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March 12, 1973

business insurance®

the national newsmagazine for buyers of employe, property and liability protection/pension investments/financial services

Insurance role in U.S.-Soviet trade coming into focus

By PATRICK THOMAS

NEW YORK—"One of the big problems that must be faced when doing business with the Soviet Union," an interested insurance man was saying about the prospects for increased Soviet-American trade. "is that the Russians like their equipment B-I-I-G and heavy, which makes it almost impossible to adapt to any other purpose. If you manufacture some monstrous piece of machinery for them, and they back off, you could have a total loss."



However, he added, there is always insurance available to protect against the dire possibility of being stuck with something that can really only be used by certain people—and those people want nothing to do with it.

As American businesses increase trade with the Soviets, the role of insurance will come more into focus. As of the moment, though, many risk managers at companies which have sold goods to Soviet agencies told *Business Insurance* that there has been little to worry about.

"We are not responsible once the equipment leaves the United States," said R. L. Casey, insurance manager for International Harvester Co., which has sold pipeline-laying equipment to the Soviets. "All our dealings have been 'free along side,' with no problems."

G. A. Schmitt, insurance supervisor at Caterpillar Tractor Co., concurred. "All our contracts have been 'free on board' or 'free along side' vessels," he said. "We get our dock receipts and forget about it."

He felt that the Russians did business in this manner because "they control the vessels used in the shipping very closely and this is an excellent chance for them to conserve dollars."

Also offering an opinion as to why most goods went to the Soviet Union f.a.s. or f.o.b. was Jack Berg, vp and worldwide insurance manager for Continental Grain Co.

He reported that the export terms for the grain dealings had included f.o.b. shipments—"When the grain leaves the spout of the grain elevator at the seaport, it becomes their risk"—and that the probable reason was "they would prefer to spend money in-house." The

Continued on page 56

international issue

THIS SPECIAL emphasis issue of *Business Insurance* features a wide range of articles for risk and benefits men with multinational firms. For example, there's a story on the section's opening page (21) dealing with Pepsi-Cola's move to Russia. Further back in the section (page 34) we look into how the first liquor shipment from the People's Republic of China is insured. Then, on pages 71 through 74, there's an expanded Perspective section in which international benefits and risk experts get into more esoteric subjects—social security regulations within the Common Market, expatriot allowances, and a Viewpoint piece on risk men's international responsibilities.



Labor Secretary Peter Brennan (right) and OSHA official David Rhone tour construction site where building collapsed. The death toll may reach 14. —Wide World photo

OSHA investigating collapse at Virginia condominium site

WASHINGTON—Possible early removal of concrete supports and the use of giant cranes high in construction frameworks are under intense investigation by the Occupational Safety & Health Administration following the collapse of part of a condominium under construction near here early this month.

The 24-floor cave-in of the center section of a building scheduled to form part of the new Skyline Center development in nearby Falls Church, Va., has resulted in a death toll that could climb to 14, property damage possibly reaching $5 million, and fears on the part of at least a dozen contractors and insurers of a "nightmare" of claims, counterclaims and law suits. Three major insurers—Aetna Casualty & Surety, Travelers and the Hartford—are involved in the loss, *Business Insurance* has learned.

Labor Secretary Peter Brennan, taking a first-hand look at the disaster site, said preliminary information indicated OSHA's investigation "could lead to new guidelines on concrete construction practices."

Mr. Brennan was president of New York's Building and Construction Trades Council, AFL-CIO, before he was named labor secretary.

A number of workmen interviewed by OSHA and Fairfax County, Va., authorities, and by Washington area news media, said the job was being "rushed" and that concrete supports were taken out after a week of drying instead of 28 days, which they said was the proper drying period.

OSHA officials say federal standards for concrete supports and the length of time they should be used vary according to structure and type of concrete "but are very definite" and will be applied and could lead to OSHA changes. Maximum penalty for violation of the standards is $10,000.

OSHA also has set standards on the use of hammerhead tower cranes of the type that crashed 24 floors down, along with 80-foot-square sections of concrete, killing five men and burying nine others, none of whom are expected to be found alive after removal of debris.

"Whoever uses these cranes has to follow specific safety rules set down by the manufacturers," an OSHA standards official said. He added that OSHA was studying "weight and vibration" effects of the crane.

"The building has to be designed to accept this kind of crane, and special supports have to be used," the official said. "We don't know yet if people at this job followed the rules."

The 200-foot crane in use on the Virginia condominium was stationed near the top, pouring concrete, when the collapse occurred. It was being operated for the American Pecco Crane Co. and was insured for an unspecified amount by Travelers Insurance Co. for losses caused by negligent operation. Travelers also carries workmen's compensation for a plumbing subcontractor, one of whose workers was reported trapped under the debris.

The builder's risk coverage for Charles E. Smith Co., Washington, the developer and general contractor, is carried by Aetna Casualty & Surety. An Aetna spokesman said there "appeared" to be sufficient coverage for all parties involved and added: "That's about the only good thing that can be said. The rest could be a nightmare as to what claims will be made by whom, from the families of the dead workers, to loss of material and equipment."

The Hartford Group carries workmen's compensation, general liability and an umbrella for excess over general liability for Miller & Long, Bethesda, Md., the

Pension reform jurisdiction rehash foreseen

By JOHN REVETT
Washington editor

WASHINGTON—Private pension reformers in Congress are on edge about a possible recurrence of jurisdictional disputes among committees that could bog down their legislative efforts for a second year.

In the Senate, there is concern among backers of the Williams-Javits pension reform bill that the Senate finance committee will again claim the right on a tax basis to review the measure before sending it to the floor. In the closing days of the last session, finance committee chairman Russell Long (D.—La.) asked for and got the bill from the Senate labor committee after that unit had passed it unanimously. A slim majority in the finance committee then proceeded to strip the Williams-Javits bill of its vesting, funding, reinsurance and voluntary portability provisions.

Sens. Harrison A. Williams (D—N.J.) and Jacob K. Javits (R.—N.Y.) and numerous co-sponsors of their bill pressed the Senate leadership to bring the measure out to the floor for a vote, at which time they planned to reinstate the stripped provisions. But Senate majority leader Mike Mansfield—while giving assurances of his support for pension reform—said that without a reform bill up for passage in the House a last minute Senate floor battle on pensions would be fruitless.

End of 1972's pension reform.

AS PROMISED by its sponsors, the bill was promptly reintroduced this session and given top priority by Sen. Williams' labor committee. This month the measure was passed again by the Senate labor subcommittee and has been sent on to the full committee for a vote—expected sometime late this month or in April and expected to result in another unanimous send-off by labor committee members, nearly all of whom are among the bill's 46 co-sponsors.

At this point it again becomes the finance committee's move, and the question naturally arises: Will Sen. Long again prevail and have the main Williams-Javits reform provisions thrown out? Will the bill's backers then be able to have the leadership order the stripped bill to the floor where amendments putting its guts back would then be voted on, presumably with a good chance of passage since only a few non-co-sponsor votes would be needed?

Senate labor committee attorneys are hopeful of avoiding a repeat run-in with the finance unit, and there is talk of a staff-level agreement that would satisfy the finance people's concern about the measure encroaching on their domain because of tax-related provisions. An agreement is only being speculated by both sides so far, but the fact that there is talk raises the question of compromises in the bill or on the matter of how long the finance committee might be permitted by the leadership to study the measure.

THAT further study has been the subject of rumor and conjecture for the past two weeks. It arose as a possibility when the finance committee formed a subcommittee on private pension plans "to develop and report additional (pension reform) information to the full committee and to expedite the flow of legislation."

If that sounds like all sorts of private pension legislation is expected, it's only the official way of saying the finance committee is preparing for another look at the Williams-Javits bill. Some labor committee sources say, while they are worried about an extended review by the new subcommittee and then by the full finance committee, there's also some hopefulness because of the subcommittee's makeup. It appears to be about evenly divided between Williams-Javits supporters with the edge possibly going to a favored view of the bill in that the new unit's chairman, Sen. Gaylord Nelson (D.—Wi.), is a strong supporter.

On the House side, it's the Ways and Means committee under Rep. Wilbur Mills (D—Ar.) that has pension reformers worried. Supporters of pension legislation reintroduced by Rep. John Dent (D.—Pa.) think they can get their bill to the floor some time this year via the House general sub-committee on labor. But the word from the opponents to the Dent bill is that the ways and means unit has jurisdiction because of tax-related provisions in the bill and plans to sit on it this year. ■

Comp claim upheld in Chrysler plant killings

DETROIT—A State of Michigan workmen's compensation referee has ordered Chrysler Corp. to pay for psychiatric treatment of a black worker who shot and killed three of his supervisors after he was fired on July 15, 1970.

In handing down his ruling, John J. Conley of the state bureau of workmen's compensation said working conditions and racial bigotry in Chrysler's Eldon Ave. axle plant had aggravated the 36-year-old worker's schizophrenic and paranoid tendencies and that his dismissal prompted "an acute psychotic break with reality."

Now confined to the Ionia, Mi., state mental hospital after a court found him legally insane, James Johnson, the ruling noted, had suffered various racial abuses at the hands of supervisors and had been assigned to undesirable work, unfairly suspended for taking a legitimate vacation and was fired because he refused to perform work he considered dangerous.

POINTING OUT that the results of Mr. Johnson's "break with reality" were "terribly tragic and most regrettable," Mr. Conley said in his ruling "such tragic results of an employment-caused or aggravated mental illness don't in any way change the legal issue." Chrysler, he ruled, must pay retroactive benefits from the day of the firing.

Under Michigan's work comp laws, Mr. Johnson is entitled to two-thirds of his weekly salary, which, state officials estimate, was $75 at the time of his firing. To date, he has accrued more than $5,000 in weekly benefits, and that sum, plus as much as 85% of what it has cost the state to confine him, must be paid.

Chrysler's lawyers are now reviewing the ruling. A deputy director of Michigan's bureau of workmen's compensation said he does not expect the ruling to go uncontested. ■

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'The state makes the laws, not Monsanto . . .'

ST. LOUIS—On Jan 4, a St. Louis county circuit court judge ruled that self-insured medical benefit programs are illegal in the state of Missouri and ordered the St. Louis-based Monsanto Corp. to end its self-insured medical plan covering 60,000 employes.

On April 1, 25,000 employes of the State of Missouri will have their medical benefits provided under a newly-adopted self-insurance program, *Business Insurance* has learned.

"I will admit this all seems very peculiar," James Dalton, Missouri's superintendent of insurance, told *Business Insurance*, "but there's one major difference. The state is all-powerful internally and has the power to do whatever it wants. The state makes the laws, not Monsanto. That's the difference."

It was Mr. Dalton who filed suit against Monsanto back in 1964 when the giant corporation dropped its coverage with Metropolitan Life Insurance Co. in favor of self-insurance, arguing that the state loses premium taxes through such a plan and that Monsanto was running an insurance program without being a licensed insurer. Monsanto is now in the process of appealing the circuit court ruling (*Business Insurance*, Jan. 15, Jan. 29).

The self-insured plan Missouri will adopt replaces a Blue Cross-Blue Shield "Statesman Plan" and will be administered by the Trustees of the Missouri State Employes' Retirement System though an administrative-services-only contract with Continental Assurance Co.

Two contributory plans are available to each employe and his dependents: A "high option," providing full coverage of most medical expenses or a "low option," providing lesser benefits at reduced cost. The price tag for the first plan is $9.30 a month, with dependent coverage available at $28.28. The latter plan costs employes $4.00 and $20.82, respectively. Officials predict that most employes will opt for the more expensive plan.

The benefits available include expanded diagnostic out-of-hospital services, convalescent nursing home care, optometrists, chiropractors and certain dental surgical procedures. The surgical schedule maximum under the "high option" has been increased from $300 to $1,000 with the average surgical charge increased by about 50%. The "low option" surgical schedule is increased proportionately.

In the event of catastrophic illness, the self-insured program assures that the most a family could pay in a year is $1,300, even if the total medical bills are $50,000. Under the Blue Cross-Blue Shield plan, the family could have spent more than $10,000.

Advanced medical procedures such as kidney and eye transplants for both donor and donee, vasectomies and abortions are also covered.

In addition to medical benefits, the program also provides a death benefit from $1,000 to $5,000 depending on length of service. ■

Gov. Lucey to consider no-fault bill

MADISON, WI.—The Governor's No-Fault Legislative Advisory Committee approved a no-fault auto insurance bill designed to eliminate a large percentage of court cases involving auto accident liability.

The committee, by an eight to two vote, sent the bill to Gov. Patrick J. Lucey for his consideration. Voting against it were State Reps. Paul Sicula and Dennis Conta, Milwaukee Democrats.

The bill would provide: Compulsory accident and liability insurance covering all medical, hospital and rehabilitation expenses up to $5,000; loss of income up to $200 a week for one year, plus other expenses for essential services, survivors' benefits, burial expenses and occupational training costs in rehabilitation.

Injured persons would retain the right to recover damages in court if medical and hospital expenses exceed $1,000 or if there is permanent and serious disfigurement, loss of a body member, permanent loss of a bodily function or death.

Coverage for motorcycles may be written with deductibles up to $1,000.

ATTORNEY'S fees on a contingency basis would be limited to 20% of the net recovery after deduction of benefits provided for accident coverage.

Insurance companies would keep records for the possible reduction of premium costs after the first year of operation under a no-fault program and no insurer could refuse to renew a policy.

Allan Gruenisen, vice president of American Family Mutual Insurance Co. here, who voted for the proposal, said the bill was not a perfect solution but added that "it goes a long way toward placing more of the policyholders' premium dollars into the hands of the accident victim."

He added: "This proposal meets that objective by requiring the payment for medical, hospital and wage loss expense to all accident victims regardless of fault."

Mr. Gruenisen noted that insurance industry resistance to no-fault programs diminished after the U.S. Department of Transportation conducted a $2.5 million study showing unsatisfactory conditions in the auto reparations field. ■

How to rent insurance

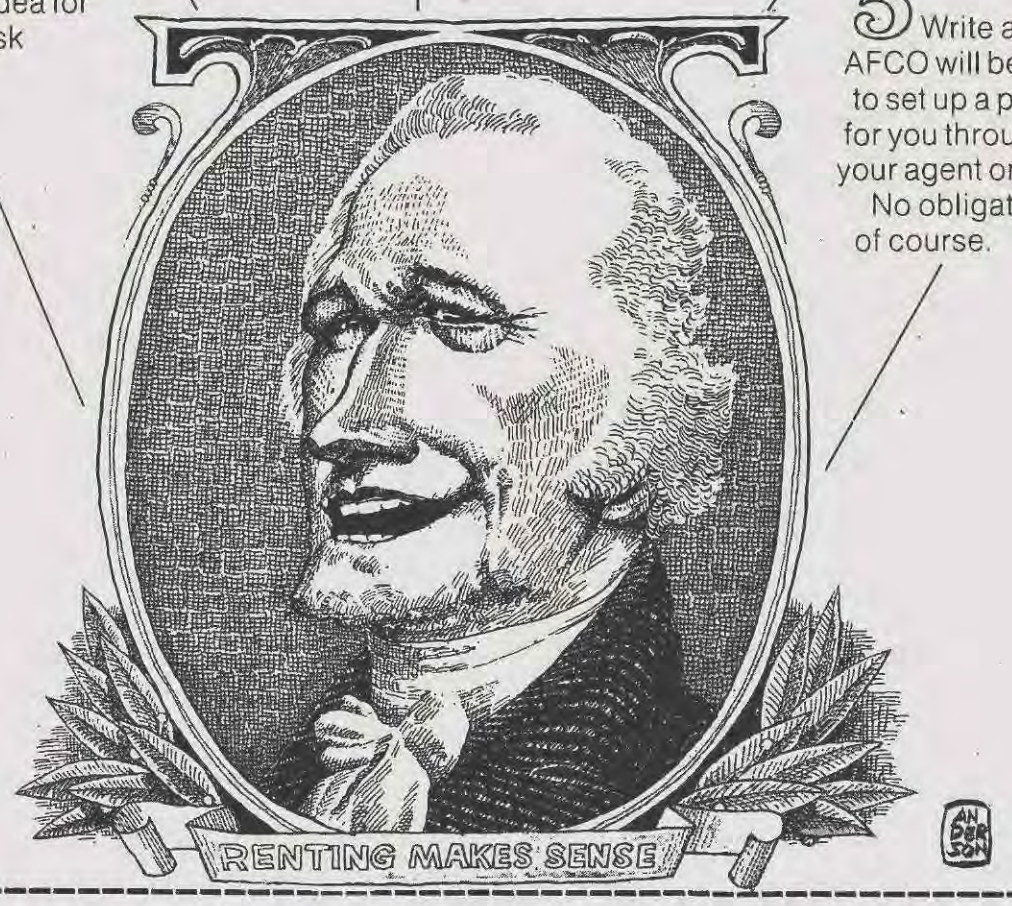
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Brennan ends quick state OSHA okays

WASHINGTON—An attempt to give job safety jurisdiction to states before final approval of their Occupational Safety & Health Act plans has been abandoned by the Labor Department in one of its first major decisions under union-oriented head man Peter Brennan.

The decision followed a denial by the U.S. court of appeals here of OSHA's bid for reversal of a preliminary injunction against a regulation giving states enforcement authority for six extra months over standards in their proposed plans. The temporary authority, contained in orders issued more than two months ago by former OSHA director George Guenther, was ruled counter to the intent of the OSHA act, in which a Dec. 28, 1972, deadline was set for enforcement by the federal government where plans had not yet been given final approval by OSHA.

HOWEVER, it was thought that OSHA would continue to pursue Mr. Guenther's aim by attempting to block continuation of the injunction in district court hearings that were scheduled for early in March. This position began to erode when the district court called for a change from a hearing "on the merits" of the issue to submission of summary judgement motions by OSHA and AFL-CIO, which obtained the injunction.

"The change narrowed the arguments to the OSHA law and would have limited our presentation," said an OSHA official. "Under a hearing on the merits we could have gone farther in explaining why the extension was needed."

OSHA's main argument for the extension was that the small federal inspection force needed help from state units until all plans get approval and that most of the proposed plans were close to being in accord with federal standards. It also wanted to prevent disruption of state operations. AFL-CIO contended workers could be endangered and stressed the letter of the law and the deadline.

SOME OSHA officials felt there was still a chance to obtain court clearance for the extension, even with the legal issues narrowed, and reportedly it was not until the matter was brought to the attention of Mr. Brennan that the original Guenther orders were rescinded.

OSHA officials would say only that there was "consultation" with Mr. Brennan, who took over as labor secretary two weeks ago after a long career as a New York labor leader. But usually well-informed union sources say it's understood in labor circles that "the order to rescind this came straight from Peter Brennan." ■

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$1.25 million suit filed by ballet dancer

INDIANAPOLIS—Purdue University has been named as a defendant in a $1.25 million damage suit filed in U.S. district court here by Emily Frankel, an internationally-known ballet dancer.

The suit stems from an auto accident two years ago last month. Miss Frankel claims negligence on the part of Mary A. Molter, a member of the university's convocation and lecture publicity staff, who was driving the dancer to Indianapolis for a television appearance. The appearance was to promote Miss Frankel's performance at Purdue, in West Lafayette.

The school's liability insurer is American States Insurance Co., according to Thurmond Brown, insurance manager. He said the policy covers the university and Miss Molter in the suit and would cover all $1.25 million, if Miss Frankel were to win that amount in her suit. ■

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War risk coverage on Libyan jet had lapsed

NEW YORK—The war risk reinsurance on the Libyan Arab Airlines Boeing 727 that was shot down by Israeli fighter planes late last month had been allowed to lapse only days before the incident, which killed 106 persons, occurred.

(A related story is on page 10.)

Aviation insurance sources here told *Business Insurance* that, as far as they knew, the London market-written war risk coverage had been allowed to be lapsed just five days before the airliner was attacked and shot down. The Libyans reportedly felt the coverage was too expensive. Reinsurance on the aircraft's hull, which the sources contended was also written in London, would probably not have applied because the airliner was destroyed in a war-like action. The broker is C. T. Bowring & Co., Ltd.

The Libyan insurance industry is nationalized and, therefore, will be stuck with the entire value of the aircraft, which is reportedly valued at about $7 million.

"THE ISRAELIS have said they will pay some sort of compensation to the next of kin of those killed in the crash," one of the aviation men commented. "I don't know for sure, but they just might pay for the hull of the airplane as well. I'm not saying they will, but there is that possibility."

The Israeli decision to compensate the families of those killed in the crash was made in the face of stern opposition from Israeli Defense Minister Moshe Dayan. Mr. Dayan felt that the granting of compensation would be tantamount to an admission of guilt in the matter, but retreated in his opposition.

"The Israelis had to do something like this," one of the sources said. "World opinion, including that of the international insurance community, takes a pretty dim view of this. You just don't shoot commercial airliners down." ■

(No. 5 of a Series)

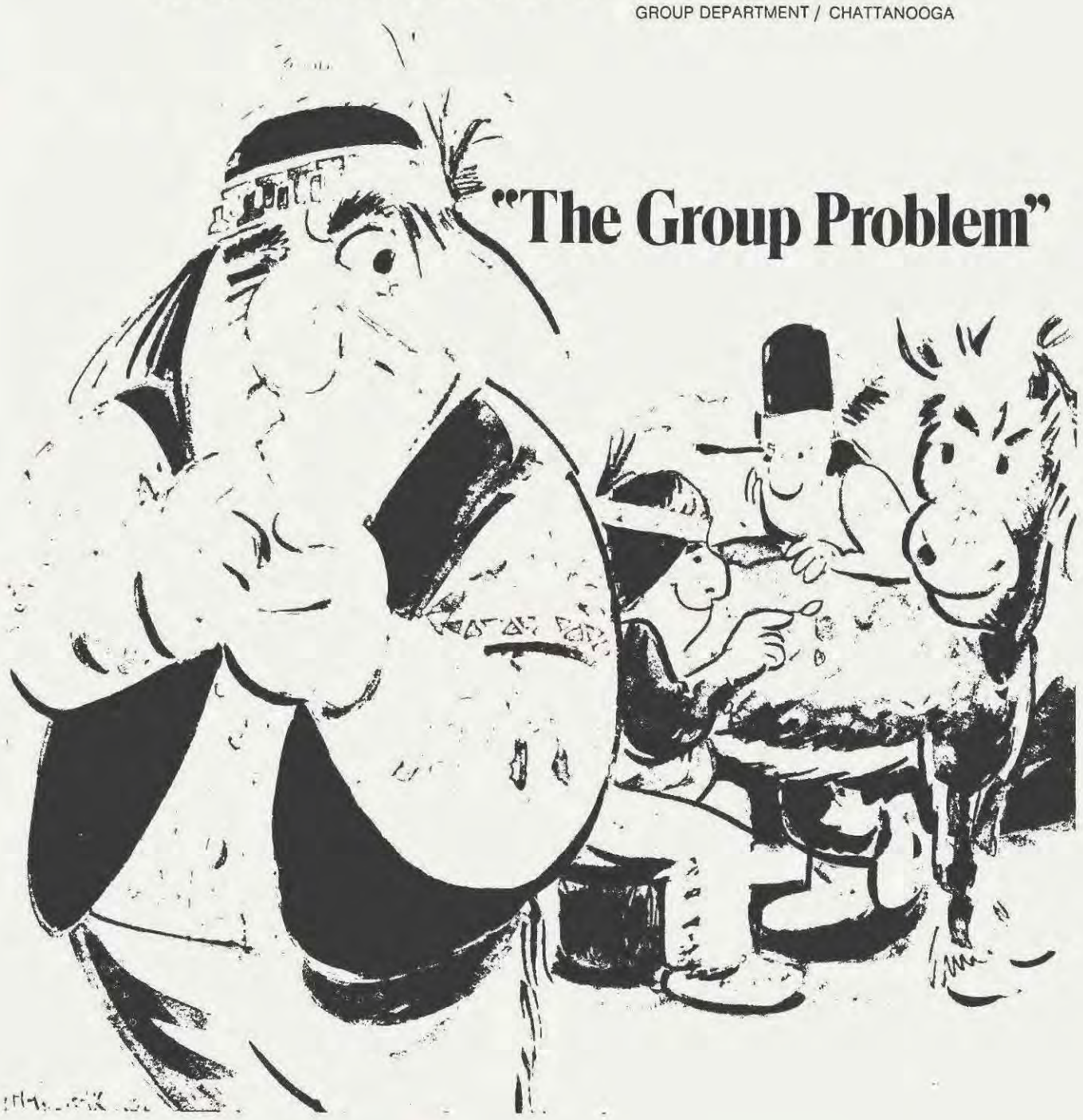
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Writes cover on 15,000 aircraft

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Matthew E. Kelly and John J. Ford III, co-founders, report that "the company is in the black for its first full year" and has insured about a quarter of all aircraft that has changed ownership since the firm started.

Mr. Kelly and Mr. Black refused to disclose the extent of the profit, promising to report it "when we get another year on our books."

THE COMPANY now lists 4,238 banks, 511 dealers and 311 attorneys as its principal clients engaged in handling and financing aircraft purchases.

"Small aircraft," Mr. Kelly explains, "changes ownership on the average every 22 months and commercial aircraft every 33 months. To date our business has been mostly with personal planes in the $20,000 value range, with a steady up-grading by flyer owners and very little depreciation."

The company now has a computer to record, interpret and collate data and claims to have the only "statistical air bank." It also publishes Aircraft Price Digest, a blue-book with a circulation of 2,600 for used planes and equipment pricing.

An office has been established in London, and one has just opened in New York. Mr. Kelly has offices here, but company headquarters are in Oklahoma City. ■

BUCK ROGERS IN THE 25TH CENTURY



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To receive literature listed in Info for Buyers write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*. Readers are welcome to submit items for possible inclusion in the column. A sample of your literature should be sent to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

• The National Foundation of Health, Welfare and Pension Plans has published its information booklet for 1973. Titled **Service '73**, the booklet outlines the foundation's organization, purposes and activities and lists officers, committee members and educational programs for the year. Single copies are available at no charge from the foundation, P.O. Box 69, Brookfield, Wi. 53005.

• **General Liability Revisions,** a free booklet analyzing changes which became effective January, 1973, in the general liability policy is now available from Underwriters Adjusting Co. Changes in both the policy jacket and the coverage part are explained, and the precise wording of the sections affected is given. The booklet can be obtained by writing to the company, 224 S. Wacker Dr., Chicago, Il. 60606.

• **Fire Protection Trends,** a bimonthly newsletter published by the Sierra Group, a nationwide fire protection consulting engineering organization, contains news items concerning developments in the fire protection field. To be placed on the mailing list without charge, write Kenneth E. Berg, The Sierra Group, 145 Natoma St., San Francisco, Ca. 94105.

• Star Sprinkler Corp. has released a brochure, #QES-72, describing the company's new fast-acting sprinkler. For a free copy contact the Star Sprinkler Corp., 4545 Tacony St., Philadelphia, Pa. 19124.

• Improved Risk Mutuals has released **Guard Against Arson!** The brochure describes the arson problem and gives a number of practical measures for reducing the risk. The brochure may be obtained without charge from Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601.

• **How to Buy Insurance for a Corporation,** a 13-part series authored by *Business Insurance* contributing editor Bion Francis, is now available in booklet form. The booklet discusses the problems to be expected when buying insurance, and offers practical solutions for solving them. Single copies are $3.50 or $3.25 for orders of 11 or more. They may be obtained by sending a check or money order to Bookshelf, Crain Communication, 740 Rush St., Chicago, Il. 60611.

• Employers Insurance of Wausau has released **The Era of OSHA,** a booklet summarizing the employer's basic OSHA requirements and methods for meeting these requirements. The booklet discusses ways to perpetuate compliance, the compliance officer's visit, citations and how to contest them and application for variances. For a free copy write Roger Drayna, Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wi. 54401.

• **Protection For The Social Service Agency,** available from American Home Assurance Co. discusses an insurance program specifically designed to cover social service agencies and their professional staffs. The booklet contains a brief outline of the policy coverages, terms and conditions. For a copy contact Richard Impert, American Professional Agency, 116 John St., New York, N.Y. 10038.

• Sapperstein, Hochberg & Haberman Inc. has made available **The Need For a Public Insurance Adjuster,** an outline of what the function of a public insurance adjuster is, and also, a short history of the company. Included are commonly asked questions about public insurance adjusters and a typical operating procedure in the preparation of a claim. For a free copy write Edwin Hochberg, SH&H, 116 John St., New York, N.Y. 10038.

• **Auto Insurance Systems, a Comparison Chart,** has been published by the Insurance Information Institute. The chart summarizes the key features of the tort liability auto insurance system, various proposals for change and "first party" laws which have been adopted by several states. Included also are summaries of the no-fault laws scheduled to become effective in Connecticut and New Jersey and the proposed Hart/Magnuson National No-Fault Motor Vehicle Insurance Act. Single copies of the chart are available without charge. Write Insurance Information Institute, 110 William Street, New York, N.Y. 10038.

• A packet of risk management articles prepared by Risk Planning Group, includes information on risk management consulting captive insurance companies, motivation for loss prevention and a risk management "score sheet". Copies are available without charge by writing Risk Planning Group, 24 Old King's Highway South, Darien, Ct. 06820.

• **A Glossary of Reinsurance Terms,** compiled by the Reinsurance Assn. of America's committee on terminology after a two-year study, updates definitions in accordance with changing trade conditions. Copies are available by writing Reinsurance Association of America, 1025 Connecticut Ave. NW, Washington, D.C. 20036.

• **No-Fault Auto Insurance,** a pamphlet issued by Royal-Globe Insurance Cos., is a concise description of what no-fault is and what it does. The pamphlet answers frequently asked questions about no-fault insurance and the present tort system. For free copies write Joseph Venturelli, Royal-Globe, 150 William St., New York, N.Y. 10038.

• Valuation Counselors Inc. has made available **Services to Meet Key Property Insurance Policy Obligations,** a checklist of policy obligations for risk managers including a description of the company's services. For a free copy write J. F. Brierly, Valuation Counselors, Inc., 230 W. Monroe St., Chicago, Il. 60606.

• Benefacts Inc. is publishing **Benefits Brochure,** an information piece which traces the growing need for personal annual benefits reports as a employe communication tool. For a free copy, write Robert Eilertson, Benefacts, Inc., Hampton Plaza, 300 E. Joppa Rd., Baltimore, Md., 21204.

• The Humetrics Corp. has released a pamphlet, **A Proved Concept for the Mass Screening of Adults for Heart Disease.** The pamphlet includes a summary and description of an accurate and inexpensive technique for the early detection of heart disease via ECG screening. For copies contact Kenneth L. Dufour, director of marketing, Humetrics Corp., 6374 Arizona Circle, Los Angeles, Ca. 90045.

• **Property Records and Insurance Valuations for Schools, Institutions and Municipalities** describes specific requirements of cities, schools, hospitals and other institutions for property records and determination of insurable value of buildings and contents. Available from General Appraisal Co., the brochure also illustrates a computerized asset control and information program. For a free copy contact E. Gentry, General Appraisal, 7330 N. Figueroa, Los Angeles, Ca. 90041.

• Johnson & Higgins has made available **Now—A Sound Way to Appraise Investment Results** free to *Business Insurance* readers. For your copy write Production and Coordination Dept., Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

• **Facts About the Consultation Services of W. G. Dodge & Associates,** is a brochure explaining the company's services in the field of commercial property and liability insurance. These services are available to businesses too small to maintain their own insurance management departments. For a free copy write W. G. Dodge at the company, 8609 Northwest Plaza Dr., Dallas, Tx. 75225.

• The Travelers Insurance Co. has made available to *Business Insurance* readers an illustrated brochure, **Survivors' Income.** The brochure describes the company's new group insurance plan available to groups of twenty-five or more eligible employes. Copies may be obtained by writing Group Sales Promotion (7MS), The Travelers Insurance Co., One Tower Sq., Hartford, Ct. 06115.

• **Why a Separate Mortgage and Real Estate Account?** is a description of the operation and investment objectives of a new spearate investment account. It highlights important features such as equity participation and includes two examples of the types of investments anticipated. Copies are available for 50 cents each by writing Arthur J. Brock elman Jr., director, pension marketing & coordination, New England Life, 501 Boylston St., Boston, Ma. 02117.

• Mass Insurance Consultants and Administrators has a brochure called **Getting More Membership Mileage From Your Group Insurance Program.** It describes their professional consulting and administrative services for trade associations and professional societies in helping them plan their group insurance and retirement programs. For a free copy write Allen Whiteside, vp, Mass Insurance Consultants and Administrators Inc., 209 S. Lasalle St., Chicago, Il. 60604.

• Assurers' Service Inc. has made available **Workmen's Compensation Self-Insurance Service,** a brochure covering the requirements for qualification, as well as details on the benefits accruing to a corporation with a competently administered self-insured program. For a free copy write Alvin J. Sims, Assurers' Service, 22 Batterymarch St., Boston, Ma. 02109.

• **How to Insure Trust Departments Properly,** a reprint of an article by Bernard J. Daenzer, president of Wohlreich & Anderson Ltd., has been made available by the company. The article discusses errors and omissions coverage for trust departments and includes several examples of recent large losses along with the results of a bank trust department survey. For a free copy write Anthony C. Bova, Wohlreich & Anderson, 55 John St., New York, N.Y. 10038.

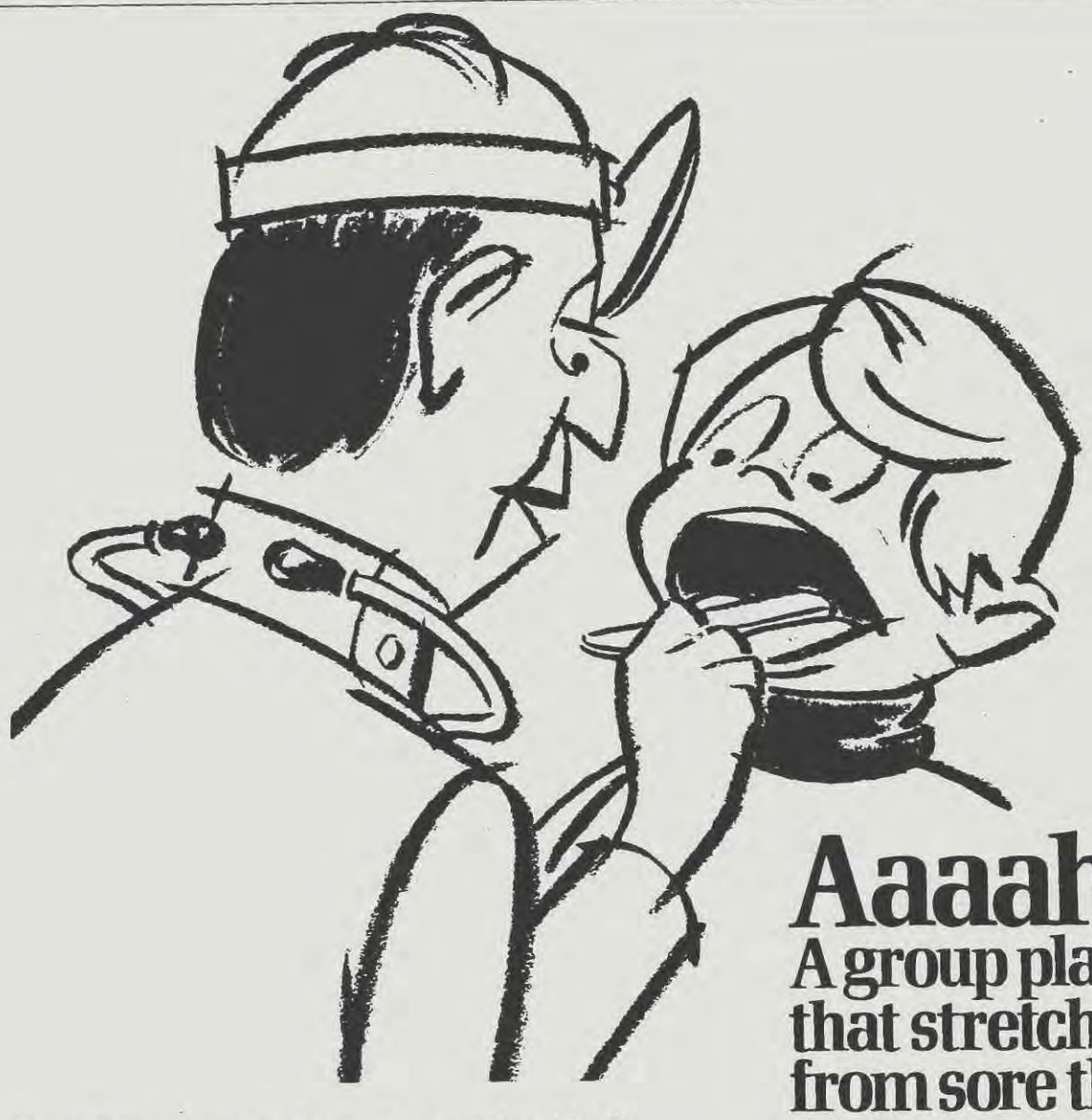
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Libyan airliner incident may force war risk review by air underwriters

LONDON—War risk rates may have to be reviewed by aviation underwriters because of the Middle East disaster in which a Boeing 727 of Libyan Arab Airlines was shot down in the Sinai desert by Israeli military aircraft.

Rates have been fairly steady in that area for many months, but the new episode, with more than 100 civilian passengers killed, has caused anxiety in the Lloyd's market about the future.

The last big event of a war risk nature was in Sept., 1970, when hijackers destroyed four aircraft costing many millions of dollars during guerilla warfare at Dawson's Field in the Middle East, and in Cairo, after evacuating passengers.

Fortunately, the crashed Libyan airliner, probably worth $5 million or more, will not be a burden to underwriters. The Libyan national airline had allowed its hull cover to run out less than a week previous to the tragedy, either while new rates were being negotiated in the Lloyd's market, or while it tried to arrange cover elsewhere.

However, in the London market there is the possibility of passenger liability claims under the usual conventions, which could in theory reach substantial sums. The main problem is whether there will be retaliatory acts that could endanger more civil airliners flying to the Middle East.

* * *

THE internationally-known Accident and Casualty Insurance Co., of Wintherthur, Switzerland, is making an $8.6 million offer for Reinsurance Corp., in which the General Accident group of Perth, Scotland, holds a large interest.

The Wintherthur corporation already has a joint interest in Britain's Stronghold Insurance Co. with National Fire Insurance of Hartford, a member of the CNA insurance group of Chicago.

* * *

INSURANCE for the world's largest oil tanker has been placed on the Lloyd's and U. K. market at a hull value of $65 million. There will be participation by U.S. and Japanese insurers as well, but the main cover rests mainly with Lloyd's and the London companies.

The risk will cover the Globtik Tokyo, a 480,000-ton tanker which has just been completed in Kure, Japan.

Marine underwriters are now being asked to assess rates for its future sister-ship, a 700,000-ton mammoth tanker, which is likely to be completed by 1977. It will cost $120 million, and one insurer said: "We must wait until we know more about the potential overall risk."

Hull insurance rates reportedly run at between 3% and 4% of the value of 250,000 ton to 300,000 ton tankers, though some Japanese firms quote lower premiums. Super-tankers will pose new problems, but Lloyd's is believed to be ready to accept the risk.

* * *

OPIC (Overseas Private Investment Corp.) has substantially hiked the reinsurance of its world-wide expropriation cover with Lloyd's of London. The new policy provides it with over $116 million of additional coverage, *Business Insurance* has learned.

Mainly underwritten by Lloyd's syndicates, it will raise to $400 million the amount of OPIC's current expropriation insurance now being reinsured.

Seven U.S. insurance companies share in the reinsurance agreement, and Bradford Mills, OPIC president, has told Lloyd's that he is pleased they have decided to join in the new agreement, which will further protect the U.S. investor.

* * *

UNDERWRITERS at Lloyd's have made a special commemorative presentation to Captain William R. Haas for his action in saving a Southern Airways DC9 aircraft hijacked Nov. 10 of last year by three criminals during a flight from Birmingham to Montgomery, Alabama. The airline's risk cover is placed in London, and John Hewitt, whose Ariel syndicate led the risk, praised Captain Haas for his skill in saving the airliner, its passengers and crew. ■

We're introducing a big new idea in old-fashioned surplus

The idea's a good one. It mates historic Lloyds of London aggressiveness with our own prudent aggressiveness.

