having eight or ten money managers all going off in their different directions just doesn't work in this kind of a market environment," he pointed out. Strong, explicit objectives must be formulated and enforced by the corporate officer, explained Mr. Hayes.

"The pension officer is going to have to demand that his money managers have more expertise in fixed income management. We can't escape the fact that the fund must have sufficient fixed investments to help cover the fund's annual benefit obligations. The fact is, though, most bond portfolios haven't been effectively managed in almost a decade," he said. The audience murmured as he said it. A vp of Bank of America later told *Business Insurance*: He obviously hasn't seen ours.

"Money managers will have to show a capability in a much wider range of industries," Mr. Hayes predicted. He explained that during the bull market many corporate pension officers, seeing the short-term quarterly results of their portfolio, decided that since there was a bond loss, the majority of the portfolio's stocks were indecisive, and maybe eight or ten "glamor" or "growth" stocks were sailing higher and bailing the others out, the only worthwhile investment must be the handful of "glamors."

He termed this an "emotional" and "irrational" position and compared it to the position of some of today's market's sellers. Mr. Hayes called attention to a strange phenomenon on the market recently, noting Honeywell's stock had taken a 25-point loss in two days at a time when the company was showing a very strong position. "The people who are selling like that are acting irrationally, emotionally. We simply have to become more rational about this money management process," he warned.

CORPORATE officers will find that all these "new and improved" services which they must now demand of money managers develop greater experience in a wider arena of industries, become more professional, then their fees are going up accordingly," Mr. Hayes warned.

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Continued on page 34

Hartford merger greeted with 'guarded silence'

HARTFORD—ITT's proposed acquisition of Hartford Insurance Co. has drawn a step closer to fruition here with Connecticut State Insurance Commissioner William R. Cotter's approval of the proposal, exercising his responsibility under a new Connecticut law that governs such mergers in the state.

The commissioner's move drew a variety of reactions, most of them unchanged since the acquisition proposal was first announced a year ago. But Hartford's competitors and fellows in the insurance industry seemed to prefer a guarded silence, according to a survey of the industry conducted by *Business Insurance*.

In addition, the commissioner's approval was followed quickly by a Department of Justice announcement of its intention to press its attempted prevention of the acquisition.

IN HIS APPROVAL order Commissioner Cotter included the following conditions to which the two companies must adhere:

- Hartford's headquarters won't be moved from Hartford, Conn., for at least five years.
- Hartford Insurance Co.'s employment level or fringe benefit levels won't be substantially reduced for at least ten years.
- Hartford won't transmit funds in excess of its earnings to ITT for at least ten years.
- The Connecticut insurance department will have purview over any Hartford investment in ITT or its subsidiaries.
- Hartford will maintain the current level (1964-1969) of its underwritings in any line of insurance for at least five years.
- Hartford won't reduce "the involvement of its personnel and the level of the company's participation, financial and otherwise, in the civic and charitable affairs of Hartford and other local communities."

"I THINK the Justice Department stands a good chance to stop this merger," Dr. Herbert S. Denenberg, Loman professor of insurance at the Wharton School of Finance and Commerce of the University of Pennsylvania told *Business Insurance*. Dr. Denenberg had filed a letter with the commissioner prior to his action on the acquisition proposal. The letter pointed out Dr. Denenberg's contention that the "ITT-Hartford merger would contribute a substantial anti-competitive threat, while making another significant contribution to growing economic concentration that has dangerous potential" in our economy.

"It seems that any business dealing of this magnitude would result in an adverse effect on the future capacity of the insurance industry," he added, pointing out that ITT's interests in Hartford, because of its desirable cash flow and fiduciary responsibility of developing future capacity for new insurance, were interests at odds with one another.

"If the ITT-Hartford merger goes through I believe we're going to see resulting reciprocity on a grand scale, which is hitherto unknown," the professor declared flatly.

Dr. Denenberg's fears regarding reciprocity were discounted by another interested party, however. "I think Commissioner Cotter was right in allowing the merger," said Charles K. Cox, president of the Insurance Co. of North America, a mammoth competitor of Hartford's based in Philadelphia. "I don't think he

had any real reason for denying it. I read Dr. Denenberg's letter, and felt he was off-base."

MR. COX noted that some of the stipulations that Commissioner Cotter required of the two companies were strange. He labeled the required continued 'noblesse oblige' involvement of the Hartford and its management in community affairs as "ludicrous."

The agreement of Hartford and ITT to the commissioner's dictum to maintain the same level of underwriting for the next five years is more dangerous for the company, Mr. Cox noted. "How can you agree to continue to write the same amount of coverage in all of your lines for the next five years when you can't predict what's going to happen?"

Mr. Cox felt a more serious

problem underlying the proposed merger of the two giants was the capacity pinch. "The capacity shortage is real and Hartford is simply not going to be able to expand in a declining market," he said. As financial management such as ITT increases its control of insurance companies it will necessarily reduce or restrict the amount of capacity that the acquired insurance company might generate, he pointed out.

"I think the merger has a 50-50 chance," Mr. Cox predicted in the light of the Justice Department's interest in quashing it with an injunction. He doesn't see this merger starting any run on insurance companies by financial management companies, even if the Justice Department doesn't win its case. "Most of those who might have such a

move in mind have lost quite a bit in this market," he explained.

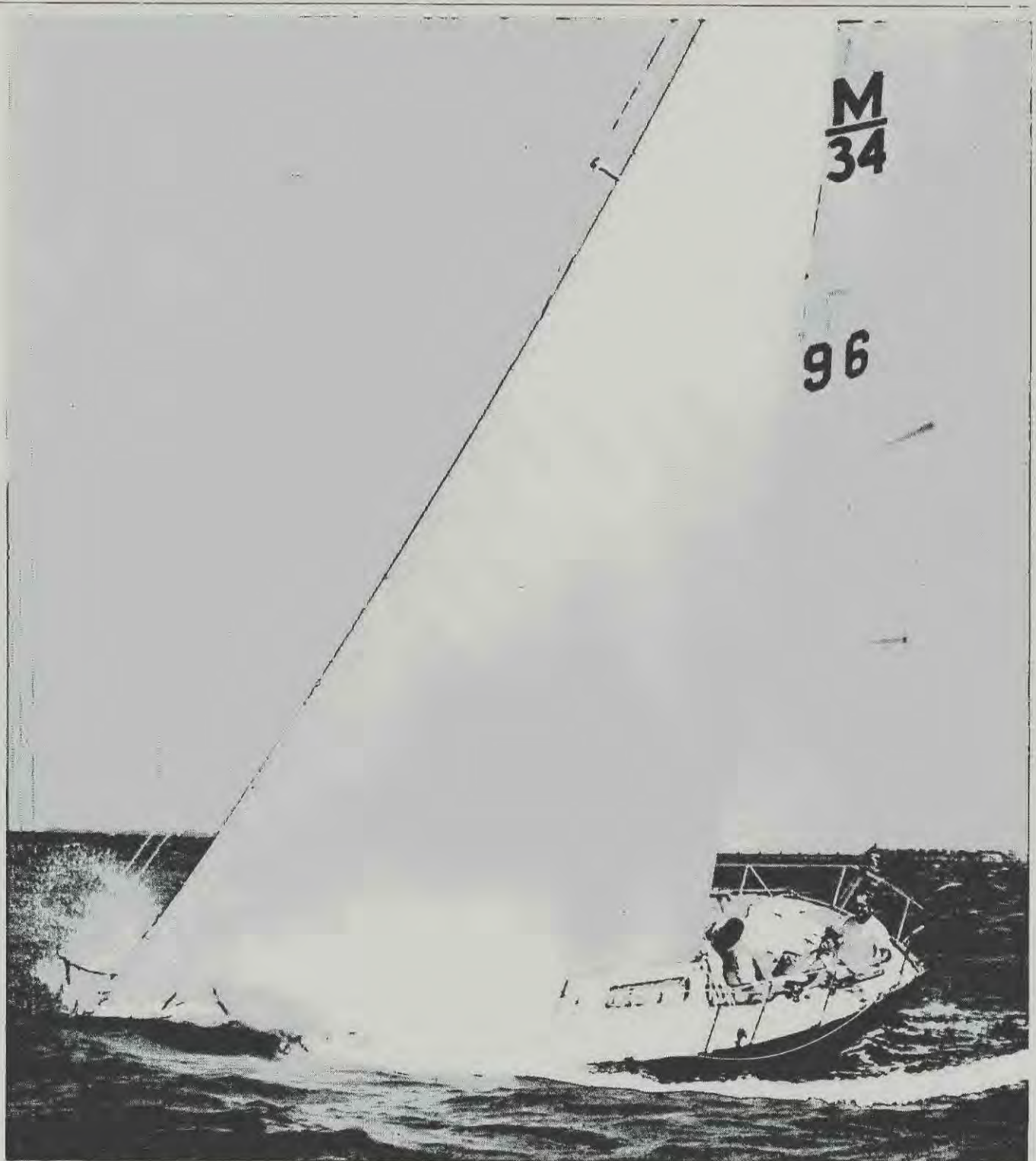
AS REPORTED earlier, Ralph Nader and Rueben Robertson, renowned consumer advocates in Washington, had filed a petition with Commissioner Cotter prior to his decision vigorously opposing the merger's approval. Mr. Robertson, when contacted, indicated that Mr. Nader and he would petition for a reconsideration of the matter, possibly through another hearing, based on the entire range of objections raised against the merger by all opponents. If this action does not work, he said that the two of them might bring civil suit against the commissioner.

Meanwhile, the Justice Department's opposition to the merger has been resurrected after a nas-

cent period during the Connecticut insurance commissioner's deliberations. Under a previous court ruling, the two companies must continue to maintain separate financial records until the court case—a permanent injunction hearing—is settled. Opponents of the merger expressed doubt that such a "hold separate" order could long remain effective after the merging of the companies. The case is scheduled for November.

The Justice Department originally opposed the merger on the grounds of alleged anti-trust violations.

A spokesman for ITT pointed out that ITT had been preparing to defend its proposal since last fall when the department first announced its opposition to the move.



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Rocky veto opens drive for mass-marketed auto coverage in New York

ALBANY—Governor Nelson A. Rockefeller has vetoed a bill that would have imposed stringent restrictions on mass marketed auto insurance, paving the way for insurers to offer such coverage to company employees in a more discriminatory form.

The bill, which was pushed hard by various insurance agents' associations, would have prohibited such plans if less than 50% of the eligible employees in a group participated and, according to insurance company officials, would have severely crimped the success of mass merchandising in

New York state.

The measure would have also forced insurance companies to write every member of the group that desired such coverage, with one exception, that exception being persons who had been convicted of driving while under the influence of alcohol or drugs (*Business Insurance*, May 11).

GOVERNOR Rockefeller's rejection of the bill is expected to signal a major drive by insurance companies for mass merchandised business in this state. Such a drive had been held up by the

pending legislation.

Under the payroll deduction scheme of marketing discounts to participating employees are expected to amount to 10% to 15%. Similar savings in homeowner coverage are also predicted.

The veto will allow underwriting companies to deny insurance to some bad risks in a group. Insurance agents pressing for passage of the measure had argued that this will tend to "pollute" coverages with good insurance risks and, in a number of years, make those good risks who do not have group auto coverage available to them pay rates comparable to what poor risks will have to pay.

An exclusion similar to that proposed in New York has already been enacted in Maine and New Hampshire. Connecticut also has such legislation, although a court decision has made it decidedly less stringent than the

proposed N.Y. measure. Colorado also considered such a bill, but rejected it.

Kosnett named vp

Lawrence L. Kosnett, assistant vp with Johnson & Higgins, New York, has been named a vp in the employee benefit plan department. A graduate of the University of Michigan, Mr. Kosnett had worked for the Prudential Insurance Co. prior to joining J&H.

Manager appointed

Peter S. Pilgrim, accounts man in the special accounts department of Marsh & McLennan Inc., Chicago, has joined the Milwaukee Marsh & McLennan office as manager of general insurance. He will also develop the office's facilities to serve commercial firms seeking property and casualty covers in the Wisconsin area.

Will decide if insurer must pay

SAN ANTONIO, Tex.—The Witte Museum had a \$200,000 policy on its \$350,000 McFarlin diamond, stolen in 1968, but the Maritim Insurance Co. Ltd. of Liverpool, England, has refused to pay on the coverage, and according to a Federal court ruling, a jury must now settle the dispute.

The insurers, represented here by the Albert Hirschfeld brokerage, have backed out because of a policy rider stipulating that a guard always be on duty during public hours at the museum. The diamond was taken when the guard took a short break.

"I had never heard of the rider," William C. Wiederhold, president of the San Antonio Museum Assn., told *Business Insurance*. "I never saw it in the policy. They must have added it after the coverage was written, but they didn't tell us about it."

Mr. Wiederhold said the museum rarely had trouble and that the theft of the 49½ karat, emerald cut gem was their first big loss.

The brokers refused to make any comment on the issue.

U.S. District Judge Adrian Spears said the trial would take place some time in July and that attorneys' preliminary briefs must be filed by June 15.

Former Texas A&I football player Cecil Yancey Evans pleaded guilty to the diamond theft in 1968. However, the gem still hasn't been recovered.

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Pensions, profit sharing initiated

PROVIDENCE—After 40 years without a pension and profit-sharing plan, Federal Chain Co., a jewelry manufacturer, initiated a program providing immediate benefits at age 65 for its 125 employees, many of whom are ready to retire.

"It's very unusual for a company to do this," said Vincent Vallaro, vp of Pension Designs Inc., the firm that set up the plan. "Normally plans are geared to fit the pocketbook of the stockholders, but in this case most of the money is for the employees."

Anthony Sion Jr., vp at Federal Chain told *Business Insurance* that about 35 people, which is almost 25% of his work force, are planning to retire in June.

"**WE ARE EXTREMELY** proud of our employees and appreciative of their loyalty and hard work," he said. "We decided it was about time we set up a benefit program."

He explained that the jewelry trade hasn't usually had benefit programs because its employees are mainly part-time, unskilled workers and much of its work is seasonal.

Federal Chain's new plans went into effect in January and are all company contributed. The pension plan is based on a straight percentage of salary, providing for 2% per \$7,800. The company pays 15% of its payroll into the profit-sharing plan.

Benefits also include individual life contracts written by Guardian Life Insurance Co. These contracts provide for not more than 40% of the employer's contribution as a death benefit.

Tyson's Foods benefit program is geared to workers' value to company

SPRINGDALE, Ark.—Employees of Tyson's Foods Inc., one of the nation's top ten poultry processors, benefit handsomely from a multi-million dollar product that graces picnic tables and family dinner tables throughout the world.

Chickens are big business in this Arkansas city, headquarters for Tyson's Foods and other giant food producers in the broiler industry. They are important, but the welfare of the people who process and sell the three-pound feathery creatures is the top concern of Poke Knight, Tyson's personnel manager.

Mr. Knight handles Tyson's employe benefit program, which is experiencing some of the same hospitalization cost problems as other companies in Arkansas and the nation.

THE COMPANY carries a full line of hospitalization coverage, retirement plans, life insurance, vacation pay and sick leave coverage for its workers, but no other problem is more pressing than hospital and doctors' costs.

"One of the main problems is the cost of hospital benefits," Mr. Knight said recently. "We fix it up this year and next year it's no good. The whole ball of wax goes

War wrecks are peril to giant tankers

LONDON—Battle casualties from two world wars can imperil giant tankers around shallow approaches to European ports, according to a Royal Navy report just released in Britain.

Insurers and tanker companies are warned of the dangers, stemming back in some cases more than 50 years, by Rear Admiral G. S. Ritchie, official hydrographer to the British Navy. He reveals in his official report that the sea waters around northwestern Europe are "cluttered with the wrecks of two world wars."

Then he points out: "With the present state of the science of hydrographic survey and with the shallow and changeable seas in the areas of these wrecked vessels, anxiety is felt at the minimal below-hull clearances accepted by the tanker companies.

"THE IMPORTANCE of providing detailed hydrographic information on deep-draught routes is accepted. But such surveys are time consuming, very expensive, and have to be fitted in with other important work. Tasks of this magnitude cannot be done quickly. In the meantime, the construction of these monster tankers continues."

Super-size vessels are creating a serious hydrographic problem to naval scientists. Britain looks after the approaches to its own waters, and also maintains responsibility for the Persian Gulf area, because its interests there go back so many years. The third shallow-water area, the Malacca Strait, is covered by international operations.

Around Britain, mainly in the North Sea, there are complicated and often changing sand waves of ten metres amplitude in shallow waters, which pose problems.

up." Tyson's benefit program for its employes is geared to the employe's worth to the company and benefits correspond with this worth. Most of the workers in a processing plant are women and their good health is of such significant value that the company pays to protect it.

The company pays for employes' hospital insurance, Mr. Knight said. If the employes want to include their families in the coverage, they must pay this themselves, he said.

THE FINANCIAL perils awaiting persons without at least some hospitalization insurance

are pointed out in cost comparison from three years ago. Mr. Knight said that a semi-private hospital room cost \$17 a day in 1967 and now it's \$35 daily in a Springdale hospital. The insurance doesn't cover all costs, but it provides for the bulk of them.

Tyson's uses Continental Casualty and Life Insurance Co. for its hospitalization coverage. The firm also carries a basic \$1,000 life insurance policy on hundreds of hourly workers.

The company employs 2,200 persons here and at facilities in Monette, Mo.; Knoxville, Tenn.; North Little Rock, Ark.; and Oklahoma City, Okla. Tyson's Foods, which also operates a

franchise business under the name, Chicken Hut, processes more than 60 million broilers per year.

Mr. Knight said that hospital and doctor's costs are his major problem in the employe benefit field. "We have workmen's compensation but we would like to come up with something to beat hospital and doctor costs. Inflation has got to stop somewhere. We can't discontinue coverage and leave the folks sitting there with nothing."

AND FOR SURE, Tyson's doesn't intend to let its supervisory and executive personnel sit there without anything. In a business where a few ounces on a chicken mean the difference between a profit and loss, the good executive and supervisor are valued highly.

"Benefits for supervisory people are based on responsibility," Mr. Knight said. The plant fore-

men and others in similar capacities get life insurance protection from the company in three categories, according to responsibility, he said. One supervisor's coverage equals his yearly salary, another would qualify for coverage amounting to one and one-half his annual salary and the third category of supervisor gets life coverage double his yearly earnings.

Mr. Knight said executives, who travel extensively, receive at least \$100,000 worth of accident insurance, plus a minimum of \$40,000 worth of life insurance. The executives pay 50% of the cost of their life insurance, he said. They also participate in a long-term disability insurance plan and a company-operated retirement system.

