

# New concepts key Ins Expo 70 program

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# business insurance

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



Twelve Chevron Oil, Co. wells, ablaze for a month before being extinguished early last week, are self-insured for the first \$10 million by the oil company, *Business Insurance* has learned. According to knowledgeable oil insurance sources, Chevron's basic program covers the initial \$10 million of losses by self-insurance, backed up by an excess layer written in London. Chevron would neither confirm nor deny report. Damage caused by the blaze is expected to run in the millions. The platform on which the fire burned out of control was a total loss, about \$1.5 million. Costs of controlling the fire and flow of oil were said to be about \$100,000 a day.

—Wide World photo

## CAB approves airline captive; only two members subscribe

WASHINGTON—The Civil Aeronautics Board's approval of the two airline captive insurance companies, which are intended to help ease the capacity crunch caused by the jumbo jets, was based in part on the belief that "there is a strong interest in the proposal and that necessary participation will be achieved."

Some observers, however, have expressed doubt in recent months that the airlines will support the new captive. Eastern and Trans World are the only present carrier parties to the agreement.

Skeptics say the airlines won't be willing to tie up the necessary large amounts of capital in a venture which probably won't make a return for years. There is an extremely heavy demand by airlines for capital, which has been intensified by the present tight money situation, they point out.

JUST PAYING for the 747s will be a chore, they add, without having to put up part of the capital to insure them.

One of the arguments put forth by the Insurance Co. of North America, which formerly opposed the plan for the captives before the CAB, was that while it would spread the risks among participating carriers, in doing so their

credit standing might be jeopardized.

The CAB rejected this argument, saying that "although the venture is novel and the carriers' commitment substantial, it does not now appear that the carriers' capital contributions relative to their present insurance premiums will be excessive."

The two new insurance companies will be based in Lausanne, Switzerland. They still need the approval of the Swiss government. Air Transport Insurance S. A. will underwrite primary risks; Air Transport Guaranty S. A. will handle excess risks. They will write 40% of the cov-

Continued on page 2

## Late news

### Open probe of UMW pensions

WASHINGTON—Sen. Harrison Williams (D., N. J.) said his labor subcommittee will open hearings tomorrow (March 17) to probe the charge that UMW chief W. A. "Tony" Boyle engineered a 30% increase in monthly pension benefits in an effort to further his reelection campaign against Joseph Yablonski. "As much as I favor adequate, hard-earned benefits for the miners, we must nonetheless closely examine the charge that workers' pensions have been used as a campaign weapon by a candidate," Sen. Williams stated. Earlier story on page 40.

### Claims may arise from pro cage mishap

NEW YORK—Two professional basketball players who were injured when they ran into one of ABC-tv's roaming cameras on the apron of the court at Madison Square Garden here may be filing insurance claims with the television network. According to a source at ABC, the network is completely covered under its general liability policy which is written with Travelers. The two players—Nate Bowman of the N. Y. Knickerbockers and Archie Clark of the Philadelphia 76ers—were injured in separate run-ins with the camera. Neither was believed to have been seriously injured.

## Link Wilson to 'shadowy financial syndicate'

LONDON—Insurance investigators are watching the growth of a network of companies which have begun operating in Europe in extensive business enterprises.

Lists of those concerned include several American businessmen who have figured in questionable insurance activities exposed by *Business Insurance*.

Among individuals linked directly or indirectly with current disclosures are Allen J. Lefferdink, of World Insurance Co., Ltd., who was revealed in *Business Insurance* on Dec. 8 to have left Bermuda for Europe on his yacht, the Sea Wolf. Mr. Lefferdink is reported to be working with the Nueva insurance brokerage firm in Brussels.

Also named are Philip Wilson, of St. Louis, Mo.; Wendell Thompson, of Burbank, Cal., and Richard Brandom, another American whose family is known among U.S. insurance interests.

IN JEFFERSON City, Mo., the Missouri secretary of state's office last month ordered forfeited the charter of Farmers & Merchants Mutual Insurance Co., exposed 15 months ago by *Business Insurance* as a company that flagrantly violated its chartered authority by writing major business risks in places as far away as Ethiopia.

The secretary of state's action followed legislative action taken in response to an editorial in this publication that called for the protection of business and personal insurance buyers from minimutual insurance companies operating outside of their chartered authority.

Developments, which may have spread to Belgium and Germany from London, are being watched by Lloyd's officials with close curiosity, as well as by other people who supervise financial activities.

The disclosures were made by the well-informed busi-

ness section of the Sunday Times, after almost six months research under its financial editor Charles Raw, who found a complex of companies engaged in international banking and insurance operations.