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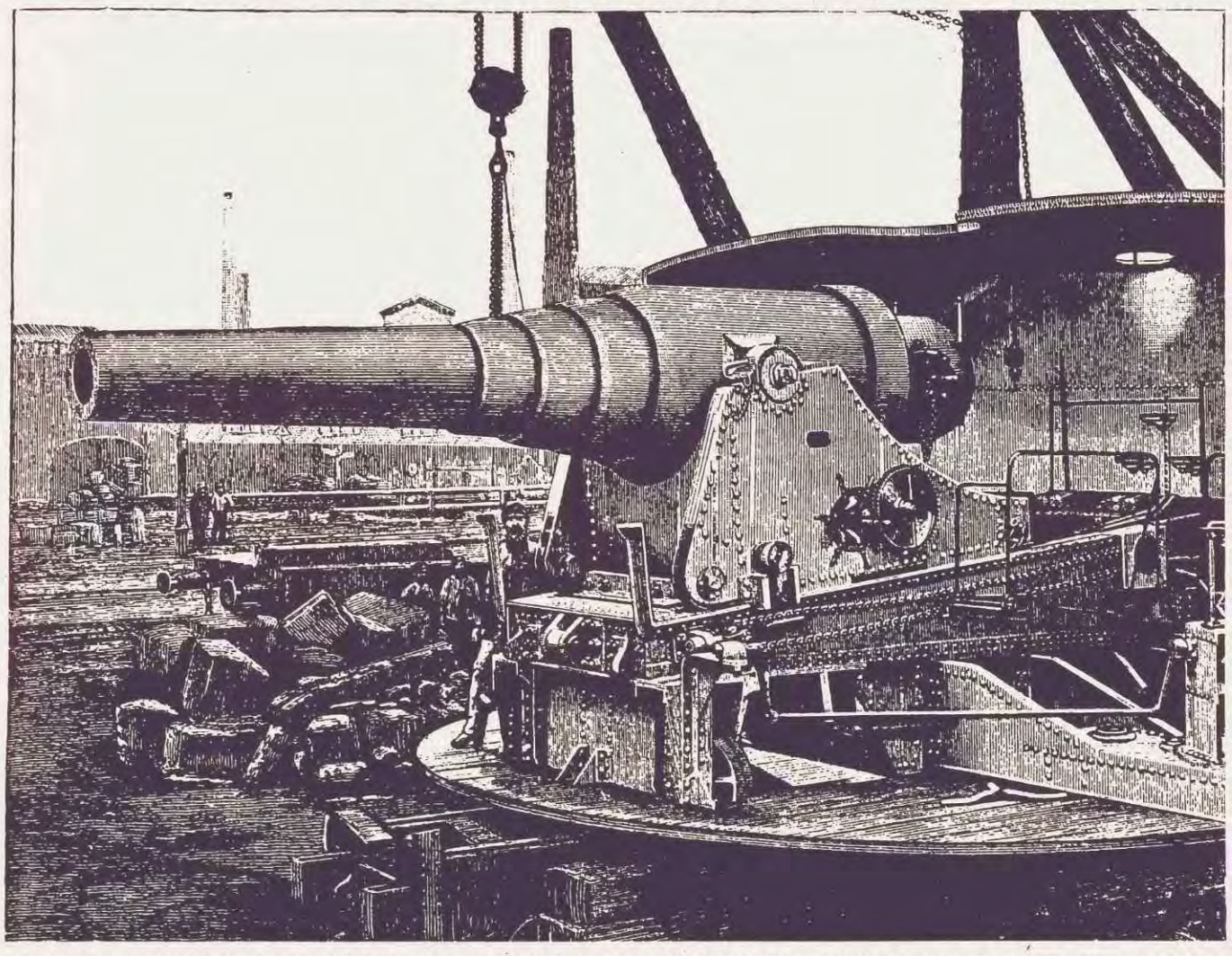
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Job injuries up 21.5%

HARRISBURG, Pa.—The state labor and industry department reported that on-the-job injuries in Pennsylvania increased by 21.5% in 1972, reaching an all-time numerical high of 114,221.

Paul Smith, department secretary, said lost-time occupational injuries claimed 20,221 more victims last year than in 1971. The 1972 totals included 564 fatalities, a decrease of 19 over 1971. Lost-time injuries were defined in the report as those that result in the loss of at least eight consecutive hours of work.

"The continually mounting toll of injuries in the working places of the Commonwealth is a disgrace that we have tolerated for far too long," Mr. Smith said. "Obviously, much more has to be done to make working conditions safer."

MR. SMITH said that in addition to the increase in total injuries last year, the rate of injuries per 1,000 employes was the highest in the 10 years that this statistic has been computed.

The rate was 26.8 per 1,000 in 1972, compared to 22.3 per 1,000 in the previous year.

In the manufacturing category, injuries numbered 47,969, including 170 fatalities. There were 38,861, including 146 fatalities, in 1971. In non-manufacturing, the totals were 66,252, including 394 fatalities, in 1972, with 55,139, including 437 fatalities, reported in 1971. ■

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Whether you need a little advice, or assistance in depth, turn to NATLSCO for help with OSHA compliance. NATLSCO has already helped hundreds of businessmen solve many of the problems they've encountered meeting OSHA's safety and health regulations.

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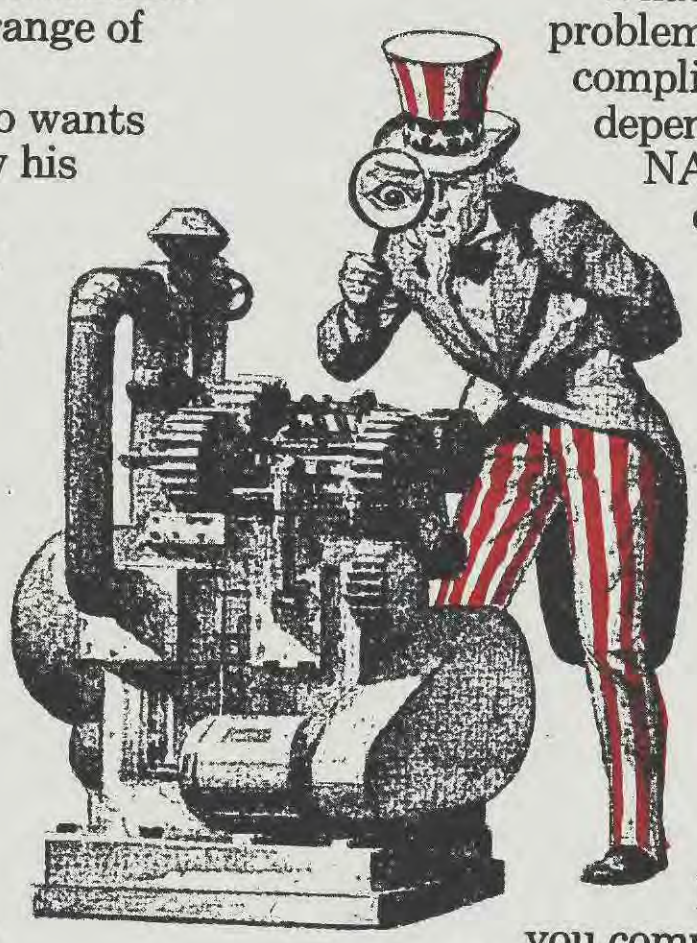
For the employer who wants to know where and how his facilities measure up against the new federal standards, there's the *OSHA Pre-Compliance Survey.*

With it, NATLSCO sends in a team of experts, including an industrial hygienist, a fire protection consultant, and an industrial safety consultant, to identify specific OSHA violations and recommend possible solutions.

This service entails a complete analysis of your present operation, including many areas often overlooked by self-inspection.

Another important NATLSCO program is the *OSHA Status Survey.* It is designed to aid employers who want to conduct their own, point by point, detailed analysis. With this survey, NATLSCO provides initial guidance that can help you make certain that your compliance efforts will be as thorough, complete, and reliable as possible.

Finally, because OSHA compliance is not a one-time proposition, there is the *NATLSCO Follow Up Service.* This is an on-going program for businessmen who want continuing guidance and assistance in meeting the OSHA standards.



Whatever your problems with OSHA compliance, you can depend on NATLSCO for expert technical advice that will make the job easier for you.

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Consultant gives tips on pension plan design

NEW YORK—Working on the premise that the pension plan is not a gift from a benevolent employer but, rather, a component of total compensation, an employe benefits consultant and actuary gave a group of businessmen here a few tips on designing and financing pension plans.

"The impact of profit-sharing and savings plans on the design of a retirement program is too often ignored," William A. Dreher, president of William A. Dreher & Associates Inc., told an audience at the Conference Board's eighth annual financial conference.

"If you have either of these two types of programs, you should study their significance," he charged the attendees. "Convert the employe's account balance at retirement into an equivalent amount of retirement income. You will find many instances where the total of the employe's corporate pension benefit, his Social Security benefit and the income equivalent from a profit-sharing or savings plan exceeds 100% of his pre-retirement gross salary. To me, this is clear evidence of wasteful retirement planning."

HE SAID that pension plans as part of total compensation and as trade-offs with currently taxable compensation provoked three thoughts: the essentiality of vesting, the increasing appeal of cash, and the growing force of younger workers.

Regarding vesting, Mr. Dreher commented, "A pension plan should give the employe a vested interest in his accrued pension after a reasonable period of service, with full entitlement probably being earned gradually over a period of years.

"Don't look to pension legislation for the answer," he cautioned. "The vesting features of the administration proposal, the Dent Bill and the Williams-Javits bill are, in my opinion, an empty bag for most workers. They require no vesting of pension benefits accrued prior to 1973 and ignore all pre-1973 service in determining eligibility for vested rights. As a result, most workers now over age 45 will be given very little additional pension security, if the employer only complies with the minimum standards laid out in these proposed bills."

HE SAID that changes in tax laws had made cash more appealing by reducing the tax advantages of deferred compensation arrangements.

Private retirement plans, or at least their liberalization, would be inhibited over the next few years, he predicted, by the influence of the younger work force who will "favor cash salary and indirect compensation, such as longer vacations and flexible work schedules, in lieu of deferred compensation."

Turning to the financing of pension plans, Mr. Dreher established another premise: "Pension plans aren't cheap."

To guard against the sometimes hidden costs of pension plans putting a strain on future corporate earnings, he contended the "actuarial value of current and prospective benefits from the plan must be determined before the plan is adopted and periodically thereafter.

"The integrity of the actuarial valuation depends upon the collective adequacy of the set of assumptions," he continued. "Unfortunately, the individual components of an actuarial basis are sometimes not chosen realistically. In these instances, the actuary is relying on the conservatism built into one actuarial assumption to offset the inadequacy of another."

THIS PRACTICE, he noted, served to confuse the client, frustrate communication between actuary and client and can cause trouble since "an actuarial valuation has several audiences, assumptions which can be defended for cost estimation purposes will cause mischief for others.

"One way to avoid or minimize these problems is to have each actuarial assumption self-sufficient," he said. "This means that investment return assumptions must fairly reflect the future pension trust investment policy and the performance goals for each portfolio segment. Past investment preformance should be given some weight in selecting a future investment return assumption, but remember that any actuarial assumption is intending to forecast future events, not to mirror the past. The past can be a useful guide but should not be followed slavishly."

Mr. Dreher urged that salary forecasts be realistic, that inflation be considered and that early retirement be recognized as a trend when financing the plan. He also felt that withdrawal rates, which anticipate the forfeitures occurring when employes leave without vesting rights, be set realistically.

Looking at the portion of a pension plan's cost assigned to current operations, Mr. Dreher said the most commonly used actuarial cost method was the "entry age normal cost method," which sought to determine a normal cost which would stay level from year to year as a percent of covered payroll.

"ANOTHER popular actuarial cost method, particularly for larger, more mature companies, is the aggregate cost method," he noted.

"In each actuarial valuation, the present value of the total benefits is reduced by the assets then in the trust fund and the remaining liability is converted to a percentage of payroll. In a stable population, this percentage of payroll will be constant from year to year and, for a well-funded plan, will closely approximate the normal cost under the entry age normal cost method."

Since actuarial assumptions were subject to error, Mr. Dreher said actuarial gains and losses should be anticipated and recognized in the actuarial valuation.

"The gain or loss can be taken directly as an adjustment to the past service liability," he commented, "if the entry age normal cost method is used." ■

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Drake University initiates insurance institute

By TOM WALSH

DES MOINES, IA.—It's 9:30 on a wet, puddled Tuesday morning and up the wooden steps to Prof. James J. Chastain's white frame house-turned-office comes a shaggy-haired, book-toting bell-bottomed Drake University insurance student.

"Excuse me," he says, poking his head into the office. "Are you busy? I just came from Intro to Insurance, and I don't understand the difference between pro-rating and joint-loss apportionment."

"Come in, come in," Prof. Chastain says, "Sit down and take your jacket off. Okay . . . now you understand pro-rating, don't you? Okay, well, that's really all you need to know, but, for the hell of it, the difference between them is basically . . ."

SO THE DAY begins for "Dr. Jim," founder of Drake's new Insurance Studies Institute and chief guru for 25 insurance majors and some 900 business students who wind up taking at least one of eight available insurance courses in their college careers. His students "dig" him, the dean of the business school and the president of the university are "very pleased" and the 54 insurance companies based in this golden buckle of the corn belt are happy to have the institute and its resources available to them.

Established in January, the institute centralizes Drake's many insurance interests under one office. A small, private university, Drake is already one of the nation's largest educators of actuarial scientists. Its law school specializes in insurance law. Its night-school program for years has offered courses in many phases of the insurance industry. Its campus is often the site of insurance conferences and seminars.

"The institute is able to draw all these areas together," Prof. Chastain said. "Quite a few schools offer an insurance major, but our program is a lot more diversified than others. We have a special relationship with the law school, and, being in Des Moines, which is somewhat of an insurance center, there are a variety of research possibilities not available anywhere else.

"THREE YEARS ago, the Drake law school was looking for a specialty and saw all the insurance companies in town," he said in his son-of-a-Mississippi-Baptist-minister drawl. "They discovered that there's no law school program for insurance lawyers, so we now have a combined insurance-law program which allows students to take CLU and CPCU exams while in law school and involve themselves in insurance-related research activities. The law school is now in the process of designing a post-degree school so that persons who are already lawyers and are interested in insurance can come here for the necessary training.

"With 25 years in the actuarial science field, with our law school speciality and with our night courses, we feel we have a pretty solid base," he said. "What we're doing now is expanding what we have to capacity."

The 25 insurance majors, aside from other college of business requirements, must complete 15 hours of insurance courses. Available courses include: Introduction to Insurance; Risk Management (identification and analysis of risks, handling risks by assumption, transfer, reduction or insurance, etc.); Life and Health Insurance (pensions, state regulations, etc.); Group Insurance and Private Pensions; Property and Liability (workmen's compensation, fire, liability, fidelity, surety, multiple lines coverages); Property and Liability Functions (underwriting, loss adjustment, reinsurance, rate-making, risk analysis, government regulation); Insurance Seminar (individual research); and Independent Study (intense concentration on one area supervised by a center faculty member).

SOME OF the most intensive and directly applicable work comes out of independent studies and research projects sponsored and paid for by local insurance companies, Prof. Chastain said.

"One independent project is now studying the effect of heart conditions on employment opportunities," he said. "Often, a person will have suffered a heart attack at a young age—say 40 or 50—and, when he goes to look for a job, he's told that the employer's insurance company won't permit his hiring. This is an example of an insurance practice that can destroy someone's ability to earn a living, and it's time someone looked into it.

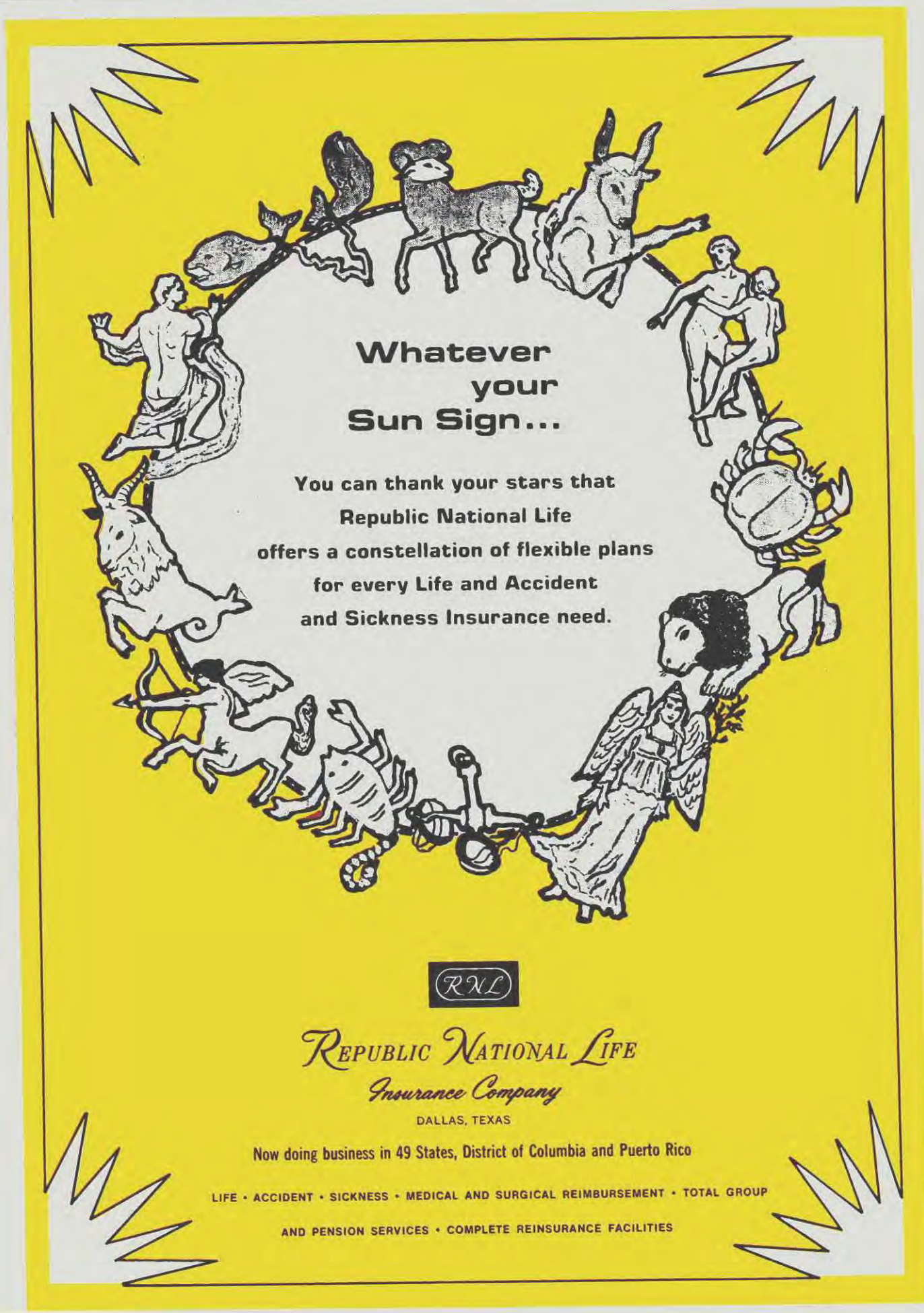
"Another group is involved in planning and teaching courses on OSHA regulations. Another group is studying abortion insurance now that the Supreme Court has ruled they are legal. Some students here have formed a committee to see about establishing an abortion fund, but our students are researching the possibility of building abortion coverage into the present student health insurance. The University of Wisconsin already has such a plan, and my students are looking at INA, CNA, Fireman's Fund and Mutual of Omaha—all major health insurers—to see if they have become more liberalized. Another group is busy studying the feasibility of federal no-fault."

COMMISSIONED research projects investigate specific problems for specific firms for a "self-sufficient price ranging anywhere from $30,000 to as low as $2,000," Prof. Chastain said. "Most cost between $5,000 and $6,000, and the figure is determined on a cost basis figuring the overhead of the university and the institute."

The institute is now under contract with an unnamed Des Moines-based insurer interested in finding out if its trademark logo is more recognizeable than its competitors'. Prof. Chastain is supervising the project, which involves a marketing professor and three graduate students from the school of business. Some 2 undergraduates will also be used in the study and will receive formal training in interviewing techniques in the process.

"The institute recently completed the first phase of a study on motorcycle accidents," Prof. Chastain said. "We did this on in cooperation with an NAII subcommittee. All the states want to know if motorcyclists should be included in no-fault. They knew they'd have to pay more, but no

Continued on following page



Drake . . .

Continued from preceding page

body was sure how much more, so our study gathered together all the existing literature and we distributed a summary to the state legislatures."

AN INSTITUTE research team just completed the first draft of a "National Insurance Advertising Regulation Service" designed to keep those persons who need to know aware of state insurance advertising regulations. Sponsored through a grant from Mail Marketing Systems & Services Inc. of Minneapolis, the project was compiled by Drake law students interested in the insurance field. The first synopisis will be on sale, Prof. Chastain predicted, by the end of this month.

The area of risk management, a course Prof. Chastain teaches advanced students every other spring, is one of the institute's primary focuses, the institute director says.

"We see every one of the 900 business students as potential risk managers," he said. "Risk management is really akin to consumerism—the wisest way of handling a problem both in terms of cost and effort."

In 1969 Prof. Chastain sponsored a conference on risk management, but only 15 persons registered, so subsequent conferences on the topic have been geared toward agents.

"I FEEL that agents can perform many of the functions normally performed by the part-time risk manager," Prof. Chastain said. "A good agent should know something about loss control and be able to get the firm to think about how much of the risk it can assume. Sometimes, I get agents who'll really react to this idea radically and change their whole mode of operation."

Chastian-sponsored conferences are numerous and popular. A recent seminar on OSHA drew 600 persons to an auditorium designed to accomodate 500. He has also designed popular seminars on insurance for high school instructors whose subjects touch lightly on insurance, a workshop for adjusters who have to operate via telephone, license qualification classes for prospective agents and others. The schedule, he predicts, will enlarge when Drake's new student center—equipped with enlarged conference rooms—is completed next year.

The largest Dr. Jim cheering section, it seems, is comprised of his students.

"THE MAN is phenomenal," one student said, munching on a cheeseburger at a campus grill. "In all your other classes, you can read and read and read and do enough to get by, but, in insurance classes, you get out of the classroom and deal with the real world and talk to the people who are actually involved with what's happening."

"If you want to see something," another future insurance man said, "take a look at his name in 'Who's Who in Insurance.' He's done everything."

NOT QUITE everything, but a lot, as it turns out. He received his M.B.A. from the University of Chicago and Ph.D. from the University of Illinois. He taught insurance for 10 years at the University of Wyoming, Drake and Omaha University and was later with the American Institute for Property and Liability Underwriters and the Insurance Institute of America. He's a member of the American Risk and Insurance Assn., Risk Theory Seminar, Insurance Co. Education Directors Society, the Adult Education Assn., Common Cause, the American Institute for Property and Liability Underwriters' examination committee and various Iowa-related insurance groups. He's even been named an honorary woman by the National Assn. of Insurance Women.

"THIS REALLY is the most interesting program I've ever been in," another student continued, slurping a soft drink. "The contacts he has are inexhaustable, and the speakers that he's able to bring in are people who are well known in the profession and really have some important things to say."

Taking the student out of the classroom is one of Prof. Chastain's favorite tactics. Last semester a group of insurance majors traveled to Minneapolis to meet with the risk managers of the 3-M Corp. and a large Minnesotta dairy firm.

"We're going to Chicago next month," one student said. "It's really great just to be able to go somewhere and meet some people who are doing what you're studying about."

The future of the institute will depend ultimately on Drake's ability to find funding. Being a private university, it depends solely on tuitions and contributions to keep itself going. At this point, Dr. Jim says, the institute "can do anything we can find financing for."

"IT'S NOT cheap to attend Drake University," Richard Peebler, dean of the business school, said. "Our students already pay a good tuition, and we're not about to ask them for more to build any brick and mortar monuments to the business school. We'll have to go somewhere else for expansion, and that somewhere else will probably be industry. They have more interests at stake than anyone else, but the insurance industry hasn't yet decided just what it wants to do in the area of education."

A new business facility is planned for the Drake campus, and one insurance company—which insists on remaining nameless—has donated $50,000 so that the Insurance Studies Institute can have a section of the building to call home. A group called the Iowa Foundation for Insurance Education is already helping Prof. Chastain meet some of the costs with scholarships, luncheons and various subsidies, and other industry sources are helping students to pay their hefty tuitions.

"People will donate money under two conditions," Dean Peebler said, "emotional involvement or good business sense. Of course we'll be appealing to emotions, but we would like the industry to see that it is in their best interests to support insurance education. I'm sure once all is said and done, this institute will be one of the finest success stories around."

One major problem remains, though: Finding jobs for institute graduates.

"A lot of my students would like to be insurance buyers rather than sellers," Dr. Jim said. "But there's a lot of discussion among risk managers whether companies will hire somebody right out of college. Many places will try to get people from insurance companies after they've been there two or three years, simply because they do such a good job of training them. Finding these kids work right out of school is a problem. And it's a problem we haven't solved." ■

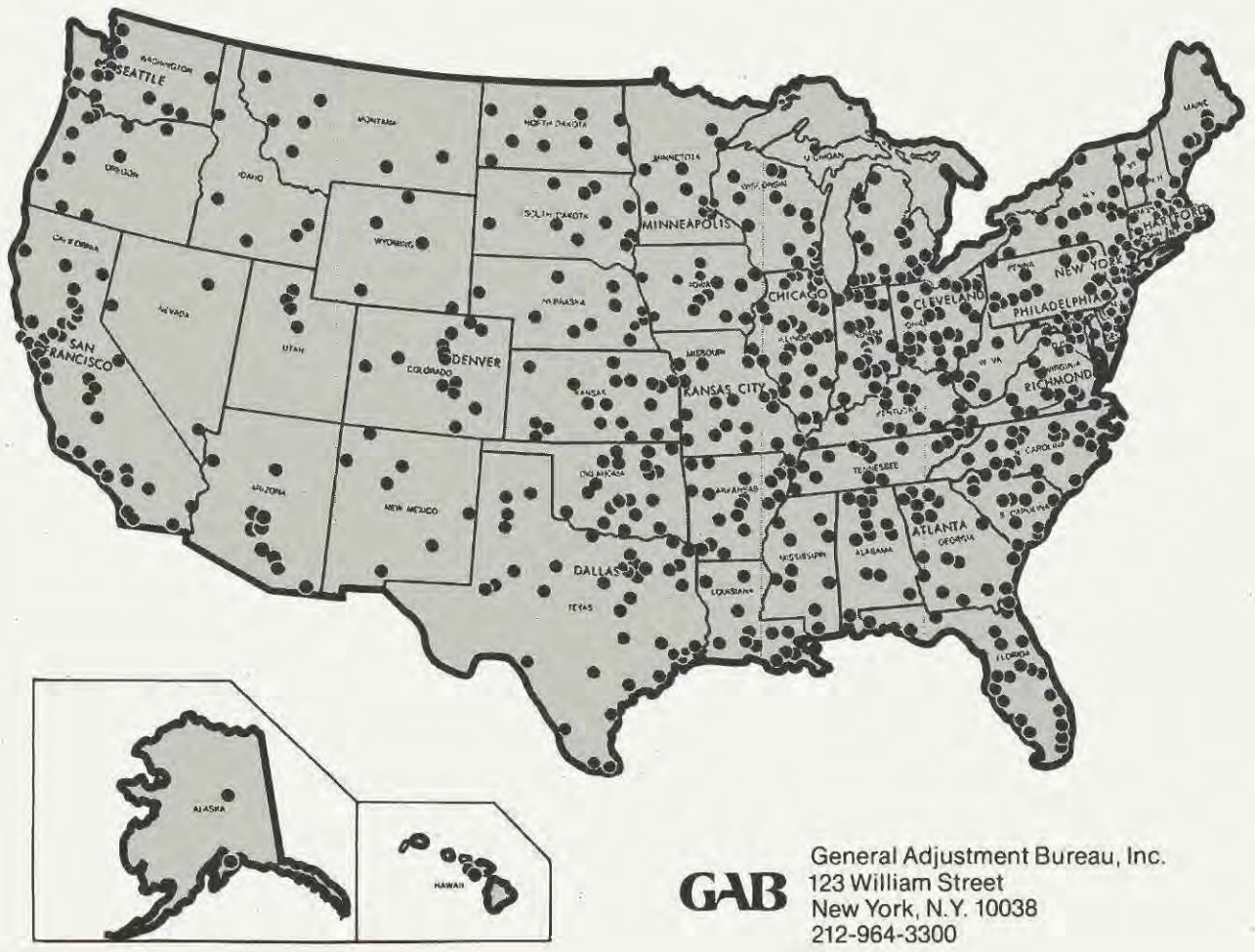
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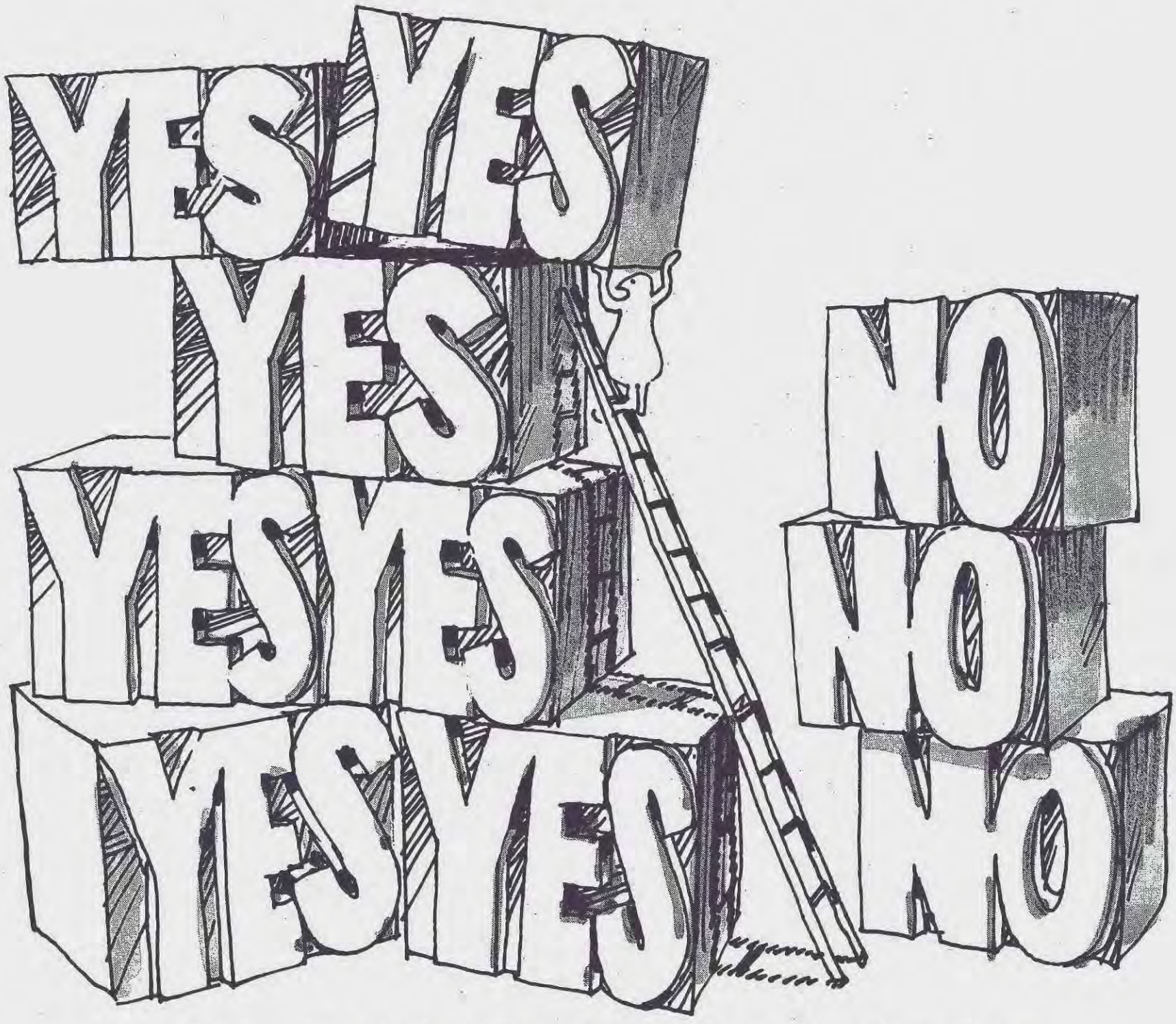
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Insurance bill slated

The Arizona legislature has introduced a bill which provides that owners of rental property, such as hotels, and apartment houses, must carry insurance to cover personal property loss.

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editorial opinions

Multinational challenge

WE READ THE other day that multinational corporations do far more good than harm to the U.S. economy and its balance of international payments.

This is the word, at least, from White House aide Peter M. Flanigan, executive director of the President's Council of International Economic Policy. Mr. Flanigan told a Senate finance subcommittee studying the subject, "It is difficult to find much evidence that (multinational corporations), as a group, have damaged the U.S. economy or its workers."

Studies by both the Tariff Commission and the Commerce department, he pointed out, suggest that mulinationals have helped the growth of employment and haven't "exported jobs," as some critics claim.

This and other testimony heard by the subcommittee concerning multinational corporations and their effects on the U.S. and world economies presumably will be used when the full finance committee considers a trade bill later this year.

Without considering the breadth of such a bill, it still does not appear presumptuous to assume that the growth of multinational corporations will indeed continue on the upswing.

What does this all mean for the risk men in corporations that are spreading themselves about the world? In a word or two, it means additional responsibilities, demands and challenges.

This issue of *Business Insurance* happens to include our annual special section on international insurance from the viewpoint of the corporate insurance and/or employe benefit manager. Flipping through the pages is, in itself, an indication of the complexity of the risk and benefit problems throughout the world for multinationals. Again: Added responsibilities, demands and challenges for our readers.

To be certain, there are a growing number of globe-trotting risk men out there right now. We learned that soon enough when we began putting this issue together. Trying to track down risk men who have broad responsibilities for multinational corporations can be like locating the ring master of a circus on a 50-day, 50-city tour.

By the same token, however, there is also sufficient reason to believe that many risk men just don't get involved with the international insurance problems of their companies and thus become captive audiences for insurers and brokers with international capabilities.

On the Perspective pages of this issue, a risk management consultant, Edgar S. Clark, touches on the subject. In effect, he tells risk men to get off their duffs and get more involved in management of international risks. Mr. Clark, we feel, has a point.

Risk schools=talent pools

THIS MAGAZINE's recent excursion to Drake University's new Insurance Studies Institute in Des Moines (See story, page 15) makes it clear that the one real essential to adequate insurance education is missing: Support from insurance buyers and sellers.

The insurance industry, as we all know, is a complex, multi-phased business which consequently demands that the persons employed within it have broad backgrounds in insurance trends, regulations, rating, adjusting, safety engineering, accounting, investing and other very specialized areas. For too long, the industry has relied solely upon itself for training the insurance buyers and sellers of the future and has related to the college-educated insurance school graduate as merely a piece of raw material to be processed by one training program or another.

With the emergence of such pioneer insurance educators as Drake's James J. Chastain comes an opportunity for a new era of insurance training—the emergence of young, interested and energtic insurance students with solid backgrounds in insurance basics and the intense desire to go from their 16 or 18 or 20 years of formal education into something more than another endless series of classrooms.

It's time, we think, that insurance companies and risk management groups begin actively supporting such educational endeavors not only with money—which is always in short supply at colleges and universities—but with jobs for students and graduates and good old what-can-we-do-to-help encouragement.

What better hunting grounds could there be for a large, corporate insurance department in search of bright, young junior risk management talent than educational facilities like Drake's new institute?

Certainly insurance buyers and sellers have the most to gain from colleges and universities which invest great sums of effort and cash to equip their insurance graduates with the many complex skills required by modern insurance practices. Scholarships, work-study opportunities, summer jobs, grants for building facilities or paying professors or even just an invitation to students to 'come out and look at how we do things' is all that's needed to help make insurance education work.

The benefits are yours.

Perhaps the time has come when some of the responsibilities should be, too.

business insurance

the national newsmagazine for buyers of employe, property and liability protection/pension investments/financial services

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letters

This column is a readers' forum. Letters are welcome. Address Letters to the Editor, Business Insurance, *630 Third Ave., New York, N.Y. 10017.*

Adoption assistance

To the Editor: I read *Business Insurance* regularly and look forward to each issue. The February 12, 1973, issue reviewed the IBM adoption assistance plan and their work in the area of dental care. You indicated that the adoption program by IBM was believed to be the first to be used by a major U. S. employer. You may be interested in knowing that other companies made this decision years ago.

We at Johnson Wax developed an adoption assistance program effective August 1, 1970. Our program provides for the reimbursement to employes of up to $500 of the fees charged by a social service agency, lawyer or other expenses related to the cost of adoptions. Eastman Kodak also has an adoption plan. I think IBM is to be commended for making a step in this direction.

At the time we developed this program we were very much aware that this reimbursement was considered as compensation to the employe. We tried to present a case for treating their reimbursement similar to the maternity medical insurance reimbursement for tax purposes but got nowhere. I hope that some time in the future companies that have adoption plans may join together to obtain tax exemption on the reimbursement.

A. J. Koenings
Director, personnel programs development, Johnson Wax, Racine, Wis.

Agent/Broker profiles

To the Editor: If you will be publishing the Agent/Broker Profile issue in 1973 would you add our name to your list to receive the profile questionnaire.

Thank you for your courtesies.

Phil C. Gallagher
Gallagher-Cole Associates, Miami

Editor's note: The Agent/Broker Profile Issue will be published this year on July 30. Questionnaires will be mailed out in mid-April. Incidentally, those agents and brokers who may have missed inclusion in last year's issue are invited to send letters similar to Mr. Gallagher's and we'll be certain they get on this year's questionnaire list. To qualify the agency or brokerage must have $150,000 or more in gross revenues.

Permission granted

To the Editor: I enjoyed the article "School children report on the insurance business" by Ben Stewart in your Feb. 12 issue. I edit the home office magazine for Mutual Trust Life Insurance Co., Chicago, and am interested in reprinting the article in my next issue. May I have the necessary permission?

The magazine goes to approximately 250 home office employes every month. In addition, copies are sent to retired employes, other life insurance companies, etc. The total monthly circulation is approximately 300.

Lynne G. Karlson
Editor-marketing department, Mutual Life Insurance Co., Chicago.

Editor's note: Permission granted.

133 things to remember when you plan a benefit program for your overseas employees.

1.

Let's be candid.

No employee program is worth a hoot if it doesn't throw off benefits to *you*.

By building incentive or satisfaction or loyalty among your employees.

But, shaping an effective program is tough enough when you're dealing with employees in the U.S. Once you venture overseas—look out! That's when you can stumble badly. Just because you didn't understand the local customs or the currency, the country's laws or your employees' needs. In that kind of situation, it's easy to come up with a benefit package your employees don't want—at a price you're sorry you paid.

Which is why so many businessmen turn to us — the American International Life Assurance Company of New York and its affiliated companies—for developing their international employee benefits: Group life insurance and group medical insurance. Third Country National programs. Pension plans, voluntary payroll deduction plans, and group accident and travel.

We're on the scene for you. With American-trained personnel who were born in the countries where they work. That's why they understand your problems—and also understand the countries they're in. They can give you what you must have: a "feel" for what's going on, what's needed, and what's practicable.

2.

Can't any local company give you that same up-close look?

Sure.

If you don't mind dealing with a different company in each country. And always at a long, long distance from your desk.

It's different when you deal with us. Our staffers may be "out there," but we're right here. In the U.S. So that you can work with us face to face. On a daily basis, if you wish.

And no matter how many countries you go into, you still have only one organization to deal with. Ours.

3.

Another thing:

No matter whom you work with overseas, make sure they've got a direct and durable interest in your problems.

Unfortunately, that's not likely to happen if they're just correspondents—or parts of a loosely-linked network.

It *does* happen when you work with us. Because our people are *our* people. And that means their jobs depend on delivering what you want. Whether it's formulating a benefit program that jibes with your business philosophy—or, later on, arranging a quick claim settlement without any hassle.

In all, the American International Life Assurance Company of New York and its affiliated companies have 10,000 of these people on the job for you. All of them American-trained to U.S. standards of efficiency and service. And all of them backed by an organization with 50 years' experience.