The retirement plan steers clear of insurance features and concentrates on growth stock, Mr. Knight added.

ARE ALL BUSINESSMEN REALLY ALIKE?

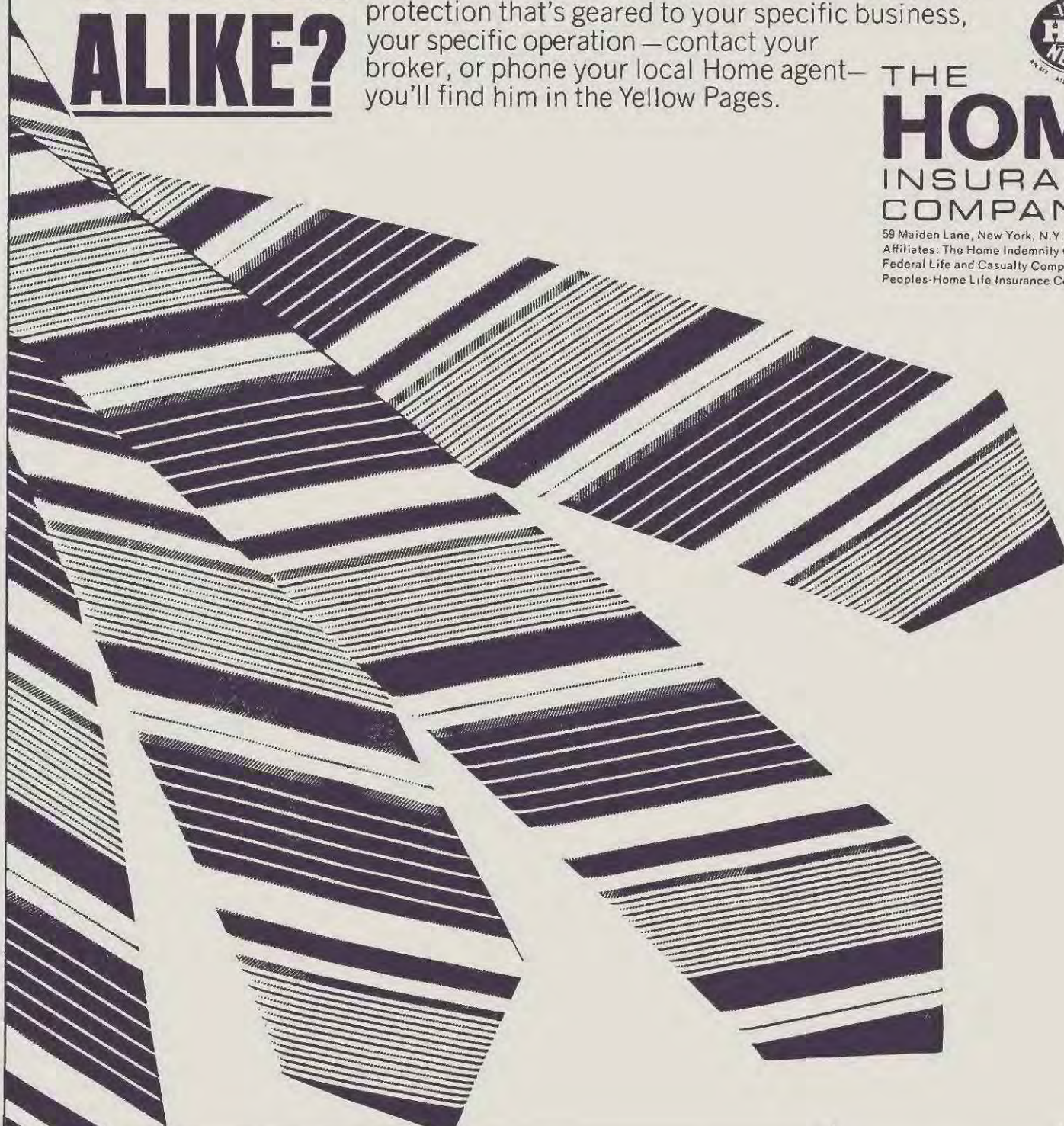
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Crash program saves Signal \$2.5 million

Company sets up brokerage; shaves dollars

By STEPHEN GILKENSON

NEW YORK—The Signal Cos., a diversified California-based firm with major interests in oil and gas, trucking and aerospace, totaled up its insurance costs a couple of years ago and found it was spending \$20 million a year on insurance premiums. The powers that be apparently thought this an outrageous sum to wave goodbye to annually, so they sat down and did something about it.

Essentially, the conglomerate decided on two courses of action. One was successful. The other was not.

First, the company changed its insurance philosophy somewhat, assumed higher deductibles and self-insured more heavily in other areas. Second, the firm sat down with its brokers at the time and others as well and tried to do business on a fee basis, thereby shaving dollars from broker commissions. The brokers didn't go for it.

THE ALTERNATIVE. M. Rex Pearson, insurance manager, said the other day, was to go into the brokerage business. Signal Cos. did and, in effect, it is now paying itself commissions. The company is also profiting from fees it collects for policies on which it acts as broker for other corporations.

In a way, it was simply a case of "If you can't lick 'em, join 'em."

Risk Controls Inc., a wholly-owned subsidiary of the Signal Cos., was licensed to do business last August. It placed its first policy Oct. 1. By year's end—three months later—the firm had placed business totaling \$2.9 million in premiums.

"This year," Mr. Pearson said while on a recent business trip here, "we should do \$7.5 million in premiums with no sweat at all. We're probably the fastest growing broker in this country. And when I say that," he added, "I mean in business generated internally—not business acquired by merging with other brokers."

To get into the brokerage business in California a firm must write 50% of its business from outside sources for the first five years. Thereafter it must write 66% from outside sources. The remaining 33% may be its own. Risk Controls Inc., according to Mr. Pearson who, in addition to his duties with the parent firm is also a vp of the young brokerage, will be placing all the parent firm's insurance business in about five years.

THE NEW FIRM got its start when Signal bought two small individual Los Angeles insurance brokerages. It also got a large book of business from Parker & Co. in New York when it took over physical damage coverages on Mack Trucks. Mack is owned by the Signal Cos. At present, according to Mr. Pearson, the brokerage firm has about 185 clients. Its only client of any size on the East Coast is the Oil Shale Corp. On the West Coast it recently picked up another large client, Pacific Outdoor Advertising. Risks Controls Inc. will open an office in the New York area in the near future. That was one reason the executive was here the other day. He's looking for a talented broker to run it for him.

According to Mr. Pearson, Risk Controls Inc. uses the "total systems approach to risk management." It is the same system the

Signal Cos.' insurance department has developed in facing its own insurance needs.

"We think insurance should be the last place to look for protection," the vp said. "We analyze a risk, decide from past experience where we can assume higher deductibles and perhaps even self-insure some risks. Insurance, after all, should only be used to beat the odds. Where those odds are in your favor, why should you insure them?"

"We've carved about \$2.5 million off our insurance costs in the past two years," he added noting that the cost cuts have come largely as a result of assuming higher deductibles. "On the bro-

ker side, of course we've driven our commissions down somewhat," he said of the recent move into the broker field, "but," he added, "we've done so without discriminating against our other customers."

RISK CONTROLS Inc. works with outside clients on a fee basis, just as it does with its own in-company Signal business. Mr. Pearson is a firm believer in the fee approach and agrees with those who say that if the brokerage industry does not come around to the idea in the next few years it may find itself in serious straits.

The fee varies according to a company's needs.

"We go into an account and analyze it first. Then we ask what the account expects of us. Is there any travel involved? If they have a loss in, say, Kankakee, Ill., are we going to have to travel there and study the situation? If they acquire a widget factory somewhere else will we have to go and analyze the new risks that may be involved? If we have to do that it is likely the fee might exceed a normal broker commission. If we don't—if the company has its own risk department—we'll negotiate a fee and it will likely be lower than a broker commission."

The Signal subsidiary hopes to do more and more business with

the larger clients, Mr. Pearson said, noting that Risk Controls is not ignoring the smaller accounts. It's more a case of where the firm's expertise is. "We're familiar with them" he says of the big clients. It appears also that the most money can be saved for the larger insurance buyer.

"When we find a client spending \$75,000 or more a year on workmen's compensation, for example, we'll tell him to self-insure and recommend that he get himself a stop-loss contract with a reinsurer to cut off his losses at, say, \$50,000. This is heresy in the brokerage business."

Continued on page 22



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Lucrative veterans property cover goes out to bid in state of California

SACRAMENTO—The state of California will "eliminate any suggestion of preferential treatment" in the award this year of an extremely profitable insurance contract on 123,000 farm and personal properties financed with state loans to military veterans.

During the last 10 years, two five-year contracts have been held by the National American Insurance Co. of Los Angeles despite criticism that the awards were made as a result of political considerations.

According to Frank D. Nicol, veterans affairs director for California, the bidding procedure this year is more formal and compre-

hensive than the method used to award the business in 1960 and 1965 during the administrations of Gov. Edmund G. Brown. National American won the awards both times. The late owner of the insurance company, Harold F. Ahmanson, was a generous campaign contributor to Gov. Brown and other public officials. Mr. Ahmanson died in 1968.

UNDER EXISTING California law, the state veterans director may award the insurance contract to any company, irrespective of whether or not it offers the lowest premium bid. The director can solicit bids or negotiate the terms with a company of his choice.

Gov. Brown's veterans affairs director, Joseph M. Farber, re-awarded the property and casualty coverage on the veterans' properties to the Ahmanson-owned company in 1965, despite the objections of former state insurance chief John F. Brady. Mr. Brady, since retired, termed the procedure used then as "extremely unusual" and called the contract terms "an oddball arrangement." He said he found at least two of 16 other proposals lower in premium with equal or better coverage.

Mr. Nicol, who is Gov. Ronald Reagan's veterans director, said he is following guidelines and recommendations of the new chief insurance officer, Gene

Marquant.

Mr. Nicol said the bidding procedure "guarantees that all significant markets will be canvassed and properly approached to insure the broadest possible range of competitive offers.

"THE DEPARTMENT," Mr. Nicol said, "will utilize a group of qualified agents and brokers, acting jointly, to represent insurance companies preferring a joint broker system. Bids will also be accepted from insurers who wish to bid direct to the state and from any independent agent or broker designated by a company for that purpose."

Mr. Nicol said that application of the joint broker arrangement, combined with other standard methods of bidding, will help secure bids from some blue-chip companies who might otherwise not be interested or who would refuse if flooded with requests from too many sources.

"Our multiple approach to the markets is nonexclusive, and together with the strict bid process will serve to eliminate any suggestion of preferential treatment," said the veterans affairs director.

The deadline for bids on the contract, which will be effective Dec. 1 for five years, is July 1.

THE PROFITABLE nature of the contract was confirmed by a report issued by the state insurance office on the net earnings of National American on the contract since 1963.

The report shows that during the seven years since, National American received \$13,924,342 in earned premiums and paid out \$10,277,354 in claims. The net gain of \$3,646,988, or 26%, compares with an estimated insurance industry average profit of 3% to 5% on such policies.

The state finance department has estimated that National American also netted several million dollars from interest on premiums during that time. The state collects premiums from veteran property owners in a lump sum for the five-year period and advances them to the insurance company.

In addition, the report pointed out that the company had little overhead expense in servicing the contract, since the veterans affairs department processes, investigates and determines claim payments, which are then paid by National American.

HOWEVER, IT WAS also noted that National American's percentage of profit on earned premiums has declined annually during the past 10 years from about 45% in 1960 to about 10% last year. The decline is attributed to inflation of repair and replacement costs.

The decline indicates that the winner of the insurance bid will have to get higher rates, or offer less coverage. National American is getting 42¢ to 60¢ per \$100 of valuation, with the lower rate applied when the property owner assumes a deductible.

The Los Angeles insurance firm won the contract initially in 1960 in competition with a combine of 238 insurance firms. During the administration of Gov. Goodwin Knight before that the contract was "spread around" to a number of insurance firms, including legislators who were parttime agents. ■

Study rehab in California

SAN FRANCISCO—California's division of industrial accidents has started tabulation of a study to determine what is being done throughout the state by insurance companies or employers toward rehabilitation of work accident victims.

Initial tabulation indicates, according to R. A. McLeod, special rehabilitation consultant, that 14 insurance carriers and 15 self-insurers account for approximately 65% of the compensation premiums in the state and have been engaged in rehabilitation.

The carriers and self-insureds, McLeod said, have reported on a total of 1,458 cases. In about 40% of the cases, the problems of the injured employe were solved with placement in a different job but with the same employer. In another 40% a change of employers was required and in the remaining 20% the injured worker received a lump sum payment.

Only 309 of the 1,458 injured utilized the services of the California state department of rehabilitation. ■



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Oystermen sue for pollution damage by utility

SAN FRANCISCO—What may become a test case to determine business liability for damages in the environmental field has been filed in superior court here.

The case involves oysters and a claim for \$10,626 in damages. Defendants are Pacific Gas & Electric Co., its sub-contractors and Leslie Salt Co.

The suit, filed by Belon Oysters of California charges that installa-

tion of a PG&E power line across northern San Pablo Bay caused a minor ecological disaster that annihilated hundreds of thousands of commercially grown oysters.

STEPHEN HALPRIN, secretary of the oyster-growing firm, said "several hundred thousand oysters, many of them nearing readiness for Bay Area markets, were destroyed by construction

work on the Ignacio power line early in 1969.

"They totally destroyed our test plot there," he claimed, "either with their mechanical equipment, changes in water level to float their equipment, or through siltation."

The North Bay site, at the Napa-Solano county line, was leased by Belon from Leslie Salt as the oyster firm's first major

bay area test plot. "We were experimenting with two new species of oysters especially adapted to San Francisco Bay waters," Mr. Halprin said. The Palo Alto oyster firm has other major oyster growing plots at Morro Bay, on the central coast.

The suit charges that either PG&E or Leslie permitted the contractors, Manson Construction and Engineering Co. and General

Construction Co., to trespass on the oyster bed.

PG&E officials declined to comment on the suit.

Signal . . .

Continued from page 20

THE VP ADDED, "Also, almost invariably we tell a client to self-insure his property damage covers on company-owned vehicles. Experience almost always shows that a company is merely trading dollars with an insurance company for these covers, with the insurance company getting a profit on the business." He added that the broker gets his cut from this business as well.

A decision to self-insure or assume higher deductibles, however, can only be made when extensive records of losses are kept by the insured or his broker, Mr. Pearson pointed out. This is part of what he calls the total systems approach to risk management. Signal, for example, has been keeping such records on computer for several years and at the press of a button can get a read-out on where the losses have occurred and what they have cost the firm or its insurers. The same service is also being provided for clients who do business with Risk Controls.

While the decision to go into the brokerage business was arrived at largely as a result of the fact that brokers—and the largest of them were the most hard-nosed about it, Mr. Pearson said—would not do business on a fee basis, it is hoped that Risk Controls will one day become a viable part of the Signal Cos.' organization. The conglomerate now numbers about 170 corporations.

"The firm was not set up to write its own business alone," Mr. Pearson said. "We're in business. Eventually Signal business will become an insignificant portion." Risk Controls' pretax earnings for the first three months of operation amounted to \$190,000. This year's gross earnings may be as high as \$700,000, Mr. Pearson said.

SIGNAL is still doing considerable business with outside brokers because of California's 50-50 rule. At present, for example, Risk Controls is placing only about \$2 million in premiums for Signal. The remaining \$15 million or so is still being placed by outside brokers. Emmett & Chandler of Los Angeles has the largest chunk of the business and, Mr. Pearson admits, relationships there have become somewhat strained since Signal became a competitor. Risk Controls recently grabbed up a slice of business almost from under Emmett & Chandler's nose.

The Los Angeles broker, however, still handles all of Signal's employee benefit coverages. "We're not into that yet," Mr. Pearson said of Risk Controls, "but we will be when we're geared up for it."

The firm will also open an office on the East Coast in the near future, but it will not be in New York City.

"It will be in the New York area. Jersey or Connecticut perhaps. We think it would be a mistake to open an office in Manhattan. It just doesn't pay. It's very expensive here and there's no reason why a man located just outside the city can't come over for a day. Setting up an office here would be contrary to our general philosophy to save money for the client," Mr. Pearson said.

INA's pollution liability exclusion told

SAN FRANCISCO—Insurance Co. of North America has become the first carrier to formally recognize the potential liability problems of ecology—claims for damages arising from environmental

pollution.

The INA endorsement provides that: "This insurance does not apply to bodily injury, personal injury or property damage arising out of pollution or contami-

nation (1) caused by oil, or (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."

Insurance executives place emphasis on the difference between "pollution" and "contamination." ■

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For any of your injured employees, Comp Care goes a long way beyond just paying out money. We care about people, and we show it in helpful ways that can make accidents just a little easier to bear.

When it comes to rehabilitation, for example, our MEND program swings into action to get treatment

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A MEND nurse will look after him and his family, making sure their essential needs are filled and expenses met. And if it's needed, our MEND program will give your employee vocational retraining that will return him to useful independence without wasted time.

You owe a program like this to yourself because, in the long run,

Comp Care can often result in your lowest net cost. Add to rehabilitation an effective program which reduces accidents, provides efficient loss control and accurate payroll classification and you have total workmen's compensation coverage that could cost you less than you're currently paying.

It's certainly worth investigating. Ask your INA or PEG agent, or your broker, about Comp Care.



Insurance Company of North America
Pacific Employers Insurance Company

INA Corporation Companies

speaking of security

Effort to end vandalism attempts to get Boston children 'to identify'

BOSTON—The young vandal wantonly destroying public property is a common bogeyman in a lot of people's nightmares, especially those of insurance underwriters and city officials.

But the parks and recreation department here isn't calling in the national guard. It has decided to meet the problem with some quiet Madison Avenue soft sell, and has hired an advertising agency to conduct an antivandalism campaign in city elementary schools.

Irving Sacks, president of Sacks, Ltd., has set up the summer program which is designed

Associations offer fringe benefit plans

NEW YORK—Three service organizations have been offering a complete program of surgical major medical and life insurance benefits to their employer memberships.

This, and a similar program undertaken recently by a pharmaceutical association, are part of an increased trend among such organizations to avoid unionization.

The North Atlantic Food Dealers Assn., the Virginia Food Dealers Assn., and the Society for Professional Management had a program designed for them by Daniel & Young Associates, and association insurance consultant. The comprehensive benefits plan, earmarked for clerical and management level employees, includes a \$100 deductible major medical schedule, paying up to 80% of any reasonable medical expenses including semiprivate room and board, other hospital charges such as drugs, x-rays and private nurses.