His report speaks of "the affairs of a mysterious and shadowy financial syndicate around the world."

It names Trans-Continental Insurance Casualty Co., of Nassau, Bahamas, as being closely involved.

TRANS-CONTINENTAL Casualty Insurance Co. is reported by U.S. sources to be writing significant amounts of hull insurance on expensive private yachts that ply the Atlantic, a class of business that has been shunned by conventional insurance companies.

Summarised, Mr. Raw's article recalls that about a year ago Trans-Continental Insurance offered to take huge lines of reinsurance business from Lloyd's and other British brokers on terms that were highly attractive.

The business was offered by several people, including Richard Brandom, who was reportedly working for St. Louis insurance broker Philip Wilson.

The total assets of Trans-Continental were put at \$120 million, which led some London brokers to visit Missouri to meet its executives, including at that time Frank Blosser and James Owens.

Mr. Wilson, reported to be an associate of another St. Louis businessman named Axelrod, does underwriting business with Allen Lefferdink's World Insurance Co., and also for some Mid-West insurance companies.

Both Mr. Lefferdink, and Smith ("Jack") Brandom, a relative of Richard Brandom, are known in Britain for their projected interest in some of the cut-price insurance companies in London before these crashed three years ago. (The Sunday Times alleges that Jack Bran-

dom has just been indicted in the U.S. on charges over the Gibraltar Insurance Co.)

*Business Insurance* confirmed that Jack Brandom was indicted on 11 counts of mail fraud in Federal district court in Kansas City on Jan. 29. The company involved—Midwest Mutual Casualty Co., Clayton, Mo.—wrote high-risk auto and fire insurance and, according to postal inspectors, some garage liability coverage.

THE LONDON newspaper article says that some London brokers later decided to do business with Trans-Continental, which in 1969 had Wendell Thompson as chairman and reputed assets of \$300 million.

The report also names the Antwerp Assurance Co., of Belgium, as being in line for a take-over from American Equities Fund, which recently got Lloyd Eisenhower, of Phoenix, Arizona, as president. He is said to have taken on the post from Harold Audsley, Jr., founder of the fund, and son of a Kansas man who was well-known in securities business.

Further business enterprises named in the report are First Liberty Fund, of Bahamas, and North Western Insurance Co., Toronto, Canada, as well as a finance house located in the Channel Islands, of Britain, named the Bank of Sark.

Mr. Raw comments: "Trans-Continental Insurance, and its complex board of financial cousins, continues to engage in ever larger and more ambitious operations around the world, proof apparently against all efforts to get the grips with its true size, ownership, policy or intent."

But mortgage deals in U.S., insurance in Belgium and Tel-Aviv, mutual fund sales in Germany, and reinsurance in Britain are clearly involved.

# Air captive . . .

Continued from page 1  
 erage for participating airlines. The existing insurance market will handle the remaining 60% on a quota share basis.

**EVERYONE SEEMS** to agree that in order for the two new firms to get off the ground they must have full cooperation of a substantial segment of the aviation insurance industry as well as of the airlines.

For one thing, the insurance industry will have to be willing to continue rating and claims settlement work for participating airlines for 60% of their business.

INA, for one, doesn't appear to be especially excited about the plan. It told CAB that while it "would desire to cooperate fully," it "doubts whether it or any other domestic insurer would be able to do so under various state restrictions."

"The record before the board is not adequate to determine whether the various state insurance authorities would permit admitted insurance carriers to cooperate in the proposed arrangement," INA said.

The CAB, however, bought the statement of the supporters of the proposed new firms that preliminary investigation of key U. S. jurisdictions indicates they are consonant with applicable state law.

**INA TOLD THE CAB** it is

working on a plan to provide additional capacity to the aviation insurance market by making resources of the life insurance industry available. Under the INA plan, the aircraft passenger's exposure could be covered by accident insurance, which life companies may write, as well as by liability insurance, which they may not.

The CAB again agreed with the captives' supporters who argued that they are "not intended as an exhaustive solution to the problem of providing airlines with adequate insurance protection at reasonable rates."

"On the contrary, even upon the formation of the two companies, additional capital placed at risk for aviation insurance purposes from new sources would be welcome to meet what will be, over the next few years, steadily increasing hull values and liability settlements."

"We believe," the CAB said, "that with the anticipated increase in insurance requirements over the next few years there should be sufficient demands upon the existing market so as to protect it against adverse economic consequences which might otherwise arise from the carrier proposal."

"Although INA has indicated an interest in and possible participation in the aviation insurance market, its comments do not appear to controvert these observations. Indeed, its entrance into the

field would be welcome," the CAB said.