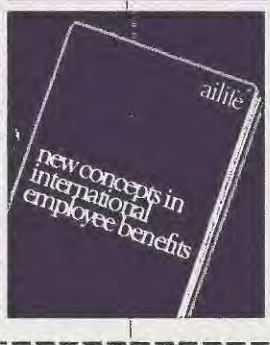
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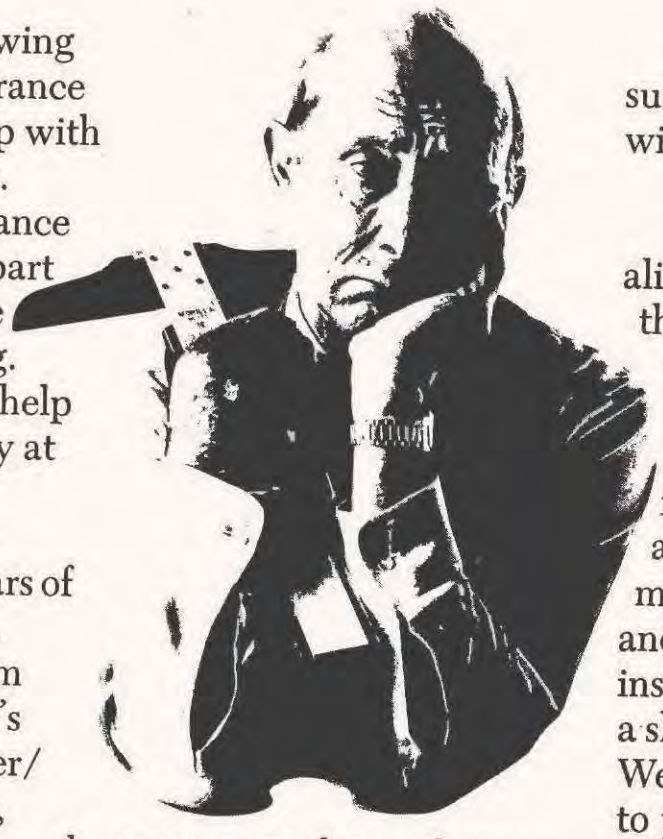
The fact is: insurance coverage itself is only part of what your insurance man should be offering.

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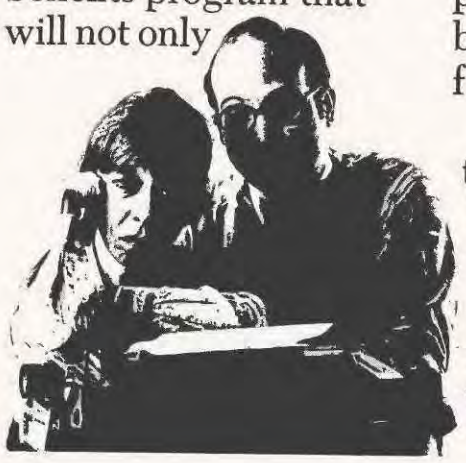


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Our consulting actuaries will help you determine precisely how much should be going into your benefit funds.

We'll help you control the actual dollar cost of your benefits program. From top to bottom.

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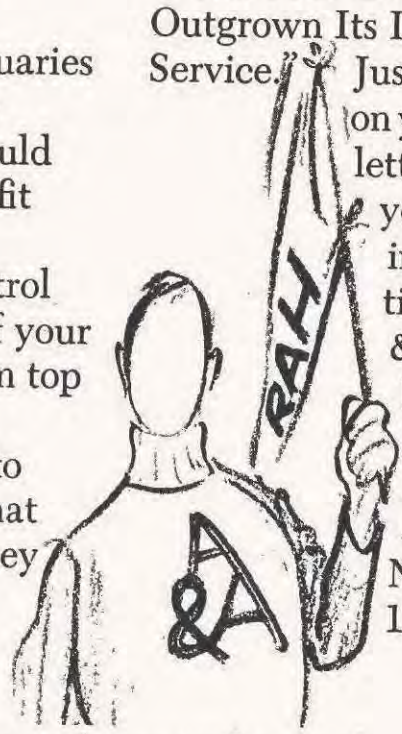
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Pepsi-Cola travels to Russia, but insurance details still bottled up

NEW YORK—Moscovites may be swigging their vodka down with Pepsi later this year, but if Ivan Ivanovitch swallows a piece of broken glass in his cola, it is not yet certain into whose lap a products liability claim would fall.

Pepsi-Cola will be the first American consumer product to be put on the market in the Soviet Union. Pepsico Inc. reached an agreement last November with the Soviet Ministry of Trade that provides for the installation of a soft drink plant in Russia.

Philip J. Baecker, insurance manager for Pepsi-Cola, a division of Pepsico, does not foresee any specific insurance problems that might accompany the Pepsi generation behind the iron curtain.

"It's really too soon to comment on any insurance aspects," he said. "The plans which are being worked out now deal with specifics of plant construction.

"WE DON'T anticipate any product liability problems. After all, we produce a perfectly pure product with no claims against it."

Mr. Baecker made it clear that the executives who were masterminding the set-up were too busy arranging the details of the physical construction of the plant to begin to settle matters of insurance involved with it. Employe benefits, workmen's compensation, product liability, and general property and liability coverages have not yet been spelled out, although a group of technicians will be sent to the Soviet Union to oversee the installation of a bottling plant.

Although specific underwriters have not yet been selected, they may not be limited to carriers used by Pepsi in the past. Mr. Baecker said that the Appalachian Insurance Co., part of the Factory Mutual System, which has handled product liability claims in the U.S. for Pepsi Cola Bottlers Assn. (*Business Insurance*, June 23, 1969) would not be involved with any product liability claims or adjusting in the Soviet Union.

According to a source from an adjustment bureau here, the usual way a product liability claim is handled overseas is through the insurer of the plant where the bottling was done. (This, incidentally, is the same procedure Pepsico uses to handle product liability claims in the U.S.). So insurers of the Soviet plant would probably adjust a claim of this sort.



Thirteen years ago, Donald M. Kendall, now chairman and chief exec of Pepsico Inc. (left foreground, with bottle of Pepsi in hand), engineered this scene in Moscow with Nikita Kruschev and Richard Nixon, then vice president of the U.S. Pepsi will be bottled and sold in the U.S.S.R. later this year. —Tass photo

BUT IF a claim resulted from a defect in the cola concentrate, the source elaborated, it might be possible to pin a product liability claim to U.S. underwriters. He added that tracing it would be very difficult because concentrate is usually shipped in large vats, and to prove that one Ukranian drinking one bottle of cola had been poisoned by the concentrate would not be easy

At any rate, the agreement between Pepsico and the Soviet Union provides for concentrate to be shipped from the U.S. to the Russian plant, where it will be produced into the soft drink, much in the same fashion as is done in Pepsi franchises here in the states. And if adjusting sources are on target, it would seem that the insurance, at least for product liability, would also be handled as that for an American franchise unit.

Donald M. Kendall, chairman and chief executive of Pepsico Inc., said that the agreement capped 13 years of work which began when he engineered a meeting between Richard Nixon, then vice president and Nikita Krushchev, during which they sipped Pepsi for the benefit of photographers at a 1959 Moscow trade fair. ■

international issue

For the risk man with exposures abroad

Loss control, local law, diplomacy, a few kinks

BY MARIE KRAKOWIECKI

NEW YORK—You're a risk manager responsible for a $30 million plant in a flood plain in Belgium. Or, you're a corporate insurance manager and part of your overseas beat includes a chemical plant in Africa. What kind of coverages will you select to protect your risks? What local regulations must be wrestled with? Will you use a foreign carrier or a large U.S. underwriter? Which exposures are most threatening?

Business Insurance surveyed a half-dozen prominent risk and insurance managers who handle corporate overseas property insurance to ferret out their pet theories, practices and, possibly, peccadillos encountered in managing their companies' international properties.

The managers surveyed represent corporate interests ranging from cosmetics to weaponry, and each executive is individually responsible for facilities all over the world, some with aggregate values over a billion dollars.

Manufacturing plants, warehouses and sales offices were the most common properties to all the risk managers, and they agreed that their usual basic policy is a fire and extended cover policy, with limits based on the values at stake in each individual facility.

Generally of most concern to the risk men were loss control procedures, how to cope with local insurance regulations and safety laws, risk exposures related to foreign location, diplomacy in handling local managers and kinks in the tailoring of the insurance programs from a domestic base.

Loss control was foremost in the minds of all the executives interviewed, even if it was not directly in their hands. Frank McCahill, insurance manager for Bristol-Myers Co., stated the case most forcefully.

"The largest concern of any good corporate insurance program should be the prevention of losses, not the buying of insurance," he said bluntly.

"Absolutely, we have a loss control program for our overseas properties," Mr. McCahill continued. "My department visits the plants abroad regularly to keep up with what they're doing in safety and preventive measures." (Bristol-Myers overseas properties include manufacturing plants, sales offices and warehouses all over Europe, Asia, Africa and South America, whose individual values range from around $250,000 to $30 million.)

"AT EVERY one of our overseas plants, we have safety commissioners," Mr. McCahill continued. "One person is in charge at each plant to put into effect all of the same kind of preventive controls we use here in our domestic plants—fire drills, safety education of the workers and the like."

"Our coverages are in constant review," Mr. McCahill said. "As a matter of fact, when you called, I had the file for Mexico on my desk and was in the middle of reviewing our program there."

FOR THE risk manager of a large metal machinery manufacturer, loss control procedures overseas are somewhat less formalized than those at Bristol-Myers, because of the relative smallness of the manufacturer's overseas operations. The chief way he handles loss control is by personally inspecting the facilities abroad on a periodic basis, to check safety compliance.

Each time he inspects a foreign plant, he notes the visit on a kind of super flowchart he keeps at his fingertips in his office, so that it is easy to see at a glance when it is time to revisit any given facility.

The risk manager, a former engineer, is in the process of designing a more complete loss control program to apply to the company's foreign affiliates in Mexico. The company also operates metal-working plants (which the risk man called 'low-risk') in Canada, the Netherlands, South America and England, which will continue under his personal supervision.

'Our loss control program is primarily in the design of the type of building construction we use in our overseas plants," said another insurance manager who represented one of the nation's largest camera and film-processing concerns.

He noted that all the overseas facilities are built with fire resistant materials and equipped with sprinklers and preventive devices to cut back on fire exposures from the outset.

'Spot checks" by the insurance manager are a regular part of the loss control program which includes over 100 installations in 13 European countries plus Australia, Africa, South America, the Philippines and parts of Asia. The overall loss control program is under continuous review, the insurance manager said, along with the review of all the coverages made by the claims department in the firm's domestic headquarters. Details of the individual plant coverages are tailored as the policies come up for renewal.

ONE LOSS control system in an overseas insurance program of a large chemical company is intimately connected to the company's diplomacy in handling its foreign personnel. The insurance manager noted, "We have a control system in which engineers from our domestic plants supervise the overseas operations, but they can't order the 'locals' around.

"Our overseas units are largely autonomous, and are not branch offices. They are directly responsible to our management, but we don't tell them what to do with their coverages and loss control. We can try to convince or persuade them to use the types of coverages we think are advisable, but there is no coercion.

"In general, though, we've had very good cooperation from our overseas managers—and our loss history (no major losses) bears this out. Actually, we're more safety conscious than many other companies," the chemical firm's insurance manager said. He added that the scope of the overseas insurance program extended from battery plants in the Far East to chemical plants in Europe, Australia, South America and India to mining operations in Africa and smelting operations in Scandinavia and Thailand. Total sales figures abroad come close to $1 billion.

"Local foreign managers do formal coverage reviews annually and come to us if they discov-

Continued on page 40

Denenberg assails U.S. regulation in London

LONDON—Worldwide differences in the line-up of standards deemed necessary for the efficient running of insurance corporations, and the protection of their clients, were probed by market leaders at a major confrontation on the problems at a conference here last month

Insurance Commissioner Herbert S. Denenberg, of Pennsylvania, said, "I have difficulty in making kind remarks about the American insurance industry. But, in the years ahead insurance, and insurance regulations, will be in for increasing public scrutiny. My term has only two more years to run. But, if my governor wins re-election I will be around for four years, and the insurance industry had better get used to fighting regulatory issues in public forums."

Antony D. Peck, deputy secretary of Britain's department of trade and industry, told them, "We in the U.K. have adopted a medium level of distortion of market forces. That is to say, one which we think will give the holder of insurance cover a reasonable measure of protection, without so regulating the affairs of the industry as to deprive the country of the benefits which can be provided by the play of the market and the need for an appropriate measure of competition."

Theodore Vogelaar, director-general for legislation in the European Economic Community (EEC), expressed this view: "The main difference between the British viewpoint and European thinking is that in the view of most European countries more emphasis should be put on the protection of the customers than the British side seems to like."

FINALLY, Sir Henry Mance, chairman of Lloyd's until the end of 1972, commented, "I am convinced that freedom to offer insurance services across frontiers is an essential part of any worldwide insurance system if it is to provide the sophisticated and changing risk coverage needed by modern industry."

The views were all expressed at a world insurance conference convened by the Financial Times of London, in conjunction with British Overseas Airways Corp.

Delegates came from many countries, including the United States, Japan, and Australia as well as most European insurance centers, with their attention keenly directed to international topics including a special discussion on "Freedom of establishment and legal protection for the customer."

Herbert Denenberg prefaced his speech on the familiar problems of the U.S. insurance customer with the personal comment: "There are some American insurance men who get disturbed when they hear me speak. I don't speak for the industry, nor do I speak for the U.S. government or Nixon, whose views are quite different to mine. He has a more charitable view of the industry than I have."

AFTER suggesting that one of the President's largest campaign contributions had come from an insurance executive, he commented, "You can pay $5,000 in taxes and you're entitled to no credit. But, for a $5,000 campaign contribution you may be able to own a politician.



Herbert S. Denenberg

"Consumerism is setting out to change all that. It is a new name for trying to give everyone a voice along with the well-paid lobbyists, and its advent will have a profound impact on U.S. insurance regulation."

He complained that the "great tradition of loss prevention," started as a function of marine insurance right here in England, had been sadly neglected by the American insurance industry.

And he declared, "The American industry now shovels over $80 billion a year in premiums, but with only marginal and inadequate impact in bringing forth loss control, cost control, quality control, and reform and change in an environment that produces needless death, injury, disability and property damage."

DEALING WITH the business integrity of the international insurance market, Mr. Denenberg commented, "We have got very few problems in the U.S. with British companies. Surplus line companies, such as those including Lloyd's, cause us no trouble and in many ways perform better than our American companies.

"But, we're still plagued by too many weak companies of our own. Informed buyers would avoid about 80% of the 6,000 companies domiciled in the U.S.A.

"So, in the American marketplace in the years ahead, I expect increasing public accountability. Both the records and operations of insurance departments and insurance companies are going to become glass bowls.

"If 20 Ralph Naders were named state insurance commissioners, American industry would immediately go into a state of shock. But, the public doesn't go into shock when it learns that 20 insurance commissioners came right out of the insurance industry, and that at least an equal number will go back. Nor is the public shocked when it discovers that our insurance laws have been written and administered by and for the insurance industry."

PREDICTIONS for U.S. insurance controls, Mr. Denenberg said, included minimum legal standards for loss prevention, cost control and complaints handling; real consumer control of mutuals; publication of financial ratings and complaints records of every insurance corporate; and upgrading of the examination and licensing process for agents and brokers.

Antony Peck, who as a full-time professional civil servant holds his supervisory job in Britain's department of trade without being hit by any change in government politics, explained that his role in insurance supervision is in keeping with his department's overall policy for regulating commercial enterprises in Britain.

"The objective is to ensure that commercial transactions take place within a legal framework with four main characteristics," he pointed out. "This framework should be a settled one, and an equitable one. It should be publicly known, and should help the efficient use of national resources.

"As a supervisory authority we have continually to be making judgments both on the method of supervision, and its application to particular cases, taking into account the general climate of public opinion, of what happens in other countries, and of course, the views of our industry.

"COMPARISON with other countries' systems suggests that to some extent we are out of step. Most other countries seem to prefer a tighter system of supervision.

"They prescribe premium rates, and the forms of conditions of insurance contracts, and insist on the localization of reserves for all companies. They have, at least till now, done more in the way of regular programs of monitoring or inspecting operations on the ground."

From now on in the U.K., he claimed, the government's department of trade will step up its

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Times' men on 'sojourn' get home-town benefits



Malcolm Browne, New York Times staff correspondent in Vietnam, gets full 'sojcurn' coverage in the war-torn area, but no special life insurance. Statistically, he is safer than a truck driver in Times Square.
—New York Times photo

NEW YORK—"The coverages aren't very sexy," said Edward Pelz, director of personnel benefits for The New York Times, when he agreed to talk about employe benefits the newspaper offers to its staff correspondents in 23 countries.

But after entering the affable Mr. Pelz's office, one quickly discovers that, while coverages may not be "sexy" for the journalists who write all the news that's fit to print from overseas, they are certainly as adequate as any given to employes working in the Times Square office here.

The basic travel accident policy covering the Times' 34 foreign staff correspondents is written by Insurance Co. of North America, while Equitable Life Assurance Society of the United States provides major medical and group life policies.

The rest of the benefits come from the Times, the Newspaper Guild of N.Y. and through Blue Cross/Blue Shield.

THE TRAVEL accident policy provides around-the-clock coverage for foreign correspondents from the time they leave the New York office (considered their home base) until the time they return from assignment. It includes protection against death, accident and injuries that might be incurred during most kinds of activities that a correspondent might engage in during a "sojourn" in another country.

But if he likes to sky dive on his day off, the Times journalist overseas might not be happy with the coverage. It does not extend to areas considered "personally hazardous"—like jumping out of a plane—unless they are directly related to the job.

As Mr. Pelz tells it, the travel accident policy was first purchased in 1965, primarily as a convenient cover for air trips. "We got tired of having to pay separate amounts of insurance every time one of our correspondents would climb aboard a plane," the benefits man said.

He explained that the coverage originally provided limits of one-and-a-half times a correspondent's yearly salary. But when race riots became a common occurrence several years ago, reporters asked for additional life insurance protection, and the limits on the INA policy were raised to their current level of five times annual salary with a ceiling of $100,000. The aggregate limit INA will pay for liability for claims from all employes injured or killed in one accident is $1 million.

international issue

FOR WAR ZONE correspondents like Malcolm Browne (pictured here) there is no special coverage under the travel accident policy, although a higher premium rate is charged.

If this appears to be something of a bizarre exposure, actual loss experience provides ironic justification for it. There have been no deaths among Times' war zone correspondents for the past 27 years. The sole death claim for an on-the-job Times employe was for a truck driver who was shot by an irate pedestrian in Times Square a year and a half ago. Mr. Pelz remarked that it was this unusual claims experience that persuaded the Times management to stick with the same coverage for war zone correspondents as for other employes covered by the travel accident policy.

If one word could be used to describe the general benefits for foreign correspondents (and all employes) at the Times, it would be "moderate." In Mr. Pelz's words:

"By and large, our employes, through their unions in the past 20 years, have been more interested in pay than in benefits. Also, by and large, our pay and benefits practices for the small number of non-represented employes must of necessity be closely related to the pay and benefits of the union-represented employes. Therefore, in general, we have excellent salary scales, but

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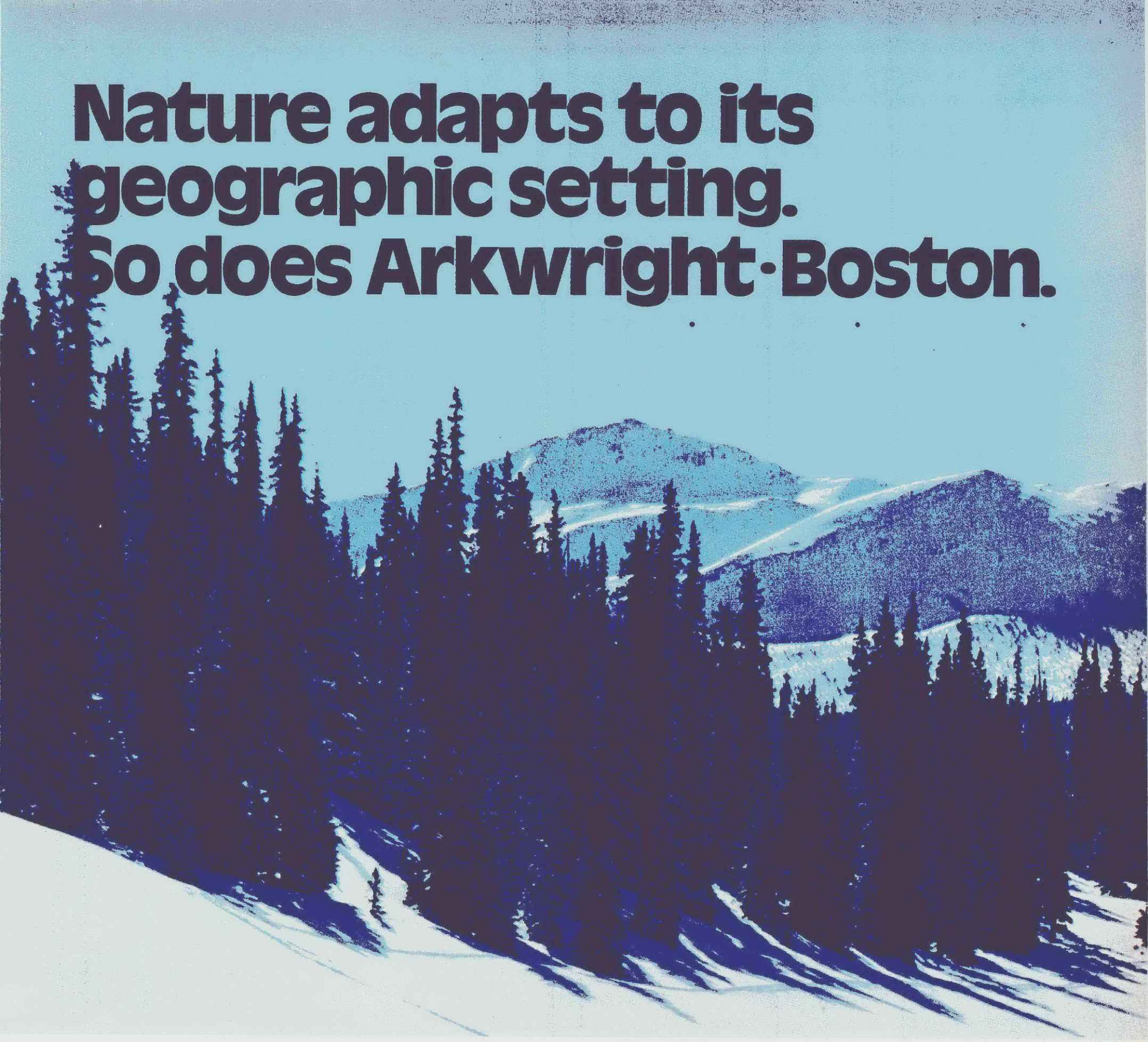


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Big brokers could be restricted in Canada

MONTREAL—The new game in Quebec and Ontario brokerage circles these days is called "ring around insurance laws," and everyone is playing it with gusto.

Five developments in the legal climate and the natural temperament kicked off the play. In Ontario, recent amendments to the insurance act have made it illegal for a broker, either foreign or domestic, to operate in Canada unless shares and voting rights in the company are 51% owned by a Canadian resident. Bigger brokers in Ontario are also now prohibited from buying out smaller agencies and then using their names to attract ethnic business.

In Quebec, proposed revisions to the civil code are aiming at similar objectives: Ownership of a brokerage house would be restricted to 51% of shares belonging to a Quebec resident, and names of brokerage houses would have to be "alive"—that is, the name of a living stockholder in the company.

Meanwhile, the local citizenry in each province is proving to be most sympathetic to these somewhat stringent regulations because they have long harbored a resentment against the "French connections" that big brokers use to profitable advantage. This is the frequent practice of getting

international issue

around the "French fact" or the old animosity between the French and the English in the provinces by buying out a local agency with a French name and clientele, and then continuing to operate under the old name to keep local business relations smooth. There is a French Canadian militancy afoot against using French names for profit while stripping French shareholders of any real power, a prominent brokerage source said.

QUEBEC AND Ontario sources were queried separately by *Business Insurance* to siphon out just what will be happening to large international brokers operating in Canada since the new, more restrictive insurance legislation and proposed legislation.

The actual working of Amendment 14 to the Ontario Insurance Act is as follows: "No license shall be issued to a corporation that carries on business as an insurance agent, broker, or adjuster, if the majority of its issued and outstanding shares that entitles the holder to any voting rights are owned beneficially or otherwise by a non-resident of Canada unless such corporation was so licensed on the 27th day of April, 1972."

Some experts view this as part of a nationalistic trend against foreign investment in Canada. Fred G. Funston, general manager of the Canadian Federation of Insurance Agents and Brokers Assns., commented, "It (the legislation) is probably part of a general determination by Canadians to prevent foreign ownership of Canadian corporations and a further erosion of Canadian ownership.

"As far as I am aware there has been no adverse industry reaction, and certainly insofar as we are concerned, we have no particular desire to see any greater foreign control of any segment to the insurance industry than presently exists," he said.

BIG INTERNATIONAL brokers in Ontario were not at all talkative about how the new amendments have altered their business volume, or have forced them to shift their shareholders and change operating procedures. Marsh & McLennan, for example, one of the larger international brokers in Toronto, maintained a stony silence.

One highly placed brokerage source, however, said that Marsh & McLennan used a line of local firms under the name Pratt, and were "very concerned" about the outcome of the Ontario legislation, as were most of the other large international brokers.

Gordon E. Grundy, Ontario's superintendent of insurance with a consumerist reputation, said that Amendment 14 was simply a clarification of a previous provision in the insurance act that had a grandfather clause protecting non-Canadian brokers licensed as of 1961.

Said the superintendent: "All we did on the new amendment was to eliminate the grandfather

Continued on following page



Big brokers . . .

Continued from preceding page

clause by moving the cut-off date for licensing of non-Canadian brokers to April 27, 1972."

Apparently, political forces had more to do with pushing the law through than did provincial insurance departments. When Mr. Grundy was asked how the Canadian consumer might benefit by the Ontario Insurance Act amendments, he replied, "Ask the politicians—it's their bill."

This feeling—that an aura of political wheeler-dealership surrounds the whole brokerage regulation question—was prevalent among Quebec sources as well. A prominent domestic Montreal broker said that the proposed revisions to the Quebec civil code were "primarily a political issue."

"The laws, if passed as proposed," he continued, "could create some basic technical difficulties for brokers. The whole matter is in the hands of legal advisors now, and tends to be very confusing."

The revisions that are being pushed in Quebec would be even more stringent, if passed, than the Ontario law, since they would make their ownership requirement pertain 51% to Quebec residents rather than the broader 51% Canadian-resident requirements of Ontario.

THEY ALSO adhere to the philosophy that brokerage houses should only carry the names of shareholders who are alive. (A director of one of Quebec's brokers' associations pointed out, however, that old firms with "acquired rights" who had been operating for years in Canada would not be forced to change their names unless the law could be passed on a retrospective basis, which is not likely).

"The legislation in Quebec is still in the proposal stages, but it is aimed at the big international brokers—Marsh & McLennan and Johnson & Higgins, for instance—and it is causing all kinds of difficulties for them," one knowledgable Canadian broker asserted.

You wouldn't know it from talking to Johnson & Higgins.

A vp from J & H's Montreal office, when questioned about his reaction to the proposed 51% Quebec resident ownership requirement, said, "There is no law that I know about that would restrict insurance brokers in such a way. I think the only thing of that kind applies to stockbrokers, not insurance brokers."

international issue

THE VP was similarly incredulous when asked what he thought of the proposal that a broker's company name must be "alive." "I haven't heard a thing about it," he insisted. "But I'm close enough to what goes on around here to know that the government's attitude is such that they would not try to push such a law about the name of a brokerage being 'alive.'

"To the best of my knowledge, most of the large foreign insurance brokerage houses here have no significant ownership of stock by Canadian residents, much less Quebec residents," the J & H executive replied to a query on the present shareholder set-up of the larger international brokers.

"I don't see a law like Ontario's spreading to Quebec in the foreseeable future," the vp said. "It's a regular practice of the bigger houses here to buy out smaller French firms and then use their names to have better business relations with the people in the area," he said.

Asked whether international brokers were concerned over the proposed revisions to the Quebec insurance law, the J & H representative said: "No one's worried about it."

BUT IT WOULD seem from other sources that many brokers are indeed worried about the legal status of brokers in Canada. One of the biggest domestic brokers in that country gave *Business Insurance* a different slant on the whole uproar enveloping the Quebec proposals. In contrast to those who point the finger of doom at foreign brokers, this source saw it as a frontal attack made by smaller brokers upon larger brokers, domestic as well as foreign.

"It would seem," he said, "that the smaller brokers feel they should be getting the largest cut of the business in the territories they operate in, and they are anxious to put restrictions on the bigger brokers rather than let them get the business. I don't think the proposals reflect a nationalistic trend at all, but rather the desire of the smaller brokers to get or to keep the business out of the hands of the large brokers.

"Even our company, as a native firm, is not owned 51% by Quebec brokers. It is only about 35% to 38% owned by residents in this area. I can't imagine that any sensible government will say to brokers 'you can't operate the business that you've been doing for years, because the names of your companies are not 'alive',' the broker said. ■



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Mandatory pensions coming to Switzerland

ZURICH—The "three pillar concept," which received overwhelming approval by the Swiss electorate late last year, will activate a mandatory occupational pension plan expected to become effective in 1975.

With the inception of the mandatory pension plans, the total benefits package for Swiss workers will be based on three "pillars," or foundations—social security, through a government program; mandatory occupational pension plans and individual savings and insurance.

Mandatory pensions must be provided for all employes who earn a wage base of 12,000 Swiss francs (about $3,240) a year. All who earn less than that will be entirely covered by the first pillar, social security.

A salary ceiling, applicable in 1975, will be fixed for the mandatory portion of the pension plans. Now set at Sfrs. 36,000 (about $9,730), the ceiling is the same as that applicable under social security provisions. Whenever the social security ceiling is increased, the ceiling for the private mandatory pensions will be adjusted accordingly.

THE OVERALL objective of the new legislation is to provide full career employes with an old age pension that is equivalent to 60% of final earnings (the average of the final three years of work). Compulsory job pensions will have to provide an old age pension of a minimum of 40% of the final pay average, with the rest of the 60% figure coming from an offset in social security benefits.

international issue

Minimum entry age is tentatively set at 18 years for disability and death benefits, and between 20 and 25 for an old age pension.

Immediate full vesting will be required of all occupational pension plans, with the computation basis for vested rights binding for both self-administered and insured plans. An employe's claim to benefits will be proportionate to the duration of his employment. Full portability of credits for a change of employment, or in cases where an employe ceases to participate in the plan for any reason, is ensured.

The new legislation, originally proposed by the government, will take the form of an amendment to the Swiss constitution and will probably bear the name "Federal Law on Pension Plans." It will be reviewed by parliament, cantons (states), labor unions, associations and other interested parties sometime before 1974.

FOR THE majority of large- and middle-sized companies, few problems are anticipated. The impact of the pension plan on the catering industry, agriculture and businesses employing seasonal labor, however, is expected to be serious.

To avert any potential employe dissatisfaction over possible lower pension benefits following the implementation of the new law, many Swiss companies are now considering a freeze or guarantee of benefit levels in effect at the end of 1972. ■

Container ship losses

A study by the Insurance Institute of London has indicated that container ships accommodating up to 2,000 containers are reaching values in the $60 million range. The study also pointed to some common mistakes that result in losses. "Poor stowing is perhaps the biggest single factor and quite simple measures can dramatically reduce loss and damage. Terminal control is the next big factor," says the study, "and while it has improved considerably in the past two years, standards do not generally reflect either the over-all importance of this factor or the larger values at risk."



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Times . . .

Continued from page 26

moderate benefits because that's what the employes told us they wanted through their unions.

"FOREIGN correspondents, although not represented by unions while they are on assignment overseas, can expect to get the same kind of increases that union men and women get. If, for instance, a union employe negotiates a $10 a week pay increase, our correspondent would get the same," Mr. Pelz added.

Many of the Times' foreign correspondents alternate between posts overseas and in the states, perhaps being on international assignment for three years, home for two, and then perhaps in another country for five years. This could pose a sticky benefits situation, with the journalists being out of union jurisdiction for large blocks of time. But the system, especially for pensions, is smoothly handled.

The pension plan is run jointly by the Times and by the Newspaper Guild of New York, the union which foreign correspondents belong to, at least while they are in New York. The plan, the Guild-Times Pension Plan, is a separate entity in that it covers the correspondents even while they are out of Guild jurisdiction.

To be eligible for the pension plan, the correspondent must be 35 years old and have five years of full-time employment with the Times. The basic, non-contributory plan provides for normal retirement at age 65 with benefits computed on a formula that multiplies a fraction of average yearly salary by number of years of service.

Benefits will be vested for any employe at least 45 years old with one year participation in the plan and a full disability pension is open to all employes over 50 years old.

Options on the pension include early retirement, a contributory plan for higher benefits, contingent annuity for a beneficiary and a five or 10-year death benefits plan for a beneficiary.

The group term life policy written by the Equitable may, like the pension plan, be either non-contributory, in which case a $1,000 benefit is awarded upon death of the participant, or it may be contributory until age 65.

IF AN employe opts to increase his benefits by making contributions to the life policy, he makes payments in amounts based upon his basic annual salary. The total amount available as a death benefit for the Equitable under this contributory plan is equal to the employe's previous year's salary. Contribution rates, which are payroll deductible, come to 60¢ per month per $1,000.

Under the major medical policy, also written by the Equitable, foreign correspondents are reimbursed for 75% of eligible charges after reimbursement from the base plan, plus the corridor deductible. The corridor deductible is from $200 to $300 per calendar year, based on salary. It applies between the maximum payment of basic hospitalization and medical expense coverage and the beginning of major medical benefits. The major medical plan includes coverage for a limited amount of out-of-hospital psychiatric care.

Foreign correspondents, like other employes who work out of the Times' New York office, receive coverage under state workmen's compensation, and get their basic hospitalization from the Blue Cross Associated Hospital Service in New York, which provides a total of 120 full-days of coverage.

Basic surgical/medical coverage comes from Blue Shield United Medical Service, New York, unless the person is over 65 and gets coverage from Medicare. Blue Cross and Blue Shield benefits for correspondents are non-contributory for the standard amount. If the participant wishes additional coverage, he is free to supplement it with contributions.

FOR THE PAST two years, all health insurance offered to foreign correspondents has been non-contributory with respect to the employe's dependents as well as for himself. Before two years ago, coverage for dependents was available only through payroll contributions. And it looks as though the situation may revert to this.

Mr. Pelz commented that because health premiums have risen substantially, there is a threat that the health insurance plans may again have to be made partially contributory, with the employe receiving coverage automatically, but paying for any dependents he wishes included on the policies.

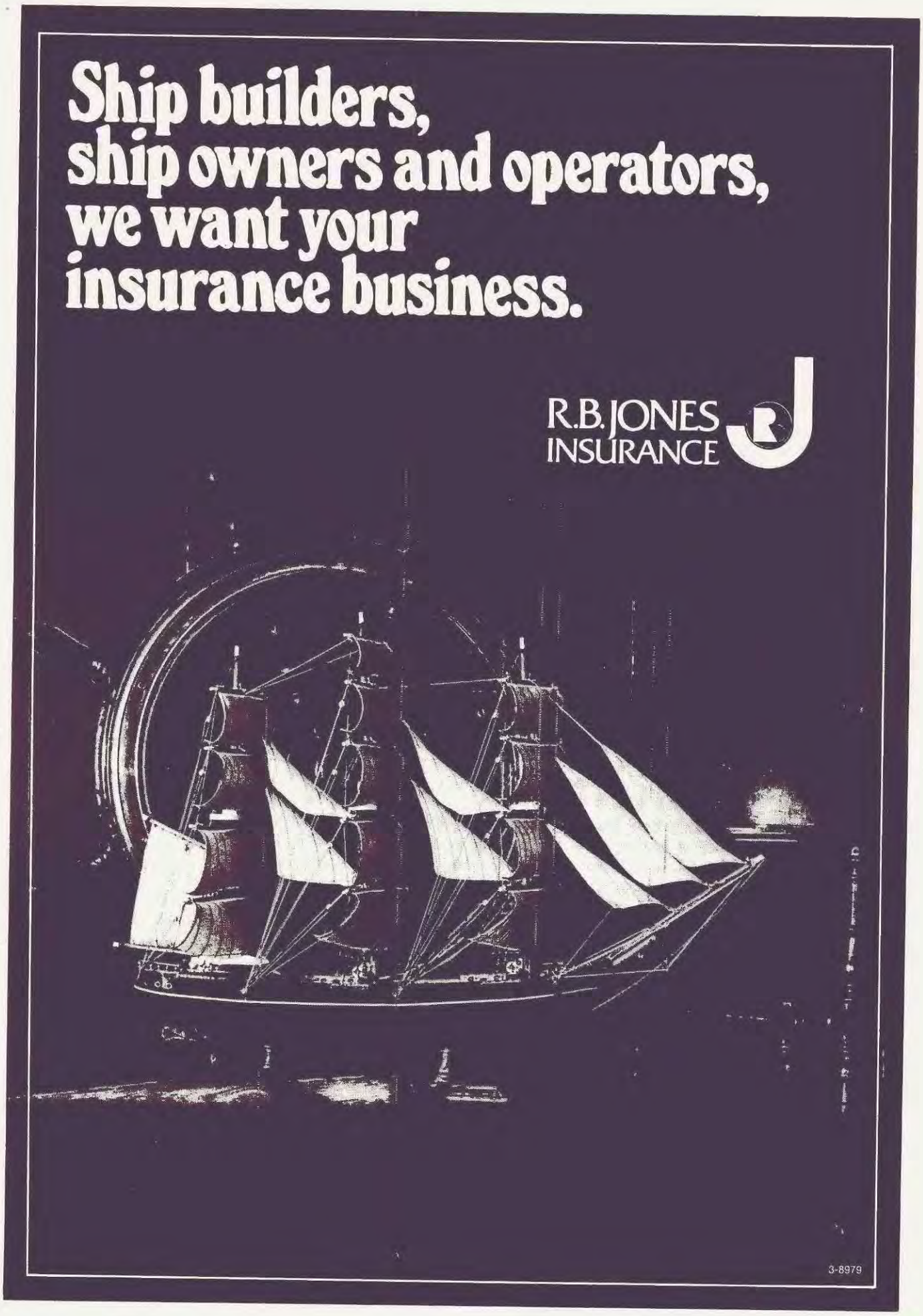
A special cost of living allowance is given to journalists whose living costs abroad may be higher, or who may be placed in financial difficulty by their overseas assignment. Mr. Pelz stressed that the allowance is considered a salary adjustment rather than a strict employe benefit.

THE TWO full-time correspondents who cover the United Nations, incidentally, are not eligible for the cost of living allowance. Even though they have the status of being foreign correspondents by virtue of their territory, because their work does not take them out of the New York vicinity, they can't collect the stipend available to some of their overseas counterparts.

In addition to the 34 staff correspondents abroad, the Times employs some 60 locally-hired, part-time and full-time workers in other countries, some of whom are journalists. These workers are paid salaries and benefits on a scale prevailing in the area.

In France, for example, pensions are governed by state-controlled funds called 'caisses' and all local Times' employes would get pensions that meet governmental requirements.

In general, Mr. Pelz noted, staff correspondents get higher salaries than locally-hired workers, but the local hireds usually get pensions that are higher (based on a percentage of salary) than the staff correspondents. ■



Canadians looking into benefit discrimination

TORONTO—The Ontario labor department is taking a close look into possible discrimination growing out of employe benefit plans.

Fern Guindon, Ontario labor minister, has established a 10-member task force to investigate problems of such discrimination. It is the job of this task force to study and make recommendations related to alleged discrimination involving pension and insurance fringe benefits on the basis of age, sex or marital status.

Trade observers here point to an apparent conflict between the definition of discrimination as it appears in the Ontario Human Rights Code and a workable program for pension and group life insurance.

R. D. Johnston, deputy minister of labor for Ontario, has been named chairman of the new committee. Mr. Johnston revealed that the study is expected to require anywhere from three to six months. An operational plan will be prepared by the committee at its initial meeting.

international issue

IT WAS reported that the new committee already has in hand several briefs on the matter. The committee plans to ask for presentations from various affected parties, including insurance firms, teacher and civil servant associations, professional women's groups, unions and employer associations.

The key section of the legislation to be probed by the committee declares that the Ontario Human Rights Code "does not apply to any bona fide superannuation or pension fund or plan or insurance plan that provides life, accident sickness or disability insurance or beneftis that discriminate against an employe because of age, sex or marital status until a day to be named by the lieutenant-governor by his proclamation."

It was pointed out that the section is aimed at removing differentials in fringe benefits. Such benefits represent a key portion of a worker's remuneration program.

ACCORDING to Mr. Guindon, numerous employers have already equalized the provisions of life insurance, pensions, sickness and accident plans for male and female employes. He says the effect of the code's unproclaimed coverage will be to speed up such equalization.

Mr. Guindon added, "In order to avoid dislocation of existing plans and benefits, the enactment of the provision was deferred to allow employers time to adjust their benefit programs and to permit the ministry of labor to review and assess with interested parties the practical problems that may need further consideration."

The provision will not be proclaimed until the task force finishes its study and makes a report. ■

Court rules for fast comp

OLYMPIA—The Washington state supreme court has ruled that workmen's compensation benefits are to be paid in "as certain and speedy manner as possible" and added that the department of labor and industries cannot automatically hold payments back pending appeal.