The major medical plan is limited to a \$15,000 aggregate amount for the life of the insured employe. The plan also provides a surgical benefit of \$350 per illness. The total package also includes \$10,000 in decreased term life insurance, reduced to 75% of the principle amount at age 65. Insurance coverage is provided for the three plans by Standard Security Life Insurance Co. of N. Y. and Blue Cross. Cost of the plan varies according to where it is being implemented, from as low as \$19.00 per month per employe in some parts of Virginia to as much as \$23.50 per employe in New Jersey.

North Atlantic Food Dealers Assn. has enrolled 53 out of its 160 members, Virginia Food Dealers have signed up 60 employer members and the Society for Professional Management with about 55 members has enrolled approximately one-third in its benefits plan. ■

Employers' changes

Employers Insurance of Wausau has named Warren S. Webster Detroit regional marketing manager. Mr. Webster succeeds Edward A. Zengel, recently appointed Twin Cities regional manager. Neal M. Atherton has been appointed to Mr. Webster's former position as Northwest regional marketing manager.

to interest children in the city and make them feel a part of it.

"Boston parks have suffered from vandalism in all areas of the city," Mr. Sacks told *Business Insurance*. "We think one of the reasons for it is a child's lack of identity with public property. He grows up with no conception of what it is. He thinks it belongs to a great white father in city hall. We want to change the negative, authoritarian, 'no, don't touch' approach to a positive 'yes, this is your park.'"

FROM MAY 29 until the close of school in the middle of June, about 68,000 pupils in grades one through six will see movies, plays and listen to folk singers tell about the history of Boston's landmarks and parks.

"The shows will tour the schools," Mr. Sacks explained. "It's a very contemporary approach and will be much the same style as the children's program, 'Sesame Street.' We are also putting short spot announcements and films on local kiddie

TV shows."

He noted that after acquainting the children with what Boston public property is, then they will be given land deeds with their names on them to illustrate that they are actually part owners.

"The child becomes part of the Boston Playpark Partner Program," Mr. Sacks said, "and 'partner' is the key word in this. We will stress the fact that he owns this with other people. He can't just do what he wants. He has a responsibility."

CHILDREN will also write their names on huge park bulletin boards listing land owners. Signs will be put up around parks, reminding children, "It's your play park now. Now take care of it."

Mr. Sacks said the program also includes re-education of park personnel.

"An antagonistic attitude on the part of city employes could ruin everything," he said. "Often

a child will commit an act of vandalism to get back at someone who hollered at them or chased him out of the park."

He stressed the fact that vandalism problems did not come solely from the ghetto.

"This is a problem in the entire city," he said, "and quite often vandals are kids from good families."

He feels the only way to beat the problem is to indoctrinate children when they are young.

"We are hitting the elementary school age group because we feel this is when they are forming their opinions about their environment. If you give them a sense of belonging to and understanding their surroundings now, hopefully they'll grow up with it," he said.

The city will review the program at the end of the summer to measure effectiveness and determine whether or not it should be continued. ■

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Annuities. Any excess earnings are guaranteed too, of course. Bear in mind that an increase of 1/4% in earnings will often decrease pension costs or increase benefits by 6%.

See your broker or one of our group sales representatives or agents. We'll have a man contact you for an appointment if you write Ivan D. Pierce, Director, Pension Sales, Pacific Mutual Life Insurance Co.,

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Experts plan Thames flood barrier

LONDON—Government experts are planning a \$120 million flood barrier to stop the River Thames sweeping out above its protective banks as it passes through London to the North Sea. Fears of flooding in the capital, with the enormous damage claims that would be caused, have been present since a hurricane off the English coast in 1953.

The city is sinking fractionally every year, and more than 24 square miles of it lie below the level of an average high tide as the famous river nears the sea. So that if the combination of hurricane-force winds and maximum high tides forced the ocean waves into the Thames estuary they could surge into some vulnerable areas.

But there is one reassuring point for American businessmen who might be visiting Britain. The chance of a major flood is that it will occur only once in 100 years, so there should be no more this century at least. Though there are pessimists who claim that there is a 34-1 chance of a disaster in the next ten years. ■

Toledo firm being sued by insurers

TOLEDO—A music store here is being sued by 11 insurance companies for \$372,069 the companies paid in damage claims resulting from a May 1968 fire that damaged the Westgate Shopping Center.

However, in another suit filed in a U.S. District Court, the store is in turn suing the shopping center and Fry Brothers Heating and Air Conditioning for the same amount.

According to the insurance company's suit, Grinnell Brothers music store and its employees were negligent and liable for the fire that destroyed the music store and did damage to nine others in the complex. However, Grinnell has charged that the fault lies with the shopping center and the air conditioning firm. The suit further alleges that the shopping center, with corporate offices in Chicago was negligent in building improper firewalls between stores and in having insufficient fire extinguishing equipment.

The Grinnell firm has since reincorporated as American Music Stores Inc., with home offices in Detroit. ■

Sues Sears over beard

BOSTON—Robert T. Bonner of Fitchburg, Mass., has filed suit in U.S. district court here charging that Sears, Roebuck & Co. refused to hire him because he wore a beard.

Mr. Bonner alleged his application for employment in the company's Leominster, Mass., store was accepted but that on April 15 a company officer refused to put him to work as an auto mechanic after seeing that Mr. Bonner had a beard.

Mr. Bonner claimed that the company's action violates his rights under the 14th Amendment to the Constitution and asked Judge J. W. Ford to order his reinstatement. ■

Crop covers selling slow in Ontario

TORONTO—Only about 5% of Ontario's farmers have bought crop insurance in the five-year-old government insurance program, according to estimates of the department of agriculture. In Manitoba, however, the figure has risen to about 50%.

According to agriculture minister William Stewart, Ontario farmers are still not ready to accept the crop insurance program because they have never had to face the problem of a total crop loss.

The agriculture minister blamed two factors for the disinterest among farmers.

For generations, he recently told a legislative committee, Ontario farmers have produced diversified crops and have always been able to offset one crop loss with others. But, he warned, a total crop loss is not an impossibility, pointing to the 1965 drought that devastated crops in eastern Ontario and led to government-backed crop insurance.

Mr. Stewart said a second factor is that farmers generally want assurance that they will "get out of the insurance what they put into it." He said he knows of no insurance program that will provide this guarantee. ■

Malpractice panic hit

SAN FRANCISCO—California doctors "are in a panic over the outrageous costs of malpractice insurance," a CPCU symposium was told here last week by California State Sen. George R. Moscone.

Sen. Moscone warned the insurance industry "there will be legislative action to provide something in the nature of an assigned risk plan in this field, if the insurance industry does not solve the problem itself."

Another speaker at the symposium, State Insurance Commissioner R. D. Barger, claimed "the insurance industry suffers from a candor gap.

"Company advertising," Mr. Barger declared, "invariably states, 'we are always here; we are always available' but makes no mention of the price.

"The public wants more," Mr. Barger added, "but wants to pay less for it. This just does not add up in a profit economy." ■

Gets Conn. city contract

BRIDGEPORT—The North River Insurance Co., a member of the Crum and Forster Insurance Cos., has been awarded a three-year \$153,000 contract to provide coverage for all city-owned buildings here.

The city had been paying about \$23,000 for similar coverage written in previous years by Aetna Life & Casualty. However, a fire in a Bridgeport school last year cost Aetna \$289,000. When the policy came up for renewal the Hartford-based carrier increased its bid to \$53,000 a year (*Business Insurance*, May 11).

The policy with North River will cover property totaling \$46 million, with a \$150,000 deductible on all damage. In addition, North River is writing a \$2 million personal liability policy on the properties. ■

And vice-versa.

...the same conviction we at Security feel about coverage provided by Utica Mutual.

In casualty insurance. In property insurance. Offering a real security blanket. For heavily responsible businessmen.

The kind of blanket again woven partly by time. By a half-century of thorough knowledge in their field. And the always-mindful needs of each businessman. Individually.

A combination of expertise and attitude bolstered by a forward-looking management. Investment-conscious. And intent on the fullest protection at the lowest possible cost.

That's why Utica and Security have teamed up. Have complemented each other's lines in an arrangement that together provides coverage in *all* areas of insurance.

All of which gives you, person and businessman, what really works when you try it—the best of both possible worlds.



Caterpillar employe endorses his medical coverage in employe paper

PEORIA, Ill.—Communicating employe benefits is aided at Caterpillar Tractor Co. here by articles in its employe newspaper, *Caterpillar Folks*.

Here is an account relating one employe's experience with the medical coverage he received from the firm's insurance carrier, Metropolitan Life Insurance Co.

The article was written about Bob Jones who retired April 1 from East Peoria plant protection.

"Where would I be financially if I didn't have the insurance coverage Caterpillar provides?" Bob Jones answered his own question:

"I WOULD be so far in debt I couldn't live long enough to pay

all the bills."

Mr. Jones had been on total and permanent disability leave since October, 1962. During eight years he received approximately \$35,000 in disability benefits.

But, according to Mr. Jones, that's only part of the story.

"Over the past 22 years Caterpillar group insurance also has paid thousands of dollars in medical benefits," he pointed out.

Six times Mr. Jones underwent surgery. He also was hospitalized several other times for diagnosis or treatment. Besides arthritis, he now has emphysema that requires respiratory treatments.

IN ADDITION, his wife, Ethel, was hospitalized several times.

She underwent surgery twice while an employe and during those two medical leaves she also received disability benefits.

Mrs. Jones worked in the cafeteria 17 years before she left the company in January, 1962.

"Two years ago Ethel was hospitalized 19 days for pneumonia and her medical and doctor expenses were paid for under my insurance coverage," Mr. Jones said.

"My wife and I never had to worry about facing big medical and doctor bills. The insurance took care of them and it's a great relief to know you only have to think about recovering. I have no idea what those bills would total—only that the amount would be

enormous," he continued.

Mr. Jones started with the Caterpillar Military Engine Co. in Decatur in October, 1942.

"I'm so grateful to Caterpillar for giving me job security and also insurance protection that provided more security.

"I'm no exception. Every employe has this same excellent insurance coverage. It's there if you need it."

CNA promotes three

CNA Investor Services, Inc., a broker-dealer subsidiary of CNA Financial Corp. appointed as western region divisional managers Don A. Morrow, Seattle, Wash.; Fritz F. Hoerdemann, Denver, Colo., and Floyd Ackerman, Los Angeles, Cal.

On appeals board

Susan L. England has been named referee with the California workmen's compensation appeals board in the Pomona branch office.

Benefits high in '69 at Hercules

WILMINGTON, Del.—Hercules Inc. here announced that its employes received 32¢ of each sales dollar in 1969 in direct compensation and fringe benefits.

Hercules, a manufacturer of polyolefins, plastics, fibres, paper and rubber chemicals and other chemical materials for industry, employs more than 22,000 persons.

The Mixer, the company magazine, reported that Hercules employes receive pensions, group life insurance, savings plans, hospitalization (for active employes and their families), hospitalization insurance (to supplement Medicare for pensioners); disability payments, vacations and paid holidays.

Additional benefits received by its employes include medical care on the job, leaves for funeral and jury duty, adjustment in pay for military duty, cafeterias and eating facilities, and social and athletic clubs.

Hercules pointed out its substantial contributions above those required by law such as Social Security, unemployment compensation and workmen's compensation.

During 1969 Hercules contributed \$21,748,000 to pension plans and Social Security. The firm paid out \$238.9 million in wages, salaries, and benefits during 1969.

Kemper securities begins sales

CHICAGO—Kemper Securities Sales Co. has begun operations in Illinois, Iowa and Ohio. Formation of the company, another step in the current national trend toward combined financial services, was announced by James S. Kemper Jr., president of Kemperco Inc.

The new company, a member

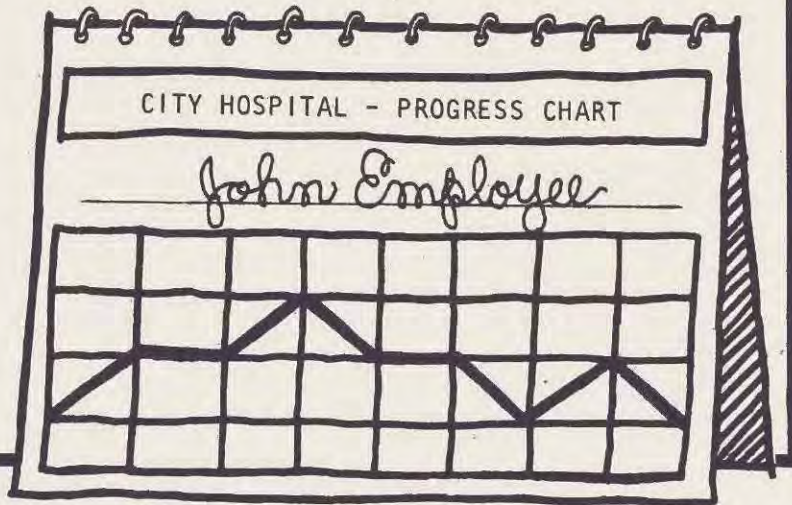


B. J. Peterson

firm of the National Assn. of Securities Dealers, is a broker-dealer for mutual funds. It is a wholly-owned subsidiary of Kemperco, Inc., the financial services holding company of the Kemper Insurance Group.

B. J. Peterson, manager and vp of Kemper Securities Sales Co., told *Business Insurance* that the funds will be handled "eventually through all Kemper agents, as soon as they are licensed under the NSDA and in their state of operation." Marketing for the company will be limited because of the strict regulations on such advertising, he said, and other than listing available securities and offering a free prospectus, Kemper Securities will not do any advertising.

How long will you pay his salary?



Mr. Businessman, if one of your employees suffers a total, long term disability, how long can you afford to go on paying his salary—while paying his replacement as well? Statistics prove there's a good possibility you will be faced with this decision—so why not protect yourself, and your employees, with a Bankers Security Long Term Disability plan?

LTD is so flexible. Coverage can be tailored for a select group or extended to all employees, and fitted around existing salary continuance programs, including Social Security.



LTD helps *you* attract and keep a quality employee, because it gives him peace of mind, protects his savings and gives him more disability income at a lower rate than on an individual basis.

Bankers' Long Term Disability plan is just one of the reasons why we're "leaders in insurance for better living." If you'd like to know more, contact the Mass Coverages Department, Bankers Security Life Insurance Society, Executive Office: 1731 Pennsylvania Ave., N.W., Washington, D.C. 20006. Home Office: New York City.

Leaders in Insurance for Better Living

Bankers Security

Pru entering property-liability field; will stick with personal lines at first

NEWARK—The announcement here late last month that the Prudential Insurance Co. is going into the property and casualty business did not come as a surprise to the insurance community. What is surprising, however, is the manner in which the world's largest life insurer has chosen to take the plunge.

Prudential will begin writing personal property and liability lines, primarily automobile and homeowners, in the spring of 1971. Policies will be marketed by Pru's huge sales force, but underwriting, administrative and claims services will be provided by Kemperco Inc., holding company of the Kemper Group, on a fee basis.

According to Kenneth C. Foster, Prudential president, the company has no immediate plans to enter into commercial lines coverages—such as workmen's compensation, general liability and business insurance. However, he did not rule out the possibility that Prudential may be prepared to do so by the time next spring rolls around.

"WE JUST DON'T KNOW at this point," Mr. Foster told *Business Insurance* when asked when the life insurer may be ready to inject new capacity into commercial lines. Asked if such an arrangement might also include participation by the Kemper Group, Mr. Foster replied: "It's likely to be, but it doesn't have to be."

The arrangement between Prudential and the Kemper Group, which had been discussed in high levels of both companies for at least 15 months, is believed to be unique in the industry, at least as far as a large life insurer joining hands with a ranking property and casualty underwriter goes.

However, both parties to the agreement emphasized during a recent press conference that the arrangement is in no way preliminary to a merger.

"The negotiations were conducted at arm's length," James S. Kemper Jr., president of the Kemper Group, said. "Obviously one company is 25 times larger than the other, but nobody swallows anybody."

DONALD S. MACNAUGHTON, chairman of Prudential, termed the agreement a "management contract." "Prudential is going into a business and Kemper is going to manage it," he said. No money has changed hands between the two companies.

Under the term of the agreement, which has received initial approval from both boards of directors, the contract between Prudential and Kemper will cover an 11-year period. However, both companies have the option to cancel after the end of a one-year pilot operation or at the end of the sixth or a subsequent year.

To get the operation off the ground, Prudential will purchase a small "shell" company, or two or three such companies that are licensed to do business in all states. Mr. MacNaughton disclosed that his company is currently negotiating with the Kemper organization for American Protection Insurance Co., a property and liability carrier licensed in 26 states. If that deal were completed, Kemper would pull its business out of the firm, which is said to be worth about \$2 million, and absorb it in other Kemper companies.

Under the agreement, the Lumbermens Mutual Casualty Co.,

largest in the Kemper Group, will also have the right to acquire up to 10% interest in the company or companies Prudential might buy.

THE ARRANGEMENT between Prudential and Kemper does exclude commercial lines, but it will not prevent Pru's entry into the mass merchandising of auto and homeowners coverages. However, the company is not expected to make any major advances in this area, if only because the company it is linking arms with has made none to date.

"We're preparing for it," Mr. Kemper said of his group's mass merchandising plans. "We haven't felt the impetus there to be in it

on a broad scale up until now, but we've been tuning up and preparing for it," he reiterated.

However, Prudential, second only to Metropolitan in group life sales, is said to be especially well equipped in this area, if only by virtue of the fact that it has its foot in the door of many companies that may consider such plans for their employes in the next decade.

"If this business should head into the direction of no-fault auto insurance—as many in the business are predicting these days—it is likely that a good part of auto insurance will be sold on a group basis," Mr. Foster declared. He added that Prudential is an expert in the area of group sales. ■



An unusual agreement with the Kemper Insurance Group to obtain certain underwriting, administrative and claim services for one or more Prudential Insurance Co. subsidiaries yet to be acquired was reached at this meeting between Kenneth C. Foster, left, Prudential's president; James S. Kemper Jr., president and chief executive officer of the Kemper Group; and Donald S. MacNaughton, right, Prudential's chairman and chief executive officer.



If you are doing business abroad, you have found that insuring your corporate interests in other parts of the world can sometimes be a sticky problem.

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Employers-Commercial Union Companies

INTERNATIONAL RISK DEPARTMENT

110 Milk Street, Boston, Massachusetts 02107

Current-costing system controls work comp claims

By TERESA NORTON,

ROSELLE, Ill.—The old saying about the many suffering for the errors of the few isn't an adage for nothing. In the case of a company its interpreted as "the whole company suffering for the injuries of a few." But Employers Insurance of Wausau may have a way to make this interpretation obsolete.