Meanwhile, an Air Transport Insurance spokesman in New York told *Business Insurance* that while the CAB approval was one of the more formidable obstacles in the insurance pool's path it is by no means the only one.

"**WE STILL HAVE** to get location approval," the spokesman said, noting that the Swiss government has yet to act on a request that the captive be domiciled in that country. It was that very problem which was said to have caused the original delay in start of operation from Jan. 1970 to Jan. 1971. However, the spokesman said, domicile in one of a few other locations (Bermuda has been mentioned) might be acceptable if the Swiss government does not approve.

According to airline sources in New York, the captive has received almost unanimous support from the hundreds of air carriers who had been asked to file declarations of intent by Feb. 1. All members of the Air Transport Assn. (ATA) and International Air Transport Assn. (IATA), as well as supplemental and other certified carriers, were invited to join the insurance pool. The same sources are quick to point out, however, that declarations of intent to join are not binding. "It is more likely for an airline to say they will join and then later withdraw than it is for one to say no at first and then attempt to wiggle in later," a source noted.

Next on the Air Transport Insurance agenda is the notification to the airlines of what their actual costs will be. This is expected to come in July.

"This is when they'll get down to the real nitty gritty," one informed source said the other day. "After all is said and done—after the airlines declare their intentions and after Air Transport Insurance finds a domicile—the basic problem is still one of financing. Theoretically the idea of a captive is great. Practically it may be a different problem," the source said.

**EXPLAINING THAT** he was not talking about the Pan Ams and TWAs in the business, the source said he feels it will be the Easterns, Mohawks, Piedmonts and Alleghenys that may have problems generating enough capi-

tal to "pour into this thing for a period of time without any hope for a return on the investment."

"It's sort of like an airline getting government approval to fly a new route and then finding it hasn't enough planes to fly that route," the source said.

Another problem mentioned is one involving the new 747s joining the jetstream in increasing numbers. They will be included in and covered by the proposed insurance pool.

"If I were Piedmont or Mo-

hawk I'd be damn slow getting into bed with those boys," the source said of the potential loss riding with the giant craft. "Piedmont and Mohawk have nothing to gain and everything to lose. Yet, he added, the captive won't be able to operate efficiently without a good number of Piedmonts and Mohawks. "It all gets back to the whole concept of insurance. What would you rather do: have a thousand member who each pay a buck to absorb \$1,000 loss, or have a hundred members who each pay ten bucks to absorb a \$1,000 loss?"

"**IT'S UNFORTUNATE,**" said, citing the current financial straits the airline industry now finds itself in. "The timing of the thing (captive) is unfortunate."

Waller B. Smith, insurance director of United Air Lines, said that his company "is not buying but we're not saying 'no' to the captive." United's participation Mr. Smith said, depends upon what the captive makes available and, he said, "in this sense we join the Swiss government in being one of the two major obstacles that block the realization of the captive."

Another airline industry source pointed out that some major airlines are now under three-year insurance contracts, which means that it will be some time before a captive operation could have a major share of the market.

## Attorney fee covered in transport bill

WASHINGTON—The Senate has passed by voice vote a bill which would allow businesses and individuals to recover reasonable attorney's fees in cases of successful actions for recovery of damages sustained in transportation of property.

One of the primary purposes of the bill is to assist shippers of grains and fresh fruits and vegetables in collecting their delay claims against "certain eastern railroads . . . that are more interested in forestalling damage claims than in maintaining or improving their present schedules for fruit and vegetable transportation," according to the Senate Commerce Committee report on the bill.

The Interstate Commerce Commission has no power to assist small shippers by settling individual loss and damage claims between shippers and carriers, the report points out. Thus, in the absence of a voluntary settlement, a shipper's only recourse is a civil action which is of little avail to him if his claim is small, because his recovery may be less than his attorney's fees, it continues.

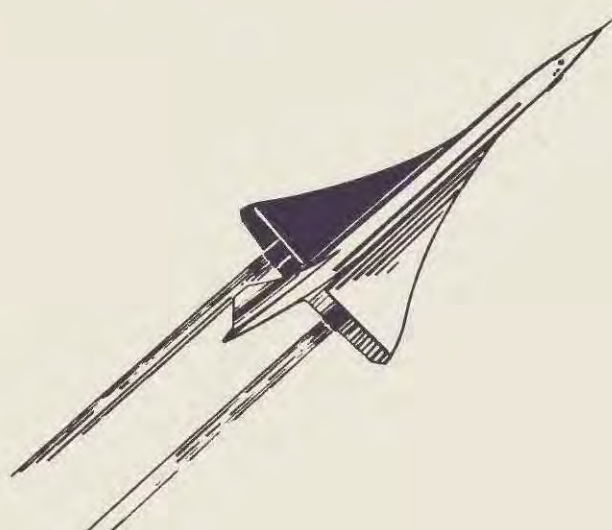
Under the bill, the court may allow a reasonable attorney's fee to the plaintiff after showing that he filed a claim with the carrier against which the action was brought and that that claim was not paid within 90 days.