In a unanimous opinion, the state high court ordered the department to carry out the order of the board of industrial insurance appeals granting additional treatment for Stanton O. Lee III, an injured workman.

The court noted that "more than three years after he first sought additional treatment, petitioner is still enmeshed in the barely moving gears of government." ■

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Johnson & Higgins handles risk on first potables from mainland China

By CHARLES WINGIS

SAN FRANCISCO—Barring an unforeseen catastrophe or act of God, the first consignment of imported liquors and wines from the People's Republic of China will be unloaded here in the Bay Area sometime this month.

The safe arrival of this first large shipment, and its entry into normal channels of liquor distribution in the U.S., represents no small marketing achievement for Johnson & Higgins of California, the San Francisco broker handling the coverage on cargo and product liability on this first load of alcoholic "goodies" to reach the United States from mainland China.

Richard Blackman, of Johnson & Higgins, declined to state the exact limits of the coverage being placed on the initial shipment. However, he reported that his firm has arranged an open cargo policy which provides cov-

international issue

erage in excess of the value of the first shipment as well as subsequent consignments.

THE EXCESS coverage, according to Mr. Blackman, is a blanket amount set to provide sufficient protection for Huntington-Rice, a California importing firm, in the event the shipper, China National Cereals, Oils & Foodstuffs Corp., should ever wish to double up on the size of any given shipment. The Chinese company is a division of China Light Industries, Peking.

A report on frequency of shipments, and the dates they left port, is made to Johnson & Higgins once a month, and all shipments are covered without notification.

The landmark first shipment will be a large part of 50,000 cases which Huntington-Rice will import in the next six months under a "conditional exclusive"

Continued on page 46



Skol? Robert I. Huntington (l.) and Norman Rice president and executive vp of Huntington & Rice Co., Mountain View, Ca., toast their company's agreement to import the first wines and spirits from mainland China. Johnson & Higgins is the insurance broker.

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Militant nationalism alive but not all that well on Canadian labor front

VANCOUVER, B.C.—Despite claims by Canada's new breed of nationalistic labor unions that they are the best bargain since the nickel beer, all the defectionists' flag-waving and well-polished anti-American rhetoric has yet to win any concrete contract advantages for their members.

The last time somebody bothered to count, three of every five of the 2.2 million organized laborers in Canada were members of American-based international unions. Today, things are slowly changing, as a militant nationalist segment of workers are breaking away and organizing their own unions while promising happier trails freed from U.S. ties. Their complaints are that U.S.-based internationals tend to take more dues money from Canadians than they return, that they exercise too much control over the Canadian economy and that, in the case of the Burke-Hartke trade bill, they are actually lobbying with the help of Canadian dues for protectionist import quotas which could conceiveably cost some Canadian workers their jobs.

THE CANADIAN Steelworkers, the International Oil and Chemical Workers and the United Paper Workers International have all lost a handful of locals to defection, and the United Mine Workers and the United Auto Workers may be the next in line. Seven thousand Canadian UMW members, traditionally supporters of ousted president W. A. "Tony" Boyle, refused to take part in the recent union election ordered by a U.S. court. The U.S., the Canadians charged, was infringing in international matters, and they would have no part in it. Canadian UAW workers were underwhelmed in 1971 when the Detroit-based union brass ordered them to end a wage strike against a McDonnell Douglas Corp. plant near Toronto because it was causing layoffs at a plant in California.

The defectors are now estimated by official defector estimators at 20,000 and, of course, they say they're growing rapidly. Unfortunately, their alleged growth has not been matched with contract improvements for their workers, and many workers who would apparently join any group which could deliver another buck are fearing that the militants simply won't be able to deliver in the clutch.

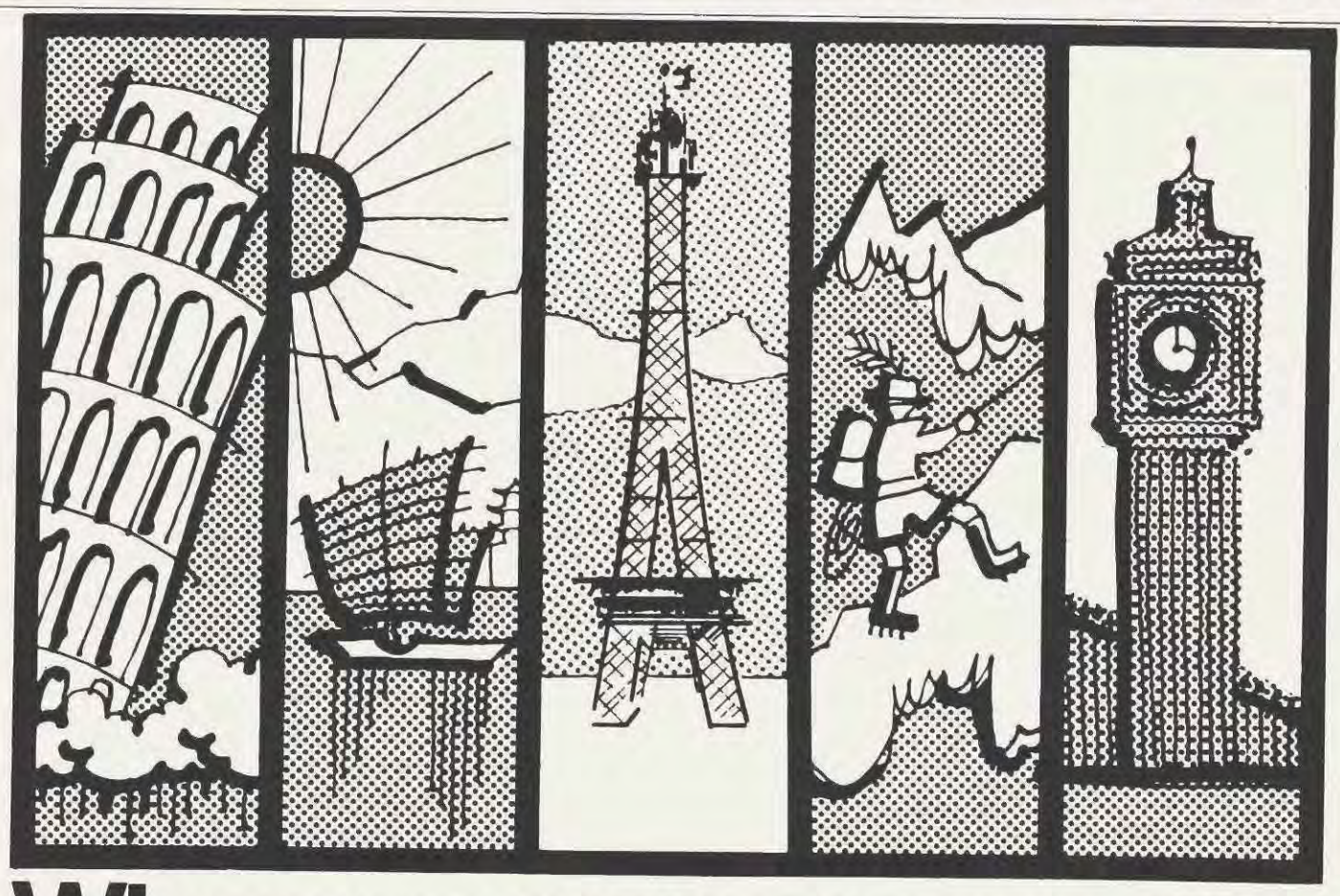
THE INTERNATIONAL Oil and Chemical Workers lost 1,000 workers to the nationalistic offshoot United Oil Workers some months before its most recent contract settlement. Three months after the international organization had settled its disputes, the nationalist group came in and demanded exactly the same benefits. The paper workers offshoot—The Pulp and Paper Workers of Canada—used the same tactic later, and the carbon copy contracts have jokingly become known among Canadian laborists as "Me, Too, Agreements."

"None of these new unions has evolved to a state where it has the ability, personnel, strike funds or just plain clout to bring any innovation into contract talks," a researcher for the Canadian Steelworkers said. "By being parasitic, they don't have to maintain their own legal or research staffs, and, although that may save them some money, it doesn't really get them anywhere."

WHETHER the nationalist labor movement will take off and grow in size and influence to a point where it shows some tangible benefit for its proponents remains to be seen. With limited success, its raids on well-established internationals are continuing, but so is the criticism that the movement is little more than a political bandwagon draped in Canadian bunting and being pulled tediously along by a team of mislead but well-meaning workers.

international issue

The tests will begin soon. In October, the 1,500-member Canadian Aluminum, Smelter and Allied Workers, a defection union from the Steelworkers', will be on its own as the old international contract with the Aluminum Co. of Canada's plant in Kitimat, B.C., expires. Union observers both in the U.S. and Canada will be watching the negotiations carefully, as the neophyte union tackles what one expert termed "the richest contract in terms of wages and conditions in the entire Canadian metals industry." ■



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War clauses ordered out of policies

HARTFORD—In what is believed to be a "first" in the United States, Paul B. Altermatt, Connecticut's state insurance commissioner, has announced that his department will no longer approve life insurance policies with war clauses.

The move is believed to be the first by any state insurance department in the country since the Vietnam cease-fire agreement became effective.

He has requested all life insurance companies and fraternal benefit societies to give immediate consideration to voiding of war clauses existing in life insurance coverage for Connecticut residents.

MANY WAR clauses specify that insurance carriers will pay either reduced or no benefits if the insured dies while in service in time of war, regardless of the cause of death, while other policies contain war clauses that pay reduced or no benefits if death results directly from war or from military service in wartime.

Mr. Altermatt has written life insurance companies doing business in the state that "the cease-fire, withdrawal of all U.S. troops from South Vietnam and cancellation of draft calls eliminate the need for (war clauses)."

Previously, life insurance policies issued in peacetime have contained no restrictions against paying death benefits to those in military service. ■

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All this, at rates that make sense. So, write for additional information today, won't you?

Benefits cost jump of 8% predicted for Canadian employers in 10 years

TORONTO—The average cost of fringe benefits for Canadian employers will probably jump eight per cent in the next 10 years, from 29.1% to 37% of annual gross payroll, a consultant has predicted.

Frank G. Chown of Towers, Perrin, Forster & Crosby (Canada) Ltd. told financial executives meeting here last month that the absolute costs of fringe benefits today are 2.5 times the total of 10 years ago, primarily because of proportionate payroll increases.

Mr. Chown cited four factors that will lead to higher costs in the future: Pressure to eliminate employe contributions in benefit programs; improved death and disability income benefits; earlier retirement and higher retirement benefits and new dental programs.

In addition, the consultant noted, the years ahead will see higher legally required payments for current programs as well as new ones that may be introduced by provincial or federal governments. Increases in the Canada and Quebec pension plans' tax rates, he said, must be anticipated, judging from experience in the U.S. with similar plans.

AT PRESENT the Canadian contribution rate of 1.8% on employe earnings up to $5,600, with the first $600 exempt, is considerably lower than the U.S. Social Security rate, he noted, and this will probably increase strongly by 1980.

Referring to the fact that many collective bargaining agreements expire in 1973—including the United Auto Workers' contract—Mr. Chown said that employers can anticipate increased pressure to negotiate pensions, "and you can anticipate that the negotiated benefits will cost more than the pension benefits you are currently providing.

"One important reason for this will be the demand that the pension plan be non-contributory by the employe," he said, adding that long-term disability income plans are likely to become another negotiable item for unions.

Elaborating, Mr. Chown said that he feels pension plans will be one of the largest contributors to over-all growth in fringe benefit costs in this decade because of inflation and pressure for earlier retirements.

MOREOVER, he said, many larger employers have acted to combat the effects of inflation on the pensions of their retirees. But, he added, measures such as tying pension increases to rises in the consumer price index dramatically raise pension plan liabilities and costs.

The trend toward early retirement, Mr. Chown predicted, will continue, and possibly become stronger after 1976 because of the significant benefits to be gained from the Quebec and Canada Pension Plans by remaining in the work force until then. Total pension liabilities for employers, he said, could rise as much as 40% if all employes retired at age 60 on an unreduced pension.

The TPF&C man noted that financial managers need some means for introducing into planning methods considerations for future pension plan improvements, since these will surely occur. Traditional actuarial valuations are inadequate, he said, because they provide only a static picture of pension assets and liabilities.

What is needed, he said, is a method for introducing into the actuarial review "judgments relating to future plan changes, and the timing of such changes, new entrants and retirees, more realistic assumptions as to investment yields (both near- and long-term) and more realistic assumptions as to salary increases (both near- and long-term)."

Mr. Chown noted that computer simulations hold the most promise for developing more flexible actuarial methods—particularly, he said, since they also have applications in management of a pension fund in calculating liquidity needs and dividend and interest flow. ■

N. Ireland fire losses total $80 million

LONDON—Fire losses in Northern Ireland, mainly due to bombings and other riotous acts, totaled nearly $80 million last year, according to the British Insurance Assn., which compiled the figures.

It was the first time these figures have been provided by insurers, who did not want to cause alarm over the extent of the losses which are in excess of those sustained under normal circumstances, the association reported. But, the association pointed out, damage figures from Northern Ireland have distorted other fire loss figures in the last two years and in the future it will issue damage totals separately.

international issue

Insurance companies operating in Ulster pay fire claims to business hit by bombs under normal insurance procedures, but then recoup the money from the British government under special compensation legislation created to deal with the civil disorders. Civilians who are uninsured get direct payments from public funds which have paid out $120 million in the past three years.

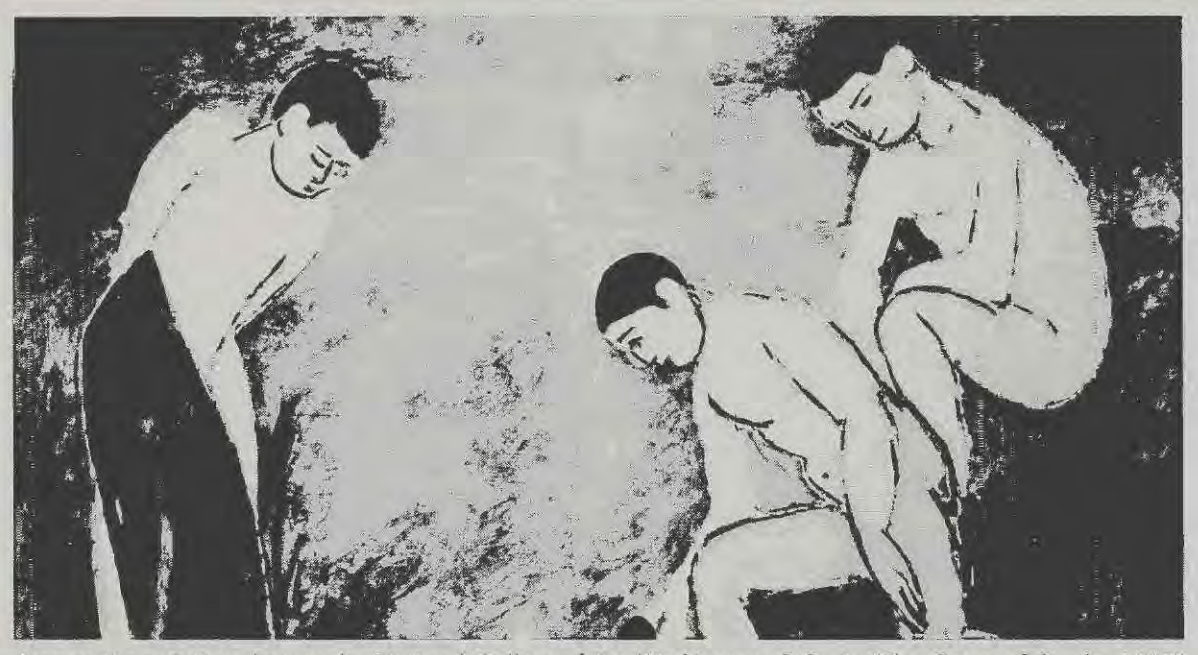
FIRE LOSSES in Northern Ireland varied between $2.5 and $10 million a year during 1965-1970. In 1971 the total climbed to $54 million and by 1972, $80 million.

The British Insurance Assn. commented: "The fire loss figures do not take into account the extra cost to the economy caused by the disruption of business, loss of production and loss of exports."

Fire damage in the rest of Great Britain totaled $260 million in 1972, only $6 million more than in 1971, the association reported. "This reflects increasing efforts to control fire damage," the association stated. "Industrial and commercial management has become increasingly aware that it pays to install proper precautions and insurers have placed insistence on proper risk improvement measures." ■

Who knows what's waiting for you out there?





Among the paintings lent to the National Gallery of Art Washington, D.C., is "The Game of Bowls, 1908" by Henri Matisse, on loan from the Hermitage State Museum, Leningrad

U.S. showing of Soviet art is insured by Lloyd's

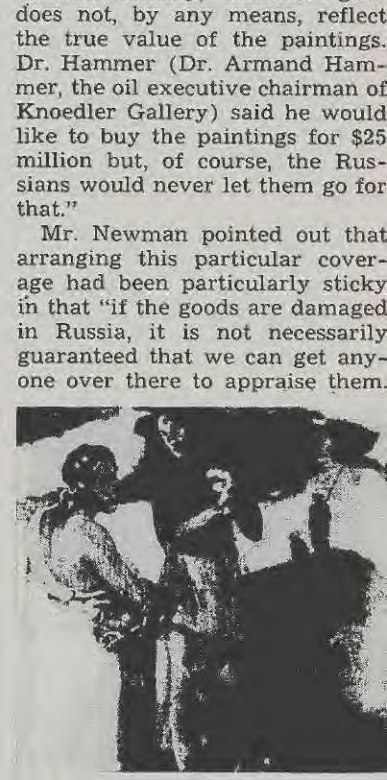
NEW YORK—Most persons familiar with the problems involved will probably tell you that obtaining insurance coverage for an expensive fine art collection is not the easiest task in the world. So if you just happen to be bringing some enormously expensive art treasures from the Soviet Union to be exhibited at a private gallery here and the National Gallery in Washington, where do you go for coverage?

"Lloyd's," was the answer to that question given by Norman Newman of Great Northern Brokerage Corp., broker for New York's Knoedler Gallery. Knoedler played the leading role in obtaining a loan of 41 immensely valuable paintings from the Soviet government. Among the paintings are works by Van Gogh, Matisse, Cezanne and Picasso.

"Lloyd's will cover the paintings in transit both ways and while they're here," Mr. Newman told *Business Insurance*. "The policy has a $25 million limit and no deductible. Knoedler, the National Gallery and the Russian government are sharing the cost of the premium."

"THE PAINTINGS are insured for $25 million," said Catherine Warwick, assistant director of the National Gallery, "but that figure does not, by any means, reflect the true value of the paintings. Dr. Hammer (Dr. Armand Hammer, the oil executive chairman of Knoedler Gallery) said he would like to buy the paintings for $25 million but, of course, the Russians would never let them go for that."

Mr. Newman pointed out that arranging this particular coverage had been particularly sticky in that "if the goods are damaged in Russia, it is not necessarily guaranteed that we can get anyone over there to appraise them.



"Maternity, Women by the Sea, 1889" by Paul Gauguin.

The Soviets have agreed in principle to allow surveyors, and Lloyd's has done this type of thing behind the Iron Curtain before but we hope we don't have to find out."

He also emphasized the fact that, in the fine arts insurance field, partial damage was noticeably difficult to work with. "A total loss is just that but with a partial loss you have to consider restoration costs and the depreciation of value can really be great because any painting is more valuable if it is in pristine condition," he noted.

The insurance agreement includes provisions for strict security measures to be taken at both galleries when the paintings, which come from the Hermitage State Museum in Leningrad and the Pushkin Museum in Moscow, are on exhibition in this country.

ACCORDING TO Lloyd Hayes, treasurer of the National Gallery, these security precautions will include accompaniment by armed guards wherever the paintings may be and the provision that the paintings be displayed inside shatterproof, plexiglass cases.

Dr. Hammer, who is chief executive officer of the Occidental Petroleum Corp. as well as Knoedler's chairman, has had dealings with the Soviets in the past. He gave a $1 million Goya portrait to the Hermitage last October and in December, worked out an $80 million metal-finishing equipment and nickel deal between Occidental and the Soviet Union.

"This is just another example of how things are opening up," Mr. Newman said. "It's more than just art. The whole trade environment looks great." ■

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Risk men . . .

Continued from page 21

er a particular problem," he continued. "Of course, they bring any serious problems to our attention at once, without waiting for formal review time.

"REVIEWS for our chemical plants in foreign countries are more involved, and their risk management and coverages are handled by our New York office rather than by local managers. While there is no set routine for personal visits overseas, I do make on-site inspections occasionally," the insurance manager stated.

In the administration of loss control procedures, the corporate insurance manager at a large telecommunications firm here seems to have the least complicated job of all the executives interviewed. For manufacturing facilities worth $1 billion and located in 123 sites throughout Europe, South America, Australia, Asia and the Mideast, General Telephone & Electronics Corp.'s William Hyland relies on a program administered by American International Underwriters and Johnson & Higgins.

Mr. Hyland said that AIU and J&H, the sole underwriter and broker on GTE's overseas property insurance, use the standards set up by the National Fire Protection Assn. in the construction of all overseas installations. The NFPA codes apply strict guards on fire protection, occupancy requirements and building materials that help make a loss control program successful.

To supplement the AIU and J&H administered loss control programs, Mr. Hyland conducts an annual coverage review with an assistant, and frequently visits the overseas installations.

LOCAL insurance regulations and practices present a headache to most of the managers, if not a major stumbling block. Many countries hold a tight rein on just who is allowed to write insurance (an 'admitted' carrier), and what deductibles will be allowed.

The risk manager of the metal machine manufacturing company, for example, said negotiations for coverages were complicated for him by the varying requirements. Mexico, he noted, allows only admitted carriers to write coverages for his plants, and further does not allow the use of deductibles. So naturally, his approach is quite different in Mexico than in the Netherlands, which has a more liberal insurance set-up. (In contrast to Mexico, the Netherlands permitted the risk manager to purchase a policy with $2 million limits and a $5,000 deductible).

Said Frank McCahill of Bristol-Myers: "Unfortunately, most foreign countries are still back in the 1920's or 1930's when it comes to insurance and how it operates. While they do not all prohibit the use of deductibles in overseas coverages, they do fail to recognize the value of deducti-

international issue

bles. Consequently, foreign underwriters do not offer attractive premium rate reductions that accompany deductibles in the United States." For this reason Bristol-Myers does not use deductibles in its overseas property insurance program.

The insurance manager from the chemical company had another point of view on the state of foreign deductibles. "We try to get them. Generally overseas, you'll have to settle for a lower deductible than is customary in the states because foreign insurers don't seem to be 'up' on deductibles yet.

"BUT," he continued, "I have seen instances in our own program where the local underwriter could give us a much better deal on deductibles than a large international underwriter could.

"How? Well, I guess if the local carrier wants our business badly enough, he'll do his best to make the coverages and rates as attractive as possible, even if it means beating out a large competitor like AFIA."

Local regulations least disturbed GTE's William Hyland who explained that American International Underwriters has admitted carriers under its auspices in all countries that require admitted carriers. They cover GTE plants in all overseas locations with worldwide coverage on a difference in conditions policy, under an all-risk $10 million policy with a $10,000 deductible.

All the managers, with the exception of Mr. Hyland, said they used local carriers extensively to supplement coverages from their international underwriters. The only thing that varied was their degree of enthusiasm for the local carriers.

UNLIKE THE chemical company's insurance manager, the manager for the camera and film corporation stated a definite preference for world wide car-

Continued on page 52

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Lloyd's continues to operate freely in European Economic Community

BRUSSELS—Discussions are moving ahead to put the insurance rules of nine major European countries into harmony so that they will be able to operate more freely within their Common Market, according to reports here.

The countries, which together form the EEC (European Economic Community), include West Germany and France, and have now been joined by Britain since the start of this year.

The moves will mean greater opportunity for companies to break down national barriers and operate more freely among the member-nations of the Community.

Already substantial progress has been made in deciding what standard of solvency, and other security measures, shall be needed to protect international clients.

THERE WILL be agreed definitions on the size of a company's assets needed in comparison with the risks it covers, and the manner in which the premium income should be invested. This, in turn, will enable the more efficient and vigorous companies to compete in a business-like and safe way across national borders.

So far, there is no sign how soon this greater national freedom for insurers within the Western European sphere will become available, but there are hopes that initial agreement will be reached by the middle of this year. Then it will be the turn of the top politicians in the Community, who formulate international policy as the council of ministers, to approve the directives that have been drawn up by their administrative officials at lower levels.

These will have to take their turn in the pipeline of many other aspects of European community needs, including, naturally, some with greater priority in world affairs, before they can be finally implemented.

So experts speculate that it will be 1974, or even later, before the new community freedoms begin to affect the individual insurance companies.

Industry is expanding throughout western Europe, so there will be every opportunity for a challenging new insurance market to emerge. But, it is too early to speculate how this will affect U.S. business, for there are many factors such as currency problems that can have drastic impact in various directions.

CERTAINLY the position of Lloyd's is under consideration, for it has historically operated on different lines from those adopted by several European countries, and it does not want to be fettered by unduly restrictive regulations.

At first, it was thought it might have to comply with restrictions, but now there is general acceptance that it will be left alone to go on as it has done for so many years in the world's insurance markets.

Sir Henry Mance, Lloyd's chairman from 1969-72, forecast recently: "Lloyd's will bring into the European Community premium income worth over $1 billion from a hundred different countries. There is more than enough insurance business for all of us who are engaged in it, and we look forward to increased cooperation with insurers in Europe. I hope our international outlook will encourage our friends in the European insurance market to become more adventurous and develop their own international portfolios."

international issue

SHIPOWNERS' mutuals, known as protection and indemnity (P and I) clubs, are also likely to be allowed exemption from any onerous rules as they cover only maritime insurance. They will probably have to conform to some conditions in the end, but for the time being they are not directly affected.

Non-marine companies will have to comply with Common Market directives in the end, but, so far, face no radical changes in their attitude towards risk coverage.

Life assurance companies are likely to find their own special problems with Britain's entry into the EEC grouping, however. Sir Paul Chambers, chairman of Royal Insurance Co., expressed this view:

"In Britain we have probably the best and most flexible system in the world both in underwriting and in investment. Insurance procedures of all kinds in the U.S.A. tend to be excessively legalistic, time-consuming and costly. In some European countries there is, by U.K. standards, too much government control.

"We shall have the right in EEC to press for the adoption of our own practice where we regard it as better than European practice."

The overall importance of insurance in the expanding community of Western Europe is shown by the fact that the EEC community covers more than 250 million people. Its nine member-nations are Britain, West Germany, France, Italy, Belgium, Luxembourg, the Netherlands, Denmark and Ireland. ■



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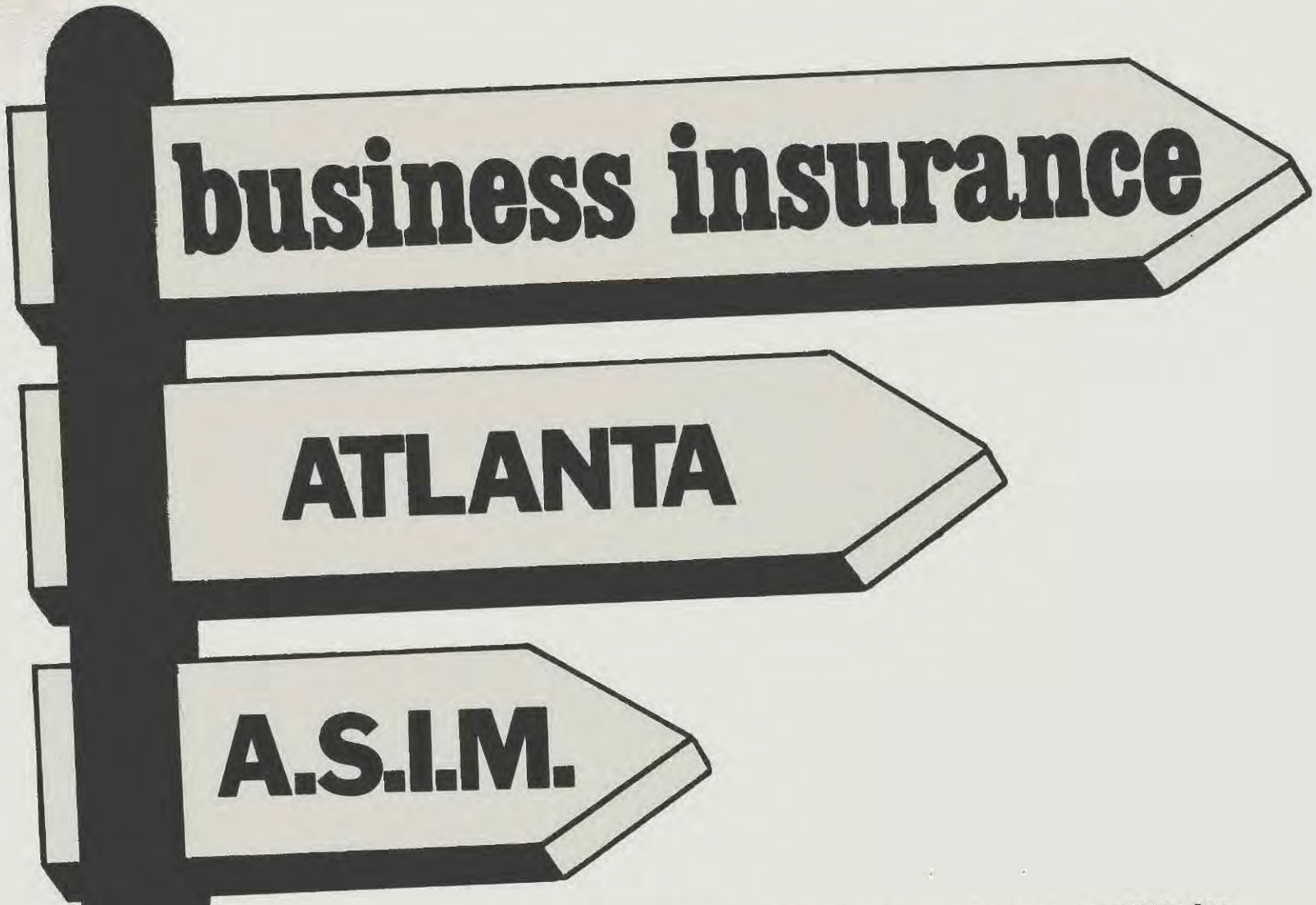
Approves apprentices' work comp

OLYMPIA—The Washington state senate last month approved and sent to the house a bill offering industrial insurance coverage for apprentices during the time they are receiving instruction in community colleges and vocational schools.

The bill appropriates $24,600 from the general fund for the next biennium to cover premiums into the state workmen's compensation fund for such coverage.

Gary Grant, state senator, said the insurance coverage would not apply under this provision of the law when an apprentice earns wages for the time spent in actual attendance at school on work directly related to his vocational training.

The premium rate is based on an assumed earning of $3 an hour when apprentices are engaged in such courses, although they will not be receiving any income, it was reported. ■



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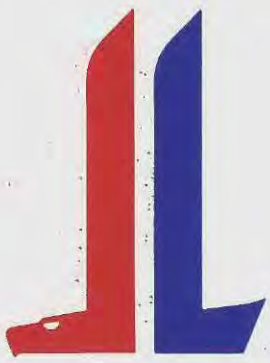


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Potables . . .

Continued from page 34

agreement made with the Chinese company at a recent trade fair in Canton, China. Robert I. Huntington, president of Huntington-Rice, said the contract was negotiated by his agent, the Union Mercantile Co. of Hong Kong.

The contract, said Mr. Huntington, has no specific time limit because the mainland Chinese company does not wish to be locked into a long-term exclusive contract. "They want to see how effectively we market their products first," he said, adding "We expect they'll be fully satisfied and that we will receive the unconditional contract for exclusivity at next April's fair."

Norman Rice, exec up of the importing firm, told *Business Insurance* that as many as 15 different alcoholic products from the Mainland are expected to be marketed as U.S. consumer demand for the beverages grows. Initially, five liquor products, now being bottled in the Shantung Peninsula, will be distributed in the Bay Area and perhaps a number of other western points. As more supplies arrive the sales effort will be enlarged to include Washington, D.C., New York City, Chicago and other major marketing centers in this country.

IMPORTS from China include Chefoo Red and White wines, Shantung Brandy, Yin-Tao Cherry Liqueur, and Sunflower Dry Gin, which Mr. Huntington said, "we feel is superior to the finest British gin." All the products carry Sunflower labels which were printed in the U.S. and, because of complicated import regulations, then shipped to China for processing.

Discussing some of the other complexities involved in the importation of the Chinese alcohol, particularly the matter of product liability, Mr. Rice said, "No other products in these categories are currently available in the U.S. so it's difficult to compare them with anything else on the market. But I think we've identified those which are acceptable and those that are not.

"Should the products fail to meet U.S. standards," Mr. Rice explained, "they could be seized by the proper law enforcement agency at the port of entry. However, I'm not concerned that they will be any different from the specifications we've set for them and have spelled out very plainly in our trade agreements. And we've insured the products the same as if they were produced domestically."

Product liability coverage, noted Mr. Blackman of Johnson & Higgins, is a standard comprehensive general liability policy coupled with a liability protection umbrella "of sufficient limits" over that.

FROM A marketing standpoint, Mr. Huntington said he is confident "these superior wines and distilled spirits will achieve a significant share of the U.S. market within a short period of time. Though he admits his firm has not done extensive surveys to see whether the American consumer shares his optimism, Mr. Huntington said the long term sales potential of the wines and liquors is excellent.

Said Mr. Huntington, "We expect to order about 50,000 cases in the first six months worth about $750,000, with a retail value twice that. We anticipate ordering up to 100,000 cases the first year."

Should his sales forecast prove accurate, Huntington-Rice should import and market 200,000 to 300,000 cases by 1974. ■



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info for buyers

To receive literature listed in this special international Info for Buyers column write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*.

• Marsh & McLennan has made available a booklet titled **Australian Employee Benefits in the Seventies.** It discusses some of the recent trends and changes in employe benefits in this growing continent, emphasizing the implications for both employes and employers. For a free copy write Marsh & McLennan Benefits International, 1221 Avenue of the Americas, New York, N.Y. 10020.

• Chubb & Son Inc. has made available a booklet titled **The Multinational Corporation—Are The Insurance Markets Ready?** The booklet is designed to assist producers and their clients in understanding the specialized insurance problems of the U.S. multinational corporation as it expands overseas. Copies are available by writing Ms. Carol Jenkins, Chubb & Son Inc., International Div., 90 John St., New York, N.Y. 10038.

international issue

• **International Employees Personal Insurance Plan,** a brochure available from Chubb & Son Inc., describes the company's insurance plan for expatriate employes. For a free copy of the brochure write Ms. Carol Jenkins, Chubb & Son Inc., International Div., 90 John St., New York, N.Y. 10038.

• **Canadian Exposures—Tax Implications** is a brief explanation of Canadian tax regulations as they apply to clients of non-Canadian brokers. The material, prepared by Dale & Co., also tells how to avoid penalties. For copies contact J. M. Didier, Dale & Co. Ltd., Box 18, Toronto Dominion Center, Toronto, Ontario, Canada.

• Insurance Co. of North American has published its ninth edition of **Ports of the World,** which describes port conditions, facilities and cargo loss control methods at 174 world ports. Copies of the 70-page book are available by writing communications services, Insurance Co. of North America, 8th floor, 1600 Arch St., Philadelphia, Pa. 19101.

• **Personal Insurance For The Expatriate Employee,** a reprint from the International Insurance Monitor by George C. Byrne, personal lines manager—international division, Chubb & Son, is available by writing the international division, Chubb & Son Inc., 90 John St., New York, N.Y. 10038.

• **Serving Business and Industry Worldwide,** available from Alexander & Alexander, is a profile of the company describing insurance brokerage and other services and expressing the company's philosophy of risk management and transfer. For a free copy write R. Scott Taylor, director of communications, A & A, 1185 Avenue of the Americas, New York, N.Y. 10036.

• **Currency Crisis and Insured Values,** a bulletin free from Johnson & Higgins, discusses how the successive currency revaluations of the German mark, the unpegging of the dollar from gold and the floating dollar and official dollar evaluation have affected the adequacy of insurance values. For your copy, write production & coordination dept., Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

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Continued from preceding page

a brochure discussing the insurance situation for TCN employes. It is available free by writing Ron Ewing, American International Life Assurance Co. of New York, 102 Maiden Lane, N.Y., N.Y. 10005.

• **Serving the Marine Industry Worldwide,** an illustrated brochure from Alexander & Alexander describes the company's service capabilities in the area of marine insurance. For a free copy write R. Scott Taylor, Alexander & Alexander Inc., 1185 Ave. of the Americas, New York, N.Y. 10036.

• **Transit-Pak,** available from James W. Barrett Co., describes a full value all risk insurance program designed for individuals moving from one country to another. The material is useful to corporations, freight forwarders and moving companies engaged or interested in the international moving of personal and household effects. For free copies write manager, international department, James Barrett Co., 1140 Connecticut Ave. N.W., Washington, D.C. 20036.

• **Kota Kinabalu,** a booklet published by American International Underwriters, describes the insurance problems of Americans who have been transferred abroad, for instance, to Kota Kinabalu, Malaysia. The booklet goes on to describe an insurance program alternative for the company that has transferred such employes. For free copies contact John Phair, AIU, 102 Maiden Lane, New York, N.Y. 10005.

• **Travel-Pak,** a brochure prepared by James W. Barrett Co. Inc., describes a personal effects and personal liability insurance plan conceived especially for Americans and third country nationals living outside their home country. Underwritten by Insurance Co. of North America, the plan also provides marine insurance coverage at no additional cost. For copies write the manager, internat'l. programs, James W. Barrett Co., Inc., 1140 Connecticut Ave., NW, Washington D.C. 20036.

• **UK Medical Plans—Group Cover for Employees** is available from Marsh & McLennan Benefits International. It describes and analyzes the present UK medical situation, including the reasons that many employers are now adopting private medical plans in the UK. For a free copy write the company at 1221 Avenue of the Americas, New York, N.Y. 10020.

• Marine Office-Appleton & Cox Corp. has published a booklet titled, **"Let's Stop Exporting Our Marine Insurance Premiums."** It's an interview with John B. Ricker, chairman of MOAC, in which he urges American businessmen to to help stop the flow of dollars to Europe by buying marine insurance through U.S. companies. For a free copy write A. E. Smith, Marine Office-Appleton & Cox Corp., 80 Maiden Lane, N.Y., N.Y. 10038.

• **International Group Life and Pension Serivces** is a detailed source book from the Swiss Life Insurance and Pension Co. The brochure discusses experience rating in multinational plans and unallocated funding as well as offering more specific information on the company, its methods of handling the two topics mentioned, the scope of its international network and services provided. To order your free copy write the company, General Guisan Quai 40, 8022 Zurich, Switzerland.

• **A Report to Ship Operators** is issued by U.S.P.&I. Agency and describes a new approach to the settlement of marine protection and indemnity claims which results in lower costs and more realistic payments. For a free copy contact Marcel J. Koster, U.S.P.&I. Agency Inc., 59 John St., New York, N.Y. 10038.

• **What Swiss Life Can Do For You** is a short description of the service Swiss Life offers to multinational corporations. The description concentrates on pension plans which are provided by the company. For a free copy write the International Dept., Swiss Life Insurance and Pension Co., General Guisan Quai 40, 8022 Zurich, Switzerland.

• **MOAC Today** a booklet published by Marine Office—Appleton & Cox Corp., describes the national and international marine insurance facilities available to insurance buyers. The booklet also incorporates a review of the company's 1971 activities and results. For a copy write John Potts, Appleton & Cox-Marine Office, 80 Maiden Lane, New York, N.Y. 10038.



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Canadian rail workers hit pension talks

VANCOUVER, B.C.—In a protest over pension negotiations, railroad workers in British Columbia are refusing to pay their union dues.

Some 600 rail union members are refusing to pay dues, according to J. Earl White, vp of British Columbia branch of the Canadian Railways Employes Pension Assn.

The railroad workers are withholding dues in protest against the way their unions are negotiating retirement pensions, said Mr. White. The railway employes are members of the United Transportation Union which includes conductors, switchmen, yardman and other trades, and the Brotherhood of Locomotive Engineers.

These unions are only two of 17 railway unions involved in bargaining in Montreal that do not have automatic dues (check-off agreements with the companies).

UNDER THE pact between the two unions and the railroad, some 900 members in the two unions are required to pay their dues by the 20th of the month. If the union member does not pay his dues on time, he may be ruled delinquent by the union. The union member then loses seniority rights in securing work shifts.

A spokesman for Canadian National Railroad said the railroad had been notified that 275 of 337 workers were delinquent. But Canadian Pacific Railroad said it had no knowledge of any delinquent employes.