Richard Kellman, president of Case International Co. in Roselle, Ill., told *Business Insurance* of his company's use of Employers' current-costing system—a program that allows for specific budgeting for injury costs and, more important, specific accountability for injuries.

Case is a caisson drilling company operating mainly in the

Midwest. "Most of our accidents," said Mr. Kellman, "occur in the field. Our projects involve depth drilling and many eye and hand injuries have resulted from repairing the drills.

"**WE BEGAN USING** the current-costing system in May 1967," he continued. "We had had a couple of bad years insurance-wise, due chiefly to a couple of bad accidents, and Employers got on us for it." Current costing quickly pointed out that eye injuries were Case's biggest problem and enabled the company to start doing something about it.

Employers' method is based on the assumption that employ injury costs should be controlled just as any other production costs since they increase a company's

operating overhead, as do the expenses of raw materials, parts and labor. A brochure entitled "Three Giant Steps to Management Control of Injury Costs" uses tables and graphs to explain the program and is available from the insurer.

Measuring the cost of injuries must be done promptly to be relevant to a company and to be useful in determining any sort of budget for the area, the insurer says. Several problems make this difficult, among them the facts that the total cost of an individual injury may not be determined for years, and that compensation benefits vary widely from state to state and are often influenced by the number of the victim's dependents.

To solve the problem Employ-

ers studied thousands of workmen's compensation cases and developed a system of averaging costs for five categories of injuries. The categories include injuries that require medical attention only and involve no lost time from the job; temporary total disabilities, which involve lost time but leave no permanent disability; permanent partial disabilities; permanent total disabilities; and fatalities. Temporary total disabilities and permanent partial disabilities together account for more than 80% of the total injury costs to a company, according to the study.

AN INSURED can compute the cost of an accident immediately by using the national averages for medical charges arrived at by Employers for the type of injury involved. These are multiplied by the number of days or hours lost from the job.

Medical-only injuries, the first category, are estimated to cost \$25 a day. Temporary total disabilities fall at \$75 for each day of hospitalization, with an average of \$25 a day for convalescence. The costs of permanent partial

disabilities and permanent total disabilities are obtained from a detailed schedule of charges Employers has prepared for each part of the body. The permanent total disability cost is listed on the schedule. Permanent partial disability costs are determined by multiplying the percent of loss of function of the particular part of the body by the permanent total disability cost.

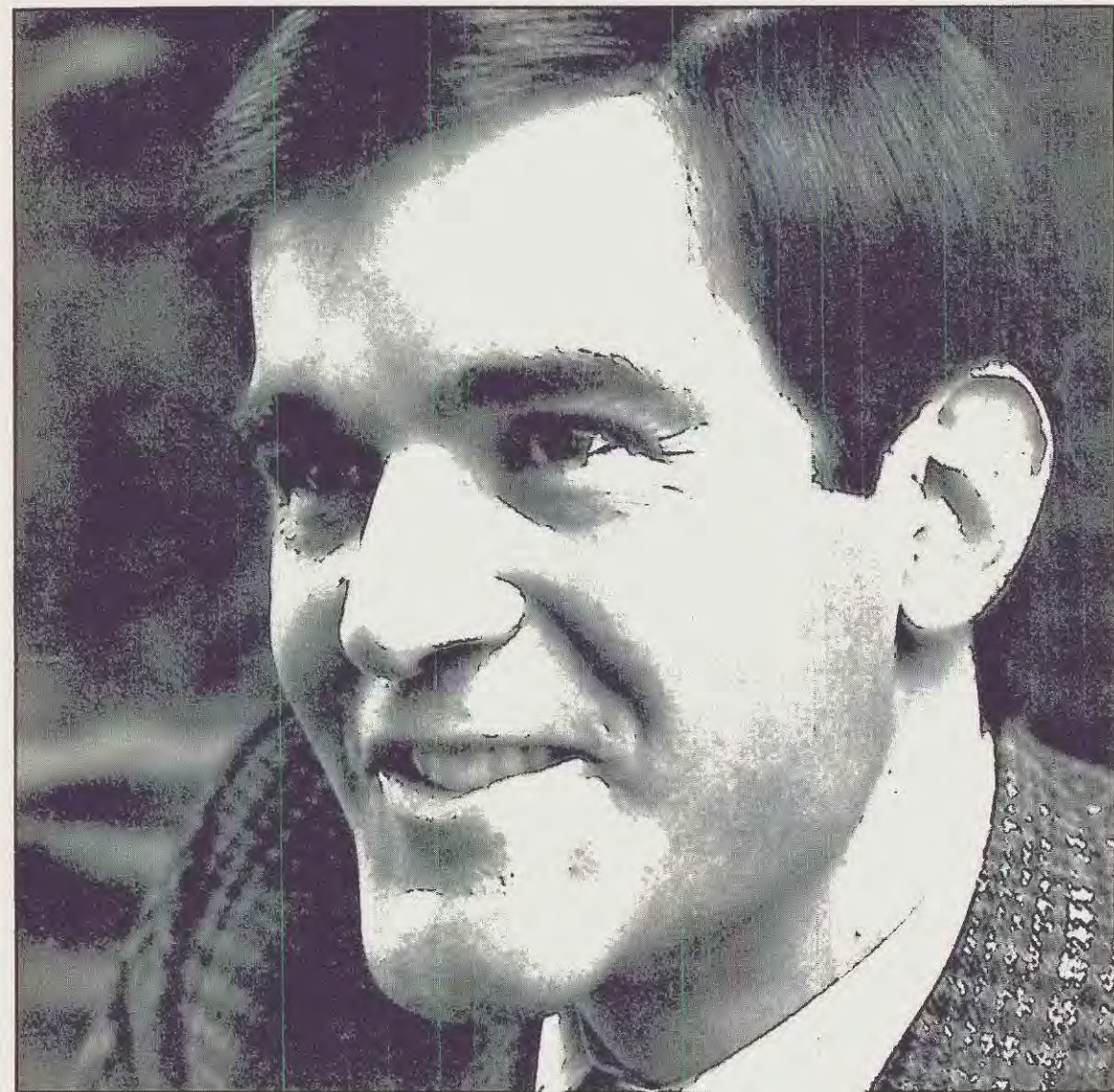
Fatalities are estimated at a cost of \$18,000.

At Case, Mr. Kellman told *Business Insurance*, "we didn't keep very complete injury records before we started using current costing." After using the system for one year, eye injuries were definitely proven to be Case's main problem area, with 11 injuries accounting for 22 days of lost time.

"These were the most serious accidents from a cash standpoint, too," he said, "and Employers suggested that it was an area we could do something about."

AN INVESTIGATION of the causes of the eye injuries revealed that when workers re-

Continued on page 32



If you were an aggressive, sought-after marketing major, would you go to work for your company?

That's a good, unsentimentalized way to look at what your company has to offer . . . as it competes for the best young talent coming out of the nation's colleges and universities.

Each first-rate youngster you get bulwarks your company's future. Each piece of persuasiveness you can add to your company's story adds to your chances of recruiting first-rate people.

We're in the business of designing employee benefit programs that can give *your* recruiters a competitive edge. An inch of an edge. That which might be the decider

when the bidding gets warm.

We don't say we're the only ones in this business. We say nobody sees the objective more clearly. Or works at it more single-mindedly.

As a result, we have some fresh, well-tailored employee benefit programs to offer. For attracting good people. For keeping good people. Write us.

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The teeth on the sides of this belling bucket, and similar pieces of machinery, were discovered to be one of the main causes of eye injuries for Case International Co. workers. Use of the current-costing program developed by Employers Insurance of Wausau revealed the problem area and enabled Case to work out three safety steps that have reduced the number of such accidents substantially.



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Subway accident insured under \$11.3 million catastrophe cover

NEW YORK—The collision of two IND subway trains that killed two people and injured 71 last month at Roosevelt Avenue Station in Jackson Heights is insured for liability under a catastrophe cover written at Lloyd's of London, according to a Metropolitan Transit Authority (MTA) spokesman.

He told *Business Insurance* that the liability policy, which has an \$11.3 million limit and a \$1 million deductible, was taken out by the MTA, not by New York City.

"Just as its name implies, the policy is for a catastrophe," he said. "MTA funds pay for any damages up to \$1 million."

He said he knew of no claims filed against the MTA as yet.

HE EXPLAINED that the crash occurred when an empty train rammed into the fifth car of a packed morning rush hour train that was pulling out of the station.

"The fifth car was ripped in two and completely destroyed," he said. "I can't give you exact damage figures on that. This \$135,000 car was 20 years old and we figure they last about 35 years."

Several committees are investigating the cause of the accident.

Myron Cohen, a lawyer who is chairman of Mayor John V.

Lindsay's Subway Service Watchdog Commission, noted that a motorman was operating the empty train from the third car and was being guided by a fellow worker who waved a flashlight at the front of the train. The train had been emptied because of faulty brakes. He said investigating groups are trying to determine if the crash had been caused by employee negligence or the failure of a switch which should have automatically stopped the empty train from moving while another train was on the track.

"I THINK poor management and employee arrogance are responsible for this," Mr. Cohen

said. "The MTA is always shutting about the lack of money, but it's just that they don't know how to use the money they've got. They keep pointing to the fact that they haven't had a fatal accident in 40 years, but that's just luck. They've been shooting craps with commuters for too long. I knew that eventually people would be hurt, and more will be hurt if improvements aren't made."

A Lloyd's broker said that because of the high risk potential, transit insurance was very hard to place, and when it was placed, the risk was spread among many companies in the Lloyd's syndicate.

Canada code to cover high-rise fire control

TORONTO—Publication this summer of a new national building code designed to prevent fire disasters in high-rise buildings will make Canada a world leader in the effort to effectively control such risks.

A four-month study by the National Research Council, which gives technical support to earlier findings by a 24-member associate panel on the national building code, has enabled the latter to incorporate specific recommendations for fire prevention and control in high-rise buildings.

The national building code, however, is not a mandatory standard. Instead, it is an advisory document that requires adoption by individual municipalities to be made law. In Ontario, municipal affairs minister Darcy McKeough has proposed that the code be mandatory, although such a proposal will have to be adopted by the legislature.

Among the recommendations in the new code is one dealing with the control of elevators by fire fighters and methods of communication within high-rise buildings when a fire breaks out. The code, for example, states that all buildings of more than 12 stories must have a voice communication system so that persons on upper floors may be advised on the location of a fire and what to do.

SAN DIEGO JANUARY 26, 1911

Industry gets transit security tips

LONDON—Security defects in the transit of goods were spotlighted by a Scotland Yard chief at a recent conference of industrial firms in Britain.

Chief Superintendent Peter Marshall, who coordinates crime prevention tactics for police throughout London, declared:

"The need for protecting property inside buildings is now becoming accepted. But there is not the same scale of awareness for goods that are on the move."

HE POINTED OUT that corporate firms provided good safes, burglar alarms, and locks for premises that might hold as little as \$12,000 worth of property at times. But the same firms tended to send \$100,000 worth of material from town to town in truck loads that were often protected by only one man at a time.

Proceeds from crime in Britain were on the increase, the conference was told. Architects were urged to co-operate more closely with business executives in designing security requirements for new buildings at the start of their construction.

Industrial executives were warned against the risk of leaving unused supplies of oxygen and gas cutting equipment lying around factories for criminals to pick up.

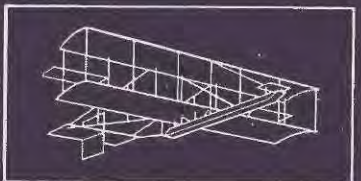
Warning was also given to executives against laxity that can encourage industrial espionage. L. A. Palmer, of the Industrial Police and Security Assn., said: "Developments in business ideas have led to new sources of information being available for people who want to make use of them."

He pointed out that computers could hold vital information about the extent and location of company materials if unauthorized people got access to them.



Glenn Curtiss demonstrated the versatility of aircraft as he piloted the first practical seaplane on and over the waters of San Diego Harbor. His innovations in aircraft design added new dimensions to an industry that would one day take man beyond the skies toward the stars themselves.

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High Court upholds malice doctrine in debate-report libel decision

WASHINGTON—The U.S. Supreme Court has upheld the malice doctrine in ruling that a newspaper can't be held guilty of libel for accurately reporting heated debates among public figures, even when the debate includes "rhetorical hyperbole" or "a vigorous epithet."

The decision stems from a suit brought against the Greenbelt News Review of Greenbelt, Md., a suburban Washington newspaper, and elaborates on the High Court's long-held doctrine that a public official can collect libel damages only if he or she can prove that a news report was published with "actual malice."

In the case, which reverses an

earlier decision by Maryland state courts, the suit was brought by Charles S. Bresler, a prominent Greenbelt real estate developer who at the time was a member of the Maryland house of delegates.

IN 1965 MR. BRESLER was negotiating to obtain from the Greenbelt city council zoning variances to build high-density housing on land he owned. At the same time, the city was trying to obtain from him another piece of property on which to build a high school. The joint negotiations promoted a series of tumultuous city council meetings. The Greenbelt News Review reported

that at these meetings some individuals had characterized Mr. Bresler's negotiating position as "blackmail."

Mr. Bresler later sued the paper, charging it had imputed to him the crime of blackmail. A state court jury awarded him \$17,500 in damages. Maryland's highest court in turn affirmed the award.

In reversing the state decisions, Justice Stewart, writing the Court's opinion, said that Mr. Bresler clearly was a public figure in the community and that the newspaper had accurately reported what had been said at the council meetings. ■



U. S. Steel Corp. tackles home safety along with work safety in its safety programs and house organ. Home accidents present a substantial problem to employers in absenteeism, medical expenses, administrative costs. About \$1.6 billion was spent on home accidents in 1968.

Class action suit alleges disability insurer fraud

LOS ANGELES—A \$100 million class action suit has been filed in superior court here against United Insurance Co. of America, which has home offices in Chicago.

The suit, on behalf of approximately 150,000 policyholders in 13 Western states, charges fraud in the company's sale of disability insurance during the past 10 years.

The suit alleges "lifetime" coverage as advertised in sales promotions "is not actually provided, although policyholders have paid more than \$100 million in premiums."

The complaint asserts that "after a policyholder files a claim, the company issues a rider excluding the particular disability or the policy is not renewed when the renewal premium becomes due."

The court is asked to return premiums to policyholders; payment of all benefits due and an additional \$25 million in punitive damages.

A spokesman for the insurer said that his company will file a denial of the charges of fraud and the allegations concerning exclusions and nonrenewals. "Those who make these charges are wrongly trying to equate 'lifetime' with 'noncancellable' coverage, and there is a considerable difference," he said. ■

Power firm gets award

BUFFALO, N.Y.—The Niagara Mohawk Power Corp. has obtained a settlement of \$95,000 for damages to 12 aerial power transmission lines caused as a result of an ice jam in the Niagara River in 1962.

The settlement was offered by the John F. Beasley Construction Co. of Chicago, owner of several large cranes that severed the lines in two incidents when the barges on which they were stored were carried down the river by ice. The resulting break in the power lines knocked out electric power in a wide area for several hours.

The barges were being used upriver on the South Grand Island Bridge reconstruction project. The Beasley construction firm was a subcontractor on the project. ■

Robber's kin file suit

SAN FRANCISCO—A new problem of potential concern to insurance companies arose here this week when the young family of an alleged holdup man filed an \$800,000 damage suit against the Yellow Cab Co. and the taxi driver who shot and killed the holdup man.

The suit was filed in superior court by attorney Jerry A. Green on behalf of the widow and two sons of Gerald Clancey, shot by cab driver George A. Alexander on the night of Jan. 27. Mr. Alexander, 41, also worked as a special police officer. The district attorney's office had ruled that his shooting of Mr. Clancey was justifiable homicide.

"The question behind this damage suit," Atty. Green said, "is whether it was necessary to kill. Do we want to encourage vigilantism? Was it intentional or a mistake that he killed Mr. Clancey? Normally, you arrest and try a suspect before punishment."

MR. ALEXANDER told police the shooting occurred after Mr. Clancey, 29, had held him up at knife point after riding as a passenger in his taxi.

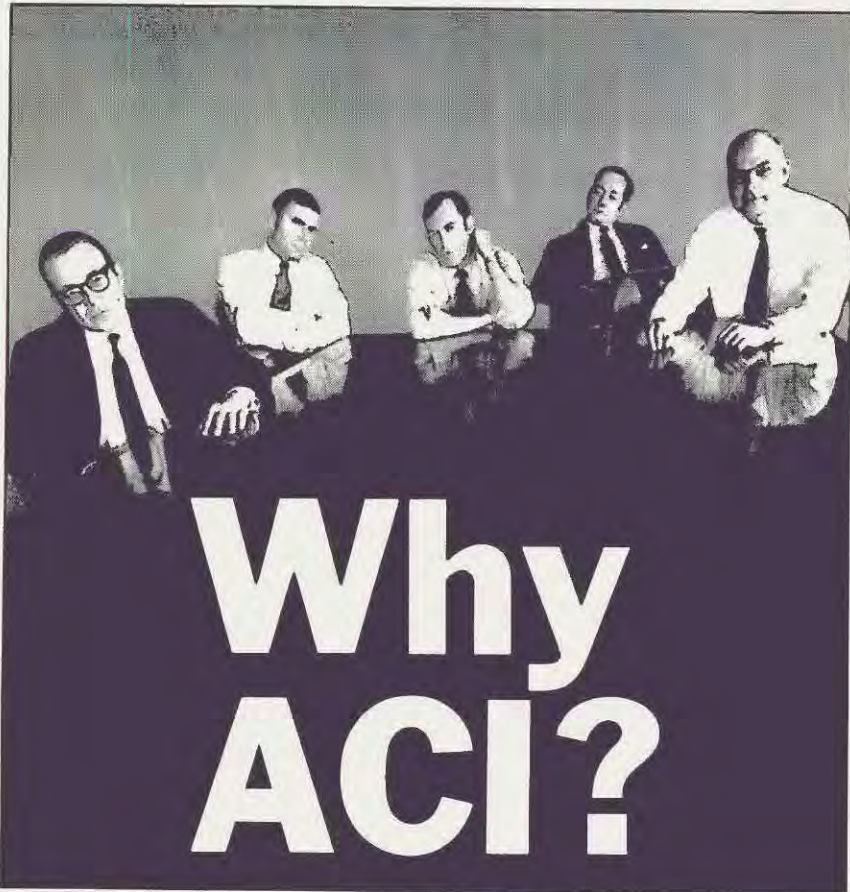
Mr. Clancey was hit in the head by a shot from the gun, police said, as he ran from the cab. A 6" knife and Mr. Alexander's money clip were found near Mr. Clancey's body.