The House Interstate and Foreign Commerce Committee has scheduled no action on the bill at this time.

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# Contractor sues over falling of glass panes

LITTLE ROCK, Ark.—Until recently walking into the newly-constructed Union National Bank Building, a 21-story structure of glass and steel in Little Rock's downtown business district, could have proven to be a dangerous stroll since glass windows were plunging into the sidewalk.

Pickens-Bond Construction Co. of Little Rock, general contractor of the gleaming building, hurriedly taped the windows on the building's south side and filed a lawsuit in Federal district court to determine the liability for replacing the defective panes of Spandrelite glass.

The suit alleges that responsibility for the defective panes lies with Thomas E. Stanley of Dallas, the architect, Nichols Engineering and Materials Co. of Dallas, and Pittsburgh Plate Glass Industries Inc., of Pittsburgh.

**PICKENS-BOND** alleges that at least 40% of the bank's 2,000 panes of Spandrelite were defective and would have to be replaced.

"PPG, Nichols and Stanley claim they have no legal obligation to replace defective panels and no liability for the damages that have accrued due to the breakage, and that will continue to accrue until all defective panels are replaced," the suit says.

The construction firm said that it had replaced "more than 20 panes of this glass after spontaneous breakage and has caused an additional 36 panes to be ordered to replace other broken and defective panes." The firm said that the panes cost about \$35 each and installation cost exceeds \$35 a pane.

The suit says that Mr. Stanley selected Spandrelite and designed the manner of installation, that Nichols purchased the panes and installed them, and that PPG Industries was the manufacturer.

**THE GLASS**, made of specially tempered opaque glass with a baked-on black finish on the back, is installed between floors of the new building.

"During the course of construction and continuing thereafter to as recently as Dec. 8, these Spandrelite panels have broken spontaneously on numerous occasions, resulting in the expense of replacement and hazard to the safety of persons on the walkways below," the suit says.

Taping the windows began in October after the first pane fell. No injury has been reported due to falling glass.

The suit contends that the breakage is caused by one or two factors, or by both: (1) "Defects in the glass occurring during the manufacturing process whereby it became contaminated with particles of metal and slag that expand and contract with changing atmospheric temperatures, thereby causing the glass to break; (2) damage from the hot metal splatter of welding and burning to which (the glass) was exposed after installation and during the construction of the building."

**PICKENS-BOND** said that Spandrelite glass is "peculiarly susceptible to damage from hot metal splatter." It contends that PPG knew this but that it failed to warn either Nichols or Pickens-Bond so that the glass could have been protected from the splatter or so that another glass could have been selected.

The construction company said that Union National Bank holds the company legally responsible, but that it doesn't see it that way.

Pickens-Bond asked for a ruling that:

- Each defendant is liable to Pickens-Bond for all damages it has sustained and it might sustain in the future by reason of the defective glass.

- Nichols is legally obligated to Pickens-Bond to immediately undertake to repair and replace the defective glass.

The company also alleges that PPG and Nichols have breached warranties, that PPG was negligent in the design and manufacture of the glass, and that Mr. Stanley failed to select the glass with "ordinary care."



Windows have plunged from this bank facade to the sidewalk.

## Suit charges doctor fails to abort baby

SAN FRANCISCO—A baby has sued a doctor here for having been born.

A \$1 million damage suit was filed by attorney Albert E. Levy in superior court against Dr. Richard R. Grattan, charging the doctor with having failed to abort the son of Hannah R. Stills.

The suit asks \$500,000 for the 45-day-old boy, plus support and maintenance from Dr. Grattan until the baby becomes an adult. The mother seeks \$500,000 damages plus medical expenses and wages lost while she is tending the boy, Jessie.

"**THE PLAINTIFF** child," the suit asserts, "should not have been carried to full term and born, for various reasons, all of which will affect the plaintiff child to his detriment in the future."

Dr. Grattan, who acknowledged that Miss Stills had been a patient "a year or so ago," refused to comment on the case without her permission.