The old contracts expired Dec. 31 and negotiations have been under way since that time. ■

Broker expansion

Canadian broker Dale & Co. has made two acquisitions that expand its coast-to-coast operation in the Dominion. Acquired late last year were the P. A. Land Agency, Edmonton, Alberta, and the Steers Insurance Agencies Ltd., St. John's, Nfld. Further acquisitions are planned this year, according to J. M. Didier, secretary of operations for Dale.

Employers would pay more

Health plan in Italy running into stiff opposition from many sides

ROME—Employes of multinational companies in Italy would be eligible for coverage under a national health care service proposed last month by premier Giulio Andreotti, but whether the minority party leader can push his social-welfare bill through hostile opposition is a case of *che sara sara*.

The proposed new health system would guarantee free hospital treatment and medical services to every resident of Italy. It would replace the present system which is a mixture of insurance agencies, some 30,000 state-subsidized private welfare organizations and a collection of high-priced private clinics and medical practitioners.

Kenneth Seward, Johnson & Higgins' representative in Rome and Milan, commented on some aspects of the hotly contested proposed health plan.

"What I find strange," Mr. Seward said, "is that the new health service would not offer dental care and would not offer optical care. This is unusual because the present programs do provide these.

"THE GOVERNMENT is going to have a hard time trying to convince people to give up the free dental care that is already available to them in favor of the proposed health plan that doesn't give it to them."

Mr. Seward explained that under the current system, which has been criticized as wasteful and inefficient, health care is subsidized by both employe and employer contributions. Employes pay one-half of one percent, while their employers are expected to contribute 14%.

"Under the new plan, if it goes through," Mr. Seward said, "companies will not have to make direct contributions. The program will be supported by national revenues, and will cost a lot more. In effect, it would require the nationalization of all medical facilities in Italy. Probably the proposed health service couldn't be handled with the present facilities."

The J & H man pointed out that opposition to the plan by the medical profession is fierce. He said that doctors in Milan are so against the proposal that many of them are withholding their services within the present system as a protest against the proposed health service.

THE CURRENT system provides for ward care in a hospital. Mr. Seward noted that many of the private plans written for employes, especially American employes in large multinational firms like computer companies, bypassed the ward care for at least semi-private accomodations. Insurers had to put in programs that absorbed 80% of these semi-private care costs in order to supplement the government system and give their professional employes the type of hospital care they expected.

"We don't yet know what kind of hospital care (ward or semi-private) the proposed national health service will provide, but it looks like they will pick up 100% of the bill for whatever kind they offer," Mr. Seward said. So it is still an unknown whether insurers would have to supplement the national plan with private plans to give their professionals the kind of hospital care to which they are accustomed.

Italy's health minister, Remo Gaspari, said that the free medical services given to Italian and foreign residents under the proposed plan would compare with those now offered by Britain and Sweden. "We are prepared to spend eight percent of Italy's national income annually on health service," he said. "This is more than Britain's expenditure, because we have to also pay for the fantastic debts piled up by the health insurance companies."

Hefty health insurance payments made by employers under the present system have made Italian labor costs among the highest in Western Europe, although workers' wages lag behind those in other industrial countries.

By shifting the entire cost of health care to the taxpayers instead of employers, the cabinet hopes to provide incentives to industry to step up productive investments and meet demands for wage increases. ■

Reed, Shaw establishes world link

TORONTO—Reed, Shaw, Osler Ltd., one of Canada's leading insurance brokerages, has agreed to merge with a Scottish-based company. The move is expected to give the Toronto-based firm an entry into international insurance brokerage activities.

The agreement, which has been approved by both boards but is subject to stockholder approval and the consent of regulatory authorities, involves Reed, Shaw, Osler and A. R. Stenhouse and Partners Ltd., Glasgow. Stenhouse, through a subsidiary, does "a substantial volume" of U.S. business.

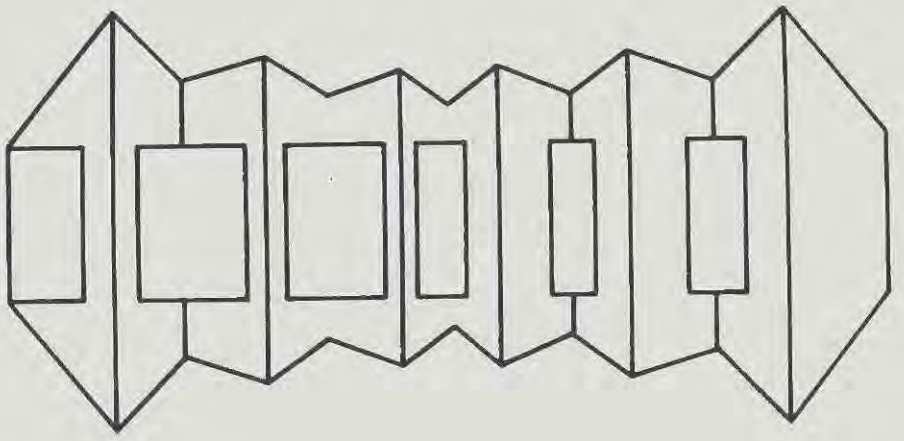
Through the agreement, said James W. Whittall, chairman and chief executive of the Toronto firm, Reed, Shaw, Osler expects to extend its activities deeper into North America.

The merger will open "vast new opportunities and add an element of synergism to our combined operations," said Mr. Whittall. "Our new multinational network of offices will make it possible to offer a more comprehensive service capability to our clients."

Reed, Shaw, Osler had net earnings of $2.5 million as of last Aug. 31. Assets of the firm were in excess of $54 million.

Stenhouse, with after-tax earnings in excess of $4 million annually, is one of the largest insurance brokers in Britain and in the European Economic Community, and is in business in most major countries. Until now, however, it has not had facilities in Canada. It is also the largest direct insurance broker in Australia and New Zealand and has offices throughout the Far East. ■

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Reaction to Burke-Hartke bill might bolster OPIC

By JOHN REVETT

WASHINGTON—Overseas Private Investment Corp., the government's political risk insurer for U.S. investors abroad, is being swept into a major philosophical and economic debate on U.S. trade and foreign investment policy that might just result in a stronger OPIC.

How would this come about? As one of the results of a backfire, in the view of a growing number of business representatives and government officials here. They see the issues being raised by the latest advocates of protectionist policy as stirring up strong support for an open world market and more, rather than less, American participation in it.

At the center of the controversy at present is the Burke-Hartke bill. It would limit imports to the share of market they held in the U.S. from 1965 to 1969, and, more importantly for OPIC, eliminate tax breaks (mainly deferrals) that have stimulated new and expanded foreign operations of U.S. companies.

The bill, reintroduced in January in the House by Rep. James A. Burke (D.-Mass.) and in the Senate by Sen. Vance Hartke (D.-Ind.), got nowhere in Congress last year but has become a possibility in the current session because of economic troubles being blamed on competition from foreign-made products (some manufactured abroad for U.S. companies) and because of labor support for more controls.

THE AIM of the tax provision, according to Burke-Hartke backers, is to "redirect" U.S. business investment back to the U.S. and to prevent industries, such as electronics, from job loss caused by manufacturing operations being switched to countries where the labor costs are low. A strong argument on the side of the provision is that, after all, it does no more than put foreign operations of U.S. companies on the same tax footing as domestic business.

But even some of Washington's most frequent critics of business on other matters are reluctant to take the anti-business side in this one. Many, in addition to being of a generally "internationalist" point of view, take a certain pride and comfort in the knowledge that American business is out there on the frontiers of the developed world competing with products and knowhow and maintaining international relations. Perhaps not always the best of relations, but relations nonetheless. There have also been expressions by writers and politicians formerly identified as doves to the effect that the U.S. must not turn completely inward following the Vietnam war. Others, including President Nixon, have indicated that efforts will be made in many areas in the next couple of years to strengthen and expand U.S. trade ties with developed and underdeveloped countries.

And so it's a strong and interesting coalition of business, White House, the New York Times, several other papers and otherwise anti-administration figures in Congress that is beginning to theorize and speak out in favor of U.S. business abroad as a result of pressures from Burke-Hartke supporters to slow it down.

THERE IS, of course, the possibility of restrictions on some imports that could adversely affect U.S. business in the exporting countries. The White House has said it may seek legislation to set "temporary" quotas. It has, incidentally, gotten implied support for this from the AFL-CIO's George Meany, who had previously backed the market-share restrictions in Burke-Hartke.

international issue

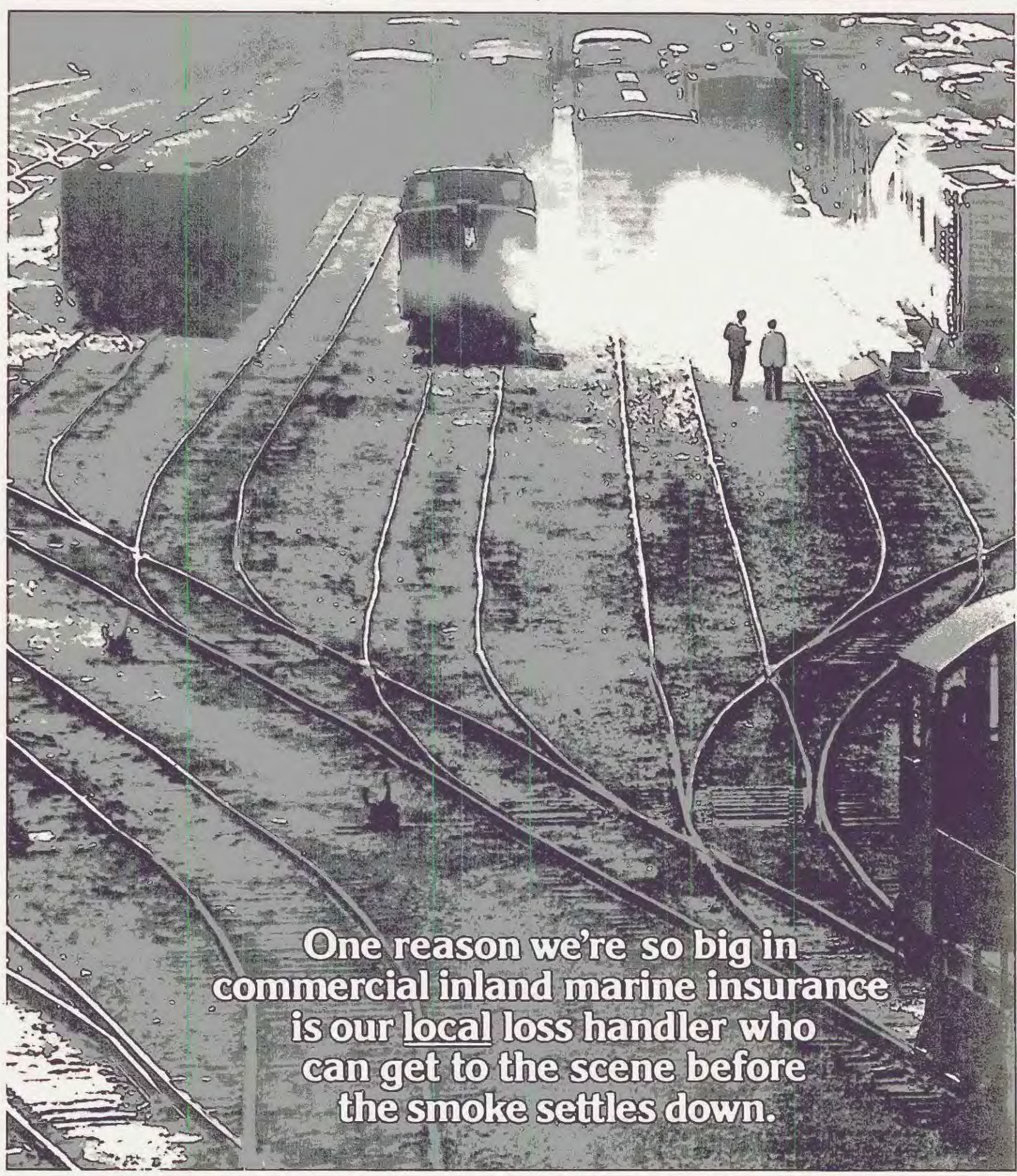
There could also be proposed restrictions on U.S. business abroad as the result of current and upcoming Senate hearings on the role of multinational corporations in the recent monetary crisis that led to devaluation of the dollar. Charges that transfer of funds from one country to another precipitated the crisis is being strongly denied at the moment and testimony that multinationals pay large amounts back into the U.S. economy are being listened to carefully.

Soon there will be Senate hearings on charges that International Telephone & Telegraph tried to sway the Chilean presidential election won by Salvador Allende. This will bring OPIC to center stage, since some members of the Senate foreign relations committee interpret its rules as prohibiting a $92 million payment on expropriation of ITT's telephone holdings because the company allegedly stuck its nose in Chiles' internal affairs.

BUT, serious as these situations are, most government and knowledgeable business sources here feel that the outcome of the full debate on the broad question of U.S. investment abroad will see OPIC alive and kicking. Some go as far as to say Congress—coming out of the discussions with a more favorable picture of OPIC's importance in covering expropriation and other political risks—will take favorably to OPIC's request for the "return" of $85 million that Congress transferred from its predecessor to the Agency for International Development.

This would help bring OPIC's reserves up to the $300 million level that it says is necessary to make it financially self-sufficient. Without favorable action from Congress this would be a

Continued on following page



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OPIC . . .

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struggle because of payments and pending claims from the Chilean expropriations, which account for the bulk of about $200 million in claims from OPIC-insured companies.

OPIC's money problems are intensified by the fact, that, if anything, it might be pressured toward lowering its insurance premiums, from which it added $29 million to reserves last year. About a dozen other countries have started OPIC-type programs for their foreign investors in the past few years. They include West Germany, Japan, France, Denmark, Belgium and Switzerland, and the Common Market council is considering a request for $10 million to start a program for joint European ventures.

The Common Market program, like those already in existence, would charge considerably less (.50% to 1% of the value of the investment) for political risk coverage than OPIC's 1.5%. Some OPIC officials feel this amounts to subsidies that will lead to foreign investors moving more rapidly than U.S. companies into developing countries and getting the lion's share of new markets, but others, more directly involved in OPIC insurance program, say the European community insurance scheme and those of individual European countries don't provide coverage as extensive as OPIC's in the potentially important area of retained earnings. Most of the European plans cover only 8% on earnings of principle invested per year whereas OPIC covers all net investment.

As a result, said one official of the U.S. program, OPIC isn't pressing for extra funds from Congress to make possible a rate reduction. ■

U.S. marine market ready, very willing

NEW YORK—John B. Ricker Jr., president and chairman of Marine Office-Appleton & Cox Corp. (MOAC) and president of the American Institute of Marine Underwriters, is an angry man.

And while one may not think it seemly for someone in such a high position to rant and rave about an irritating subject, Mr. Ricker handles his anger and dismay gracefully. He seems almost resigned to frustration after two years of fruitless effort—an effort aimed at propelling the American marine insurance market to a more prominent place in the world.

"We're like the fellow with the brand new factory," he said ruefully. "He's got all the latest equipment and all he is waiting for are orders from customers."

To translate that to marine insurance means that the "American market is here but it's disappearing—by default."

MR. RICKER feels that the American marine market needs help from the government. He used the ever-increasing amount of U.S.-Soviet Union trade as an example of what he feels is needed.

"The Russians are extremely well organized; they know just what they want and they get the jump on everybody," Mr. Ricker said, adding that American exports to the U.S.S.R. thus far had been insured by the Russians.

"They've got it all," he continued. "We don't want all of it—just a fair piece of the action. I'm afraid the only way we'll get it is for our government to step in an say, 'OK, from now on, the marine insurance will be placed in this country.' "

Mr. Ricker, who has become something of a spectre haunting the halls of the U.S. Department of Commerce lately, went to the Soviet Union himself last September in an effort to persuade the Russians to share the risks with the American marine market.

"They were polite," he said, "but they've still got all the insurance.

"This bilateral trade is something entirely new for us," he noted. "It is quite different from a U.S. company sending a generator to a company in France. We're dealing with a government here and our government should help out."

He said that some headway had been made but, when Pres. Nixon appointed new cabinet officers, "we had to start all over."

Aside from governmental muscle, Mr. Ricker indicated that the help of U.S. exporters and insurance brokers was also needed.

"IF AMERICAN exporters will insist that the shipments be handled C.I.F. (cost, insurance, freight), that will certainly help the cause," he commented. "And we're fighting brokers all the time. If they place a policy in London, that's it. They're so afraid of having another broker compete with them that when renewal time comes around, they don't even put it onto the street. They just go back to London."

While he admitted that he was somewhat pessimistic at the moment, he did see some bright spots on the horizon. "The way everyone is starting to worry about the balance of payments situation could help us. And when Americans are doing more than just shipping cargo to Russia, when expensive facilities are being built, things could get interesting."

He emphasized that the problem was exports, not imports. "The American market already insures about 50% of the imports coming in," he said, "and I don't really expect that ratio to change when Soviet products are brought in in greater abundance. However, our market only handles about 30% of the exports as it is and, with the exports to Russia ratio being 0%-100%, we're losing even more." ■



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Risk men . . .

Continued from page 40

riers as opposed to local carriers, saying his corporation selected the bigger underwriters "wherever applicable." He named Insurance Co. of North America, Alliance Assurance Ltd. of London and FM Ltd., an overseas subsidiary of Factory Mutuals, as the three large carriers most frequently used by his company.

He explained though, that the relative age of a plant in any given foreign country had a lot to do with who the insurer might be. Any plant that was perhaps 50 years old and had been running under its own steam for that long in a particular area would probably retain the local underwriter it had started out with at its inception, rather than switching to a larger, worldwide insurer.

Even though this practice makes for something of a non-uniform insurance program, the insurance manager pointed out that the system runs smoothly and efficiently, and has a very low loss experience.

For the most part, the managers were in favor of all-risk policies to cover their exposures overseas. But the chemical company's insurance manager emphasized his opposition to all-risk cover.

"WE ARE not all-risk buyers," he noted. "If there is a particular need in an area, we'll insure that risk. But in general we've never felt that the extra mark-up in premium rates for all-risk cover was worth it."

The chemical company also differs from the other firms surveyed in that its property policy limits for overseas plants are equal to 80% (rather than 100%) of the value of each individual plant. The insurance manager said that these values range from about $1 million on smaller facilities to over $30 million on a large facility in Belgium.

The chemical firm man was also the only one to admit to any plans to modify his insurance program substantially.

"Frankly, we've been trying to get more uniform coverages," he said. "Right now we use a number of carriers in a system that

international issue

sees certain underwriters predominating in specific geographic areas. The system was not by design, but worked out that way in a logical type of growth pattern. We'd open a plant in one area and establish an underwriter there. Later when we opened another plant nearby, the logical carrier to approach for the business was the one who provided coverage for the nearby plant.

"THIS WORKED out across the board, and resulted in a geographic pattern of underwriters. AFIA is our carrier in most of the Far East. We also use American International Underwriters, and Royal in Africa, and Commercial Union in Europe.

"We use all the bigger brokers, but eventually we will have smaller combinations as we consolidate our overseas property insurance programs," the insurance manager pointed out.

Exposures on overseas properties are pretty much the same as those found in properties in the states, the managers said. A few differences existed from company to company, depending on the corporate involvement and interest.

Mr. McCahill said his most pressing concern in the overseas plants was a close-down. "We're most concerned about plant shutdowns—even more so than property damage. If the plant closes, and manufacturing is stopped, we might not be able to regain our place on the market. This, therefore, is a bigger exposure for us than mere property damage, and is what we are most on our guard against, particularly in areas that might be subject to floods or earthquakes. To cope, we either carry business interruption cover, or have an assumption of risk (self-insurance) to meet such a contingency," he noted.

THE CHEMICAL company risk manager said, "Our most consistent problem is fidelity—it's difficult to buy at reasonable prices overseas. So many of the companies over there write policies with very low limits and high premiums."

Although not what one would strictly call an 'exposure,' the insurance manager also pointed to the reluctance of a foreign partner to cooperate as a problem faced in the overseas property insurance program. "Some of our overseas properties are owned 100% by us, but some others are partnerships where the overseas interests own 51%," he said.

"This is where insurance coverages can get sticky. Even though we're partners, the locals sometimes resent our advice on insurance buying. We have to tailor plans for specific areas and for the type of ownership situations as well," he noted.

Asked about overseas exposures, Mr. Hyland was typically the coolest. "Well, we just had three floods in a row in the Philippines. But there's not much you can do to prevent floods.

"As for regular exposures, we have no different exposures overseas than we have here in the states. The only thing that's different is the attitude of people from place to place." ■



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AIU insures RCA venture

NEW YORK—American International Underwriters is insuring the installation of two earth stations RCA Global Communications is constructing in the People's Republic of China. Marsh & McLennan was the broker.

The two installations, one in Shanghai and the other in Peking, will be completed in August. Twenty-five technicians and crew members from RCA and 25 from various contractors and subcontractors began arriving in China late in December.

For American International Underwriters, the arrangement of the coverage represented something of a homecoming. AIU Corp. is a member of the American International Group Inc., which traces its roots to mainland China where the first AIG company was founded by C. V. Starr in Shanghai in 1919. ■

Insurance plan options

The Washington legislature has a three-way industrial insurance plan under consideration. "Failure of the legislature in the past sessions to adopt the three-way option at the insistence of organized labor does not mean that the problem we hope to solve no longer exists," stated Rep. A. J. Pardini. The bill would permit an employer to cover his workers under the State Workmen's Compensation Act; under self-insurance; or under coverage purchased from a private insurance company.

Multinationals spared the wounds of Irish war

By TOM WALSH

BELFAST, N. Ireland—Risks are a way of life in this lush green land where hatred, violence, death and destruction stalk the streets for new victims of the Holy War.

Bombers measure victories by amputations. Old ladies on their way to market are targets for snipers. Children race up and down the red brick streets gathering shiny brass shell casings expended in last night's terror. Arson is a provincial pastime. After three-and-a-half years of part-time war, the body count nears 800. No person or thing can be considered immune.

The Ulster Irish are a rugged lot. They live hard, work hard, die hard. Their lives are simple by American standards, and, consequently, their wage demands are low. The hourly rate for men over 21 in the manufacturing industry averages $1.71, about one-third the U.S. rate, and many multinational manufacturers, prompted by the lures of cheap labor and a wide variety of financial incentives from the British government, have set up shop throughout Ulster's 5,000 square miles.

The multinationals have largely been spared the wounds of war. The quarrel is a local one and the combatants' attacks against businesses are usually confined to those owned by native shopkeepers. Finding a religious butcher impaled on his own meathook is more common than the torching of an invading manufacturer's facility. Some 200 businesses, officials say, have suffered some form of riot-related damage, but most claims have been minor. To date, 12 companies have packed up and left, but none has included any of the 37 U.S. offshoots now in operation.

ALL INCOMING firms establishing factories in Northern Ireland are eligible for tax-free cash grants of 30% towards plant construction, 30% of machinery costs, 5% to 11% towards fuel costs, subsidies for employes' salaries and grants for labor training programs. New corporate tenants can also rent ready-built government factories at a rate of 20¢ to 65¢ per square foot per year, depending on location, with an annual property tax rate of 6¢ to 10¢ per foot.

One of the most significant incentives available to manufacturers in Ulster is a government-sponsored form of insurance. As riot and civil commotion extensions to normal business insurance are no longer available in Northern Ireland, the British government is helping to assure that Ulster's economic growth continues by promising investors that the government will compensate all damage caused by civil disorders.

The Northern Ireland Criminal Injuries Act compensates not only for immediate losses resulting from physical damage to Ulster property, but also for consequential loss of business profits by investors. The act also covers property lost through looting and goods lost in transit due to "malicious damage." Full recovery of losses is contingent only upon certification that the claim resulted from an "unlawful assembly of three or more persons" or certification from the chief constable that, in his opinion, damage was caused by malicious means.

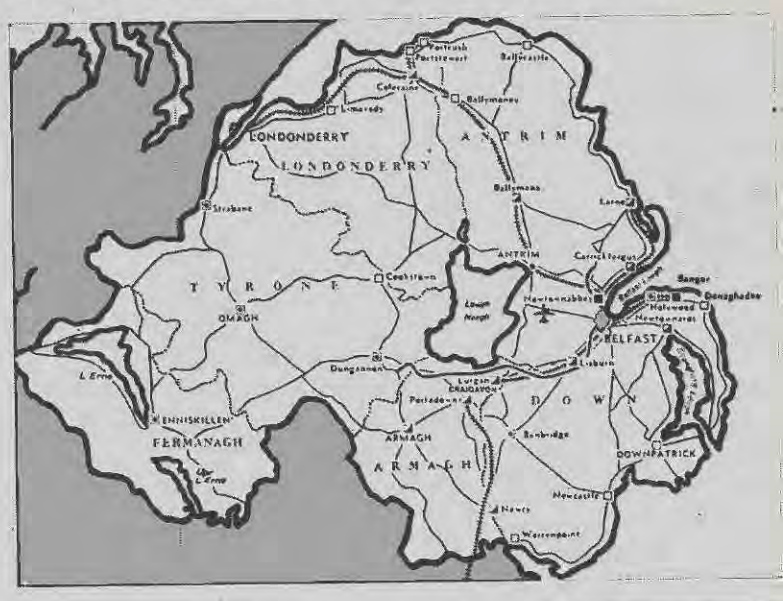
The one drawback to the plan is that claims processing can take a year or longer, and, therefore, the government has established channels through the Ministry of Commerce in Northern Ireland to provide varying forms of immediate assistance while the claim is processed.

IF THE business affected must be relocated, the government will advance 90% of the cost of reconstruction or purchase of an alternative plant. Thirty-five percent of the assistance is considered a non-repayable grant, and the remaining 55% is considered a loan, interest-free for the first six months and valid for 15 years at the British rate of interest at the time of the claim (now 6%). If the company chooses to rent a new plant, the government will pay half of the first year's rent.

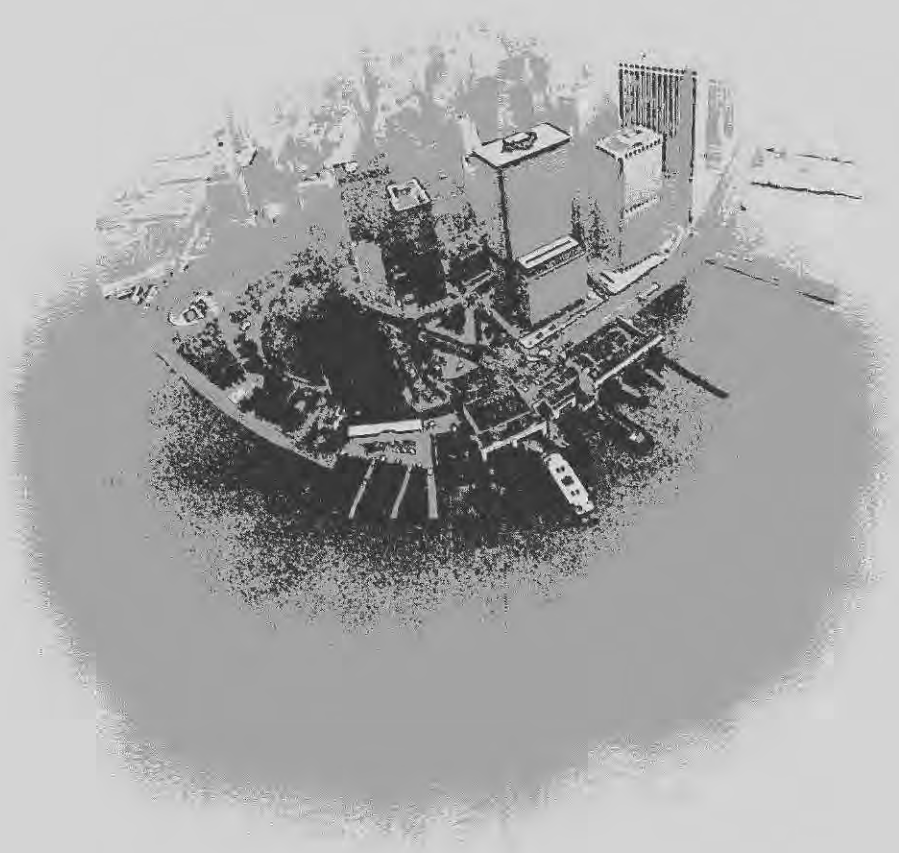
An interest-free advance of 70% of the cost of replacing lost machinery will be made, and 20% of it is considered a gift. The remaining 50% is repayable once the government approves the claim. The Ministry will also advance 50% of the cost of replacing lost stock, and it, too, is interest-free and due when the claim is finalized. Vehicles will be replaced immediately, and, in cases where machinery, stock and other items must be transported from one location to another, the government pays the entire cost.

The criminal injuries legislation normally takes account of depreciation before damage and often may not be able to provide full reinstatement. No problem.

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Ireland . . .

Continued from preceding page

There's an Industrial Development Act designed to augment what's granted through the Criminal Injuries Act to assure full reinstatement of a damaged facility.

Since the Criminal Injuries Act was established in 1966, some 40,000 claims have been paid at a cost to the British government of $72.8 million. Some 32,000 claims are still pending at an estimated value of $130 million.

ONLY ONE American-based Ulster manufacturer has filed a claim under the Act, a pet food subsidiary of General Foods Corp., White Plains, N.Y.

Windsor Foods Ltd. is located in Portadown, some 20 miles southwest of Belfast and the scene of only a few outbreaks of civil war. On Dec. 8, 1972, an arsonist visited the facility and caused $78,000 in property damage, destroying $104,000 in inventories.

"The loss really wasn't all that great," Ernest Hitchins, General Foods' British risk manager said. "There has been no determination made as to how it started, but we've gotten it decreed by Northern Ireland police that it was caused maliciously. That's all we need, you know."

Mr. Hitchins has already received compensation for the inventories destroyed, he noted, but reinstatement for the property loss won't come right away.

"HOW QUICKLY we'll receive it depends on how quickly we're ready to build and how soon we come up with a design," he commented. "Our insurance companies will pay for the claim, and will receive government reimbursement after the building is up."

Mr. Hitchins would not disclose just who his carriers are, but he admitted his coverage was written by a consortium of "a dozen or maybe 15 companies, and I would be surprised if any of them are American."

Mr. Hitchins said he had "no idea" why anyone would want to burn down his pet food plant.

"This whole issue is very, very complex, and it's very difficult to know why any of this violence happens," he said. "I certainly don't know of any reasons why anyone would want to destroy our plant."

The facility had never experienced any previous riot-related damage, he pointed out.

MOST AMERICAN companies surveyed about their insurance practices by *Business Insurance* proved very reluctant to discuss their Northern Ireland operations. Many feared future repercussions if their comments about the situation were known, and a few even indicated fear that if the nationalist forces someday drive the British from Ulster, their operations would be victims of expropriation.

"The facts don't matter," one very emotional insurer told *Business Insurance*. "It's the political situation that counts. It's too highly volatile to be discussed in the press, and we simply do not wish to offend the people of the United Kingdom politically. If we were British we could talk, but, as an American insurer, we have nothing to say on the matter."

Some companies did say they have tightened security measures around their facilities and another has extended security to its workers.

"We've established a special program where we transport our women workers to and from work," Donald C. Baugham, risk manager of Tenneco Inc., Houston, said. The American company's subsidiary, Walker Manufacturing Co., operates Walker (U.K.) Ltd. in Newtownbreda, a town "out in the boonies," where it manufactures car mufflers and exhaust systems.

"We're highly attuned to the security problem," Mr. Baugham said. "We contemplated the problems over there in our design of the plant, but, thus far, we haven't had any. We maintain a 24-hour guard, and the plant is surrounded by a high security fence."

Insurance on the Tenneco Inc. offshoot is written through British carriers, Mr. Baugham said, noting that rates have not been adversely affected since widespread rioting began in 1969. ■

Mixed-up world leads to greater risks: Mance

LONDON—Sir Henry Mance, chairman of Lloyd's for four years until he retired last December, told a world insurance conference in London that "We live in a mixed-up world full of mixed-up people. As society has become more complex, the risks of loss also become more complex. The greater the mix-up, the greater the risk."

Mentioning reasons for his feeling, the former Lloyd's chairman pointed to aircraft hijackings.

"Hijacking of aircrafts started as a simple method of getting from one part of of the world to another on a free-fare business and for some years has been a regular feature of traffic between the U.S.A. and Cuba.

"During the last three years, it has taken on an entirely different role, and has exposed operators and passengers to new risks which require new thinking by insurance companies.

"WHILE I don't wish to decry the contribution which establishments overseas by foreign insurers can make to meet the insurance requirements of any country, I am convinced that freedom to offer services across frontiers is an essential part of any worldwide system.

"In Lloyd's we have always believed in the greatest freedoms to compete both in conditions and rates to the best advantage of the assured. Tests of profitability and mutual responsibility are very salutary restraints on unfair competition."

EXPLAINING this point, he said: "There are two provisions which must be borne in mind. One is that the object of the whole exercise is to make a pure underwriting profit, that is apart from those credits which come from the investment of reserves.

"The other is a willingness to cooperate with local markets, as we do within our own market, by discussion and by accepting business not only directly, but also by coinsurance and reinsurance."

Sir Henry, dealing with the worldwide role of Lloyd's said, "There are 'mavericks' in every market, but no 'maverick' has yet succeeded in destroying our market. We have never failed in history to adapt ourselves and it seems to me there is a place for institutions like Lloyd's." ■

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'Point of view' poses problems in international insurance adjusting

By LARRY PERSILY

CHICAGO—Most risk managers, insurance company executives, underwriters and adjusters surveyed by *Business Insurance* agreed with the risk manager of one international machinery corporation that the biggest problem in international insurance adjusting is "simply, that you're sitting in the United States trying to evaluate what the thing (overseas) is all about."

He added that the biggest mistake a risk manager can make is viewing foreign insurance problems from an American point of view, or using American experience as a standard.

E. E. Ailts, manager of the property loss department and vp of Marsh & McLennan Inc., explained that many foreign countries have a totally different concept of insurance than Americans have.

MIKE FIORI, vp of American International Underwriters—part of the American International Group—added "local customs are always a problem."

All three men agreed that language barriers must be contended with very quickly when settling an international claim. Mr. Fiori related his experience in settling a claim in Nicaragua after the earthquake there in December. "We had to assemble a force of adjusters who knew not only adjusting, but who also knew Spanish."

However, one member of the Kaiser Industries Corp. insurance department claimed that all of the foreign insurance adjusters he had met spoke nearly perfect English.

PROBLEMS facing adjusters—other than different languages in each country—are customs, currencies, transportation and the value of life.

Mr. Fiori said anyone involved in settling a claim in a foreign country must recognize that customs in that country are probably different from those in the United States. He gave the observance of death in Japan as an example: When visiting the relatives of someone who has just died, the visitor should always bring flowers. Mr. Fiori said knowledge of such local customs can help make settling the claim easier.

The machinery corporation's risk man said, "If you're sitting here with an old domestic mind you have to shift gears" to deal with foreign claims and losses.

Also mentioned as a concern by those surveyed was the difference in currencies. Mr. Fiori said

international issue

devaluation of the American dollar will have an impact, though no one yet knows how large, on settling claims.

"FLUCTUATING currencies are a matter of concern," was Mr. Ailts' view. "Whether the loss will be paid in domestic dollars or foreign currencies" is another item he thinks should be questioned by those involved.

The problem of transportation in foreign countries is one with which Mr. Fiori is familiar. Having to travel into Nicaragua to settle claims after the earthquake, he found out how hard it can be sometimes just to travel in foreign countries. As an example of how bad the problem can get, he told of one adjuster who spent four days in a rented canoe, traveling into Nigeria.

Mr. Ailts saw the transportation problem a little differently, however. He said, "You're better prepared for any confrontation with the adjusters because—economically speaking—it's costlier to drag it on." He explained that the cost of traveling overseas, and the time consumed in adjusting to time zone changes, acts as an incentive to those involved to settle the claim quickly.

The "claim consciousness" of a country is one factor that can make a big difference in the outcome of a loss, explained the machinery corporation's insurance manager. He said, "you won't get sued in some countries" if someone is killed or injured at your plant or by one of your products because "life is considered unbelievably cheap in some countries.

"THEIR FIRST priority in auto insurance," he said reluctantly, "is to fix the car." The staff member of Kaiser's insurance department had much the same opinion. He said it was unfortunate, but that in many countries, particularly the Far East, loss of life is regarded as "one less mouth to feed."

Some of those surveyed listed foreign laws as a problem. The machinery corporation's insurance manager said he thought the real problem was finding out what the laws really are. He said it is very difficult to find a law firm that is really "up on international law" for every country. But, he stressed, complete and correct knowledge of local law is very important.

He commented that "multiple country cases" are a good example of when complete and correct knowledge of foreign law is essential. A multiple-country case, he explained, might occur when a product is sold in one country, distributed by a firm based in another country and a suit is filed by a resident of a third country.

"We don't leave it up to the carrier to represent our interests," he said, adding that his firm gets involved in the case and watches out for itself.

Keeping "up on" the foreign country's concept of insurance is important to Mr. Ailts, just as keeping "up on" local laws is to the machinery firm's insurance manager.

"THE TOTAL concept of insurance here in the states is to be innovative and expand coverage," Mr. Ailts said. "But in many foreign countries, many laws restrict coverage." He said American adjusters, risk managers or insurance company representatives will often show foreign members of the insurance industry how coverage can be expanded to do more for the insurer and insured.

One of the differences in coverage he has found is south of the United States. "One of the things we find in some of the Latin or South American countries is that social legislation is quite a great thing. "Benefits," he said, "that are required by law,

Continued on following page

Trade pact . .

Continued from page 1

Japanese are the same way. The big importer-exporters over there all own insurance companies. So, if there's a profit to be made, why not make it yourself?"

MR. BERG pointed out that Continental had discussed with Black Sea & Baltic Insurance Co., Ltd., the London-based Soviet insurance unit, "what they might protect against, but what they actually did and what they paid for it, I don't really know."

Was credit insurance, which is sold on sales to Russia by American International Underwriters and the Guardian National Corp., considered by the risk men?

"We were dealing with government agencies over there," said Mr. Schmitt, whose firm also sold pipeline laying equipment to the Soviets. "They are not a credit risk by any means."

International Harvester's Mr. Casey was even more to the point. "We don't usually buy credit insurance at all," he commented.

OF THE risk men surveyed, D. E. Davies of Swindell-Dressler Co. was, seemingly, the most concerned about coverage. But Swindell-Dressler, a division of Pullman Inc., is involved in much more than buying and selling across the Iron Curtain. The company designed what will be the world's largest foundry for the Soviet's massive Kama River truck plant project and is supplying furnaces for the huge foundry.

"This is so complex, there is no insurance applicable," Mr. Davies noted. "There was no problem with the first contract, the one to design the foundry. That included bringing Soviet citizens to this country and training them but we had no liability and none of our people were over there."

When the company sold 17 electric furnaces to the Russians, things began to get sticky in the insurance department.

"The contractual language needed clarification," Mr. Davies reported. "They wanted to hold us liable for our people over there who would be, well, not exactly instructing but making sure the furnaces are put together correctly. In other words, we would be liable for any bodily injury or property damage resulting from improper instruction."

THERE WERE other problems.

"The furnaces contain rather high-value transformers," he explained, "and there was a warranty problem. Our supplier extended, for a price, his warranty on the transformers because of the odd circumstances.

"But that still left in-and-out charges to worry about," Mr. Davies continued. "If a transformer, or any other piece of equipment, fails, there are costs involved in removing, repairing and replacing it. With a transformer, this involves many manhours and, over there, the costs for workers are hard to figure. Another problem is once you've removed the faulty equipment, where do you send it for repairs?"

Swindell-Dressler's liability carrier finally came around to cover the terms of the Soviet contract but only after the firm had "toyed" with the idea of taking out a builder's risk policy to cover the equipment being sent over.

THE EXCLUSIONS for Iron Curtain countries has been removed from Swindell-Dressler's liability and workmen's compensation policies so the company now has general liability protection on its Soviet dealings.

"The insurance situation is complex, sticky and there is really no set way to handle it," Mr. Davies said. "You grope along, feeling your way through each different situation."

Apparently Mr. Davies' perspiration, along with that of many Swindell-Dressler and Pullman management people, has paid off. Pullman, Mr. Davies happily pointed out, was the first American company to "get accredited in the Soviet Union." The company, he said, now has offices there.

MR. DAVIES' revelations enforce the feeling that some forms of insurance coverage will be needed as trade relations become even closer between the two giant nations. Needless to say, the insurance industry is marshalling its forces.

AFIA, according to Joseph Weimert, vp, is supplying "means for providing property coverage for American interests in the Soviet Union. There is increased interest in construction as well as trade. Plants and mines could be constructed and oil interests could be developed. It's the American equity that we are interested in."