Yellow Cab was named a defendant in the suit, according to Atty. Green, because "its officials may have known of and tacitly authorized Mr. Alexander's pistol."

Yellow Cab vp Charles O'Connor said the firm would dismiss "any driver with a concealable weapon." ■

Bache merger

Bache & Co., one of the largest stock brokerages in the country, has agreed in principle to merge with Stein Bros. & Boyce Inc., Baltimore investment bankers. Stein will continue to operate under its own name as a division of Bache.



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Suggests tobacco industry set up life insurance carrier for smokers

NEW YORK—The Tobacco Institute's advertising campaign calling for "complete authenticated information about cigaret smoking and health" has prompted a Grand Rapids ad man to suggest that the cigaret industry should go into the insurance business to win public support.

In a letter addressed to Joseph F. Cullman III, chairman of the executive committee of the Tobacco Institute, and chairman of Philip Morris Inc., Glenn Joce-

lyn, exec vp, Stevens Inc., has suggested that the Tobacco Institute or the major cigaret companies in a joint move should "purchase or establish a life insurance and/or a health insurance company, offering insurance especially to cigaret smokers."

The proposed company's insurance rates for smokers would be the same as conventional insurance company rates for non-smokers, according to the Jocelyn suggestion.

SUCH A MOVE, he wrote, would "dramatically counteract adverse publicity about cigaret smoking and health," and would command more favorable atten-

tion than the institute's current campaign. The institute broke May 1 with a campaign in newspapers, reprinting an exchange of correspondence between Mr. Cullman and William B. Lewis, chairman, American Cancer Society.

James Bowling, vp-director of corporate affairs at Philip Morris Inc., acting as a spokesman for Mr. Cullman, said that neither he nor Mr. Cullman had seen the Jocelyn letter, but that the "basic idea" of the tobacco people going into the insurance business had been suggested in "various forms" repeatedly over the past 20 years. On the possibility of the ciga-

ret industry going into the life or health insurance fields, Mr. Bowling saw it as a "very doubtful" possibility.

HEALTH AND LIFE insurance policies keyed to the question "do you smoke?"—with lower rates for non-smokers is currently available to those who want it from at least nine insurance companies. The nine are: Executive Life, Beverly Hills, Cal.; Farmers & Traders, Syracuse; Gulf Life, Jacksonville, Fla.; Life & Casualty, Nashville; Ohio State, Columbus, O.; Phoenix Mutual, Hartford, Conn.; Puritan Life, Providence, R.I.; State Mutual of America, Worcester, Mass.; and United Life & Accident, Concord, N.H.

To date, none of the nation's major insurance companies has moved into policies that differentiate between non-smokers and smokers. ■

U.S. ideas to halt hijackers

LONDON—Insurance men are linking up with shippers and factory owners in a plan to cut down container hijackings by introducing American security ideas to Britain.

One scheme is for a network of vehicle parks throughout the country where trucks are guarded while their drivers sleep or eat.

A government crime prevention commission has been set up with representatives of police, insurers and industry to study security for road container traffic. It will extend its attention to British ports so as to ensure that international cargoes are safe in transit. ■

Big U.S. bridges may self-insure

SAN FRANCISCO—Directors of this city's internationally famed Golden Gate Bridge disclosed a "possible" plan in which the biggest bridges of the U. S. may "band together to set up our own self-insurance" against catastrophe perils.

The bridge directors, meeting as an insurance committee, were told by Chairman L. E. Castner, Sonoma County representative on the board, that "at least two dozen of the executives of major bridges are investigating this possibility."

The plan, according to Mr. Castner, would involve joining in a risk-sharing program to obtain more coverage than hitherto available from private insurance carriers.

INSURANCE committee member Dean Meyer, a San Francisco insurance broker, revealed that "we have about \$45 million of insurance on the Golden Gate Bridge.

"However," Mr. Meyer added, "this would cover only about one fourth of the replacement cost should some disaster destroy the bridge, which, in the early 1930's, cost only \$35 million to build.

"We could look forward," Meyer explained, "to 100% coverage if all the big bridges in the country joined in a self-insurance program and in sharing the risks."

The committee has approved to the full board a budget item of \$27,000 for seismographic equipment and services of three consultants on earthquake hazards and their affect on the bridge insurance. ■

May extend war-risk plan

WASHINGTON—Congress will probably act soon on a proposal from the Department of Transportation to extend for five years the life of a little-known, but interesting Federal insurance plan which provides war risk coverage to private air carriers when regular commercial insurance is not obtainable on reasonable terms from U.S. insurers.

The program, part of the 1958 Federal Aviation Act, offers both premium and non-premium insurance. Nonpremium coverage is presently provided to air carriers that have contracts with the defense and state departments and is termed as a "vital element" in the airlift requirements for Vietnam.

Premium war risk coverage is available to all commercial carriers. ■

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Current-costing system controls work comp claims

Continued from page 28

paired drill teeth they used steel hammers to drive out the old teeth, which were also steel. Result: flying chips of steel. There were two easy solutions, Mr. Kellman pointed out: Provide goggles for the men or begin using hammers made of a material other than steel.

"But because you can't always get the men to wear the goggles provided," he added, "we developed a third solution. It consists of a shield that covers the drill tooth so that any chips of steel fly away from the worker instead of toward him."

In 1968 the number of eye injuries at Case actually rose, from 11 to 17, but there were no lost work days. By 1969 eye injuries had dropped to five, with no lost

time, and as of the first four months of 1970 there was only one such accident at Case, again with no lost time.

Workmen's compensation payments for the first year of the program amounted to an exceptionally low \$7,661. "Employers told us this was a fantastic record," Mr. Kellman said, "but they doubted that we would be able to do it again." A fatality at Case in the 1968-1969 period raised the workmen's compensation cost for the year to \$31,999. The death accounted for half of that amount, according to Mr. Kellman.

INJURIES in 1969-1970 cost the company \$19,661, Mr. Kellman said, "but Employers has set up a reserve of \$15,000 for an

injury suit in which we may become involved." The incident, he said, involves a man who worked for Case for 32 hours several years ago. No accident or injury report was ever filed but the man is now instituting suit against several former employers for contributing to his ill health.

An estimated \$10,000 of the 1969-1970 injury payments resulted from one accident, the Case president stated. The accident, in which a 600-pound bell-bucket drill fell on a worker and crushed his legs, had led to a new safety practice. "Instead of standing the bell buckets up," Mr. Kellman said, "we now lay them over on their sides."

To obtain their working budgets for injury costs and have a standard by which to judge a

year good or bad, Case follows the second step of Employers' current-costing system. The insurer suggests that to establish a budget the past injury loss rate, based on the man-hours or man-days, must first be computed. Total costs of at least \$100,000 arising from at least 100 lost-time injuries should be used as a base, says Employers, and the injury experience must come either from one plant or from several plants that produce similar products. Since injury costs increase about 10% each year, figures from past years should be adjusted before they are used for computing injury cost rates.

The past injury costs are divided by the past hours or days of exposure to reach an injury cost rate. To arrive at a budget for each unit, the expected yearly exposure time for that unit is multiplied by its cost rate.

ACCOUNTABILITY is the third area of concern in Employers' current-costing program. "When you find that a unit's total injury expense, as measured by current costing, exceeds its budgeted amount of injury cost for that period," says the insurer, "it provides the opportunity to hold the manager accountable. If a manager exceeds his injury cost budget, the matter should be handled precisely as it would be if he had exceeded

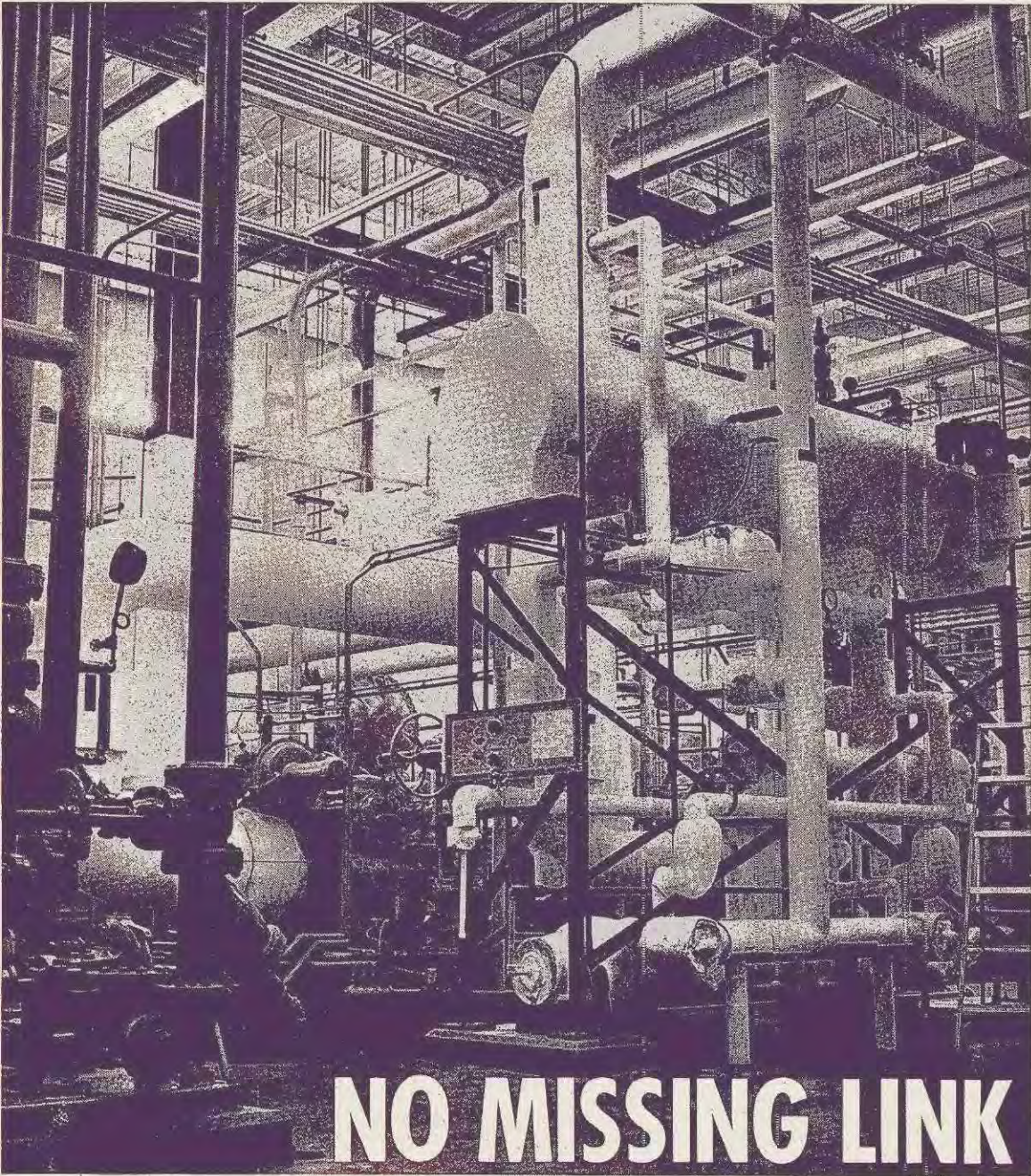
any other budget item."

Speaking of the accountability aspect of the program, Mr. Kellman said, "At Case we thought we'd wait before setting up any sort of incentive system with the supervisors, such as Employers suggests. For the time being we would rather have them work as a group, mainly because we have a rather small base for competition. We want to wait until we've had a few years of experience with the program."

Case usually has between 100 and 200 people on its payroll, depending on the number of projects, plus approximately 15 full-time people in its home office.

"Each of the project supervisors receives a copy of all the injury reports every month," said Mr. Kellman, "so they are aware of their standing. They also attend our twice-yearly insurance review sessions with Employers to discuss safety practices."

Use of current costing, according to the Employers, offers one other aid to management. It provides an equitable and simple way to distribute the cost of workmen's compensation insurance among a company's departments and locations. Each unit can be charged with the same percentage of the total company premium that its injuries represent of the company's total injury cost.



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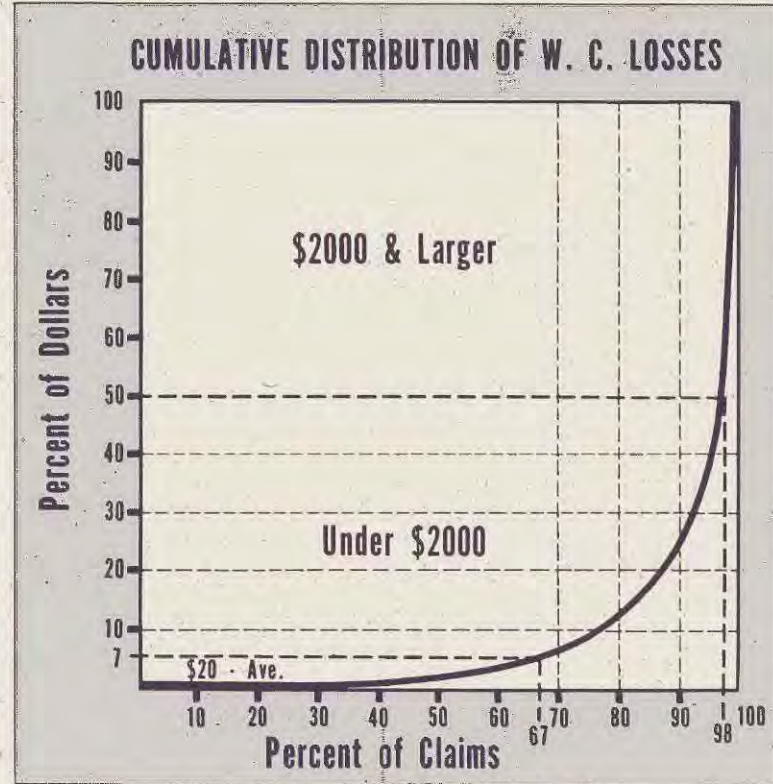
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This graph indicates that management attention in the area of workman's compensation claims should be directed to the "vital few" accidents and away from the "trivial many." Approximately 2% of claims account for 50% of injury dollars spent, and this is primarily in permanent partial disability cases. These present a problem in determining the cost of a disability whose extent may not be known for years. Employers Insurance of Wausau's current-costing used a cost-averaging method to solve the problem.

Jobless pay tax boost ok'd

WASHINGTON—The Senate Finance Committee has reported out a bill that would increase the Federal unemployment insurance payroll tax by \$9 for each employe making more than \$4,200 a year.

The House has already agreed to the committee.

The committee voted to hike the tax rate from .4% to .5% effective last January and the taxable wage base from \$3,000 to \$4,200, beginning in 1972. Thus, in 1972, the payroll tax would be \$21 for each employe making more than \$4,200 compared to a current tax of \$12 for each employe making \$3,000.

The Nixon Administration had asked that the wage base be gradually increased to \$6,000 without a change in tax rate. The maximum payroll tax under that plan would have been \$24 per employe.

The Senate committee went along with the Administration and the House in rejecting proposals from individual members to establish a national minimum level of unemployment benefits.

In sending his proposal to Capitol Hill last summer, President Nixon threatened Federal standards if the states do not act within the next two years to supplement his proposal with action on their own.

Consolidated forms claims unit to handle high-risk inner city areas

BROOKLYN, N.Y.—The Consolidated Mutual Insurance Co. has been in the risky business of insuring urban property for 42 years. During that time the company has operated successfully in the area of urban liability risks, and no small part of that success has been attributed to the "specialized" handling of the "specialized" claims that arise in urban situations.

The company has had such great luck, in fact, that last month it announced the formation of Consolidated Claims Ltd., a wholly-owned subsidiary of the Consolidated Insurance Cos. The firm will sell its services to self-insureds and other insurance firms that do not have the facilities to deal with claims in the nation's overcrowded cities.

"We have developed a certain amount of expertise in handling claims that arise in the inner city," Arthur H. Barnes, executive vp of the new subsidiary, remarked here recently. "Now we hope to apply some of that expertise for others who don't have it readily available."

ARTHUR BARNES is a black man. A great many of the faces of Consolidated's home office here are black, or brown. The lily white image that has long been associated with the insurance industry is definitely not as pronounced at Consolidated.

It does not come as a surprise then that when a black claims adjuster goes into the inner city to talk with a black claimant who has tripped over something on a white inner city businessman's property the business confrontation that ensues is decidedly less tense. It is a matter, as Mr. Barnes says, of giving the inner city claimant someone he can "relate" to.

Not all of Consolidated's claimants are black, of course, and not all its claims adjusters are black. However, when the situation presents itself Consolidated is equipped to handle it.

Consolidated Claims Ltd. will operate in 11 cities where the parent firm now has claims offices. In addition to New York they are Boston, Chicago, Albany, Hartford, Los Angeles, East Orange (N.J.), Rochester (N.Y.), Miami, San Francisco and San Juan. However, services can be extended beyond these 11 urban centers. Herbert L. Grant, a Consolidated vp in claims, is heading the new unit as president.

"**THE CASUALTY** field is our specialty," Mr. Barnes told *Business Insurance*. "General liability claims in high frequency areas such as hotels, supermarkets and theaters are what we know best," he added, noting that nearly 90% of the parent firm's business is written on such risks in metropolitan areas.

Consolidated Mutual was founded, as were many so-called "taxpayer's mutual insurance companies" earlier in this century, by a group of landlords in Brooklyn who couldn't get liability coverage on their tenement properties from the large stock insurance companies. The landlords banded together to write their own business, hire lawyers and fight their own claims.

"This," Mr. Barnes said, "is how our expertise started."

Expertise may be too gentle a word, for Mr. Barnes admits that the Consolidated approach is a bit more on the hard-nosed side.

"**WE DON'T JUST** settle

claims to avoid a court case," Mr. Barnes said forcefully. "If it will cost us about \$1,000 to take a case to court and we can settle out of court for the same amount we'll take it to court every time if we don't think the particular claim is worth that \$1,000. Let's face it, we're approached by lawyers all the time who say, 'Look, it's going to cost you \$1,000 to defend this case. Why not settle and save yourself some trouble?' We don't operate that way at all. We have a reputation to maintain and if we start doing that the word gets around pretty fast in plaintiff lawyers' circles." If more insurance companies took this hard-nosed approach to claims,



Arthur Barnes

Mr. Barnes believes, urban risks would be more desirable and buy-

ers of such insurance coverage would enjoy lower premiums.