The suit alleges Miss Stills became pregnant in May, 1969, applied for and received legal certification for an abortion, which Dr. Grattan "was supposed to have performed" at Children's Hospital on July 8. Miss Stills, the suit declares, did not learn the child had not been aborted until the fetus had developed beyond the point at which an abortion could have occurred without endangering her life.

The suit charges Dr. Grattan with "either lying or being negligent" in the abortion operation.

## View disaster cover

A measure has been introduced in the California state legislature to grant power to the legislature to create a complete system of disaster compensation. Supporting bills introduced in the assembly and senate would direct the state insurance commissioner to study various methods of providing a state-operated system of catastrophe insurance. Another measure would create a state disaster compensation fund under the insurance commission, financed by a real estate transfer tax.

# Insurers should lead in safety, health: Nader

WASHINGTON—The insurance industry should be the "single most important force for safety and health in this country," consumer advocate Ralph Nader told CBS's "Face the Nation" show.

Mr. Nader singled out banking and insurance as areas that should come under "greater public scrutiny." The banks are leading candidates, he said, and called for a thorough investigation of the industry in line with what Rep. Wright Patman (D., Tex.) has been seeking for years. Congress is increasingly proving Rep. Patman right, Mr. Nader said.

The insurance industry requires deep scrutiny, "not just for its abuses in the life and property and auto area, but particularly for its great potential, which is not being fulfilled," he said.

"On paper," he continued, the insurance industry "should have

a vested interest in more safety, safer products, less harmful environments and right across the board a greater degree of safety and health. But, instead, it has decided to increase the premiums to cover growing losses and not pay adequate attention to loss prevention and has become more like an investment trust."

Mr. Nader described this trend as "tragic," but said he thinks "the slight beginning of the insurance company to zero in on the tremendous property damage costs incurred by motorists because of the trivial ornamental bumpers and expensive designs on automobiles is an optimistic sign that they (insurers) are beginning to wake up."

"I think that Dr. Haddon is leading them in that direction as head of the Insurance Institute for Highway Safety," he said. ■

# UL leader says: Must view product safety realistically

NEW YORK—Viewing better product design as the answer to better product safety may be misleading and unrealistic according to H. Baron Whitaker, president of Underwriters' Laboratories Inc., Chicago.

At the Consumer Information Conference, sponsored by Advanced Management Research, in New York Mr. Whitaker said that safe use of a consumer product involves acceptance of responsibility on the part of the user and an awareness of the hazards of improper use. "An assumed risk that consumers frequently take without fully realizing it," he noted, "is the self-servicing and repair of their appliances . . . without any real understanding of the hazards. . . ."

**HE POINTED OUT** that manufacturers do have a responsibility to anticipate "reasonable misuse" of products and an obligation to warn against unsuspected hazards that the consumer may not be accustomed to recognizing. But he added that consumer products safety must be achieved realistically and "in such a way that it does not interfere with the utility of the product, or that it does not appreciably add to the cost of the product as compared with a less safe device." If there is a substantial difference in the cost of two brands of the same item, he said, the consumer is likely to purchase the cheaper, though less safe device.

One definite shortcoming of today's product safety system that Mr. Baron emphasized is the lack of "any method of collection of accident statistics that permits a realistic determination of the cause of product-associated accidents." He maintained that although various Federal agencies have attempted studies, unsound statistical techniques have led to errors in the results.

Hearing the consumer voice has become a problem because the average consumer doesn't have the ability to contribute significantly to the development of technical standards, according to the UL president. "It would appear that the effectiveness of the consumer's voice will be related to his ability to speak through professionally competent groups," he concluded.

If organized consumer groups are genuinely interested in upgrading product safety, he told

the conference, they must add technically-oriented people to their staffs to represent them in standards-making activities. The level of product safety is determined by the concerns of manufacturers, retailers, local authorities, independent laboratories and the courts; a technically-educated voice from the consumer corner, Mr. Baron said, is necessary to achieve a more positive interplay among these groups. ■

## Film junket on 747 had high coverage for press stars

NEW YORK—Members of the press and stars of a new Paramount motion picture that was world premiered aboard a Trans World Airline 747 while enroute from New York to Los Angeles were heavily insured by the film company before boarding the plane, here, *Business Insurance* has learned.

Paramount, which chartered the TWA craft for the unusual junket promoting "The Adventurers," insured members of the press for \$100,000 under individual travel-accident policies, according to sources. Stars of the film, including Ernest Borgnine, Anna Moffo, Bekim Fehmiu (touted as a young, rising Yugoslavian actor) and Lee Taylor-Young, were insured for substantially more than that.

Also among the 206 on board were magazine and newspaper film columnists from throughout the world.