Mr. Weimert noted that AFIA had entered into an agreement with Black Sea & Baltic under which the two concerns would "jointly insure the risks and they will make arrangements for claims handling."

He advised risk men whose companies would be building in the Soviet Union to protect the property with "a broad, named-peril policy which could be negotiated here and handled just like any other international contract."

Mr. Weimert also advised general liability coverage even

Continued on page 76



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Adjusting . . .

Continued from preceding page

are unbelievably high in relationship to those in the United States."

He said casualty, workmen's compensation, unemployment and retirement benefits in these foreign countries may cost the employer as much as "three times the basic hourly wage" of the worker.

Amounts of insurance have not yet "been established accordingly," Mr. Ailts said. This, he explained, leads to problems in settling high benefits' claims, because the American company is often not prepared (or insured) to meet the unusually high payments.

One point he did mention in favor of the international insurance adjuster, was the time the adjuster spends on each case. Mr. Ailts said, "The foreign adjuster has more time to be of service to the insurance buyer" because he doesn't have as many activities or cases as the domestic adjuster.

"In my experience," he said, "I frequently find that the domestic adjuster spends less time helping" than does the international adjuster.

An example of an international adjuster's service, he said, concerned "a very serious loss situation in Amsterdam" There were regularly scheduled monthly meetings between the adjuster and insurer, Mr. Ailts said, "to iron out differences and reach an agreement." This kind of service, he emphasized, can help a lot in settling a claim, especially when the company involved is in the United States and the loss is across an ocean. ■

State sells life insurance to citizens

MADISON, WI.—A controversy has been kicked up by supporters and detractors of the state life insurance fund. Proponents claim it is one of the best insurance bargains available. Opponents says it is a form of socialism.

Stanley C. DuRose, state insurance commissioner, is in charge of managing the fund. He also is in charge of licensing insurance companies in the state, most of which, it is alleged, would just as soon see the fund go out of business.

Mr. DuRose said he would like to reduce premiums for the state's life insurance policies. He also would like to see more advertising of the fund.

STATE statutes prevent advertising the fund. The only way a state resident can obtain a policy, or information about the fund, is to write to Mr. Du Rose.

Although a majority of Wisconsin residents don't even realize the fund exists, the biggest group of people unaware of it are those in the lower income bracket—the people for whom the fund was established in 1911. The fund issues life insurance policies only to Wisconsin residents up to $10,000 in face value at premium costs which generally are substantially lower than those charged by private insurance companies.

A number of state legislators and other supporters of the plan hope to raise the face value limit to $15,000 but just such a move was defeated recently in the state senate. ■

City faces suit for claim delay

SAN FRANCISCO—Failure by the city and county to pay off damage awards from its self-insurance fund to individuals injured by the city has led to filing in superior court of a $1 million punitive class action suit.

Attorney Bruce E. Krell filed on behalf of Mary Clark, who was injured in a municipal railway accident in 1969. Last September she agreed to accept $10,000 in return for dropping legal action. She still has not been paid.

THE SUIT claims hundreds of others have not received agreed upon settlements and that the unreasonable delay in payment results in loss of interest and loss of the advantage of having settled without trial.

The $1 million is for punitive damages for "the intentional infliction of mental distress, in that the city fradulently represented that the signing of the settlement would bring immediate payment." The suit asks immediate payment of all such judgments and settlements, with interest at seven percent per year to all members of the class as well as $10 a day damages to each person for waiting.

City officials contend the delays in payment have largely been due to shortages in the budget and a substantial increase in the number of actual settlements of claims. ■



"This year, my department will work on insurance in 78 foreign countries." Lloyd Benedict says: "Today, American business is growing in places that weren't on any map in my schoolroom. Places like West Irian and Tanzania. And even in Europe, insurance isn't the same as it is at home."

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Legislators battle over state-sponsored policy

MADISON, WI.—A legislative fight to raise the face value of state-sponsored life insurance policies to $15,000 from the present $10,000 was promised by Rep. Paul Sicula, chairman of the Assembly insurance and banking committee.

The Milwaukee Democrat made the pledge after failing in a committee hearing to amend a senate bill which revises the laws covering state property insurance and the State Indemnity Fund.

He and Rep. Edward Nager (D-Madison) also had tried in the committee session to obtain authority for the state to advertise its life insurance program. Attempts to write similar amendments to the senate bill had failed earlier.

The State Life Fund, which is administered by the state insurance commissioner's office, has become the center of attention recently by those who would expand it and those who would destroy it.

Consumer advocate Ralph Nader has described the State Life Fund as the only state sponsored insurance program in the country to offer citizens a bargain.

The committee hearing also was attended by insurance industry spokesmen who were opposed to expansion of the state life insurance program.

EDWARD J. Konkol, representing the Association of Life Underwriters, said that an expansion of the program would permit University of Wisconsin students from other states to purchase the insurance. "We don't think the state of Wisconsin should support insurance for our neighbors and nonresidents," he said.

George Hardy, a spokesman for Northwestern Mutual Life Insurance Co., said: "We do not feel that the continued existence of the State Life Fund is justified, but we are too realistic to expect that the Legislature will abolish it."

Mr. Hardy also released a letter which he had written to Rep. Les Aspin (D-Wi.) in answer to statements made by the congressman in a newspaper article saying that State Life Fund insurance was 50% to 75% cheaper than private industry policies.

"THIS IS simply not true for the average buyer who will pay for his insurance over a long period of years," Mr. Hardy said. "No one has ever demonstrated that insurance purchased from the State Life Fund is a significantly better value over the long pull than insurance purchased from one of the best mutual life insurance companies."

The controversy over the State Life Fund has generated so much public interest that the state insurance commissioner's office ran out of brochures describing the program.

The State Life Fund was established in 1911 to provide Wisconsin residents with low cost life insurance. No salesmen call at citizens' doors. The only way to obtain a policy is to write to the state insurance commissioner for one. State law restricts advertisement of the program. ■

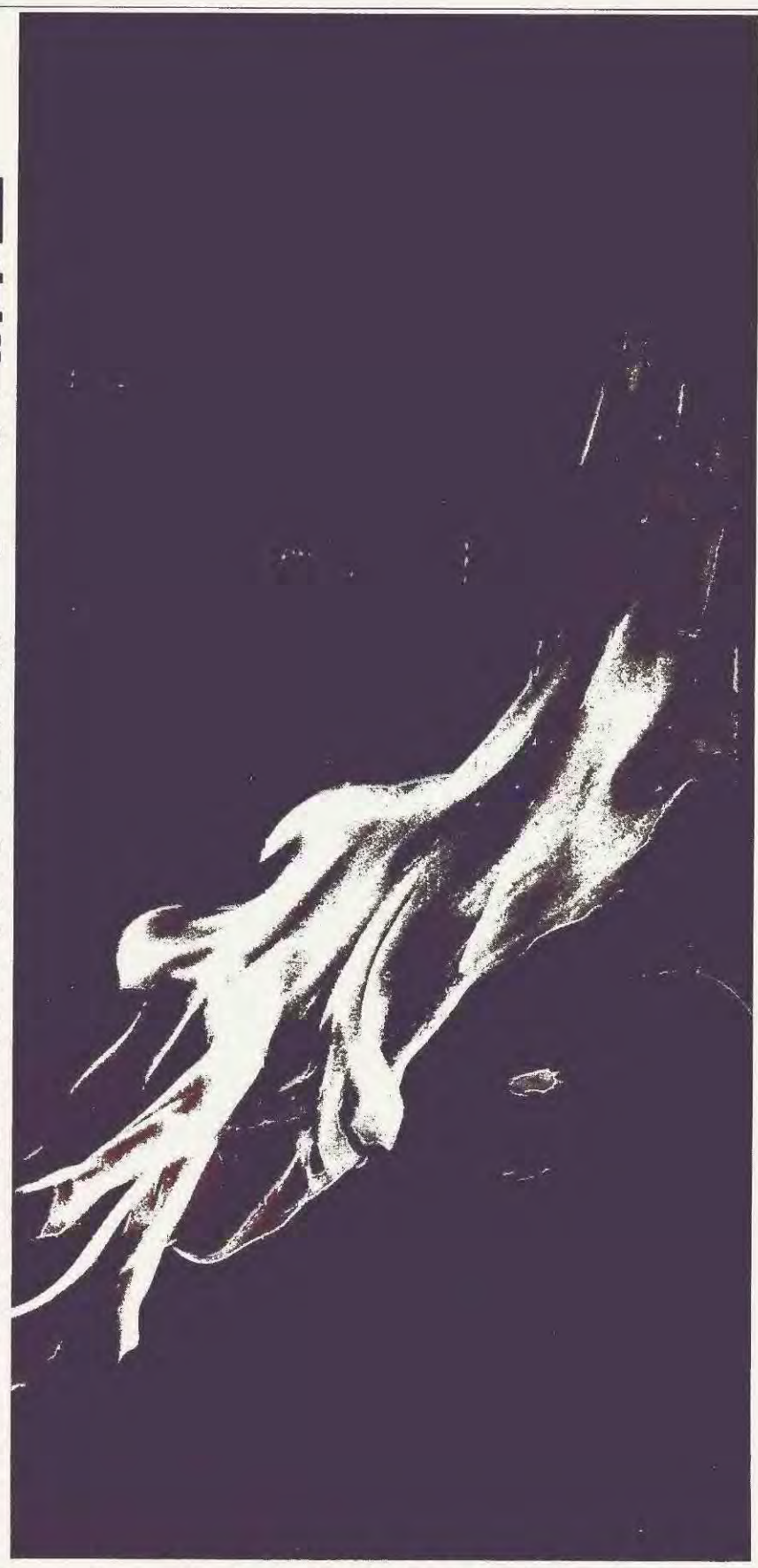
Spring Conference

The Massachusetts Insurance Buyers' Assn., a chapter member of the American Society of Insurance Management, will hold its annual spring conference March 22 at the Colonial Hilton Inn, Wakefield, Ma. The subject for speakers and panels will deal primarily with two questions: "What is the 'Response-Ability' of the insurance industry to the insured?" and "What is the insured's 'Response-Ability' to the insurance industry?" The after dinner speaker will be William S. Mortimer, director of planning for risk management services at the Insurance Co. of North America, and former insurance director for Norton Simon Inc. Further information is available from Galt Grant, insurance manager, Polaroid Corp., 119 Windsor St., Cambridge, Ma. 02139.

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Arbitration agreement is pushed among aviation underwriters

MEMPHIS, TN.—Aviation risk managers were not intended to be the recipients of the benefits gained from the establishment of an arbitration agreement among some of the underwriters in the aviation field. However, according to a member of the Aviation Claims Managers Council, the risk men will see a few of their smaller claims settled in much less time because of the pact.

"The real impact on aviation risk managers remains to be seen," David Burchfield, assistant manager of Crump Aviation Underwriters here, told *Business Insurance*. "The agreement was really designed to help aviation insurers avoid a lot of unnecessary court cases, but, if the small stuff is cleared up in a hurry, everybody benefits."

He said that the agreement, which so far has been signed by only eight of the 30 insurers writing aviation business, would only cover property damage disputes between insurers and would not "get involved with the big stuff."

"THIS IS not a liability thing," Mr. Burchfield explained, "and I think it will only involve claims of $50,000 or under. When you get up into the large multi-million dollar claims, you aren't worried about the cost of going to court."

Within this framework, Mr. Burchfield pointed out that "participation by insurers is voluntary and there are no restrictions as to the nature of the issues to be decided other than arising from aviation insurance claims."

Insurance Co. of North America is the largest writer of aviation coverage to join the young arbitration committee. The two largest American aviation insurance pools, Associated Aviation Underwriters and United States Aircraft Insurance Group, have so far withheld their participation. "They're just waiting to see if it works, I think," he said.

Other members of the arbitration committee include Crump Aviation Underwriters, Security Mutual Casualty Co., General Aviation Insurers and Cravens, Dargan & Co.

THE PLAN went into effect the first of this year, though planning started during the summer of 1971. The plan has prompted one dispute—between National Aviation Underwriters and OMNI Aviation Managers Inc.—to be brought before the committee. That dispute, according to Mr. Burchfield, has not yet been resolved.

He said that the aviation arbitration committee was staffed by a large panel of experienced aviation claims executives, many of whom are pilots. The committee is chaired by John W. Hatch, assistant vp, Middlesex Mutual Insurance Co., Concord, Ma. ■



—Clifford J. Manning photo

Chicago ASIM

New officers of the Chicago chapter of the American Society of Insurance Management are (l. to r.): Philip B. Gehrke, president, of Joslyn Manufacturing and Supply Co.; Arthur P. Bostwick, vice-president, of Sunbeam Corp., Ann Auerbach, secretary, of Goldblatt Bros. Inc. and Geoffrey J. Burns, treasurer, of Continental Illinois National Bank & Trust Co. of Chicago. H. Jay Varner, of Bell & Howell Co., is immediate past president.

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Giles on the law

Court rules that boy should sue his grandmother, not phone company

By JOHN W. GILES
Attorney at law

WASHINGTON—If you trip over your grandmother's dog and fall into a trench dug by the telephone company, whom do you sue: Your grandmother or the telephone company?

This boy sued the telephone company and recovered $5,000, but the telephone company was not so naive as to let the verdict stand. It appealed and the court said the open trench was not the proximate cause of the plaintiff's injury.

Further, said the court, the deficiency in the proof can best be demonstrated by an analogy to a child falling out of a tree on to a loaded pistol. If we should assume that a person was negligent in leaving a loaded pistol in the yard where children play, before the child could recover against the person leaving the pistol in the yard, he would have to show that the injuries sustained in a fall were different from the injuries he would have received in falling on a toy pistol.

Until such proof was made, it could be said that the negligency in leaving the loaded pistol in the yard produced the injuries received. Likewise, in the case at bar, there is no evidence to show how the sunken trench "in a natural and continuous sequence" produced the boy's broken arm.

And so we suppose the boy will now sue his grandmother. (*Southwestern Bell Telephone Co.* v. *Thompson*, October 1972—485 S.W. 2nd 222.)

* * *

IF YOU HAVE any clear glass doors and people are injured by walking into them, what is the law generally. Is the manufacturer negligent? The Texas court discusses the problem.

In the case at bar the plaintiff struck the door, thinking it was open, and bruised her face and damaged her teeth. The court held that a plain glass sliding door which lacked a permanent and recognizable object or substance in, on, or across the glass, designed to call its presence to the attention of persons approaching it, but which did not break or shatter upon impact, was not a product in a defective condition. Nor was it unreasonably dangerous to the user that would subject the manufacturer to strict liability.

The court further noted that markings on this door would, to whatever degree they can be observed, detract from the illusion literally millions of people seek, and apparently upon which they insist. The virtual invisibility now complained of is the very quality which gives desirability and value to glass doors. Inherently, that quality and invisibility is the only feature complained of in the case. (*Metal Window Products Co.* v. *Magnusen*, October 1972—485 S.W. 2nd 355.)

* * *

CAN YOU GIVE rest periods to your women employes and not to your male employes? California says no in spite of a California statute.

The U.S. district court in that state has ruled that a state regulation requiring rest breaks for women was contrary to the objectives of the Civil Rights Act and was preempted by that act by virtue of the supremacy clause. In this case the person making the objection was fired for his trouble. (*Burns* v. *Rohr Corp.*—346 Fed. Supp. 994.)

* * *

IF YOU ARE operating a garage and a customer is accidentally shot on the premises as the result of a prank, is your insurance company liable? The Louisiana supreme court says yes, although two lower courts disagreed.

The court said the premises hazard coverage in the policy is couched in language similar to that in a premises hazard policy issued to a tavern keeper, interpreted by the Michigan Supreme court in 1960. The tavern keeper negligently handled a pistol, causing it to discharge, killing a patron. Coverage was afforded by the following language: "to pay all sums which the insured shall become obligated to pay caused by accident and arising out of the hazards hereinafter defined. The ownership, maintenance or use for the purposes stated in the declarations, of premises or property and all operations occurring during the policy period which are necessary or incidental thereto."

It is admitted here that the shooting was accidental. It is irrelevant that shooting customers is not normally anticipated in service station operations. If the accident is one "arising out of use of the premises for the purpose of a service station," which is the language of the policy, the insured and his victim are protected. (*Jackson* v. *LaJaume*, December 1972, Louisiana Supreme Court.)

* * *

ARE YOU A director or officer of a corporation and, if so, are you personally liable for the torts of the corporation?

A director or officer of a corporation does not incur personal liability for its torts merely by reason of his official character; he is not liable for torts committed by or for the corporation unless he has participated in the wrong. Accordingly, directors not parties to a wrongful act on the part of other directors, are not liable therefor. If, however, a director or officer commits or participates in the commission of a tort, whether or not it is also by or for the corporation, he is liable to third persons injured thereby, and it does not matter what liability attaches to the corporation for the tort.

A contrary rule would enable a director or officer of a corporation to perpetuate flagrant injuries and escape liability behind the shield of his representative capacity, even though the corporation might be insolvent or irresponsible. (*Cooper* v. *Cordova Sand & Gravel Co.*, March 1972—485 S.W. 2nd 261.) ■

Chief deputy resigns

Melvin Dunt, Arizona chief deputy insurance director for the past five years, has resigned, effective March 15.



Benefit tax slants

Attractive tax features part of split-dollar plans

By JOSEPH S. ROBINSON
Attorney at law

A recent analysis by a major insurer of policies issued for $1 million or more indicated that 41% represented keyman protection, 35% went to provide instant cash to pay death taxes and probate costs by the estates of affluent citizens; the balance was to cover a variety of other needs including business buy-out deals. In many instances, the so-called "split-dollar" plan was utilized to solve these problems.

It should be borne in mind that split-dollar is not a kind of insurance . . . it's simply a way to finance insurance premiums. The typical company split-dollar plan calls for the employer to purchase a permanent insurance policy on the life of any employe selected. By agreement, the company pays that part of the premium which equals the annual increase in cash value of the policy while the employe pays the balance and has the right to choose the beneficiary (in excess of the cash value). Thus, were the employe to die, the business would get its cash outlay back while the remainder would go to the insured's designated beneficiary.

There are these attractive tax features:

- The employe's family will receive its portion of the death proceeds free of income tax.
- The company recovers its portion of the death proceeds (equal to the policy's cash value) income tax free.
- The employe reports as income each year, the value of the insurance protection received less his share of the premiums paid. But the cost of this protection is so substantially lessened through this arrangement that the income tax becomes a minor consideration. *(Revenue ruling 64-328; revenue ruling 66-110).*

* * *

SPLIT-DOLLAR can take on other interesting variations. For instance, such cost sharing arrangements are used by business owners—sometimes in conjunction with a trust—to keep their estates in liquid positions in the event of death. These affluent individuals do not wish their family to be saddled with the complication of selling off other assets to meet tax and estate administration costs.

Here's how the split-dollar trust arrangement works:

First, a trust is created by Mr. Businessman, who forfeits his power to alter, amend, revoke or terminate the trust. The trust instrument also gives the trustee the authority to acquire and maintain insurance on the life of anyone in whom the beneficiaries have an insurable interest. In this way, the trustee will be the owner-applicant of the insurance policy on the life of Mr. Businessman, the grantor of the trust.

Carrying out the split-dollar approach to financing insurance premiums, Mr. Businessman makes annual gifts to the trust equal to the one-year term cost of the policy. Thus, the amount of each year's gift should fall well within the annual gift tax exclusion allowance. The trustee borrows the difference required to meet the annual premium from Mr. Businessman's corporation. A note might be given by the trustee to the corporate creditor as evidence of the indebtedness and the policy could be pledged to collateralize the loan.

Upon the death of Mr. Businessman (the insured), the insurance proceeds would be sufficient to repay the entire amount owed the corporation in addition to providing a net cash sum to meet estate settlement costs. And to add frosting to the cake, inasmuch as the proceeds of the insurance are not payable to the estate and since the insured-grantor at no time possessed any ownership rights in the policy, the death benefits would not be included in Mr. Businessman's taxable estate. *(I.R.C. section 2042; section 20.2042-1c).*

* * *

PERHAPS THE MOST common use of split-dollar insurance by owners of small companies is in concert with stock-purchase agreements. The idea is to generate enough cash to buy out the widow of the deceased shareholder.

Where there are two corporate owners, a split-dollar plan may be used by both. Each takes out a policy on the other's life. The corporation picks up the premiums on both policies to the extent of their cash-surrender value, and each shareholder pays the balance of the premiums for the policy he purchases.

When one of them dies, the insurance proceeds are split between the remaining owner and the corporation. The corporation gets an amount equal to the surrender value at the time the policy matured. The balance is used by the shareholder to purchase the stock of his deceased partner. ■

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Non-smoking areas tested

WASHINGTON—Marriott Corp., the hotel-motel chain, is checking out the insurance aspect of a no-smoking experiment at three of its Washington facilities. The Key Bridge, Twin Bridge and Crystal City Marriott hotels each have a special floor on which no smoking is allowed—not just in hallways but in the rooms themselves. All ashtrays and matches have been removed and curtains, rugs and bedding thoroughly cleaned. The main objective of the restriction is to increase occupancy by attracting non-smokers.

John Woods, Marriott insurance manager, said most of the damage and fire loss caused by cigarets left burning has, in Marriott's experience, been minor. But he added that if the experiment works, and non-smoking floors are designated in all 24 Marriott hotels, the company's fire coverage with Factory Mutuals "could very well be affected—maybe not by much, but to an extent. This would be over the long run, provided we really reduced losses." ■

Former Connecticut governors begin getting improved pensions

HARTFORD—U.S. Senator Abraham A. Ribicoff (D-Ct.), U.S. Ambassador John Davis Lodge, and former Gov. John N. Dempsey have started to receive $15,000-a-year pensions from the state under a new Connecticut law liberalizing pensions for ex-governors.

The first monthly checks under the new law have been mailed by State Comptroller Nathan G. Agnostinelli.

Hikes in gubernatorial pensions are also in effect for ex-Gov. Chester Bowles and ex-Gov. Wilbert Snow. And an increase in widow's benefits has gone into effect for Mrs. Robert A. Hurley, widow of the late Gov. Hurley.

The 1972 state legislative session approved the boosts as part of an omnibus measure that also authorized sweeping pay increases for legislators, a pension plan for the legislators, and pay increases for all state judges and many employes in the state judicial system.

THE PAY hikes have been challenged by the federal pay board, but the pensions are not affected.

Prior to Jan. 1, pensions for ex-governors were $2,500 for each year of service, effective at age 65, with a maximum of $10,000. Under this plan, Ambassador Lodge got $10,000 a year; Mr. Bowles, $5,000 a year; and Mr. Snow, $2,500. All are over 65.

The new policy increased gubernatorial pensions to $3,750 for each year of service, up to a limit of $15,000, at the same time lowering effective age from 65 to 55.

Ex-Gov. Dempsey is 57 and Senator Ribicoff is 63. They both qualified for the $15,000 figure when the age limit was lowered to 55.

MR. DEMPSEY, because he was an employe of the state previous to becoming governor, and had been a contributor to the state retirement system, was receiving a state pension of $7,591.56 a year.

The law provides that a former governor cannot receive a total of more than $15,000 if he comes under the state gubernatorial act. The original Dempsey pension of $7,591.56, as a result, is being supplemented by the state to bring him up to $15,000.

The law increases Ambassador Lodge's gubernatorial pension from $10,000 to $15,000; Mr. Bowles' from $5,000 to $7,500; and Mr. Snow, who was governor for 14 days in 1947, has his figure hiked from $2,500 to $3,750.

Mrs. Hurley has been receiving a pension of $6,000 a year—one-half of her late husband's gubernatorial income under the state scale in effect at that time. She will now receive $7,500 a year.

Ex-Gov. Raymond E. Baldwin, who served for six years, is not receiving a gubernatorial pension, since his current pension comes under the heading of the state judicial system. He was chief justice and associate justice of the state supreme court.

Ex-Gov. James C. Shannon, who was a superior court judge and later an associate justice, state supreme court, is also getting a judicial pension. ■

No-fault bill slips through Arkansas

LITTLE ROCK, AR.—A no-fault insurance bill sponsored by the Arkansas Bar Assn. slipped through the backdoor of the Arkansas general assembly without its opponents knowing about it and became law when Gov. Dale Bumpers quickly signed it.

The association's proposal was called no-no-fault insurance by newspaper editorials.

The passage of the law came after a bitter fight between the lawyers and the Arkansas Assn. of Insurance Agents, sponsors of a mandatory no-fault bill that was conveniently mired in a committee in the house.

The bill that became Arkansas law will be effective July 1, 1974, and it is optional coverage. Under the new law, an automobile owner maintains his current coverage, and if he wishes, may purchase no-fault for about $10 extra in premium. There will be no restriction on his right to sue for damages.

Benefits under the law include payment of hospital and medical expenses up to $2,000 a person; payment of 70% of loss of income (up to $140 a week) for as many as 52 weeks, and payment of $5,000 for accidental death.

INSURANCE agents called the bill "a sham." At a public hearing before the bill became law, Arkansas AFL-CIO president J. Bill Becker spoke in favor of a mandatory no-fault bill being pushed by the insurance agents and warned the lawyers of federal intervention if they succeed in passing their bill. Mr. Becker said the insurance agents' bill was not as strong as he would like to see, but it was a "strong base to build on."

He said failure of the state to enact meaningful no-fault legislation means that the federal government would do it. "If we're interested in keeping the federal government away from the field of automobile insurance, we should consider (the insurance agents') bill very carefully," Mr. Becker told the legislative hearing. ■

Crop cover profit

The Saskatchewan crop insurance board has reported a profit of $1.1 million during the fiscal year that ended last March 31, bringing the total balance of the insurance fund to about $5.3 million. Indemnities paid to policyholders under the program totalled $142,930 on the 1971 crop. The year before, $59,264 was paid.

Work comp coverage

The Arizona senate has approved and sent to the house senate bill 1012 bringing farm workers under workmen's compensation laws. The bill sponsored by both Republican and Democratic members, had no opposition in an earlier debate session and Sen. Majority Leader Sandra D. O'Conner said the move had the backing of both farmers and farm workers. In other legislative action, the house approved and sent to the senate HB 2009, a no-fault automobile insurance measure.

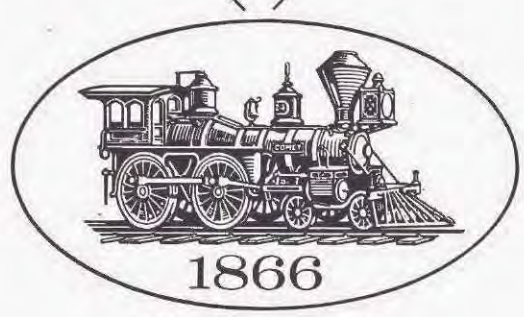
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following the funds

AT&T reaffirms its faith in bankers as pension fund investment advisers

PHILADELPHIA—In an unusual move, the American Telephone & Telegraph Co. has issued a report card on how its bank investment managers are doing with the $10 million in pension funds the Bell System has on hand for its workers' retirement.

In essence, the report should give bankers something to glow about in the hotly competitive money management community, for Richard H. Klemm, manager of pension fund reports and analysis for AT&T, had this to say about them:

"We continue to have faith in their ability to do a job for us, and we're convinced banks are a reliable source of investment management expertise. We will continue to rely on them heavily," he added.

The AT&T study was based on the performance of 31 banks from 1967 through the third quarter of 1972. The company's huge pension portfolio, which now amounts to more than $10 billion, is administered by 57 banks, 16 investment advisers and one insurance company.

THE 31 BANKS covered by the study, which was presented at a research seminar at the Rodney L. White Center for Financial Research at the University of Pennsylvania's Wharton School here, managed $2.8 billion of common stocks as of the end of 1971. At the time this was somewhat less than half of Bell's total common stock pension investments. Currently, Bell's common stock portfolio accounts for about $6 billion, or 60%, of the company's pension investments. The 26 other banks, 16 nonbank managers and an insurance company added to AT&T's pension management roster in recent years were not included in the study.

"The message in the figures is one of improvement," said AT&T's Mr. Klemm. "We underperformed the market in 1967-68 but got closer in 1969-70 and did better in the 1¾ years through last Sept. 30," he said. "We found no significant difference between large banks or small ones, nor did their locations seem to affect results," he added.

Over the 5¾ years included in the study, the value of the equity portion run by banks studied increased 57%, including dividends. This compared with gains of 65% registered by both Standard & Poor's 500-stock Index and the New York Stock Exchange Composite Index of all Big Board common stocks (both indexes were adjusted for dividends). Mr. Kelmm noted that the banks' results may be slightly understated because they are after transaction charges that aren't reflected in the indexes.

"If you look at it year by year, you find that the market averages were tough to beat for nearly all managers of large institutional funds in some years," said the AT&T man. "The evidence we see indicates that the type of performance we've been getting is comparable to what other managers as a group can deliver."

IN 1967, the Bell pension sample increased 19.7%, bank-pooled funds were up nearly 22%, insurance accounts 21% and mutual funds 24%. In the same year, the S&P 500 rose 24% and the NYSE Composite 26%. In 1969, when the indexes were down 8.4% and 9.3%, respectively, the Bell sample was down 6.8%, bank-pooled funds 3.6% in one study and 6.5% in another, insurance company accounts 0.2% and mutual funds 11.2%.

In the most recent period covered by the AT&T study, the 1¾ years ending last Sept. 30, AT&T's bank managers' funds achieved a cumulative gain of 32.3% in the stock portion under study, while the S&P 500 and the NYSE Composite climbed 26.3% and 26.5% respectively.

The Bell pension performance study also disclosed wide differences in results from bank to bank. In 1971, for instance, gains varied from 10.6% for one bank to 32.2% for another. Similar differences were also found when AT&T adjusted actual results for the amount of risk in the stocks held by each manager.

"We're countinuing to do research in this area of risk measurement," Mr. Klemm said. "We're not able yet to confirm that it's useful in setting goals, but we want to be able to tell ourselves the managers aren't taking undue risks in seeking performance.

"WE'VE ALSO known for some time there is a range in performance results and we've taken action in several ways to be sure we're not hurt by this," added the AT&T executive. "We've moved money and taken other steps. We're fascinated to know why it happens, so we are trying to get to know our managers better," he said.

The Bell System pension funds (including death benefits) cover one million active and 125,000 retired employes. Until 1960, the funds investment management was in the hands of one bank —Bankers Trust Co., New York. In 1960, however, AT&T began splitting the management, mainly because of the fund's growing size.

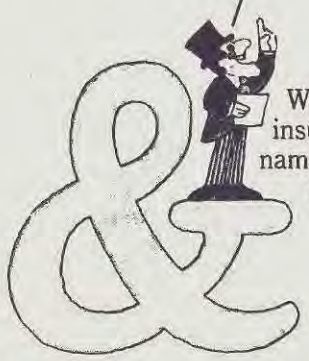
The Wharton School seminar at which the AT&T pension fund study was unveiled also saw other conclusions reached by speakers on the program. Among them:

- The purchase of high-quality stocks on margin has proved to be the best investment strategy over the last 45 years. Said Prof. Irwin Friend of the Wharton School: "This was the only readily available means that fairly consistently yielded above average risk-adjusted rates of return."
- Almost all methods currently used to measure investment performance are deficient, for they tend to be biased against risky portfolios, they do not distinguish between the success of portfolio selection and the success of market timing, they do not assign proper weighting factors and they assume that the cost of borrowing and lending money are the same. ■

Here's why.

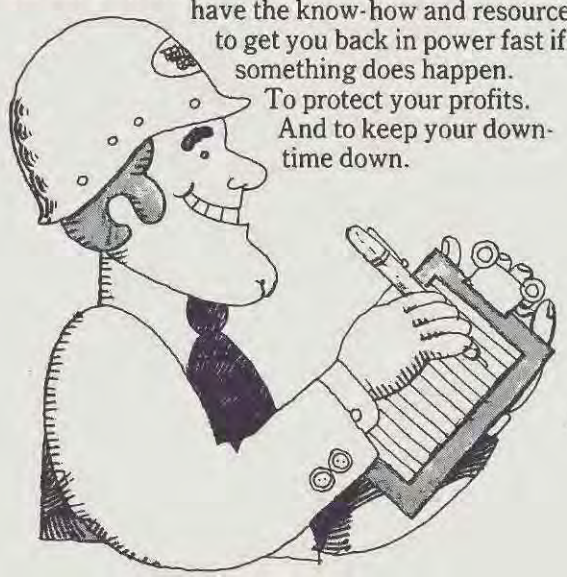
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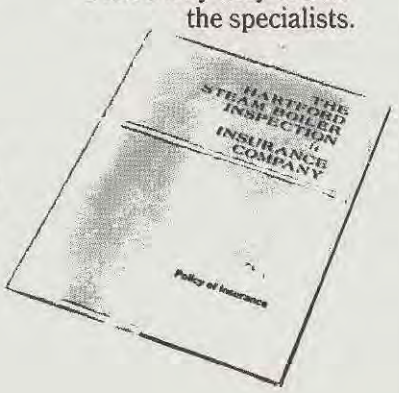


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OSHA survey reveals injury and illness rates

WASHINGTON—A survey by the Bureau of Labor Statistics on occupational injuries and illnesses has revealed that one worker in every eight was either injured at work or came down with some form of job-related illness during the course of 1971.

The survey, which actually covered only the last half of 1971, was the first conducted under provisions of the Williams-Steiger Occupational Safety and Health Act of 1970. The results, still considered preliminary, are based on employers' recordkeeping as required by OSHA and are more precise than governmental data issued previously.

Approximately 3.1 million private sector, non-farm workers suffered occupational injuries or illnesses during the six-month survey period. During the same period, close to 4,300 work-related deaths were reported by the industries surveyed.

THIS SURVEY, whose questionnaire was sent to 60,000 employers, differs from other government report methods of tabulating results in that it measures the rate of injuries and illnesses per 100 full-time employes for one year. The old method was based on the number of injuries and illnesses per million employe hours worked.

The annual rate shown by the new method was 13.8 injuries and illnesses per 100 full-time employes. The rate was 15.2 in 1970 and 14.8 in 1969, both figures reached using the older method.

The annual rate of injuries and illnesses, according to the preliminary figures, ranged from a high of 22.5 per 100 full-time employes in the contract construction industry to a low of 2.8 for finance, insurance and real estate workers. Manufacturing, with 16.6, was also above the 13.8 average.

The report pointed out that 95% of the recordable cases were occupational injuries and only 5% were illnesses. However, the bureau recognized that many occupational illnesses may not be immediately identifiable and, therefore, not reflected in the statistics.

ALTHOUGH the incidence rates for lost workday cases varied widely by industry division—6.9 lost workday cases per 100 full-time employes in the contract construction field compared to 1.0 in the insurance, finance and real estate areas—the average number of workdays lost for each such case showed only slight variations from industry to industry. Wholesale and retail trades showed the lowest mark with 12 work-days lost per lost workday case while the transportation industry and public utilities shared the high spot with an average of 15 days lost.

About 12.2 million days of work were lost because of work-related injury or illness during the six-month survey period, the bureau noted.

The survey covered most non-farm employes in private industry—56 million of the 79 million employed—excluding mine and railroad workers, who are covered by separate governmental safety and health laws. ■

AMA disaster briefing

The American Management Assn. will hold a two-day briefing session, "Natural disaster as a major insurance risk," March 26-27 at the New York Hilton Hotel. Subjects to be covered will include: Elements of risk and hazard analysis of the physical environment; contingency planning through land-use control measures; disaster planning through construction design; national disaster programs—current attitudes and proposals; risk management approach to maximum probably loss; the underwriters' evaluation of the natural disaster as an insurance risk and reinsurance considerations. Further information is available from the AMA, 135 W. 50th St., New York, N.Y. 10020.

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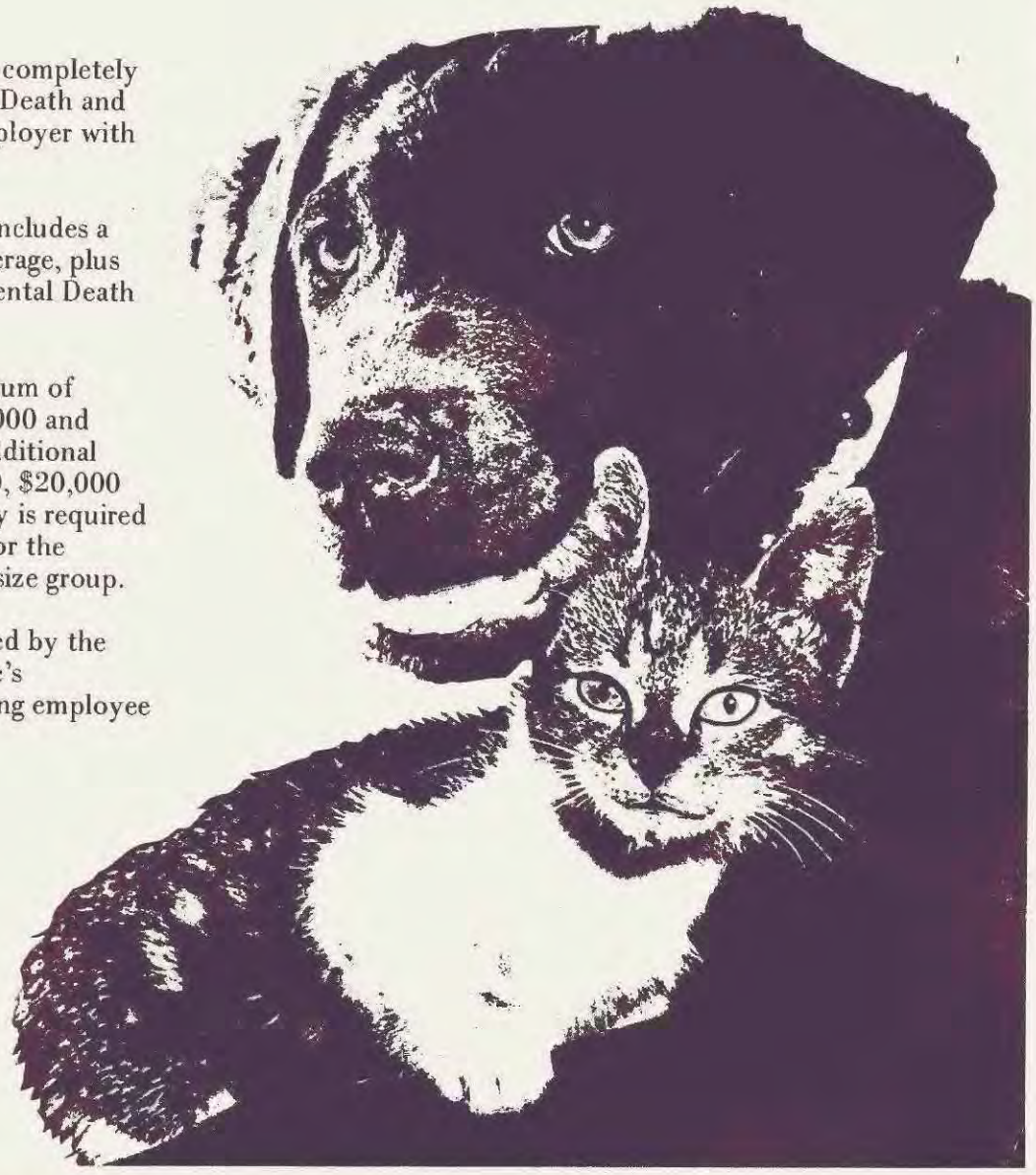
Called the "Crown Group Trust" it includes a choice of term or cash-value life coverage, plus matching amounts of 24-hour Accidental Death and Dismemberment benefits.

The basic schedule provides a maximum of $25,000 for the top class, with $10,000 and $5,000 in the other two. Optional additional coverage brings the totals to $50,000, $20,000 and $10,000. Evidence of insurability is required for groups of 1 – 4 employees and for the optional additional coverage on any size group.