Consolidated Insurance Cos. write considerable hotel business, which for long has been considered among the poorest of liability risks. Among the company's policyholders is the nationwide chain of Loew's Hotels. Others include a number of posh resort hotels along Miami Beach's hotel row. Many, according to most insurance underwriters, are undesirable for one reason alone: Anyone who visits them and takes a fall wants an insurance company to pay for his vacation, they say.

Mr. Barnes agrees that this reputation still exists. However, he insists that it has not held true for Consolidated. Not that his company is not getting the claims, for it is. It's simply the way in which those claims are handled that makes the difference between profit and loss for Consolidated, he said.

Consolidated Claims Ltd. is equipped to handle the entire claims procedure, from the day one is made, through the investigation of same and up until the time the case goes to trial. The subsidiary will even work with an insurance company's or self-insured's lawyers in pretrial preparation, he said.

THE SERVICE, according to the Consolidated vp, will fill a need that has existed for some time.

"The idea of the subsidiary came into being when we looked around us," Mr. Barnes said. "There was a need to be filled in this area. Many insurance carriers have problems staffing their claims departments in inner cities. And there are relatively few adjusters who are trained to investigate claims that arise in the inner city," he said, noting that

Continued on page 34

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Giles on the law

Is hospital liable in death resulting from administration of anesthetic?

By JOHN W. GILES
Attorney at Law

WASHINGTON—What is the present state of the law regarding the liability of hospitals for injury or death to a patient resulting from or connected with the administration of an anesthetic? Is the hospital liable when something goes wrong?

If what goes wrong is alleged to be the fault of the anesthetist, the person directly administering the anesthetic, then you must answer the question as to whether the anesthetist is the agent of the hospital or an independent contractor. To hold the hospital, you

must prove the agency relationship, even though the acts of the anesthetist were of a professional and discretionary nature.

There are cases that hold that anesthetists, even if employed and assigned to a hospital, are independent contractors for whose negligence the hospital will not be responsible. All the particular circumstances of the hiring of the anesthetist by the hospital must be carefully looked into to determine the agency relationship and if it definitely does not exist, the chances of holding the hospital liable are slim.

However, when you allege negligence in connection with an

anesthesia against other employees of the hospital such as nurses, or persons in charge of the equipment, the hospital has been held liable for the negligence of its employees. Such employees may be guilty of supplying incorrect substances as anesthetics, in failing to properly supervise patients returning to consciousness from an anesthetized state, and in other situations involving a breach of the applicable standard of care in some phases of the anesthesia process. Negligence of the employees must be proved.

IS A SHIPOWNER entitled to

contribution from the employer of a crewman who drowned after a collision between shipowner's negligent vessel and negligent launch engaged but not operated or owned by employer?

The crewman left the employer's vessel and boarded the launch for transport to the shore. Enroute, the launch collided with the shipowner's vessel and the crewman was drowned. Both vessel and launch were negligent. The shipowner settled with the crewman's estate and now seeks contribution from the employer on the basis of the admiralty—divided damage—collision rule.

The shipowner cannot get any contribution. The launch was an independent contractor. The crewman's employer was obligated to insure him safe means of egress from his ship. But it does not follow that the liability imposed by the Jones Act vis-a-vis the crewman, can be so twisted as to support the shipowner's liability re-

garding other shipowners. (C. A. 3—*Mendez v. States Marine Lines, Inc.*—2/4/70.)

WHAT BAD THINGS can you say about a golfer and still be free of liability?

The directions are contained in a recent case against Time magazine, which described a golfer who hit the ball and struck a fellow golfer standing 20' behind him, as a man who plays golf for business rather than pleasure, whose game was running true to form, and who was thinking of a potential deal when he hit the ball. Is all this defamatory?

The court said that business golf is neither shocking nor shameful to the average reader of a magazine, and it is a commonplace practice among businessmen. The statement that the golfer's game was running "true to form" was not actionable even though it might imply that the golfer in question always played golf awkwardly. (C. A. 3—*Sellers v. Time, Inc.*—3/20/70.)

IF YOU ARE insured and mail suit papers properly addressed to a liability insurer, do you satisfy the policy requirement that the papers be "forwarded" to the insurer, even though the insurer did not actually receive them?

Does "forward" imply that there must be "receipt?"

"No," says the court. It may well be essential for an insurance company to actually receive notice of an accident from its insured, but once an insurance company has notice of an accident, it usually will be informed of the filing of the suit, even if the suit papers are lost in mailing. (U.S.D.C.—Md.—*Travellers Indemnity Co. v. Rosedale Passenger Lines, Inc.*—8/30/70.)

IS FAILURE to design a bus in 1948 with a right rear-view mirror negligence of a manufacturer?

A child's parents whose child
Continued on page 41

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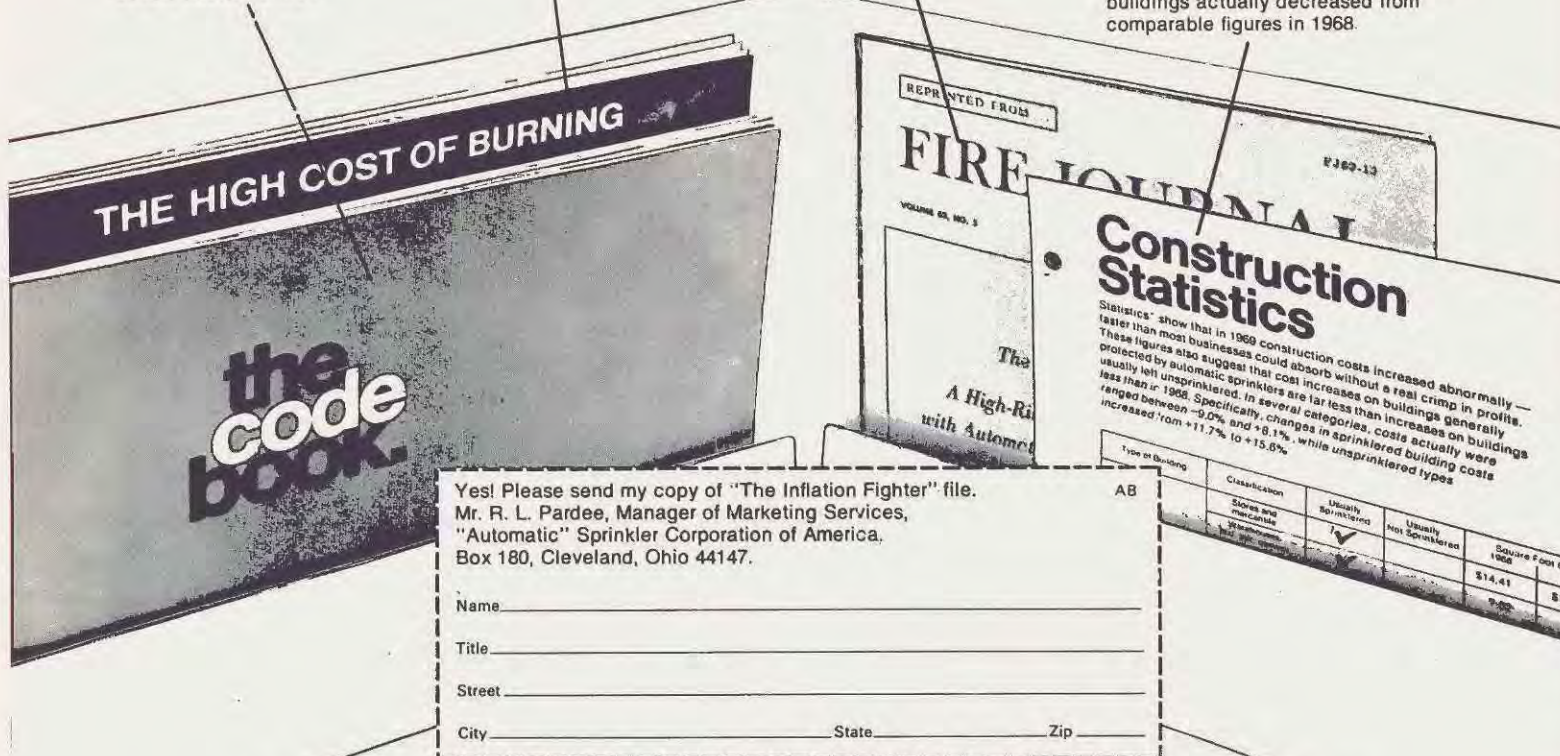
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Hospitals . . .

Continued from page 14
Kramer paid the premium to B&R Excess "which presented and warranted to him and to the plaintiff that the policy . . . was good and valid . . . issued with the full authority of the defendant Home Owners."

THE CHICAGO/BASED insurance company is said to have asserted that the policy wasn't issued by it or by any of its authorized representatives, or by any representative authorized to place any coverage in its behalf. Home Owners also alleges that it hasn't collected or received any payment of premium or other consideration for the policy.

According to William S. Gibson, assistant director of the Illinois insurance department, Home Owners is being watched "very, very closely" by state insurance department officials. However, he said, the department "knows of no violation" of state statutes by the company. He noted that the company's problems are principally a result of State Fire's liquidation by Florida authorities. As a result of the reinsurance of risks with the Miami company, he said, Home Owners has "suddenly found itself with a financial strain on the company."

Home Owners, according to Mr. Gibson, had net current admitted assets of \$4.8 million at the end of last year. Current liabilities at the time amounted to \$3.8 million, leaving a surplus to policyholders of \$1 million. ■

business insurance/perspective

Self-insurance of workmen's compensation: A new tool for management

by David Warren,
Warren, McVeigh & Associates,
San Francisco, Cal.



David Warren

SELF-INSURANCE of workmen's compensation is not for everyone, but should be far more widely used than it is at present. Probably the reason it has failed to reach its proper potential is because management has not yet come to appreciate the full import of all its ramifications.

Workmen's compensation is a cost of doing business which differs in many respects from other risks of loss. Injuries and occupational diseases occur more frequently and are of generally lower magnitude than other types of accidental losses. For this reason, they are predictable within a fairly narrow range, and the greater the number of employees the more predictable the annual costs become.

With regard to magnitude, claims payments follow the laws of the state in which the employe is injured. The amount is determined by a rigidly prescribed formula which limits the maximum loss for each case to a figure modest in relation to public liability and other claims which are subject to litigation.

Workmen's compensation is therefore less a matter of uncertainty than of loss control, administering claims and funding the payments. It is most effectively treated as a management function rather than a type of insurance. Though the term "self-insurance" is commonly used, it would be more appropriate to speak of "managed" programs of compensation. Some form of managed rather than insured program is preferred wherever:

- The company is large enough to absorb the maximum annual loss fluctuation without unacceptable financial dislocations. Statutes often require a self-insurer to retain no less than a certain amount per loss: in California \$24,000 and in Ohio \$50,000, for example. (The irrationality of these laws can be seen by the fact that New York takes the opposite approach and will not allow a self-insurer to assume more than \$50,000 per loss.)
- The company can qualify as a self-

insurer with the state by meeting any applicable requirements for financial stability and claims administration.

- Management has an active awareness of safety needs and other related aspects of workmen's compensation. This, of course, is desirable even with an insured program, but it assumes even greater importance under self-insurance. Increased management awareness is, in fact, one of the chief advantages of self-insurance.

We have seen no accurate figures which would measure the scope of self-insurance nationwide, but some indication may be given by looking at the state of California. The largest writer of workmen's compensation in California is the State Compensation Insurance Fund, which writes about 19% of the total volume. Self-insurers account for about 17% of the total, while the remaining 64% is widely spread among commercial insurance companies, of which the largest has only 9% of the total. Thus, self-insurance represents a highly significant method of treating workmen's compensation which would probably be more prevalent if more companies were able to make an accurate assessment of all pertinent considerations.

There are three principal advantages of

'Though the term self-insurance is commonly used, it is more appropriate to speak of managed programs of compensation.'

self-insurance. In order of importance, they are (1) better loss control, (2) more effective claims handling, and (3) lower costs.

IMPROVED LOSS control is, in our judgment, the principal advantage of self-insurance. Though it does not necessarily follow a move to self-insurance, and the reverse could be true with improper management, improved results do in fact occur as has been demonstrated many times. Two major reasons for improved loss control are (1) better communications among all parties with greater awareness of needs, and (2) greater motivation toward loss control, which results from making operating units responsible for their own losses. Direct financial incentives can greatly influence attitudes toward safety which, as any safety specialist will testify, are a major factor in loss control. Studies from many sources have emphasized the tremendous role played by psychological factors in injuries. Some reports show that as many as 85% or 90% of all injuries have a psychological basis, even though physical causation may be listed on the accident report form.

A third reason for improved loss control with self-insurance is freedom on the part of the company to tailor its safety engineering to fit the characteristics of the company. Particular specialists such as noise control engineers, health physicists, industrial hygienists, among others, may be needed at infrequent intervals for

specific problems. While such services are available from the larger insurers, the insured is limited to those who are on the insurer's staff. Most professional results can only come from freedom to employ the specialist best equipped for the job at hand. Knowledgeable use of medical and loss prevention consultants can provide an overall program superior to that obtainable from a single insurer.

The second rationale for self-insurance is more effective claims handling. This can result from a number of factors:

- Those claimants with deserving claims can be paid more promptly. Studies over the years in California have shown that self-insurers do pay claims more promptly than insurance companies. Promptness of payment can go far towards fostering more satisfactory employe relations, forestalling greater demands, and eliminating contested claims.

- Claims which are of dubious merit may be resisted more effectively. Under an insurance program, the insurer makes the decision as to whether or not the claimant should be paid. Because this decision is closely interwoven with labor and other employe relations, it is desirable from a management standpoint that

ence rating. An insurance company would naturally tend to reserve a greater amount of money than would an employer.

The third advantage of a self-insurance program is lower cost. Loss ratios permitted by the state usually fluctuate around 60%. In California the ratio is 61.65%, which means that 38.35% of the premium is allocated to expenses. (Note that if the 38.35% of premium is expressed as a percent of losses, expenses would be 62.2% of losses.) Some of these expenses represent cost which must be assumed by the self-insurer but others represent insurance overhead which has no value to the employer.

In California the breakdown of the 38.35% expense factor of the premium is as follows:

- 16% to acquisition, or sales costs
- 11.5% general overhead
- 3.05% taxes, licenses and fees
- 7.8% claims adjusting expense

CLEARLY THE 16% acquisition cost and the 3.05% taxes, licenses and fees figures are of no value to the employer. The 7.8% in claims adjusting expense is certainly needed while the 11.5% general overhead may include factors which the self-insurer may need to replace such as legal expense and safety engineering. Thus, somewhat over 20% of the insurer's expense costs are of no value to the employer and would be eliminated under a self-insured program.

Of course, insurers state that these figures do not hold for the larger accounts, and this may be true. Volume operation can reduce overhead costs and there are some retention plans or retrospective rating plans which could develop lower costs, but there is a minimum administrative overhead which cannot be removed.

This 20% cost advantage does not include the value of money to the employer. The importance of cash flow as an additional advantage of self-insurance can be seen by considering the run-off ratio of compensation claims. Under an insured program, when a loss is incurred, the total amount of the eventual loss payment is estimated and established as a reserve. This amount is charged against the employer in the year the loss is incurred even though the money may not be paid out for a period of years. In fact, the length of the payout period is surprising to those who are not close to the compensation picture. In California, for example, estimates are that for a loss incurred in one year, the average cash paid out is 30% during the first year, 30% during the second year, 18% during the third year, 12% in the fourth year, and 10% in the fifth year.

Using these run-off ratios, and a 10% value of money to an employer, we can make a cost comparison of an insured versus a self-insured plan by comparing the present value of an insured premium to the present value of comparable self-insured costs which would be incurred. To

continued on following page

New Jersey black man gets \$500 for trauma

TRENTON, N. J.—A young black minister has been awarded \$500 for "psychological trauma" he suffered when a landlord in Montclair, N. J., refused to rent an apartment to him because of his race.

The New Jersey court ruling is somewhat similar to a California ruling handed down last month, which allows a black man to seek damages for emotional and physical distress caused by discrimination or prejudice on the part of his employer.

The California decision (*Business Insurance* May 11) involved the case of a black man who was called a "God damn nigger" by his boss. The state supreme court recently ruled that the man may now seek relief in the courts against his employer, Ambro Engineering Inc. of Culver City, for the emotional and physical distress caused by the humiliation.

SEVERAL knowledgeable insurance sources questioned feel that the case against the California firm would be covered under the slander provisions of the comprehensive general liability insurance policy. However, they also believe the New Jersey case not to be insurable, since discrimination in housing comes under a Federal law of 1966 that protects every citizen from rejection based on discriminatory practices. Such discrimination, being unlawful, is thus not insurable.

The New Jersey award will go

to Rev. William Gray, the senior minister of the Union Baptist Church in Montclair. In his suit, he contended that the only mental anguish he suffered was the immediate traumatic impact of being racially insulted when he sought to rent an apartment owned by Serruto Builders Inc. in Montclair in 1967.

The Newark lawyer who represented Mr. Gray, Samuel E. Bass, said, "The only thing we sought to prove was that my client had suffered a psychic shock or trauma from the experience of being rejected.

Although other similar state and Federal decisions have been recalled, it is believed that none of them involved unilateral attempts by the plaintiffs to seek relief or damages on the basis of simply trying to right a wrong under the concept of English law. Such compensation for mental suffering has usually been restricted to cases such as those involving physical injury or divorce proceedings.

The New Jersey decision has been hailed by civil rights leaders as "unique and significant" and as "a step in the right direction."

Named group head

William R. Brown, a regional supervisor for Great American Life Insurance Co., East Orange, N. J., has been named group supervisor in Charlotte, N. C.

Pension awarded after 37 years

NEW YORK—Dr. Arthur J. Kraus, 73, will at last receive his pension check as a result of legislation signed by Gov. Rockefeller.

Dr. Kraus was fired 37 years ago from the faculty of the City College of New York for conducting a hunger strike protesting fascism in Europe and U.S. isolation.

The city's Board of Higher Education cleared the professor five months prior to the signing of the New York legislation.

Workers win big contracts

FRESNO, Cal.—AFL-CIO United Farm Workers Organizing Committee has signed its first contracts with major table grape growers of the San Joaquin Valley here.

Cesar Chavez, UFWOC head called the agreements "very moderate" and said they will affect about 3,000 workers and 3,070 acres of grapes. The contracts are for a 12¢-an-hour fringe benefit payment and \$1.75 an hour as the minimum wage, with a 25¢-a-box incentive. The second year of the contracts calls for a \$1.90 minimum wage.