"The Adventurers," based on a novel about a playboy written by Harold Robbins, was filmed in South America, Paris, London and Rome where the chief character wined and dined his women.

TWA, according to a source at the airline, treated the charter flight routinely from an insurance standpoint.

"We decided that our normal limits (\$100 million in liability coverage) would be sufficient," the TWA source said, noting that on any one day of the week it is possible for a TWA 747 flight to have an equal number of "high price" executives on board a flight.

# Container shipper says claims reduced 98%

NEW YORK—A container shipping company has reported a 98% drop in insurance claims for containerized cargo as compared to conventional breakbulk shipping.

The dramatic reduction in claims, which covered cargo damage, pilferage and short delivery, is reported by Michael Northen, executive vp of Associated Container Transportation (USA), and is based on a study of the first nine months of ACT's Europe to Australia container shipping service. Mr. Northen's firm, ACT (USA), is the North American division of London-based ACT Ltd. and is slated to begin a container service to Australia and New Zealand early next year.

For 17 voyages southbound from Europe to Australia, ACT Ltd. carried 100,955 freight tons, with total claims paid amounting to \$914.16, or an average of .9¢ per freight ton, the vp explained. This compares to an average of 43¢ per freight ton during a similar previous period of conventional breakbulk cargo handling and represents the 98% drop. Shipments to Australia varied from delicate glassware and sci-

entific instruments and computers to heavy machinery and components and raw material.

**"THE CLAIMS** that did arise related mainly to minor cargo damage generally as a result of the inexperience of shippers in stowing containers for long sea voyages. Pilferage losses were virtually nonexistent, only \$38.77," Mr. Northen said.

As yet, however, the decrease in claims has not been reflected in insurance premiums paid by ACT(USA). Mr. Northen told *Business Insurance*, explaining that policy renewals come up in three months and he is hopeful of reductions then. "Quite frankly," he said, "I'm not sure we've convinced the underwriters as yet."

ACT at present has three new container vessels; four more are on order. Mr. Northen attributes the dramatic reduction in claims to their design.

"This," he said of the reduction, "probably illustrates the kind of experience you get when you specifically design vessels for containers." They are completely cellularized and slotted for compatible containers. ■



## washington watch

### Federal medical expenses may shift to private health insurance carriers

WASHINGTON—There is a good possibility that private health insurance may soon be picking up the tab for at least \$40 million—and maybe more than double that—worth of medical bills that are being paid annually by the Federal government.

According to a recent general accounting office study, about 21% of the veterans who received care in VA hospitals during fiscal 1969 had some form of private health insurance that could have

been used instead of VA benefits—a fact that has caused a number of eyebrows to be raised in budget-conscious Washington.

President Nixon has said he will seek legislation to require private insurers to reimburse the VA for care it provides to their policyholders. His fiscal 1971 budget estimates that the legislation would save the VA at least \$40 million in the first year. Some observers estimate the saving would be closer to \$100 million.

**BESIDES ITS BUDGET** appeal, the proposal also has attracted support from a number of legislators who claim that widespread use of VA medical facilities by civilians who could use their private insurance instead has led to serious deterioration of the care that is being provided to returning disabled Vietnam war veterans.

One Indiana doctor, in a letter to a leading medical journal, recently decried the amazingly

large number of men in a plant in which he was part-time physician. He said the men were going to a VA hospital for a wide range of disorders in no way connected to their military service.

Because the men were by no means medically indigent, they had no right to VA treatment for non-military disorders, he pointed out. And, to make matters worse, he said, the men were covered by a company insurance plan that would have paid 100% of their medical bills had they been treated privately.

"It is my impression," he said, "if these freeloaders are removed from these hospitals, the VA would find that its budget is more than adequate to give these wounded veterans the fine care they deserve."

**PRESUMABLY**, the VA could act immediately to see that non-qualified persons are not using its medical facilities. But, it will take legislation to require private in-

surance firms to pay a share of the VA's expenses for caring for qualified veterans.

Some legal experts hold that such legislation would be unconstitutional because it would interfere with the rights of parties to a contract.

Most private health insurance contracts contain clauses relieving the insurance company from liability when services have been furnished without charge or have been paid for by a government agency, or where the policyholder has no legal obligation to pay. The right to include such clauses in insurance contracts would appear to be guaranteed.

President Nixon's legislative plan has not yet been sent to Capitol Hill, so it is not yet known how he plans to skirt this constitutionality question.

**THE GAO REPORT**, prepared at the request of Sen. Abraham Ribicoff's (D., Conn.) subcommittee on executive reorganization, states that even if a law were passed banning these so-called exclusion clauses from insurance policies, it would probably have to be accompanied by another law to impose a charge against veterans for services received in VA hospitals.