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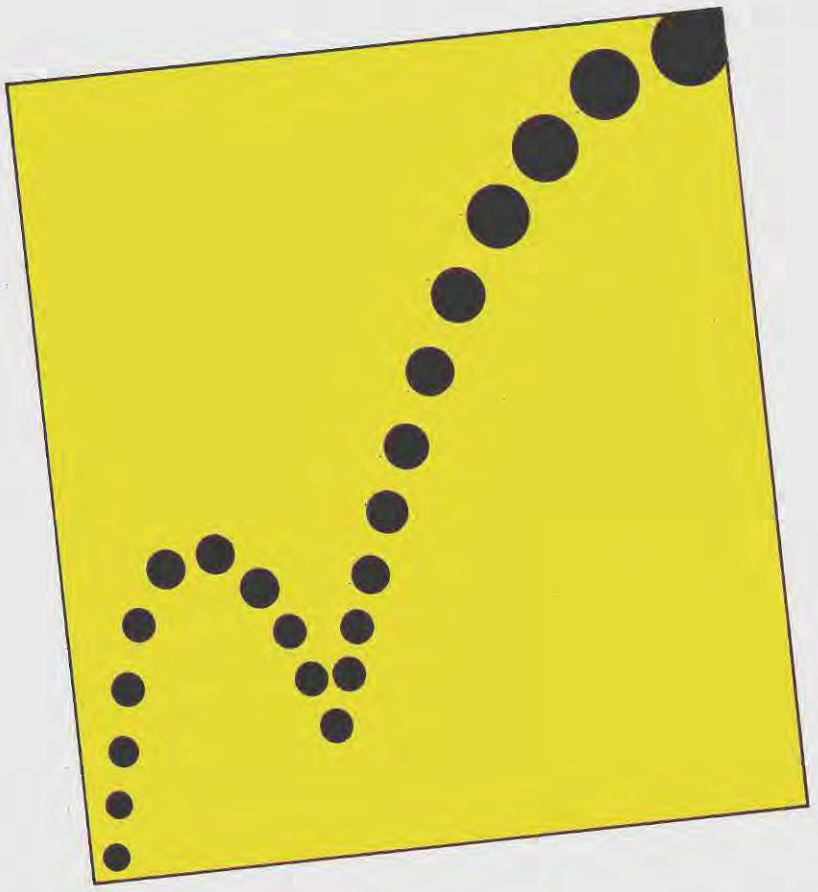
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$1 million awarded against SCM in sabotage suit; cover non-existent

SAN FRANCISCO—Lack of insurance coverage against the hazards of industrial sabotage may cost the SCM Corp., New York manufacturer and distributor of photocopy machines, as much as $1 million.

That's the sum a jury before superior court Judge Robert Drewes unanimously agreed must be paid by the conglomerate formerly known as Smith-Corona-Marchant Corp. to William Martin, Burlingame, Ca., owner of Copico Co. which distributes photocopying machines.

The $1 million award is for punitive damages. The jury also awarded Mr. Martin $20,000 compensatory damages and assessed punitive damages totalling $6,000 against SCM Corp. salesmen Hugh Trutten and Ronald Neilson.

During the 11 day trial, Mr. Trutten and Mr. Neilson, as agents of SCM, were charged with having deliberately sabotaged a copy machine placed by Mr. Martin's company in the West Orange Branch of the South San Francisco Public Library.

SAN FRANCISCO attorney John A. McGuinn and his partner, Michael Lewton, represented Mr. Martin, whose peninsula firm distributes a competitive photocopy machine made by Olivetti.

The industrial sabotage began, according to testimony during the trial, in late 1968 when librarians at the branch library decided to replace a leased SCM photocopy machine with the Olivetti furnished on a trial basis by Mr. Martin.

Librarians testified that the new Olivetti machine leaked a huge puddle of ink on new carpeting, was jammed by bent and gummed coins and tended to soak paper with ink.

Testimony of the librarians also disclosed that "salesmen for the SCM Corp. always seemed to be visiting the library" just prior to a malfunction of the Olivetti photocopy machine.

The librarians one day "surprised" a pair of SCM employes tinkering with the open cabinet of the Olivetti, normally kept locked. The two told the librarians they were "making a check" of the machine after which they furnished what later proved to be fictitious names and addresses.

The library staff finally informed Mr. Martin of their suspicions and gave him the license number of Mr. Neilson's automobile. Mr. Martin then traced the SCM employes through the license number and the two later were arrested.

A key witness during the trial, Allen Kline, San Antonio, Tx., former regional sales manager for SCM, testified that he had participated in an Atlanta, Ga., meeting for SCM employes during which "top SCM executives encouraged the sabotage of competitive equipment and demonstrated methods to accomplish such sabotage."

THE JURY took three hours of deliberation in reaching the verdict, during which the sole item of evidence they asked to see again was a financial statement indicating SCM sales in 1972 of nearly $1 billion.

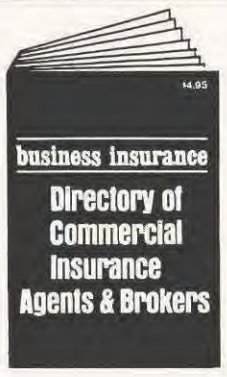
David Ellison San Francisco attorney who defended SCM in the trial, could not be reached for comment and SCM executives said the first they knew of the charges was word of the jury verdict.

MR. MARTIN's attorney told this magazine "we learned during the trial that the possibility of SCM Corp. having insurance protection against charges of industrial sabotage is practically non-existent.

"This means," Mr. McGuinn said, "that if the verdict is not appealed or if it is sustained by higher courts, the $1 million punitive damage award will have to come from corporate funds."

Mr. Trutten was assessed $2,500 punitive damages and $3,500 against Mr. Neilson who formerly was SCM's Redwood City office manager.

"The unanimous jury verdict," Mr. McGuinn added, "is an indication of the current public dislike for such hanky-panky and the belief of jurors that industrial sabotage is not done without the knowledge of a boss somewhere." ■



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Continued from page 22

inspection system over the whole industry. There will be more "random inspections" of corporate finances, rather than just waiting until an insurance firm is in trouble.

Supervision in the U.K. is based on four criteria: (1) Has a prospective insurer adequate resources in money and manpower to make it reasonable to assume that he will succeed in his business? (2) Has the insurer got a business plan which seems well thought out and sensible, and what size of business is he aiming at in relation to premium income? (3) What are his management costs, reinsurance arrangements, and investment policy? (4) Is he prepared to supply the government supervisory authorities with enough information to satisfy them that he is carrying out his plans correctly?

MR. PECK, who is a lifetime public official under no control from insurance interests, suggested that supervision could at times become so excessive as to cause high overhead costs which insurance companies would have to pass on in higher charges.

He declared, "The leading position of British insurers in the international market is in itself a demonstration of the economic advantages of our own system."

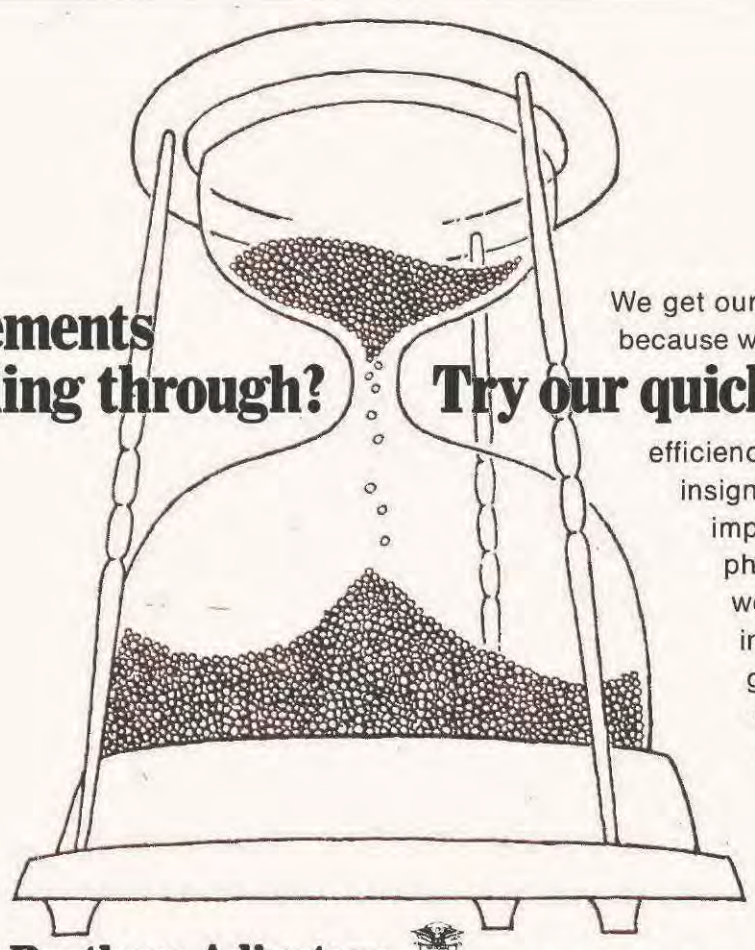
Theodore Vogelaar, who works for the European Economic Community stressed the point that "Strict and detailed public supervision of insurance activities in some countries, and the existence of a liberal regime in other countries, tends at times to separate the markets.

"The only solution seems to fix a certain number of common standards for all the national authorities to apply," he said, adding that a small degree of coordination of laws is required before insurance services may be rendered freely across internal community borders in Europe.

"THIS SHOULD be restricted to bare necessities. Common rules are now being worked out to deal with insurance contract laws, the scope of control to be exercised on insurance, the taxation of premiums, and the liquidation of insurance corporates if that arises.

"There may have to be special arrangements to separate the accounting and management functions of the life and non-life departments of companies concerned in both forms of cover.

"Britain," he said, "is expected to push hard for an extensive liberalization of the European insurance market. This will only score results if it is applied with wisdom and moderation, and nobody should try to overdo it by pretending that from now on other European countries should conform with British rules and practices." ■



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Telling employers of pensions

Westinghouse exec asks for wider disclosure

NEW YORK—"Although considerable effort is directed to appraising performance," Thomas A. Gudiness, director of pensions funds and corporate investments for Westinghouse Electric Corp., told a gathering of financial executives here, "very little is done in communicating performance results or other information relating to the pension program that is of interest to the employes, stockholders, investors or the general public."

Mr. Gudiness, speaking at the Conference Board's eighth annual Financial Conference, said that the sheer size of the funds made them curiosity centers and that the publicity surrounding the private pension system had, for the most part, been unfavorable. He blamed this fact on the feeling that corporations had not done enough to tell their sides of the pension story.

"PERHAPS THE pertinent question is 'Is there a need to know?'" he noted. "The answer to this is lost in a quandry of philosophical arguments ranging from 'If we gave them the information, they wouldn't understand it anyway,' to 'As long as the pension benefits are paid, only the employer need be concerned.'

"Regardless of what answer is reached," he continued, "it is becoming evident that there has been a shift in the attitude which regarded pensions as a promise to one which perceives pensions as a right. The right of a retired employe to be financially independent is in the public interest, the fulfillment of which has become increasingly more involved with the private pension system."

To emphasize his point, Mr. Gudiness pointed to the mass of proposed pension legislation in Washington and noted some of the proposed disclosure requirements:

- "A schedule of the aggregate cost and market value of each security by issuer;
- "A schedule of the aggregate amount by type of security of all purchases, sales, redemptions and exchanges of securities made during the period listing the issuers of the securities and identifying each transaction with any person known to be 'a party in interest;'
- "A schedule of each transaction involving a person known to be a 'party in interest' and of each transaction involving $100,000 or 3% of the fund detailing the location of the asset in the case of a building or land, the purchase or selling price, the expense incurred, the cost of the asset, the net gain or loss on sale, the identity of the purchaser or seller and his relationship to the plan, the employer or the employe organization."

The way to curtail this type of mandatory disclosure, he advised, was to disseminate information voluntarily. "Employes should have a statement of the provisions of the pension plan stated in understandable terms and not in the jargon of a lawyer," Mr. Gudiness urged.

"He should be informed as to the amount of pension benefit he can earn and what prerequisites must be met before he becomes eligible to receive a pension. He should have an indication of the total resources backing up his benefit to make it a reality and not just a promise."

He said that this information, as well as costs to the corporation and the number of retirees receiving benefits, should be communicated "periodically" through company newspapers, newsletters, meetings or personalized benefits statements.

Another person Mr. Gudiness would like to see remembered when communicating pension plan information is the stockholder or investor. "They have a need to know about such things as the amount of unfunded liability, the amount representing unfunded vested liabilities, the period over which past service liability is being funded and the actuarial soundness of the plan in order to formulate informed judgments about their investment in the company," he said.

POINTING OUT that Opinion #8 of the Accounting Principles Board of the American Institute of Certified Public Accountants had urged that more information be given to stockholders and investors, Mr. Gudiness added that the Opinion had been interpreted in a variety of ways.

He reported that a survey of company annual reports showed that many of the Opinion's requirements—such as a statement of the pension costs for the period and a statement of the accounting and funding policies—were ignored.

"The important observation," he said regarding the survey, "is the aversion to providing information gratuitously. This aversion gives rise to the conclusion —justified or not—that there is something to hide. Growing public interest will force the disclosure of more information. The choice of voluntary or mandatory disclosure is in the balance.

"The majority of companies who have sound plans have much to gain by setting a precedent of full disclosure for others to follow," he continued. "Those that do not follow would be conspicuous by their failure to fully disclose. Otherwise, the good plans will suffer the same broad brush condemnation as the bad ones."

He stressed the fact that th forces wanting external regula tion of the private pension sys tem were gaining strength.

"In conclusion, it is safe to sa that the inertia of the privat pension system regarding im proved communication with em ployes and the public on pensio matters will lead to full disclos ure and regulation being force upon the private system by leg islated mandate. Voluntary dis closure of more informatio would help to restore public con fidence in the private pensio system and would serve to com bat the adverse criticism of basically sound system," he said.

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LIFE INSURANCE OPERATIONS:		
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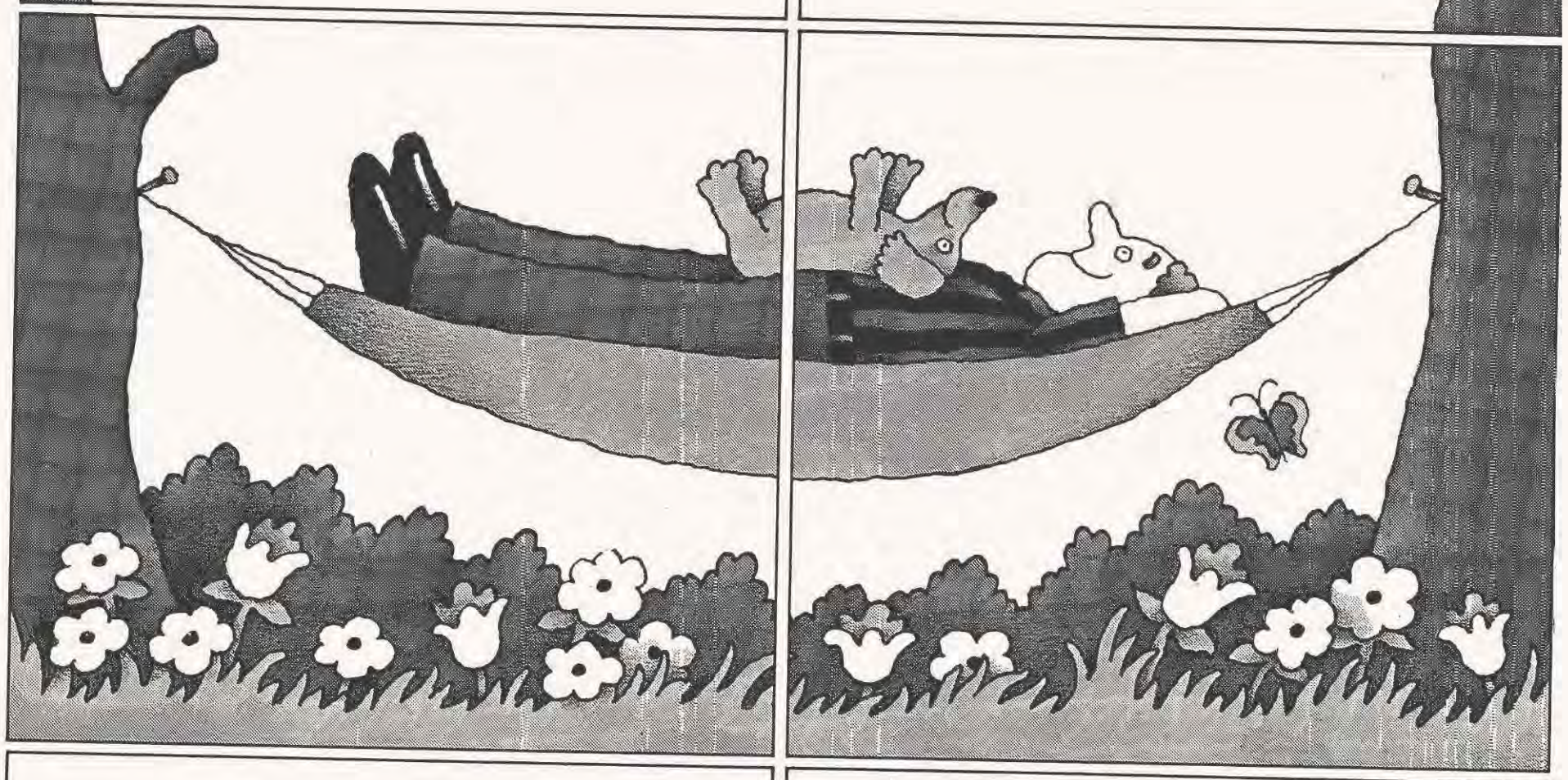
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BY ERNST PANKERT
consultant,
Towers, Perrin, Forster & Crosby Inc.,
Brussels

EEC benefit agreement helps ease international transfers

"... although an employe has generated a substantial sum of Social Security and private pension benefits in various countries ... he may find at retirement that he is unable to collect part or all of them."

MANY INTERNATIONAL employe benefit managers are already challenged by their task to ensure the establishment of sound and competitive pension plans for each of their overseas operations. These plans not only have to be locally competitive, but also carefully integrated with statutory and compulsory benefits in each of the countries.

Yet, however well-designed the plans may be for local nationals, they generally do not meet the needs of employes who are subject to transfers between countries. After transfer, these employes normally suffer partial or total loss of:

- Their Social Security rights, because they may not meet the eligibility requirements or there may be a lack of international Social Security agreements.
- Benefit payments from private, company-sponsored benefit programs, because they may not meet the eligibility requirements for benefit purposes or because of currency restrictions and withholding taxes in the country where the payments are due.

In other words, although an employe has generated a substantial sum of Social Security and private pension benefits in various countries during his working lifetime, he may find at retirement that he is unable to collect part or all of them.

International employe benefit managers, therefore, are faced with the additional burden to find new solutions to specific problems of international transferees. While ideal solutions have not yet been found, the international transferee is progressively gaining more protection against any losses of statutory benefits.

We are specifically referring to the existence of international agreements whose provisions, for example, may permit the employe to participate immediately in the Social Security system of the host country, may entitle him to a refund of his contributions if he leaves before fulfilling the eligibility requirements or may permit the payment of pensions to the employe's home country. Though most of these agreements are only bilateral and very limited in nature and scope, there is one set of agreements which is worth particular attention: "The EEC Regulations on Social Security for Employed Persons and Their Families Moving within the European Community."

AT THIS time of expansion of the European Economic Community through the entrance of three new states (Denmark, Ireland and the United Kingdom), it may be of interest to review the major provisions of this agreement, which covers not less than nine nations.

At the time the Treaty of Rome was signed, the initial six member countries agreed on the principle of coordinating Social Security schemes for those persons who would move within the community. This coordination was then put into effect through a number of recently revised regulations.

The need for such coordination is evident by looking at the great diversity of European Social Security systems. These are characterized, among many other things, by:

- Different eligibility requirements for benefit purposes, varying from the completion of 5 years of insurance under the system of one country to 15 years of coverage under the system of another;
- Different forms of benefits: Flat-rate old age pensions in some countries (e.g., the Netherlands); sometimes topped by earnings-related supplements (e.g., U. K.); pensions directly related to past earnings and years of coverage under Social Security in other countries;
- Different levels of benefits: For example, 80% of the last three years' average earnings for 40 years of contributions (Italy); 50% of average earnings over the best 10 consecutive years, payable at age 65 (France);
- Different normal retirement ages: Age 65 for men (Belgium); flexible retirement age from 63 on (Germany); age 60 through age 70 (France);

As long as these Social Security systems were not coordinated, free movement of employes from one member state to another was discouraged.

In order to remedy this situation, the EEC ministers issued the "EEC Regulations on Social Security for Employed Persons and Their Families Moving within the Community." We limit our discussion to the provisions as they relate to the transfer of Social Security retirement credits within the EEC. (Details on the EEC Regulations originate from material published and made available by Miss A. Bosscher, principal administrator of the EEC, Social Security division.) Underlying these regulations are a number of basic principles:

Equality of treatment. This principle abolishes all discrimination on grounds of nationality. It states that any individual living in one of the member states of the community has the same rights and obligations under the Social Security legislation in each member state. (A German national employed in France is treated exactly as a French national for purposes of Social Security coverage.)

Aggregation of insurance periods. According to this principle, all years of insurance coverage or employment that have been accumulated under the different national Social Security laws shall be added together. This sum determines whether an individual qualifies for and retains the right to benefits and is the basis for the calculation of these benefits.

Export of benefits. This principle permits the employe to collect the pension benefits that he might have accrued under the Social Security laws of any of the nine countries, regardless of where he finally resides within the community. The German national who spent part of his working lifetime in Belgium and France will be entitled to payments from the two countries even though he might decide not to retire in either one of the two countries.

There are, however, a few exceptions to

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viewpoint

Getting the risk man involved in his international operations

"In the past, international risk management has placed the cart before the horse, because it has been too tied to insurance and what an insurer can or will do or what the insurer claims it can't or won't do."

BY EDGAR S. CLARK
Vice President,
Risk Planning Group Inc.,
San Francisco

I AM ALWAYS bewildered by those individuals who call themselves risk managers but who avoid playing an active role in their companies' international operations. After more than ten years in the field of international risk management as underwriter, broker and consultant, I believe that a risk manager's job is of vital importance when it comes to the exposures of his company's international operations.

Some risk managers have become heavily involved in international operations, and have done a very good job; however, the bulk of them have not. Instead, they have relied upon others to do part of their job and have ignored the rest of their job. There are many reasons for this, but the one most often heard is "we operate as profit centers overseas and, anyway, my boss feels that the political (or organizational or emotional) problems are so great that I should not become involved at this time." Is that management? I contend that it a cop-out. A risk manager is ultimately accountable for determining risks involved in all company operations, providing the best handling of those risks, preserving corporate assets and preventing the dilution of earnings.

And that includes international risks.

Why should risk management involving international operations be treated differently than risk management involving domestic operations? If a centralized decision to acquire assets is made, then a centralized decision must be made as to how these assets are to be protected best. The process generally involved in the protection of any assets (at the risk of repeating what many readers already know) is:

- The identification of all non-speculative risks;
- The evaluation of those risks and their impact on assets or earnings performance, the consideration of the risk control options to which the type of risk best responds and financing options that are available;
- The implementation of the best combination of control and financing procedures to insure that, after systematically analyzing options, strategies, tactics and costs, pay-off is maximized.

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this general rule in respect to certain temporary and non-contributory old-age benefits which are not payable abroad (e.g., the fraction of the Belgian old-age pension corresponding to years of employment not covered by the insurance). If applied in its broadest sense, this principle also implies that whenever the benefits payable under the legislation of one country normally include supplements for dependents, the employe is entitled to these supplements even though the members of his family might be living in another country.

TO DETERMINE what retirement benefits an employe may receive if he has been employed successively in a number of countries, the EEC regulations include fairly detailed provisions as to how the "aggregation" principle must be applied. In general, the method of calculation can be broken down into a number of steps:

• The Social Security institutions of each country in which an employe has been located establish whether he can qualify for a pension under their legislation. They determine if it is necessary to add all insurance periods completed by him in the various EEC countries together, or whether he qualifies already by virtue of the years of insurance spent solely in their country.

• The institution of each country then calculates the theoretical pension benefit that would be due to the employe if he had completed his whole career in that country.

• The Social Security institutions of those countries where no aggregation of insurance periods was necessary for qualification purposes will compute the actual pension benefit that is due according to the legislation of their country. The institutions of countries in which the employe is entitled to a benefit only when the insurance periods under the laws of another country are aggregated, will compute the pension. The prorating reflects directly the proportion of his aggregate insurance periods actually completed under their legislation.

•The total sum of these benefits so determined constitutes the employe's pension from statutory sources.

• The pension, as determined in the previous procedure, will eventually be modified to meet the criteria of maximum or minimum pension.

The sum of the pensions to be paid by the various institutions may not exceed the highest of the theoretical pension benefits which have been determined by each institution. The excess benefit, if any, is not payable but is divided among the institutions of the countries in which the employe is entitled to a benefit without aggregation of insurance periods.

If the total pension is less than the minimum benefit provided by the country in which the employe resides (for a period equal to the sum of the insurance periods completed in the different member states) the employe is entitled to the payment of a complementary benefit equal to the difference by the institution of that country. This additional payment, however, is only due if the employe is also entitled to a pension from that institution and is limited in duration to the time he is actually living in that country.

While the whole procedure might sound complex, it is actually fairly simple. This can best be illustrated by an example. Let's assume the following situation:

Mr. X is an employe of a U.S. company, headquartered in Brussels. He is a Belgian national, single, with annual earnings of $9,000. His working lifetime was divided among several countries as follows:

6 years in Belgium (1944 to 1949)
10 years in Germany (1950 to 1959)
14 years in the Netherlands (1960 to 1973)

In order to determine the Social Security benefits to which he is entitled, we proceed through the steps previously outlined:

• Determination of whether aggregation is necessary:

Belgium: No, there is no minimum period required. The employe qualifies for a pension by virtue of his employment, or years of insurance in Belgium.

Germany: Yes, because a minimum of 15 years of coverage is necessary in order to qualify. The employe, however, has only 10 years of insurance in Germany.

The Netherlands: No, there is no minimum period required.

• Calculation of theoretical pensions: If the employe had spent his whole career (30 years) in one country, he would have been entitled to the following approximate pensions (i.e., the calculation was based on the respective earnings ceilings for 1949, 1959 and 1973 adjusted in accordance with appropriate legislation).

Belgium: $937 per year.
Germany: $3,408 per year.
The Netherlands: $1,208 per year.

• Calculation of actual pensions:

Belgium: The actual pension due for the six years of employment between 1944 and 1949 is calculated in accordance with Belgian legislation (6/45 x 60% x Adjusted Career Average Earnings = $187.)

Germany: The actual pension will be a pro rata of theoretical pension because of the need for aggregation (10/30 of $3,408 = $1,136.)

The Netherlands: The actual pension due for a period of 14 years is calculated in accordance with Dutch legislation, (28% of $2,013, current flat-rate pension, = $563.)

• Calculation of total pension: The total pension equals the sum of the pensions determined under the previous step ($187 + $1,136 + $563 = $1,886.)

• As the total pension is not in excess of the highest theoretical pension (i.e. $3,408), there will be no reduction in the benefits.

At retirement, Mr. X, having been employed in three different countries over a total period of 30 years, is entitled to a total retirement benefit of $1,886. In accordance with the principle of "export of benefits," he will be collecting $187 from the institution of his home country, $1,136 from the German institution and $563 from the Social Security body in the Netherlands.

The benefit manager must be aware of two major limitations of the EEC regulations. They apply only to transfers within the European community by nationals of one of the member states, and therefore do not solve the problems of EEC nationals transferred out of the community or of non-nationals of one of the EEC countries.

Whether, for example, Brazil would pay any benefits to a Belgian national retiring in Belgium, or whether Belgium would pay any pension to a Brazilian upon his return to Brazil, would depend solely upon the existence of a bilateral Social Security agreement between the two countries.

THE REGULATIONS apply only to legal Social Security systems. They do not cover social assistance programs, complementary pensions schemes established under collective agreement or purely voluntary retirement plans introduced by an employer.

For example, the complementary pension systems in France (such schemes as AGIRC or UNIRS) or the occupational industry-wide pension schemes in the Netherlands do not fall within the scope of the EEC regulations. Also excluded are all types of agreements which may call for the payment of termination indemnities, which, in some countries, can form a substantial part of retirement income (e.g., Italy).

From all these considerations, one might conclude that the EEC regulations, while being beneficial to the employe, might not be very welcome to the benefit manager. Instead of relieving the employe benefit manager from part of his burden, the EEC regulations not only do not offer any solution to his already complicated problems, but are likely to make them even more complex.

THEIR existence in no way relieves the employe benefit manager from his task of establishing an appropriate benefit philosophy. The benefit plan still has to be designed for each local Social Security situation and local benefit practices.

Because the EEC regulations protect employes only against losses of statutory benefits, there is still a definite need for the establishment of a specific policy for international transfers which would provide similar protection against losses of company-sponsored benefits.

Not only should this policy be applicable to transfers within the community, but also to transfers in and out of the

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Compensating the exported employe



BY JOHN C. ROBERTS
Partner,
Hewitt Assoc., Deerfield, Il

AS A CONSULTANT on international employe benefits, I often get questions on the compensation of U.S. expatriates. My initial exposure in this area was from the other side of the fence, so to speak, as a consultant in London before I came to the United States. At that time, I am sure that I envied and failed to understand the U.S. expatriate's relatively high income level. Since then, I have come to understand the reasoning behind paying overseas premiums and allowances to the expatriate. However, I still question the size of these payments, their validity, and the way in which certain allowances are paid.

Most U.S. companies sending employes overseas provide those employes with a series of allowances to recompense them for:

- Going overseas;
- "Hardship;"
- The higher cost of living;
- The higher cost of housing;
- The differences in taxes imposed (tax equalization);
- The education of their children in an American school or college;

The allowance for going overseas, called the overseas premium, or foreign service allowance, is frequently combined with the hardship allowance and varies from 10% to 40% of base pay. The cost of living allowance most commonly used is based on the State department's local index, although there are other indices available. The State department also prepares a table of housing allowances by income and family size. Again, some companies prepare their own housing allowance or reimburse the employe for housing costs over a certain amount.

Tax equalization is simple in concept, but unfortunately not easy to implement. In general, the intent is to "keep the man whole." That is, the individual should receive the same net income as a result of his employment abroad as he would receive if he had remained in the U.S. Some companies use a balance sheet approach, offsetting any negative allowances (for example, where the cost of living is lower than in the U.S.) against positive ones, while others pay a given allowance if it is positive and give the expatriate the benefit of any favorable situations.

"U. S. management should take another look at the way the expatriate compensation package is put together . . ."

ANY OR all of these allowances can be justified, according to circumstances. However, the effect of these allowances can be to raise pay by as much as 100% (although a more typical figure would probably be 25% to 40%). It is my conviction that, in the majority of cases, the total package is too big. U.S. management should take another look at the way the expatriate compensation package is put together and the reasons for providing many of its elements.

Perhaps I should modify my comments by saying that for someone who is sent overseas on a one-time basis for a period of, say, one or two years, all these allowances may be appropriate. Such an individual may be entitled to additonal compensation for being taken from a familiar environment and put in a strange one. In that relatively short-term situation, he has no incentive to try to adapt to a new environment. However, many U.S. expatriates are not in this category; they are individuals who expect to be overseas for a longer time or who have chosen to work overseas. Most companies pay the same allowances to these people as to the more temporary (and probably less willing) transferee.

I HAVE noticed that some companies are beginning to cut back on the overseas premium they pay. I would like to see consideration given to reducing or eliminating all the allowances—except perhaps for the education allowance, for I would question the purpose in providing all the others. When pressed, most managements

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Community and to international transfers between non-EEC countries. Furthermore, it should be applicable to non-national employes in one of the EEC countries.

Even when designing an international transfer policy that would be limited to the EEC territory, the benefit manager still has to tackle special integration problems raised by the existence, in a number of countries, of compulsory pension or lump sum benefit programs not covered by the EEC regulations. Due to the fact that some of those benefit programs are not based on the principle of "full exportability" or even "full portability," there still remains the need for company-sponsored benefits in countries where normally the combination of legal and compulsory benefits make private supplementation for local nationals unnecessary.

Because statutory benefits are exportable and can actually be collected by the employe as long as he resides within the territory of the Community, there is an even greater need than before to accurately keep track of the "offset accruals." If an employe actually can collect the statutory benefits from all the countries in which he was employed, it becomes clear that this could substantially reduce the cost of any international pension plan for mobile employes. The employe benefit manager should, therefore, gain an even deeper understanding of European Social Security systems and other legal and compulsory programs.

IN ADDITION to his job of keeping track of all bilateral and multilateral Social Security agreements, the employe benefit manager should also become familiar with the EEC regulations and stay abreast of any new developments in that area.

Therefore, far from becoming simpler, the benefit manager's job is becoming increasingly more complex. And the way it looks now, there is little hope for change. The situation will remain complex as long as current coordination is limited to Social Security benefits in the EEC countries. While new bilateral agreements probably will continue to be signed among a number of countries, it is doubtful whether the EEC-type system will spread in the upcoming years to other communities, such as the European Free Trade Assn., or whether similar multilateral systems will be developed in other parts of the world.

Furthermore, coordination in Social Security systems alone, even if extended to many non-EEC countries, will not ease the benefit manager's task. Indeed, coordination does not imply harmonization. At the present time there are no real plans to standardize Social Security systems in EEC countries for they correspond to the needs and traditions of different societies.

While waiting for this "Golden Age" to come, when all Social Security systems will be harmonized, the employe benefit manager will probably want to take a critical look at his company's overall benefit philosophy, especially as it applies to international transfers, and to verify whether current programs achieve worldwide corporate objectives.

He will also want to review the design of the existing policies to make sure that they permit the accrual of adequate, but not excessive, benefits while at the same time satisfying each nation's laws and customs.

The benefit manager should also examine his programs to insure they have not been outdated and that they still meet each employe's needs and expectations. ■

Ernst Pankert, a consultant at the Brussels office of Towers, Perrin, Foster & Crosby Inc., graduated from the University of Louvain (Belgium) and received his M.B.A. from the University of Chicago. He has worked for TPF/C in both the United States and Europe, and consults primarily on total compensation problems in Europe for international organizations.

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The problems involved in this process, once you are concerned with international exposures, are no different than they are in domestic operations, although there may be a difference in risk control mixtures and some new factors added. Obvious differences are in the areas of overseas legislation, regulation, currency and exchange controls and tax considerations. However, if a risk manager can cope with these problems in as many as 50 separate states plus Canada, why can't he cope with them overseas?

GENERALLY, because he doesn't know what these differences are, or if he has an idea of some of them, he is told by those outside his organization—usually his insurer—that they are too difficult for him to solve. This is just not true, for it is certainly possible to identify overseas risks and to determine their quantitative impact. It is equally possible to make a valid determination as to the proper mix of risk control and financing for overseas risks as much as it is possible to decide and implement the best of those mixes. But international risk management must be performed by the risk manager—not by the agent, broker or insurance company.

In the past, international risk management has placed the cart before the horse, because it has been too tied to insurance and what an insurer can or will do or what the insurer claims it can't or won't do.

IF A RISK manager would (and in all fairness, I guess I should say "is allowed to") get out of his office and go, probably with some expert help, to the major international operations of his organization, he could identify overseas risks just as easily as risks in the U.S. Measuring them and quantifying them may be a bit more difficult, but most organizations have plenty of people in-house who can be of assistance.

What about risk control and risk financing? Admittedly, there are differences, but they can be overcome. For example, you may not be able to get water for a sprinkler system from a local municipality, but does that mean you should give up? What about alternative fire extinguishing systems? I won't go into any great detail in those areas because experts in risk control measures—proper loss prevention, security protection, human resources and safety—frequently are available in-house and many of these experts know what they are doing internationally. Why shouldn't a risk manager use his own company's services?

IT IS when you get down to risk financing methods that the risk manager can really perform a major service for his organization and its international risks. In the past, most risk managers have been content with financing the risks through an insurer. Often, the insurer will be an international insurer and offer to perform all services necessary for the risk manager. It's been my experience, however, that the risk manager not only doesn't always get what he pays for, but often pays far in excess of what he would pay in the United States. A risk manager should only pay for necessary services performed by an insurer. He should not be forced to accept unnecessary services and pay for them. He may pay a bit more for those necessary services overseas, but it might be worth the added expense.

DECIDING and implementing the best mixture of procedures is the most difficult job of all. It calls for communication and proper coordination and takes a lot of time, more time than the risk manager would have to sepnd if he were doing the same job domestically. But perhaps it's more important internationally, for how often have we heard from brokers and international insurers that, "even though your international assets are only 10% of your total assets, net profit arising out of these international assets is 20% of your overall profit."

It is not the purpose of this article to go into the techniques or methodology of international insurance laws and regulations, currency and exchange control considerations, tax problems, specialized ocean marine and transit laws or the myriad other items which have already been so well documented over the years. Instead, this is, in effect, a plea to the risk manager whose organization has substantial international operations to get up and out of the office and into the planning and implementation of a proper risk management program for those operations.

If he doesn't, he will sooner or later experience a loss caused by a risk about which he was unaware and which could have been controlled and financed properly, or which isn't covered under his so-called sleep-at-night difference in conditions policy. And that is not the proper way of discharging his responsibility to his employer. ■

Edgar S. Clark, vp of Risk Planning Group Inc. of Darien, Ct. and San Francisco, previously was assistant vp and manager of Marsh & McLennan's western division's risk management, captive insurance companies and international division. Previous to that he was manager for Europe and resident director of Marsh & McLennan, headquartered in Brussels. He has worked in the ocean marine department of Fireman's Fund Insurance Co. and served as manager in San Francisco for AFIA. Mr. Clark, who received his LLB in 1958 from Georgetown University law school, is a member of the American Management Assn., American Risk and Insurance Assn. and the Chartered Insurance Institute.

Employe . . .

Continued from page 72

agree that their purpose is to maintain the U.S. expatriate in the style to which he is accustomed back home, plus "a little bit extra." In other words, to give him the best of both worlds.

Does the expatriate really need the best of both worlds? Does he really have to have premium bourbon and T-bone steaks? In most countries, the U.S. expatriate is already on a base salary higher than that of a local national in the same position for the simple reason that U.S. salary levels are higher. He can, therefore, enjoy a higher standard of living than the local national.

PROVIDING him with additional compensation in the form of allowances allows him to widen this gap still further. And at this point, we can ask: Does the U.S. expatriate best serve the local subsidiary and the parent company as an American totally insulated from the local scene or as someone from the parent company who understands and appreciates both the world he is from and the world he is in?

I believe it is in the best interest of all concerned for the expatriate to settle into the local environment instead of insulating himself from it. Providing him with too much current income is one certain way to keep him insulated. If the company wishes to give him extra compensation for his service overseas, consideration should be given to providing this in the form of a deferred bonus. This bonus could be payable either on his return to the U.S. or at retirement.

Another possibility would be to provide some other form of capital accumulation or incentive bonus, not available to him in cash. An arrangement of this type has another advantage, for the expatriate will not have to adjust to a lower income on his return to the U.S.

From first-hand experience I know that when an individual is sent overseas for the first time, he is bound to take some time to adjust and the payment of allowances may be appropriate. However, I would suggest that they be phased out after an initial period of perhaps three years. I would also suggest that the allowances not be reinstated on transfer or assignment to another location, although it might be desirable to pay a special relocation bonus at this time to give him a financial cushion while he is learning his way around in his new environment. Such a bonus could also be payable on the expatriate's return to the U.S.

TODAY, in many international companies, one of the recognized ways to the top is to go overseas on assignment. This is, in itself, a considerable incentive. It also gives many individuals the challenge of a more responsible position than they could have had by remaining stateside. Those companies wherein this is an accepted situation need not provide generous allowances.

It is desirable, however, for the individual to be given a clear indication of the sort of position likely to be available to him on his return, or what his prospects are for promotion to a more responsible position either overseas or back home. As in so many areas today, proper communication is the key. Much of the grumbling I have heard about the size of an individual's allowance is often rooted in other causes of dissatisfaction such as the uncertainty of his next position.

I recognize that the biggest difficulty in making a move in the direction I am suggesting is the need to maintain competitive pay practices. The U.S. expatriate, whose career is overseas, is much in demand. Consequently, he is often in a position to demand, and get, generous allowances for overseas service. Competitive practice is one consideration, but not necessarily the overpowering one, when establishing a compensation or benefit program. At the same time, many companies still feel it is appropriate to break out from established practice for good reasons. I would suggest that, because some international companies are cutting down on their allowances for expatriates, now may be a good time for others to reappraise their policies, too. ■

John C. Roberts, partner and manager of Hewitt Associates' international services, was previously a unit manager in the firm's actuarial group. He has worked in the actuarial and group pension department of a British life assurance society and as a consulting actuary and statistician with a British consulting firm. Mr. Roberts is a fellow of the Institute of Actuaries (Great Britain), an associate of the Society of Actuaries, and a member of the American Academy of Actuaries, International Assn. of Actuaries, International Assn. of Consulting Actuaries and Canadian Institute of Actuaries.



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Trade pact . .

Continued from page 56

though Soviet law does not require it. He, like many of the risk men, pointed out that exports of equipment were not a problem in that either the Soviets or the usual marine markets have been covering shipments all along.

AFIA IS NOT offering credit insurance at the moment but Mr. Weimert did not rule out the possibility of the coverage being available in the future.

American International Underwriters Corp., however, is offering credit insurance to American companies through a deal with the same Black Sea & Baltic Insurance Co.—as a reinsurer.

Michael J. Twomey, AIU vp, told *Business Insurance* that his company was prepared "to provide insurance in Russia, and en route to Russia, in essentially the same fashion that it offers insurances" in other countries. AIU is also authorized to send its own claims people into Russia "as the situation requires," he emphasized.