Bianco Fruit Corp., Fresno, Dipoto Co., Tulare, and Centennial Valley Farms, Phoenix, Ariz., signed the contracts.

U.K. insurance head cites need to raise rates

LONDON—Worldwide needs for higher insurance rates, side-by-side with demands for better risk prevention, are disclosed in the annual report of the Phoenix Assurance Co., of London, which topped \$250 million premium income for the first time last year.

The group has a 6% interest in the total volume of business that comprises the pool of the Continental Insurance Cos., New York.

Business leader Lord de L'Isle, who is British chairman of Phoenix Assurance, has told stockholders in London:

"IT IS CLEAR that the insurance industry has not yet achieved, in an inflationary world, rate levels adequate to provide underwriting profits. The current pattern of unsatisfactory results provides a justification for higher rates.

"We recognize that risk improvement and claims prevention must, nevertheless, continue to be a major preoccupation of Phoenix, and indeed of the insurance industry as a whole."

He was speaking of fire and accident results, but pointed out that rapidly increasing ship repair costs made it doubtful if marine rates were yet at a profitable level, even though higher hull ratings had helped to improve results last year.

Aviation rates had moved upwards with a more realistic approach to hull business, and the market generally had found no

difficulty in absorbing the cover for jumbo-jets and their attendant liabilities.

PHOENIX Assurance made, overall and worldwide, nearly \$11 million profit last year, compared with \$8.7 million in 1968. Its premium writings in the U.S. rose to \$72.8 million from \$53.7 million and its loss ratio was 67.7%, compared with 67.8% in 1968.

Expense and commission ratio was 32.8% (against 32.1%) because of technical adjustments arising from a larger share of the total pool. Operating ratio was 100.5% (99.9% in 1968), which is regarded as a creditable result.

Lord de L'Isle pays this tribute to U.S. results: "Our gratitude and thanks are due to our friends in the continental U.S. for this excellent performance. It is satisfactory that we have been able to sustain the growth of our business in this very important market."

Dental service in N.J. authorized by state

New Jersey commissioner of insurance, Robert L. Clifford, has authorized the N. J. Dental Service Plan to do business in the state. The Dental Service Plan, incorporated last July, is a non-profit organization. Policies will be sold only on a group basis at first. Contract forms and rates will be filed with the department of insurance.

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Containers hurt cargo insurance experience

LONDON—American cargo insurance claims are reviewed in the annual report of the London Salvage Assn., which states that its Cleveland, O., office has some reservations about the container revolution.

Pilferage and damage are blamed on three factors: Groupage cargoes stripped from the container in coastal ports before on-carriage; unsatisfactory stowage methods; and cargoes unsuited to container traffic.

The report says the Cleveland office adds: "Warehouse-to-warehouse shipments are problematical, as the carrier seldom has any specific knowledge of stowage methods used."

CLAIMS ON STEEL cargoes are also causing concern to Cleveland officials, who say: "While claims are occasionally encountered due to shifting of cargo or entry of water into the cargo compartments, the greatest problem still appears to be exposure to rain or other adverse conditions after discharge from the ocean vessel. The risk is enhanced if transshipment takes place in transit to destination."

In Chicago, reports the London Salvage Assn., protection of cargo against pilferage was strengthened considerably at the beginning of the navigation season, after reports that shippers were diverting cargoes to other ports. ■

dates for buyers

June 15-17, American Management Assn., Developing a Modern Employee Benefit Package workshop, 135 W. 50th St., N.Y., N.Y.

June 22-23, Direct Marketing Corp. of America and Management Seminars Inc., mass merchandising of financial services seminar, Ambassador Hotel, Los Angeles, Cal.

Giles . . .

Continued from page 36
was trapped under the wheels of a bus claimed that it was.

The U.S. court for Maryland said, assuming the manufacturer was negligent, the later negligence of the transit company in failing to maintain its equipment, including the installation of safety devices, would be a superceding intervening cause.

The reasonableness of the transit company's conduct should be decided by the state courts, said the U.S. court. (*Mondshour v. General Motors Corporation*, Feb. 13, 1969, Fed. Supplement.)

WHAT IS THIS thing called subrogation, a term we use so glibly? Is it pure equity? Does it rest on a contract?

It is pure equity and it rests on the foundation of natural justice. It does not rest on contract, and includes every instance in which one who is not a volunteer, pays the debt of another.

What is legal subrogation? It arises by operation of law through which a person has been compelled to pay off a prior encumbrance in order to protect himself, or when he has paid the debt of another in such circumstances that equity will afford him the security or obligation held by the creditor whose claim has been paid.

What are the elements of subrogation? They are three: A valuable right; a person who owns that right; and a person who is seeking to be substituted to that ownership. In many cases the insurance company is seeking to be substituted for your ownership of your rights against a tortfeasor. (See *Bunge Corp. v. St. Louis Terminal Field Warehouse*, 295 Fed. Supp. 1231.)

WHAT HAPPENS when it appears that the corporation listed as the insured had, as the result of a merger, ceased to exist more than two months before the policy was issued? Does this defeat the policy in case of a subsequent loss?

This was an action to recover under a policy covering damages caused by docking facilities by wind storms. It appeared that the corporation listed as the insured in the policy had, as the result of

a merger, ceased to exist more than two months before the policy was issued.

In an action by the assignee of the surveying corporation, the court permitted reformation of the policy to name the surviving corporation as the insured on the grounds of "mistake."

Noting that there was no evidence to show whether or not the insurer or its agents had any information that would put them on inquiry as to the true identity of the owner of the property to be covered by the insurance, the court held that the reformation was warranted, when the named insured was not in existence when the policy was written.

The insurer admittedly intended to insure the property in question. There was no fraud or misrepresentation on the part of the insured. There was no increase of hazard on the part of the insurer on account of the error in the name of the insured or because of the merger. The management of the insured remained the same, and the insurer accepted and retained the premium payments. (*Gillis v. Sun Ins. Office, Ltd.*, 238 Cal App. 2nd 408.)

HAVE YOU CHECKED recently on your insurance on loaded trucks parked overnight in your own yard? They can disappear very quickly in these times.

In this case, the truck was stolen by persons unknown while it was parked overnight in the plaintiff's yard, awaiting unloading, the next morning. The cargo was worth \$74,000. The policy provided coverage of \$50,000 for any one vehicle—and \$250,000 while the goods were in depots, warehouses, loading docks or platforms.

Was the plaintiff here covered for more than \$50,000? The court said, "No." The court held that the insurer limited its liability to \$50,000 for loss of goods while they were loaded "on any one vehicle" and to \$250,000 while not on a vehicle but rather unloaded from the vehicle and "in depots, warehouses, or on loading docks or platforms" of the insured.

The case suggests that your policy be carefully examined as it relates to loaded trucks. (*Chicago Terminal Clearance v. St. Paul Fire and Mutual Ins. Co.* 407 Fed. 2nd 552.) ■

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BI-1



Ribicoff . . .

Continued from page 1

that this is especially true of companies that have so-called "master policies" on their employees written on a group basis.

"A GREAT many employees aren't aware of the coverages their company gives them. Nor," the aide added, "can they be assured merely by the word of

someone in the personnel or employee relations departments that they do not have coverage for a certain ailment."

The letters to Secretary Finch and Mrs. Knauer also called attention to a study evaluating 10 private health care plans in California. The survey, conducted last year under the direction of Dr. Lester Breslow, professor of health services administration at the University of California in Los Angeles, found wide discrepancies in benefits.

According to the senator, two different sets of health care plans were graded as being twice as good in scope of benefits as another set of plans whose premium costs were the same.

Benefits examined included hospital and doctor services, institutions rooms and board, lab tests and x-rays, ambulance service, drugs and psychiatric services. The mix of coverage, according to the study, was found to vary widely among the 10 plans.

THE BRESLOW survey examined only one-tenth of the plans in operation in California and was intended only to demonstrate that comparisons could be made between competing health insurance programs and that the discernible contrasts could be used by labor and management in choosing the best option for the least money.

"Dr. Breslow has determined that an expensive policy is not always superior to an inexpensive policy," Sen. Ribicoff told Secretary Finch and Mrs. Knauer, urging them to "conduct a comprehensive evaluation of all private health insurance plans available in the United States."

"The purpose of the study should be to rate each plan by name according to an objective

set of standards that reflect your best judgment of the factors which, weighted together, reveal the quality of a private health insurance plan," the Connecticut senator stated. He added that he is not merely requesting a listing of the various plans and their prices and benefits, but was asking for some evaluation, either using the Breslow method or another system and for a comparison of the plans.

"Since private health insurance is more than a financing mechanism for the delivery of health care, I suggest that, to the extent possible, you test each policy for each company for how it affects the manpower shortage, escalating costs, disorganization and irregular quality of health care in America today," he said. ■

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Examine plans to save Torrey Canyon

PLYMOUTH, England—Plans are being examined to salvage the tanker Torrey Canyon, which ran aground off the British west coast three years ago and caused vast claims for oil-slick damage.

A Scilly Islands salvage company is reported to be negotiating for the rights to salvage it at a price put in the region of \$25,000.

Although the tanker started to break up after the disaster, there are said to be bronze propellers, worth more than \$45,000 on the scrap market, that can be recovered by successful operations. The salvage firm thinks it can recoup its cost by recovering valuable copper and bronze from the wreck.

Oil spills . . .

Continued from page 1

should a spill occur.

At the moment, however, the national strike force consists of only four men—one Coast Guard officer and three enlisted men. Six men will be delegated soon to oil spill work in the New York area and when the national plan finally goes into operation there is expected to be a team of 18 men for each of the three coasts—Atlantic, Pacific and Gulf—and possibly 10 men who will be assigned to inland waterways.

The Water Quality Improvement Act states that there is liability only for spills "in harmful quantities," and it directs the President to determine "these quantities of oil the discharge of which will be harmful to the public health or welfare of the United States . . . as soon as possible" after signing the act. ■

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Long-hairs can't get benefits in Monterey

MONTEREY, Calif.—Long scraggly hair, beards or sideburns are out if you want to collect unemployment insurance here, or so says the manager of the state unemployment office for Monterey Peninsula.

James E. Hammond made the ruling after a survey of 900 prospective employers, he said, and by late last month had denied unemployment insurance payments to five long-haired applicants.

Apparently the same ruling could also affect women who wear maxi skirts or micro miniskirts. However, Mr. Hammond said, no clear case has yet come up on women's apparel.

Mr. Hammond said his survey of 900 employers showed that

more than 50% demand clean-shaven employees and only 19% would consider applicants whose hair is "longer than that trimmed to the neck." Only 1% approved of hippie dress, male or female, while 3% said they would tolerate women in extreme miniskirts or maxicoats, the unemployment manager said.

"BECAUSE the overwhelming majority of employers will not accept long hair on male employees, we feel that those who persist in wearing it are voluntarily restricting their availability," Mr. Hammond declared. "They have only to shave or trim their hair and they will receive insurance payments."

According to Mr. Hammond a woman can dress as casually as she likes when seeking benefits, "but," he added, "if you find she persists in dressing like that for job interviews, in a field where extremes are not acceptable, she too will be disqualified."

If Mr. Hammond persists in ruling it will likely face a costly test. Already, two lawyers have challenged the decision, although neither has instituted legal action as yet.

Maurice Jourdane, 27, an attorney for the California Legal Assistance, who calls himself the "long-haired attorney in Monterey County," said the ruling violates the First Amendment to the U.S. Constitution. Another, Francis Heisler, a veteran Carmel attorney who has taken numerous civil rights cases to the high courts, said: "You cannot exclude people from the market who are following the present trend."

Insurers win judge's ruling on report forms

LOS ANGELES—Four major insurance carriers have won a victory here in the Superior Court of Judge Arthur K. Marshall in litigation relating to the form of monthly reporting forms.

The carriers are Agricultural Ins. Co., Fireman's Fund and Co., Aetna Casualty Underwriting Co., and New York The Insurance Co. The carriers had paid \$41,326.69 for a fire which destroyed Tools Inc. on Aug. 4, 1966, which destroyed more than \$100,000 of the firm's equipment and a limit of liability.

THE POLICIES had a limit of liability of \$100,000 and

suit had been filed for payment of the balance of the policy limits.

The carriers had contended Rush had been delinquent in filing its monthly reports of values and that the last report written prior to the fire indicated stock values in the amount paid by the carriers.

Rush in turn alleged that Ralph Bullock, an insurance agent for the carriers, had been informed orally prior to the fire that the stock values exceeded \$100,000.

Judge Marshall, however, ruled that the insurance carriers' liability was limited to "those values which were last reported in writing prior to the loss by fire."

File suit to speed aid

SAN FRANCISCO—A class-action suit has been filed in Federal court here to compel the city to speed up action on 3,300 claims for aid to the totally and permanently disabled. The suit, filed by the Neighborhood Legal Assistance Foundation, names Ronald Born, San Francisco social services director, Mayor Joseph Alioto and members of the social services commission.

Filed on behalf of Bobby Langley, 24, a cabinet maker until last year when he was robbed and stabbed, the suit alleges Mr. Langley has waited seven months for the \$160 assistance. The Federal court is asked to enjoin the city's social services department from taking longer than 60 days to process applications and that the mayor be enjoined from refusing the department more social service workers.

Attorney Steve Elias contends both Federal and state law requires that application for the disability aid be processed within 60 days and that here it has been taking six months to a year.

Consider suit on bank losses

NEW YORK—Several major New York City banks are reportedly considering a multi-million dollar suit against a national accounting firm that for years certified Mill Factors as financially sound when in fact it was insolvent. Six of the seven largest banks here are creditors of Mill Factors.

The possible suit was divulged by John M. Meyer Jr., chairman of J. P. Morgan & Co. Inc. Mill Factors defaulted last year on a \$5 million loan from the Morgan Guaranty Trust Co., the principal subsidiary of J. P. Morgan.

The contemplated action would be taken against Lybrand, Ross Bros. & Montgomery, one of the ten largest national accounting firms, according to sources in the banking community.

One New York City banker, who is playing a major role in the Mill Factors case, reportedly said that "either they (Lybrand) come up with an adequate settlement, or I'll sue."

It has been presumed that if a lawsuit is brought against the large accounting firm all the banks involved would join in the action. A decision is expected soon, since the statute of limitations will run out shortly on some of the claims.

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In fact, when INA went looking for the leader in workmen's comp, they came West. They came to PEG.

INA and PEG are now together. And they're a combination that's hard to beat.

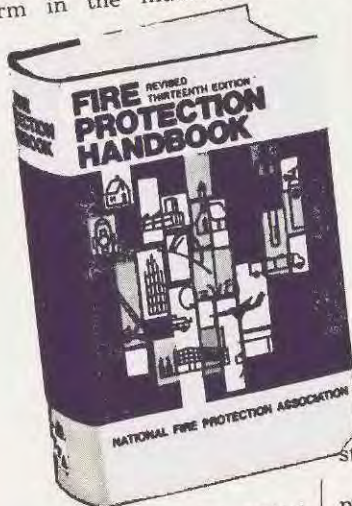
Look us up. We're not hard to find anywhere now.

PACIFIC EMPLOYERS INSURANCE COMPANY/an INA CORPORATION company



Hall acquiring brokers in Chicago and Seattle

NEW YORK—Frank B. Hall & Co. Inc., considered to be the nation's fourth largest broker and the third largest publicly held firm in the industry, has ac-



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National 60 P

quired a small Chicago firm and has reached agreement to merge with a Seattle broker.

Papers have been signed Chicago with R. W. Hosmer Co., a general lines firm with special expertise in the Chicago area, said Douglas Kivimäki, secretary of the New York office of the parent. Hosmer is eventually expected to be consolidated with those in Chicago. Bowles, in that city, which employs 15 The Serly, offices there White & Widated with those persons by Hall in that city will be completed.

no acquisitions are the year for Frank B. Co. A total of five were in 1969. According to Mr. King, others are being considered but are still in the negotiation stages.

In addition to strengthening its position nationwide, Mr. King told *Business Insurance* acquisitions are being made by Hall in an "effort to make sure in each geographical area we are in we are one of the leading brokers—third, second or the largest, if possible," he said.



A check representing a return of over 56% as a participating workmen's compensation dividend for the year 1968 is being presented by Insurance Co. of North America to the San Diego Prestressed Concrete Co. The account was written in Pacific Employers Insurance Co., INA's west coast subsidiary. Marsh Weller, left, of INA, and agent Robert Driver, second from left, present the check to Mike Kupfer, right, the firm's general manager, and superintendent Ed Thalmayer. San Diego Prestressed has not recorded any lost time injuries during 1968 or 1969.

Arizona airport gets consolidated property coverage from Glen Falls

TUCSON, Ariz.—The Tucson Airport Authority has accepted an offer by the Glen Falls Insur-

ance Co. to provide a consolidated fire and extended coverage insurance package on airport buildings in the amount of \$4,472,000, with a \$1,000 deductible clause.

In recommending acceptance by the TAA board, its insurance committee headed by Hamilton Catlin noted that Glen Falls was the only firm willing to write such coverage without a co-insurance clause and without requiring other carriers to share the risk.

It also was pointed out that present insurance premiums have been costing a total of \$20,048, with normal increases expected in the near future, and that the blanket coverage by Glen Falls would cost \$24,543 but this figure could be reduced considerably if sprinklers were installed in three of the buildings.

SEPARATE policies now car-

ried by the authority for fire and extended coverage have been written for minimal amounts on the basis of dollars available for premiums and in most cases buildings were insured at far below replacement cost.

Still unresolved by the TAA is the question of how—or whether—to insure hangars at its general aviation facility, Ryan Field. The board estimates it would cost about \$40 per \$1,000 valuation and has expressed doubt that any insurance carrier would write a policy on the structures even at that rate.

However, the authority's liability does not apply at Ryan Field to any aircraft in its care and custody and tenants hold the authority harmless for damage in their leased areas not due to authority negligence.

Jobless claims cleared in Coast disaster areas

SACRAMENTO, Cal.—The state chamber of commerce reported that California's flood disaster of 1969 has created a 1970 disaster for employers currently finding their rate record on unemployment insurance payments skyrocketing.

The employer disaster comes in the payment of unemployment insurance to farm workers and charges being made against employer accounts for benefits paid because of past disasters.

The Disaster Relief Act of 1969, signed by President Nixon last October, is retroactive to Jan. 1, 1969. This covers the period of the California flood.