This, it said, is because of a 1955 U.S. district court decision that held that, since insurance policies insure against expenses actually incurred and since no medical and hospital expenses are incurred by a veteran while being treated in a VA hospital, insurance companies are not liable for payment to the VA.

The report suggested as an alternative that legislation be passed to require that, except in certain instances, a veteran with private health insurance seek care in a private hospital and that the VA pay the necessary expenses of such care that is not covered under the veteran's insurance.

Another legislative alternative, it mentioned, would be to deny admission to VA hospitals to veterans with private health insurance who seek treatment for non-service-connected disabilities.

The VA has already rejected this course of action once because it believed that the denial of eligibility for VA hospitalization to persons having health insurance coverage would cause veterans to not purchase health insurance or to terminate their policies. As a result, it said, veterans' families would suffer.

Furthermore, it continued, under many private health insurance policies, the veteran would have to pay some part of the cost of care in private hospitals. And, many policies provide little or no benefits for certain illnesses, such as tuberculosis and psychiatric disorders.

### Work injuries up 4% in Cal.

SAN FRANCISCO—A year-end report on work injuries in California during 1968 has been issued by the division of labor statistics and research of the state department of industrial relations.

The report indicates the average number of employes at work in industries covered by the California Workmen's Compensation Act rose slightly more than 4% between 1967 and 1968.

Last year workers in the state sustained 204,559 lost time injuries, some 4.5% more than the 195,541 reported in 1967. The job injury rate stood at 30.9 disabling injuries per 1,000 employes, slightly above the record low of 30.8 the prior year.

# If your profits depend on bright ideas, protect them.

A successful company's officers and directors include aggressive idea men. Men who can make important decisions and put bright ideas into action. They function best—and most profitably for your company—when they are protected against personal liability for actions they take on behalf of the company. By properly designed Directors & Officers Liability insurance.

As brokers, J&H has had vast experience in negotiating this coverage for every type of business from banking to manufacturing. And is fully aware of the difficulty often encountered in arranging this protection.

When coverage is devised with thorough understanding of all the risks involved, it is not as difficult to find insurers willing to underwrite. And because we know this field so intimately, our clients will receive outstanding attention when they need it most—when someone attacks their bright-idea men.

Our approach as insurance brokers and employee benefit consultants has one aim—protecting your profits.

# Johnson & Higgins

In major cities in the United States, Canada, around the world, and at 95 Wall Street, New York.

# How Dale Weller made a profit out of just sitting around.

Among many other products, the Alton Box Board Company, based in Alton, Illinois, makes paper forms used for concrete construction.

But these forms might never have been used for anything else—except for one man's idea.