In explaining what coverages might be needed for a Soviet venture, Mr. Twomey also listed what AIU could provide. "For example, if a U.S. client enters into a contract to erect a facility in Russia or to install certain equipment, AIU (can) provide the transit insurance from the plant in the U.S. to the job site in Russia, the builder's risk or installation floater at the job site, general liability, auto liability, personal accident insurance and workmen's compensation on all but Russian nationals."

HE SAID it was not certain whether the Soviet government would require performance bonds.

Workmen's comp for Russian nationals is required and is handled by a unit of the Russian government, Mr. Twomey explained. "It is fairly common for employers in Russia to provide workers with voluntary accident insurance to fit in over the workmen's compensation benefits. The employer pays the full cost of the social security benefits including workmen's comp."

While perhaps not as widely known as AFIA or AIU, Guardian National Corp., Royal Oak, Mi., is providing a wide variety of coverages for American businesses doing business with the Soviet Union.

"Basically," said Richard H. Turner, senior vp, "we provide three coverages—a manufacturing risk, a credit exposure and coverage for work being done in Russia.

"After the final drafting of the contract and the obtaining of proper export licenses, we are in a position to provide the manufacturer's risk portion of the program," he continued, explaining that the policy covered political as well as economic risks. The insurance would protect against embargo, revolution or war but things such as interest for delays or quality disputes are excluded.

"The cost of the program," Mr. Turner said, "is determined mainly on the length of the shipment schedule. The longer the manufacturing period, the higher the rate. Rates have generally fluctuated between ½ of 1% and 1% of the contract price."

He admitted that terms of sale would be the deciding factor regarding credit insurance. An f.a.s. shipment was no trouble but if the payment period was extended, credit insurance should be considered, he felt.

Guardian National, whose underwriting in this area is facilitated by a London-based broker, will also write liability and property coverages for American interests in the Soviet Union or other Eastern bloc nations.

"THE COVERAGE was not designed for any one specific industry," Mr. Turner explained, adding that virtually any limit needed could be provided. "But, the bulk of the interest so far has been exhibited by machine tool manufacturers."

The only real question left, then when one considers that American business has shown a willingness to trade with Russia (and vice versa) and that the insurance industry here has shown that it will backstop the dealings, is, "Will it work?"

"The environment over the last six months has been very positive," commented AFIA's Mr. Weimert. "The handwriting is on the wall. There now exists the possibility for great collaberation." ■

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Armed with liquor liability

Pub braced for full moon on St. Patrick's Day

By TOM WALSH

CHICAGO—When a rowdy mob armed with bricks and lead pipes smashed the plate glass windows of O'Rourke's Public House last summer, the tavern's owner, Will Kilkeary, couldn't collect on his insurance.

He had thrown the first brick.

"One day I flipped a salt shaker to a guy sitting in a booth right next to the window. I missed," the young Mr. Kilkeary said, stroking his handlebar mustache. "I cracked the window, and later one of our regular customers ran her bicycle into it and helped it along. I had it all taped up, but it would still sway in the wind, and I was afraid that someday it would fall out and slice somebody and I'd have a giant insurance claim on my hands. So last summer I got out in front with some friends and attacked the old glass with pipes and bricks and replaced it later with three-eighths-inch plexiglass.

"We almost had an insurance claim, anyway," he said. "One guy who was sitting inside at the bar almost got clobbered when somebody threw a brick and missed the window that wasn't already broken. The brick came sailing right through the hole and almost did the poor guy in."

O'ROURKE'S Public House is in Chicago's Old Town, a Midwest attempt at a Greenwich Village atmosphere crowded with import shops, antique dealers, fashion boutiques, restaurants and assorted taverns. The area served as a nucleus for Chicago's "hip" movement in the late 1960s, but activity in the area has since decreased as it has become notorious as a high-crime section.

"Even if somebody else had smashed the front window, I couldn't have collected," Mr. Kilkeary said. "In this neighborhood, riot, theft and plate glass insurance are pretty non-existent. They're available, I suppose, but what they would cost doesn't make it worth it."

The one insurance burden Will Kilkeary and other Chicago tavern owners must share is "liquor liability," needed to cover claims filed under dram shop laws. Illinois is one of 22 states where bartenders are liable for third-party injuries caused by patrons who have had too much to drink.

"What it boils down to is that if somebody gets drunk here and goes out and kills somebody, I'm liable," Will said. "Hell, even if they kill themselves, their survivors can sue me. At first, the law was such that if somebody went drinking at every bar along this street and went out and caused some damage, every place he had been served at would be liable. It meant that if a guy came in here and had just one beer and went on to get smashed, I might get sued. They've recently changed the law so that now only the last place he was served is liable."

A MINNESOTA supreme court decision recently extended liquor liability to anyone who furnishes another person liquor in excess, even a gracious host who allows the guests in his home to become intoxicated. California, although having no dram shop laws on its books, recently upheld a case where a third party injured in an accident involving a drunk driver sued the tavern owner who had served him. Indiana and other states are now declaring that tavern owners have a common law liability for the actions of their customers.

In total, 22 states have some form of dram shop legislation, and, persons who operate taverns within those jurisdictions are purchasing liquor liability policies to cover any claims. The states include: Alabama, Colorado, Connecticut, Delaware, Georgia, Illinois, Iowa, Maine, Michigan, Minnesota, N. Carolina, New York, N. Dakota, Ohio, Oklahoma, Oregon, Rhode Island, S. Dakota, Vermont, Washington, Wisconsin and Wyoming.

The dram shop laws originated in the 1850s as crude attempts to control the Demon Rum and to prohibit such practices as selling liquor on Sunday. They later evolved into laws that prohibited liquor sales to minors and habitual drunks and were formulated more as a device to control liquor sales than as a means to provide for persons injured by intoxicated tavern dwellers. As state laws changed, liquor liability concepts

corporate profile

changed, too, and many insurance companies began excluding claims arising because of liquor sales from general liability policies.

After court decisions in New Jersey and Pennsylvania in 1959 clearly established that tavern owners could be sued, insurers began issuing special liquor liability policies which offered various protections at varying costs. Rates depended upon the form of dram shop law enforced in the taverns' jurisdictions and the taverns' profits.



Will Kilkeary behind the bar at O Rourke's Public House in Chicago

LIQUOR liability coverage for O'Rourke's is written by Continental Casualty Co. through George F. Brown & Sons Inc., a Chicago agency which specializes in dram shop coverages. The limits of Mr. Kilkeary's coverage are $200,000 for bodily injury to one person, $100,000 means of support and $100,000 property damage Continental Casualty Co. also writes insurance on the leased premises with limits of $100,000 for bodily injury to one person, $200,000 bodily injury for each accident and $100,000 for property. The premiums are based on the pub's profits, and, this year, Mr. Kilkeary will pay a little over $1,000. He has never filed a claim since he opened the bar on New Year's Day in 1967.

"One time somebody tried to make a claim under my dram shop insurance, but it eventually fell through," he said. "Some deaf mute claimed somebody knocked him over outside, but he couldn't remember who it was, so there was no way of determining if the guy was ever in here. The

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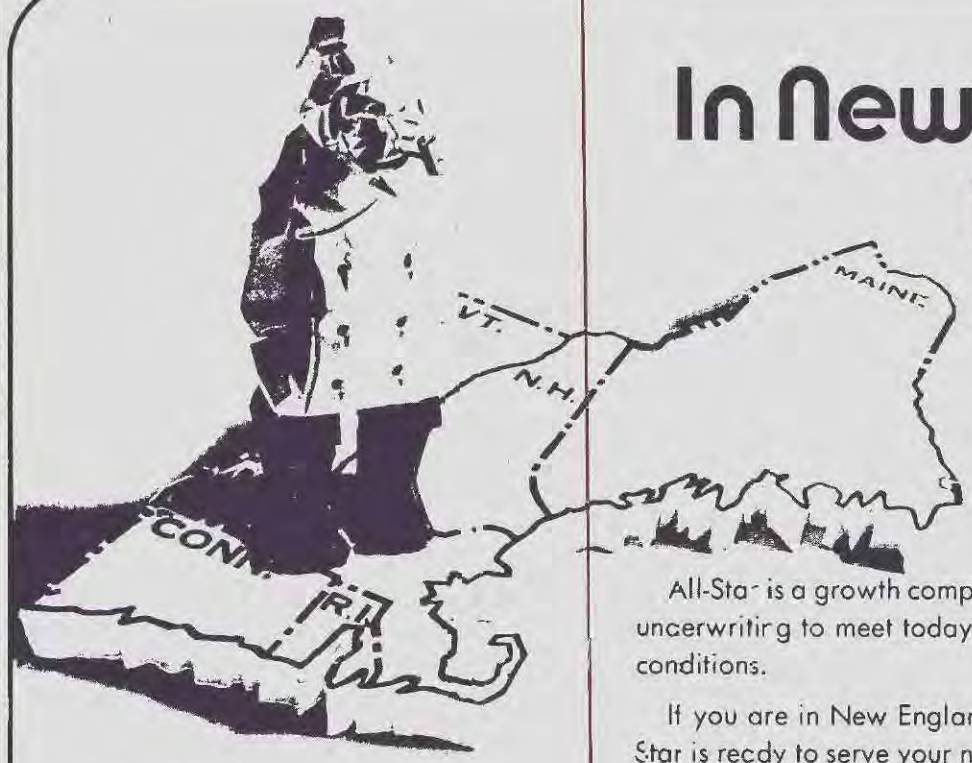
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Pub . . .

Continued from preceding page

whole thing eventually just died."

A major marketer of dram shop coverage in Illinois, Continental Casualty officials say the company averages about 400 claims annually, most arising from auto accidents or barroom brawls. Most are settled for less than $5,000, but an estimated 40 claims a year cost the insurer more than that figure.

Mr. Kilkeary is now 32, grew up near Chicago in Whiting, In., and attended Purdue University for almost eight years, studying forestry, math statistics and wildlife management.

"Some people say I'm still into wildlife management," he said with a grin. "I never did graduate. I worked for Inland Steel for a while, then started recording various folk groups in the area until one day somebody stole all my recording equipment. I started tending bar after that, and, when the old O'Rourke's went bankrupt, I bought the fixtures and opened up this new place in what used to be a Mexican grocery stores."

POSTERS, flags and graffitti ("Britannia Waives The Rules") shout support for the IRA's efforts in Northern Ireland to eliminate British control, but Mr. Kilkeary, whose left wrist is decorated with a multi-colored tattoo of the flag of the Irish Republic, says the tavern's pro-IRA position has not caused him any real trouble.

"Hell," he says, "the British consulate drinks here all the time."

Although brawls are covered under his dram shop insurance, Mr. Kilkeary says he seldom has any problem with his patrons.

"My employes control things pretty well," he said. "The guy who usually works the front door is a furniture mover during the day, and nobody gives him any



grief. This place is also somewhat of a hangout for newspaper reporters, and they are probably the best insurance I have. People are reluctant to start anything around newspaper types who are paid to have good memories and often have cameras."

St. Patrick's Day is traditionally a free-for-all in Chicago, and especially at O'Rourke's. This year, Mr. Kilkeary expects to serve more than 1,000 persons.

"THIS YEAR will really be a madhouse," he said. "St. Patrick's Day just happens to be on a Saturday and also falls on the night of a full moon. People always drink a lot more and are a lot rowdier when there's a full moon. Usually on St. Patrick's Day here there are people lined up down the block waiting to get in. When two people leave, two more come in. Regularly we have four bartenders, but for this year's St. Patrick's Day, we'll have 14 or 15. I would guess that we'll take in about $2,000."

MR. KILKEARY'S employes receive no fringe benefits, as such, but do receive the kindnesses which stem from his philosophy, "If an employer is nice to his employes, they'll be nice to him." If an employe is hurt while working, or cannot work due to some illness or accident, Mr. Kilkeary pays him anyway.

Being the founding father of what has grown into a 24-team Chicago Dart Assn., Mr. Kilkeary's pub has become somewhat of a dart-throwers clubhouse. When the Guinness dark stout and the Tullamore Dew Irish whiskey starts flowing, the darts start flying.

So far, Continental Casualty has not found it necessary to amend its liquor liability coverage to exclude claims resulting from well-oiled Irish dart-tossers with less-than-deadeye aim. ■

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Insurance a problem for Great Lakes shippers

TORONTO—Each year, Great Lakes shipping interests are trying to extend still further the length of the lakes shipping season into frigid winter weather.

And they appear to be making steady progress. For example, a late season record has just been established with the passing through the locks at Sault Ste. Marie, Mi., of a vessel of United States Steel Corp.'s self-insured fleet, a week later than the final vessel movement last year, the first year of a U.S.-sponsored test program. Several years ago, Dec. 15 was considered the normal closing date.

But one fact stands out in these experiments with a longer sailing season on the Great Lakes. High insurance costs are one of the problems that must be solved before Great Lake vessel owners can taken full advantage of a longer sailing season.

It was pointed out that Canadian insurance groups have made significant progress in the last few years in extending normal season rates beyond Dec. 15 and many operators now enjoy this benefit right up to Dec. 31.

BUT A SHARP rise in rates becomes effective after Dec. 31, running at one point as much as five times the normal season rate, but has now been cut back to three times the normal rate.

Norman Hall, vp, Hall Corp. Shipping (1959) Ltd. of Montreal, says, "We now have a special $50,000 ice damage deductible that offsets to some extent any advantage you might have on the premium.' He said his firm would certainly be interested in operating on the lakes after Dec. 31. However, in order to meet the higher insurance cost and deductible risk, the firm would have to boost its rates

Mr. Hall added, 'If we put in a proper ice-strengthened tanker, with the horsepower, I would think we should operate right through January, particularly in the Sarnia area, with any luck at all."

He pointed out that $50,000 is double the normal deductible. "The customer is the one who pays," he said. This is one of the reasons you don't have any big movement by Canadian ships beyond Dec. 31."

THE CANADIAN Transport Minister recently suggested that Canadians develop new ships for ice navigation and Mr. Hall went along with this idea. But while the stronger, more powerful ships work better in the late season, they are also more costly to insure due to their higher value.

Closer knowledge of the risks and needs is required, asserted Alex Copeland, senior underwriter, Marine Office—Appleton & Cox Ltd., Toronto. He said the statistical basis is thin.

The Canadian government has been concerned about high insurance costs in certain areas and seasons, according to John Ballinger, director, in Ottawa, of the operations branch of the Ministry of Transport. He feels that the insurance industry must be pressed to keep up with reduction of risk that follows improvement in navigation aids. ■

labor beat

Union prexy who could retire with $1 million stirring up hot campaign

NEW YORK—A labor union chief, who reportedly will retire soon and take with him nearly $1 million in pension benefits and severance pay, has stirred up a controversy here that may not sit well with his membership and could provide a golden opportunity for dissident members in an election coming up next month.

At the eye of the storm is Joseph Curran, the $85,000-a-year president of the National Maritime Union (NMU). Mr. Curran has indicated that he will not seek re-election in April but will, instead, retire.

The magnitude of the retirement benefits Mr. Curran will take with him, which are reported to be among the largest ever for a union leader, has provoked criticism from dissident seamen who are now preparing to challenge a Curran-endorsed slate in the election scheduled for April 2 thru May 31.

"For a guy to walk off with a million bucks from one of the smallest national unions is obscene," said James M. Morrissey, a long-time critic of Mr. Curran and currently a candidate to take over his job on an anti-administration slate of officers.

THE NMU Officers Pension Plan has reportedly been approved by the Internal Revenue Service as well as the 50,000-member union. However, dissident candidates now pitching for votes among the membership contend that the retirement benefits are excessive for a relatively small union hard hit by the reduced merchant marine. Of the union membership, only 28,000 are now employed on ships.

In his campaign, Mr. Morrissey is demanding abolition of "the $1 million Curran pension-severance pay," and the elimination of what he has termed "raiding" of the NMU treasury by officers. The battle shaping up is reminiscent of the recently-fought United Mine Workers election between W. A. "Tony" Boyle and Arnold R. Miller. Mr. Miller, an insurgent, won that one.

Mr. Morrissey is also critical of a settlement made by the union with William Perry, a former right-hand-man of Mr. Curran's who was discharged in 1969. Mr. Perry departed with a $22,200 lump-sum pension payment and $104,595 in other payments, which, Mr. Curran testified in court, had covered wages, severance pay, vacation pay and "all other monies due him" through Oct. 20, 1974, when his union contract would have run out.

In the up-coming election, Mr. Morrissey is expected to face a Curran-endorsed slate headed by Shannon J. Wall, now secretary-treasurer of the NMU A third candidate is Andy Dinko, an independent. Mr. Dinko has promised, if elected, that he will "abolish all officials' special million-dollar pension funds, will cut top officials' salaries 30% and will reduce the president's salary to $35,000."

MR. CURRAN is 65 years old. He started his career at the age of 16 as a deck hand on a freighter, and, in 1936, founded the union. In years past, he has fought hard to retain control of the union, first against Communists who had sought to control it and, more recently, against dissidents who said they wanted to reform it, supporters claim.

Last month, however, he notified the trustees of the NMU Officers Pension Fund that he intended to retire on March 1. In a letter, he said he had "filled-out forms" and that he assumed his application would be processed promptly "so that I may receive my pension as soon as possible after March 1, 1973."

Although Mr. Curran's precise pension benefit as of March 1 has not been revealed, a earlier calculation made as of November, 1968, and reported to him by the actuaries involved with the fund, noted that his pension would be $3,873 a month ($46,476 a year) for life. The actuaries also noted that the pension plan provided an optional arrangement for survivor benefits and cited two corresponding lump-sum equivalents: $599,700, based on the usual 10-year guarantee of regular pension benefit; or $717,600 if the joint and survivor option is in effect.

According to the by-laws of the officers pension plan: "The board of trustees, in its sole discretion, may make a lump-sum payment of that total of benefits due a participant . . . or may pay such benefits in varying or equal amounts following approval of the participant's application for benefits . . ."

Beyond the pension benefit, Mr. Curran is entitled to one month's salary for each year in office under a severance pay plan that has been approved by the union's membership. His salary for the year ended June 30, 1972, according to information filed with the Office of Labor-Management Reports, was $85,257.50, or $7,179 a month. Using this figure and basing the calculation on 36 years' service, Mr. Curran's severance would come to a little more than $250,000. ■

Safety bill in New York

ALBANY—In a move to improve industrial safety, Gov. Nelson A. Rockefeller has sent a bill to the legislature that would establish the state government through the industrial commissioner as the primary enforcer of industrial and health standards throughout New York.

Gov. Rockefeller said the federal Occupational Safety and Health Act of 1970 gives states the option of setting up their own safety programs or relinquishing the field entirely to the federal government.

New York business and labor, says the governor, have indicated they feel a state-administered program would provide greater protection. ■

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Commission reduction proposal irks life agents

ALBANY—Both the consumer and the life insurance underwriter are targets for a proposed reduction in commissions on individual life insurance policies used in employe benefit plans, according to the New York State Assn. of Life Underwriters. This proposal, the association contends, would, in effect, reduce availability of policies to those who desire them.

Executive vp of the NYSALU, Spencer L. McCarty, speaking at a public hearing conducted by the New York State Insurance Department, claimed that its proposed Regulation No. 65, which was intended to correct "abuses," was inadvertently aimed at the wrong target area—the consumer and life insurance underwriter.

The proposed cut, set at about 50% over a period of 10 years, would be an effective measure of impairing normal insurance business operations, tending to eliminate individual policies from the marketplace and reduce the number of choices the corporate consumer might have to fund employe benefit plans, according to Mr. McCarty.

REFERRING TO the NAIC Code of Ethical Practices with Respect to the Insuring of Benefits of Union-Management Welfare and Pension Plans, Mr. McCarty said that "the cases of abuses which occurred in the insurance area have, with very few exceptions, come about through the activities of persons whose primary business interests are outside the insurance business and who have wrongfully twisted the traditional insurance mehcanisms to their own purposes."

Thus, Mr. McCarty suggested correcting abuses through an "increased effort in their enforcement powers under existing statutes."

Under this proposed revision of commissions, service to the individual worker under employe benefit plans will be lacking personal attention and consideration, he asserted. The usual interview that is held at an annual review of policies would need to be cut, resulting in a lack of understanding on the part of the worker, who would no longer have the availability of the underwriter to explain benefits and their relationship to other personal security programs such as Social Security. The service of death claims would be delayed, and pertinent information concerning paid-up life insurance and deferred annuity provided might not be discussed until years later, after the employe's separation from the employer and his benefit plan.

Mr. McCarty, responding negatively to the lack of personal service, inferred by this proposal suggested another alternative to alleviate the problem at hand. He proposed "a wider and more universal use of individual policies in appropriate employe benefit plans," guaranteeing the long employed worker some assets of a pension/group life plan. Employe plans using individual policies traditionally provide such protection.

The hearing closed with a pledge of respect, support and cooperation by the NYSALU, with a suggestion for the department to use its present statutory authority to correct abuses. ■

Starr elected to board

Bart Starr, former Green Bay Packers quarterback, has been elected a director of Sentry Insurance Corp. Starr succeeds Carl J. Forsberg, former board chairman of Wisconsin Power & Light Co., Madison.

dates for buyers

March 15-16, American Management Assn., "Malpractice—errors & omissions—professional negligence," AMA headquarters, 135 West 50th St., New York, N.Y. 10020.

March 22, Massachusetts Insurance Buyers' Assn., Annual spring conference, Colonial Hilton Inn, Wakefield, Ma. For more information write Galt Grant, insurance manager, Polaroid Corp., 119 Windsor St., Cambridge, Ma. 02139.

March 26-27, American Management Assn., "Natural disaster," New York Hilton Hotel, New York. For more information write AMA headquarters, New York

March 26-28, Property Loss Research Bureau, "37th loss managers conference," Arlington Park Towers, Arlington Heights, Il. For more information write the PLRB, 20 N. Wacker Dr., Chicago, Il. 60606.

April 3-6, The John Liner Letter, second annual Lloyds seminar, Grosvenor House, London, England. For more information contact the John Liner Letter, 60 William St., Wellesley Hills, Ma. 02181.

April 4-6, American Management Assn., "Managing the security of data processing," Hotel Adolphus, Dallas, Tx. For more information write AMA headquarters, New York.

April 8-13, American Society of Insurance Management, annual risk management conference, Regency Hyatt House, Atlanta, Ga. For more information write ASIM headquarters, 500 Fifth Ave., New York, N.Y. 10036.

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Unions to launch attack on pension reform plan

ALBANY, N.Y.—Public employe unions are reported mobilized in an all out campaign to block a movement for major reforms in the New York State pension system.

A comprehensive pension reform plan has been proposed by the state pension commission. Designed to save money, it has the support of major employer organizations throughout the state. But it is frowned upon by public employe unions which have joined hands to organize a campaign to scuttle the reform.

It is reported that the Rockefeller administration is backing the reform move as is State Comptroller Arthur Levitt. Mr. Levitt is custodian of two of the three state retirement funds and serves on the board of the third.

The state pension commission recently recommended that all state and local retirement programs be shut off as of July 1, 1973. The state constitution provides that no benefit once granted can be taken away so present employes are not affected. But state workers hired after July 1 would come under a new single uniform plan with reduced benefits.

AT THIS point it is not known how much the benefits will be cut. The word from the commission is that its new plan offers benefits more generous than most public or private pension setups. But the new benefits would be considerably smaller than the current ones.

The basic retirement age would be 65 with smaller benefits for early retirement.

The unions are said to be against the reforms partly because future union members would lose hard-won benefit improvements. The unions also don't like the idea of removing pensions from the collective bargaining arena, as they have long used retirement benefits as a potent bargaining point.

Also outlawed under the commission plan are special annuities, beyond the pension system, which were won by many unions for their members at the bargaining table.

The commission's plan would reportedly cut the public employer's cost of funding pensions to about 10% from the current 20% to 40% of payroll, compared with the present pension costs of private employers averaging about 5.5% of payroll.

Garment workers take wage hike, not benefits

NEW YORK—Two month talks between the International Ladies Garment Workers Union and five employer groups culminated earlier this month with a contract emphasizing wage increases rather than employe benefits.

Provisions of the contract offer few changes in employe benefits. Older employes were reportedly not as pleased with the agreement as younger workers because the pension plan remained static. Dressmakers at the age of 65, with 20 years of service, are entitled to retirement with a monthly pension of $75.

The new contract entitles workers to a one day holiday on Election Day. All other benefits, such as major medical. Blue Cross-Blue Shield remain the same, with coverage for all garment employes.

Benefiting from this agreement will be 30,000 dressmakers in New York, and an additional 30,000 in Pennsylvania, Massachusetts, Connecticut, Rhode Island, Delaware and Maryland.

Oppenheimer to market variable life insurance

NEW YORK—Oppenheimer & Co. has decided to enter the variable life insurance business. The stock brokerage house's decision came about after the Securities and Exchange Commission ruled to allow insurance companies partial exemption from securities laws in the sale of variable life insurance.

Oppenheimer will offer variable life insurance on an individual basis, although there have been talks concerning future "group plans," according to Donald Spiro, president of Oppenheimer. With variable life insurance, the policyholder is guaranteed fixed death benefits regardless of a possible low stock market position. In the case of a market increase, the insured will gain greater benefits.

The variable life product will be handled independently by broker-dealers, in the same manner as mutual funds.

Mr. Spiro said although the approach to variable life has not yet been determined, it may involve either buying an insurance company, opening up one of its own or negotiating a joint project.

Although the SEC decision is not yet final, there are signs that other major groups may soon be marketing variable life policies.

Allis-Chalmers retirees sue over life benefits

MILWAUKEE—A $25 million class action suit against Allis-Chalmers Corp. has been filed in circuit court here by two former company lawyers who claim the company broke an agreement with retired salaried employes Feb. 1 when it trimmed their free life insurance program.

John H. Schlosser, former senior counsel at Allis-Chalmers, and William E. Brown, former assistant general attorney for the company, stated in their suit that they represented 5,000 retired, nonunion employes affected by the cut. Their suit does not apply to employes under labor contracts, who have separate insurance programs.

Reduction of the company-paid life insurance program has increased the proportion of optional insurance which retired employes now must purchase if they want to keep the same amount of coverage. The two attorneys said in their suit that they had to pay $1 a month per $1,000 worth of coverage for optional insurance.

A letter to retired employes from L. R. Bauer, director of corporate employe relations, was attached to the suit. It said: "A comparison of plans at Allis-Chalmers and other companies . . . showed that our past retirement life insurance benefits were excessive. The costs were substantial."

Aetna establishes new investment subsidiary

HARTFORD—Aetna Capital Management Inc., a new subsidiary of Aetna Life & Casualty, was formed earlier this month for the purpose of acting as a professional money management service for institutional investors.

The company will perform services in the areas of equity portfolio management, fixed income plans for pensions, profit sharing, foundations and endowment

Continued on following page



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Money man predicts strict fiduciary standards for fund management

LOS ANGELES—A money manager here has predicted that fiduciary standards and disclosure similar to those now applying to the mutual fund industry will soon apply to those involved in pension fund management, including corporate executives, trustees, directors and investment advisors.

This year, said Robert Randolph, president and chairman of the board of Chancellor Management Corp., tough new legislation affecting pension funds will be signed into law. The legislation, he further predicted, will carry criminal as well as civil sanctions, and will be strictly enforced by the Securities and Exchange Commission.

"The legislative revolution to be unfolded in the coming 12 months will lead to the most creative changes in the history of pension funds," Mr. Randolph declared. "The massive new rules and guidelines will radically alter the role of the investment manager and the future structure of our securities markets."

IN THE money manager's view, coming legislation will provide that, for the first time, both the federal government and a company's employe could sue for fiduciary misconduct. This, he added, will expose corporations and money managers to a swarm of suits.

Predicting the extent of legislation further, Mr. Randolph said that corporate executives and boards of directors will be required to document their criteria, procedure and selection process in the retention of investment advisers. They will also have to explain how they set investment objectives, ratify security transactions and brokerage allocations and will be held accountable for the actions of the portfolio manager, he said. He also thinks pension plans will have to report current market value at the reporting date, as well as the cost of acquisition of securities.

"This," he said, "will provide participants with useful information concerning the investment performance of a plan and would also create a uniform method of reporting applicable to all plans, thereby permitting comparisons to be made among plans."

Mr. Randolph commented that he also believes the SEC will soon require plans to report securities holdings by issuer as well as cash flow and details of portfolio transactions.

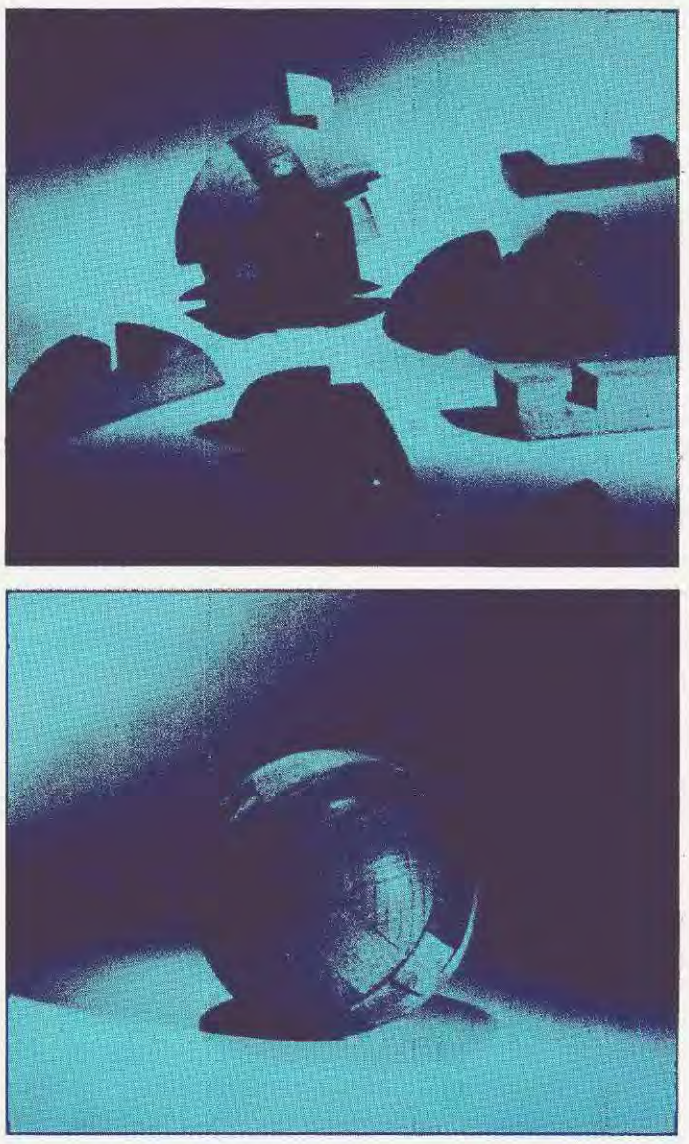
"That data," he said, "would permit some degree of supervision of kinds of investments being made and risks being taken and provide a check on the development of improper investment relationships."

IN ADDITION, noted the money manager, the SEC will likely attempt to separate the trust department activities of commercial banks from the purely commercial banking functions of gathering and lending, while restricting the percentage of aggregate investments by any single bank trustee or institution in any single major corporation. He pointed out that the latter restriction will enable corporations to function without undue influence or control from third-party outside interests.

Noting that the annual cash flow into the private pension system now stands at about $14 billion, Mr. Randolph estimated that, of the $153 billion now in the private pension system, equity products account for about one-half of all pension assets.

Moreover, he said, at least 70% of these assets are controlled by bank trust departments, which in turn account for about 40% of total bank trust assets.

The impact of bank trust departments on the stock market is enormous, he said, pointing to the fact that the trust department of Morgan Guaranty now controls about 16.3% of the common stock of Burlington Industries, 15.9% of Disney Productions, 10.1% of Masonite, 8.7% of Polaroid, 8.2% of Squibb, 8.1% of Avon Products, 5.4% of Xerox and 5.1% of Westinghouse. ■



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Continued from preceding page

funds. In addition to offering these services to institutional buyers, management counseling will be available to private individuals with investable funds of $5 million.

Aetna reported that the new company was established to "compete effectively in money management markets not currently open to the company," such as foundations and college endowment funds. Aetna also has hopes of capitalizing on the profit potential of such a broadened product base.

Shapp asks surcharge for disaster cover plan

HARRISBURG, PA.—Gov. Milton J. Shapp of Pennsylvania has proposed that a surcharge be placed on property insurance policies to fund a national disaster insurance program.

The governor made his proposal at a meeting with the state's 25-member congressional delegation. He said a surcharge of from 3% to 6% would be needed to fund the program and that a 5% surcharge would yield about $1 billion and eliminate the need for disaster relief through existing federal agencies.

He said his proposal was prompted by the devastation in Pennsylvania last year from Tropical Storm Agnes but the national program would not be limited to flood damage. It also would cover earthquakes, tornadoes, insect infestation and other disasters that he did not specify.

Move to boost work comp payments fail

HELENA, MT.—The Montana senate debated proposed changes in its workmen's compensation law but more conservative elements won out as Democrats lost in a bid to boost certain benefits for injured workmen.

Sen. Luke McKeon led the floor fight for increased benefits for workers laid off with total but temporary disabilities. The bill had sparked the greatest debate in a package of measures designed to bring Montana law into compliance with federal legistion.

Sen. William R. Lowe and Sen. S. Archie M. Cochrane, both Republicans, led the eventually successful fight to retain the bill's stipulated payment of about $87 a week for workers temporarily laid off the job because of injury.

EDP expert urges broad, all-risk protection for computer operation

NEW YORK—Protecting a company's electronic data processing systems, both hardware and software, may be a rather complex operation, according to a computer auditing and security specialist, but it's not what you'd call drudgery.

"The subtleties involved are absolutely out of sight," Joseph J. Wasserman, president, Computer Audit Systems Inc., exclaimed. "The number of hazards is almost endless and you just keep learning."

Mr. Wasserman explained that insurance coverage was somewhat difficult to obtain because "insurance companies have shied away from the coverage. The reason, I think, is that there is a high concentration—many machines and a vast amount of information in relatively few locations—these days and the insurers are gun-shy."

REGARDING equipment coverage, Mr. Wasserman advised "umbrella coverage encompassing broad protection." He felt that the coverage should be placed with one insurer to protect against insurance company squabbles that end in the insured waiting an extended period of time for payment. As an example, he pointed up the situation where there is an explosion and the fire insurer and the boiler insurer each contend the other is responsible for the payment.

"If the equipment is leased, try to get written into the lease agreement a statement releasing the user from any liability except in the case of nuclear reaction, reduction or contamination," he said.

He urged risk men to insure their company's computers for replacement value, not original cost, and, if the computer is of a type no longer being manufactured, the coverage should be for "an agreed amount."

"No insurance policy to date will cover the dishonest and criminal acts of employes, such as destroying tapes or other equipment, but negligence can be covered," he emphasized. "If you can't get it especially for EDP, your comprehensive general liability policy can take it in."

THE COVERAGE of EDP media is usually not included in EDP equipment policies without a specific endorsement, he pointed out. "Other types of contents insurance will cover media but only for blank value. This, in my opinion, is one of the greatest services of insurance in this area—it forces the insured to determine the value of its media very closely."

Mr. Wasserman, whose East Orange, N.J.-based firm runs computer security reviews in addition to its audit services, urged all-risk coverage for media as well as equipment and warned that media was subject to the same exclusions as the equipment, such as water damage, flood and windstorm.

"Extra expense insurance," he noted, "assumes complete destruction or that the system will be of no value for a period of time. There are many areas to be considered here, and the risk manager will need help from the chief programmer to get fully covered. The insurance should state the period of time for which extra expenses will be paid and should be in one comprehensive policy."

He also recommended business interruption and errors and omissions coverage. "Errors and omissions is difficult to obtain," he said. "Lloyd's of London is probably the biggest market for it. Once you get it, there is a lengthy list of exclusions, from libel and defamation of character to employe dishonesty.

"The insurance," he continued, "would be prohibitively expensive for, say. a utility company with a large computerized billing operation."

Disaster plans, contingency plans, loss prevention systems and the size of deductibles were among the many factors Mr. Wasserman cited as influencing insurance costs.

AMONG THE hazards, he said, it was a toss-up between fire and natural disaster as to the computer's greatest enemy. "Sabotage gets all the headlines," he noted, "and it is a problem but it's minor compared to others."

Protecting your computers from fire was another problem. "There are many schools of thought on this," Mr. Wasserman commented. "Some people say that Halon corrodes circuitry; CO2 kills people; and there's always water damage. However, there's another group of people who say that you can completely dry a water-soaked computer in 24 to 48 hours."

WHILE HE did not personally advocate any one method of fire protection, he said that a staff of programmers (and anyone else with access to the computer room) who were well trained in modern fire fighting methods would be a definite plus for any company.

In summing up, he did, however, advocate that the problems involved in insuring an EDP operation be throughly understood by the insured.

"Insurance companies have only recently started actively marketing EDP coverage to smaller firms," he noted. "But there are a lot of charlatans running around who would be only too happy to sell coverage that wasn't needed. Being over-insured is as bad as being under-insured." ■



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Insurer, others save sub from scrap heap

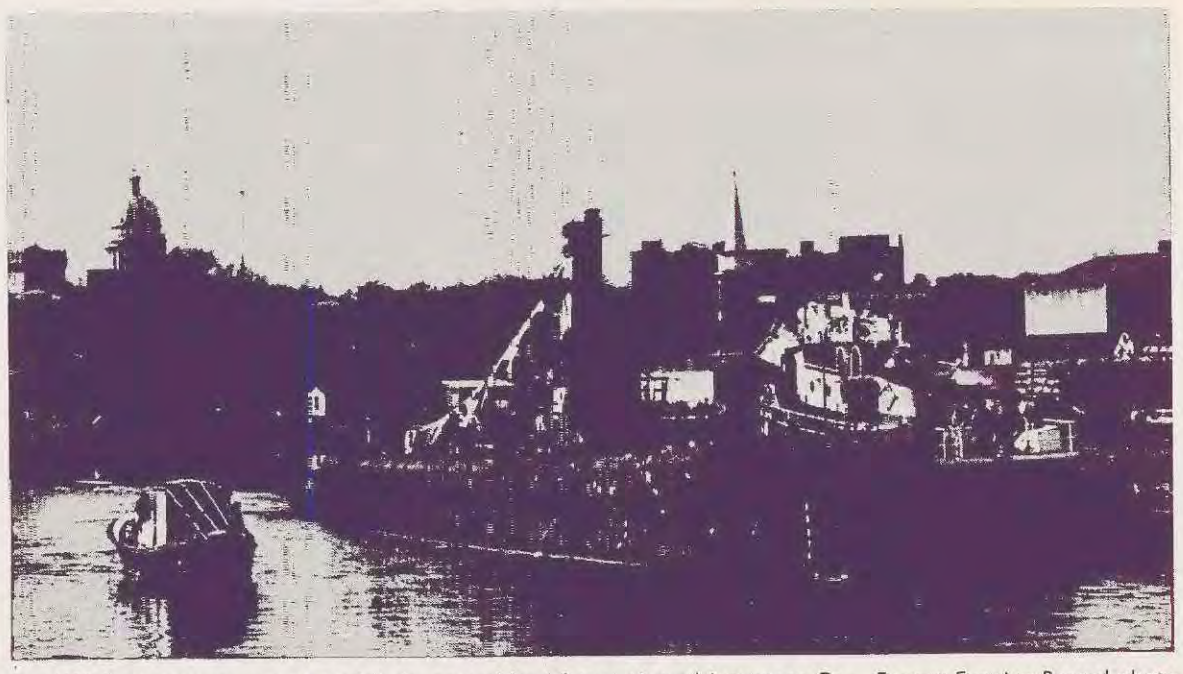
HACKENSACK, N.J.—A somewhat odd group of rescuers—a group of veteran submariners, a newspaper and a private insurance company—teamed up to save a navy submarine from the scrap heap and turn it into a floating memorial to sailors killed in World War II.

The USS Ling, the last high speed submarine of its kind, was towed from its berth in the Brooklyn Navy Yard up the Hackensack River to its final mooring place here. The journey from the yard through the New York and New Jersey harbors to Hackensack was insured by Liberty Mutual Insurance Co., Boston.

The insurer also writes workmen's compensation coverage, a liability policy with a limit of $1 million and a $150,000 fire policy for the Submarine Memorial Assn., the ex-submariners who lease the submarine from the Navy.

The location where the Ling is now moored was made available by the Bergen Evening Record and its publisher, who is leasing the spot to the association for $1 a year.

Besides being a memorial, the submarine will be used as a workshop for boy scouts and other youth groups and will be open to the public. It had been a training ship for Naval reservists for the past 10 years. ■



The USS Ling, now a war memorial, is insured by Liberty Mutual Insurance Co.—Bergen Evening Record photo



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