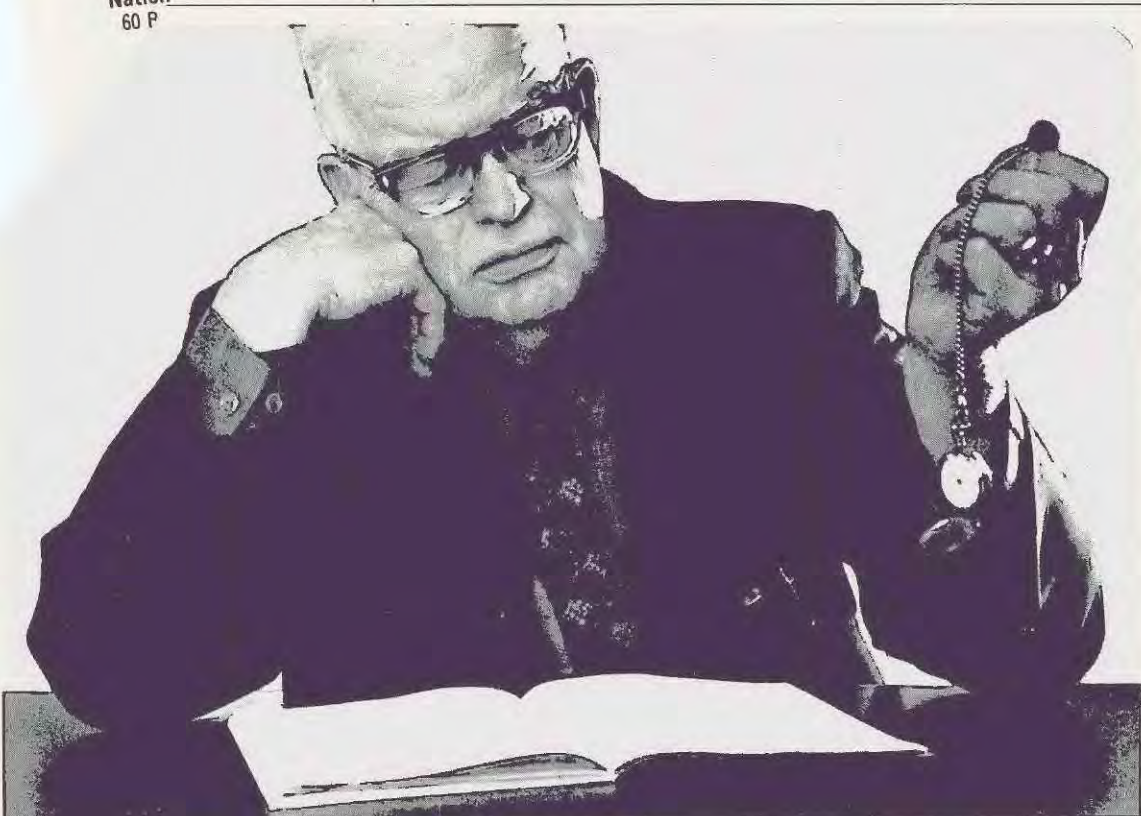
AS A RESULT, workers who were employed in the 37 California counties declared as disaster areas in 1969 can draw benefits from a special Federal allotment.

Although it had been estimated that 90,000 workers would file for claims, only approximately 2,000 have filed to date.

Farm workers are not covered under California's unemployment insurance law except when employers elect such coverage. Such workers, however, may apply for benefits under the disaster act with no waiting period required. Benefits are estimated at approximately \$51 a week for each applicant for about seven weeks.

Royal-Globe mass merchandises auto cover

GROTON, Conn.—Royal-Globe Insurance Co. has beaten several other insurers to the draw in their home state by mass merchandising an auto insurance plan for a group of company employees. The plan is now available to 1,550 members of a Charles Pfizer & Co. credit union. The Pfizer plant here employs some 2,400 persons. About 100 have signed up for the payroll-deducted plan thus far and many more are expected to as policies come up for renewal. Royal-Globe's program is individually underwritten; that is, each credit union member is screened individually and rates are based on driving records. Savings to employees under the scheme are expected to average 18%. Mass merchandising was only recently approved in Connecticut. Insurance Commissioner William R. Cotter tried to bar the form of coverage, but was overruled by a state supreme court decision.



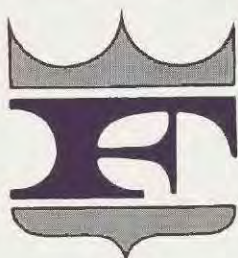
Big Deal ... A Federal \$10,000 Balanced Life plan would have given him a paid-up policy.

A group term life policy at 65 isn't worth much more than the watch. With FEDERAL, however, GROUP BALANCED LIFE lets the employee convert the term to ordinary life.

Upon retirement (or leaving) the employee has an equity good for cash, or paid-up insurance. FEDERAL GROUP BALANCED LIFE lets the company pay the term (at a fixed age

rate) while the employee (at a preferred rate) painlessly builds the equity.

For more information on FEDERAL GROUP BALANCED LIFE insurance, call Federal's Group Dept., Area 616/965-7351, or write: Federal Life and Casualty Co., Battle Creek, Michigan 49016 (an affiliate of The Home Insurance Co.).



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Baylor to ASIM: Regulators must 're-establish' public's confidence

CHICAGO—There has been a shift away from the old concept that insurance is a limited and private covenant between the buyer and the seller, Illinois Director of Insurance James E. Baylor told the American Society of Insurance Management's Chicago chapter.

The insurance industry is beginning to realize that it must consider the effects of its actions not only on the company but also on society at large, he said.

"I think I have a very substantial social responsibility," he stated, adding that "the precept of the Illinois insurance department is to re-establish the confidence of the public in the insurance industry. That sounds like a vote for motherhood, I know. But the key to the precept is the word 're-establish.' It shows recognition of the fact that there is a lack of confidence on the part of the public in the insurance business."

Mr. Baylor believes there is a need for better communication throughout the whole insurance spectrum. "Companies, consumers and inspectors must have a clear view of what each sees in the industry," he said.

THE OBJECTIVE of regulation of insurance is more than protection of policyholders and raising of revenue, he continued. "The thrust of my program," the director said, "is to broaden existing markets, to open new markets, and to effect service to all insurance markets at viable rates."

The consumer has staked a claim for himself in insurance today, Mr. Baylor said. He added that he believes consumers must participate in the decision-making process. "I used to meet with a six-man liaison committee from the Chicago ASIM chapter and use them as a sounding board for proposed legislation," he said. "I hope that we will resume these

ings in the future."
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 we must let people know
 business insurance, June 8, 1970/45
 department is there for."
 • It must provide the basis
 for the entire democratic process
 to work.
 • It must realize its obligation
 to employ young men who have a
 career ahead of them and who
 will work vigorously for the de-
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IF THE STATES can't do a
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 have in the past, Mr. Bolton said,
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 DIVISION OF INSURANCE
 OFFICE NATIONAL
 EMPLOYERS UNIT

S&L workers get mass risk program

HARTFORD—Connecticut General Life Insurance Corp.'s first mass-marketed auto and homeowners insurance program in its home state will be sponsored by the Savings and Loan League of Connecticut (SLLC).

Member institutions of the statewide organization electing to participate will offer the new program to their employees on a payroll deduction basis.

Some 37 savings and loan institutions are eligible.

Clayton W. Johnson, SLLC exec vp, remarked:

"We are delighted to be the first in Connecticut to offer this plan. We think it adds an important new dimension to the benefit plans of our member institutions."

Liability and property plans sponsored by the SLLC under the new program—in addition to auto and homeowners coverage—include all-risk policies on special possessions such as jewelry, furs and cameras; pleasure boats; and a "top cover" plan providing liability insurance beyond conventional coverage.

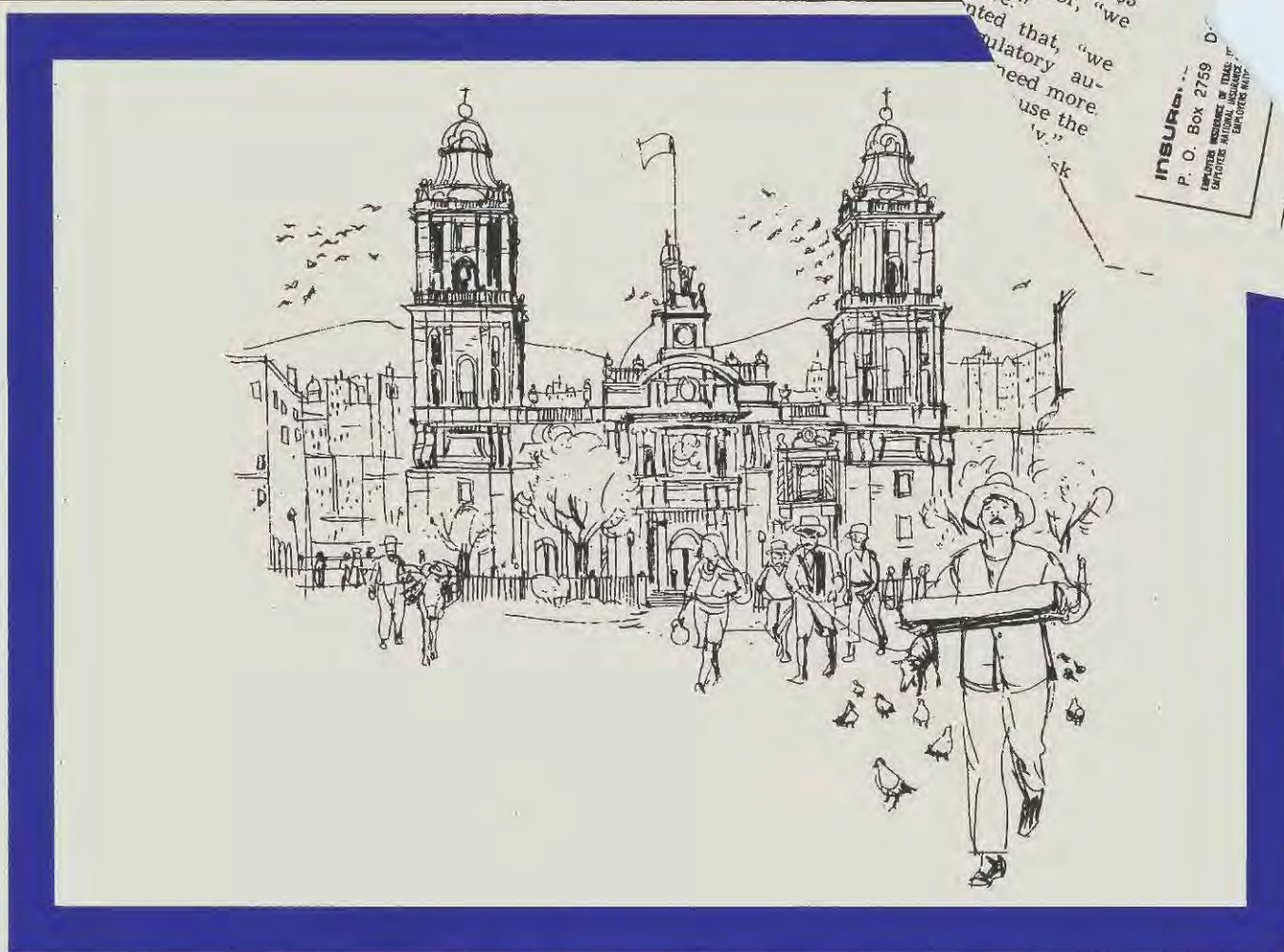
\$90,000 awarded to N.J. widow

ELIZABETH, N. J.—The widow of an employe passenger in a jet plane owned by the Pittston Clinchfield Coal Sales Corp., a subsidiary of the New York-based Pittston Co., has received \$90,000 of a \$100,000 award resulting from a third party aviation liability policy held by the Pittston Co.

The policy, written by Federal Insurance Co. of Chicago, provides for an admitted liability award of \$100,000 for each passenger killed in the crash of the company aircraft. In addition to the downed aircraft, the Pittston Co. owns a Falcon jet and a Bell helicopter.

Last October, the small private jet plane crashed in the mountains of southwestern Virginia. Donald R. Martin, a traffic manager for the Pittston Clinchfield Coal Sales Corp., was traveling on company business when the crash occurred. The crash also killed the pilot and co-pilot of the plane, whose cases are now being settled in a Tennessee court.

The remainder of the admitted liability award, \$10,000, was given to Mr. Martin's daughter, Miss Judith Ann Martin, 18, by Superior Court Judge Walter L. Letfield III, to support her until she reaches the age of 21.



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pollution liability exclusions

46/business insurance, June 8, 1970

IRB

Insurance filed two pollution liability exclusions to an annual meeting. (Business Insurance, May 11 reported imminent.)

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g body said it was remove any uncertainty may exist about insurance coverage with respect to the risks of pollution and contamination.

The two exclusions, which must get approval from state insurance departments before carriers can implement them, will apply to all liability insurance policies for commercial risks. The one exception to the exclusions is in automobile liability coverages, although the exclusion of pollution and contamination exposure in automobile insurance risks is being considered by the board, it was disclosed.

Mutual insurance companies are expected to follow the IRB

shortly and take a similar position through the American Mutual Insurance Alliance.

ACCORDING to the IRB, the first exclusion "clarifies the situation to avoid any misunderstanding of the intention of the insurers." In most cases, the board said, under present policies there is no coverage for what is usually referred to as damage caused by pollution or contamination. The reason, the board points out, is that such damages may be said

to be expected and intended and therefore they are excluded by the definition of "occurrence" in the policies.

However, the new policy provision is expected to clear up this problem of semantics and make it explicitly clear that coverage will not be provided for damages caused by pollution or contamination unless the "discharge, dispersal, release or escape is sudden and accidental."

The second exclusion filed by the IRB involves oil pollution

risks. It will exclude coverage for damages caused by "the discharge, dispersal, release or escape of oil or other petroleum substance or derivative into any watercourse or body of water, even though the discharge is sudden and accidental.

"This exception for oil is justified," the IRB said in its announcement of the proposal. "The public has become increasingly aware of agonizing effects of oil spillage and resentful of the failure of oil risks to take the ordinary steps to avoid them.

"To ignore the attitude of society toward the destructive effects of oil spillage by making insurance readily available, as part of underlying coverage, without regard for exposure could be interpreted as disregard for the public interest and the public policy," the board went on.

The IRB exclusions are very similar to those written into policies by Insurance Co. of North America almost a year ago. They also follow positions taken recently by Lloyd's of London.

Court rules firm fired woman on basis of sex

HARTFORD—A split decision has upheld a former Carling Electric Co. employee's claim that she was fired because she is a female.

A three-man tribunal of the state commission on human rights and opportunities hearing the sex-discrimination case involving Miss Edwina Belanger of Hartford split on a ruling that ordered her to be immediately rehired and given all benefits and rights she would have had if she had not been "wrongfully discharged" as a stamp machine operator.

Attorney Matthew Shafner dissented, commenting: "There was not sufficient evidence presented to make out a case of discrimination on the basis of sex. I would dismiss the case."

MISS BELANGER claimed that she was doing the job of a "set-up-man" without being allowed to be officially promoted to this capacity because she is female.

Carling Electric claimed that she was fired because of absenteeism.

In addition, it was said that the job called for a 50-hour work week—two hours beyond the work week limit for women es-

tablished by Connecticut law.

The tribunal's majority ruled: "There was in fact a discrimination made by Carling and the complainant's claim that she was fired by reason of sex rather than absenteeism was justified by the facts in the case."

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Joint pension pay up 40%

SACRAMENTO—Payments by California employers to union-management pension funds reached an average 23.6 cents per hour per employe in 1969, a rise of 40% over the 16.8 cent average of the prior year.

Cash contributions by employers to jointly administered pension funds, which provide for retirement benefits supplementing Social Security, now apply to about 750,000 union workers in California.

An additional 416,000 workers are covered under collective bargaining agreements which obligate the employer to provide retirement annuities of a specified type and amount, rather than contribute to the jointly administered funds.

William C. Hern, director of industrial relations, reported here this week that 1,695 collective bargaining agreements cover 1,577,000 workers. Of the total, 87% or 1,365,000 are covered by a negotiated pension plan for which the employer pays the full cost for 90% of the workers.

Hourly contributions under individual union contracts ranged from one cent in several restaurant agreements to 90 cents in a single construction industry contract.



“Hands off, you fink. Or I’ll tell my second cousin, the attorney.”

She was 14½ going on 30. The kind of little girl that spells big trouble — even to an insurance company as savvy as Consolidated.

She claimed she was just an innocent bystander, man-handled by a brute of a theater usher.

He claimed she was a freaked-out teenybopper, who’d yanked out a hefty chunk of an English rock star’s shoulder-length coiffure.

We, the theater’s insurance company, cost-estimated the perils of dealing with this little Pauline, reached for our favorite headache remedy and turned the case over to our most ingenious investigator.

Even he was amazed at his own brilliance. For he arrived at the truth within a matter of hours simply by arranging an impromptu family council. Caught unawares in the presence of her parents, our now not-so-militant teenybopper admitted, in tears,

that maybe her eager little fingers did get entwined, by accident, in her idol’s curly locks.

That finished the claim. But not the case history. For our claims man volunteered to get our young fan that treasured lock of hair. Provided she could wait until the star’s next hair appointment, of course.

Which just goes to show you don’t always need a policy to keep a claimant out of your hair.

What you need is a company — with good connections.



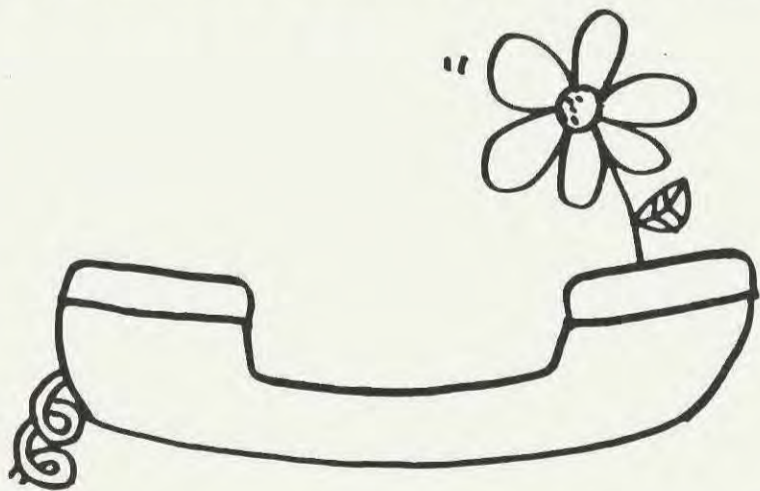
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