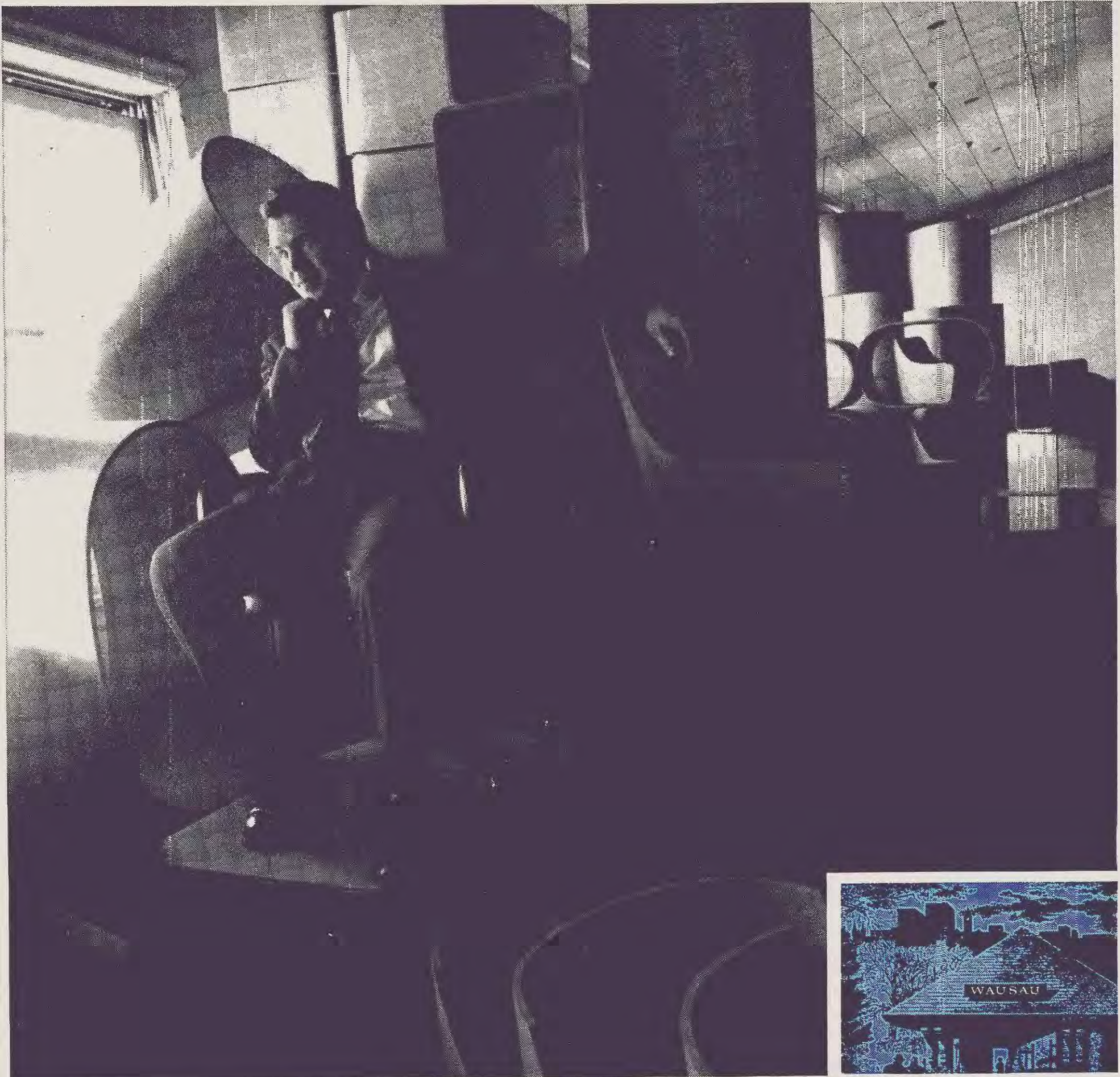
Alton's Dale Weller sort of sat down on a new use.

Zap! It dawned on Dale.

A high-impact resistant, durable paperboard for chair backing! A profitable new product for our policyholder. Just by cutting the forms to a chair pattern.

Adventurous policyholders like Alton Box Board Company are always looking for new ideas, new products.

It takes a creative insurance carrier to keep up with bright people. But then, we think insurance ought to work for a living.



**Employers Insurance of Wausau**



# london line

## Government indemnity covers sonic booms

LONDON—Tests on supersonic aircraft are to be covered by government insurance until the official effects of "sonic booms" are known.

This decision on future flights of the joint Anglo-French Concorde airliner has enabled insurers to exclude sonic damage from their policies as far as British

residents are concerned.

Reaction to the tests, which will interest the American insurance market, will be studied by aviation experts in both Paris and London, who will report to their respective governments on the situation.

**THE BRITISH** government is accepting liability for any damage

on an 800-mile flight path right down the West Coast of Britain where the Concorde will fly at more than 1,300 mph in its test runs until 1973.

Full-scale commercial flights will only be scheduled after the effects of sonic-boom damage are analysed.

Both Lloyd's and the British Insurance Assn. are taking a strong line on the situation by excluding cover against sonic damage from most of their policies, unless special arrangements are made on renewal.

A British Insurance Assn. spokesman told *Business Insurance*; "By the time Concorde goes into commercial operation, insurers may have additional informa-

tion about the nature and extent of the risk to enable them to review the position. At that time insurance cover may become available at an additional premium."

Fragile buildings, such as cathedrals that are hundreds of years old, will be specially watched during the tests so as to supplement information already available from American sources on supersonic flight effects.

**POLICE HAVE** uncovered a big racket in overtime in a British trucking firm that concealed its defiance of safety rules by the use of forged documents.

Drivers have been putting in as many as a hundred hours on the

road every week, although the law says they must do only 10 hours a day at the wheel, with ten hours rest period in every 24 hours.

The firm and its bosses were fined \$125,000 for their offence and had to pay an additional \$75,000 costs to the government's Ministry of Transport to pay for the time spent in detecting the affair, making a total penalty of \$200,000.

Judge Edward Clarke was told the firm had set up a "forgery factory" in the heart of London dockland to produce bogus trucking documents in a bid to baffle the police.

But investigators went through all the firm's records and found it had been grossly overworking its drivers.

Judge Clarke said in his court judgment: "Anyone who had ever seen pictures on television of trucks jack-knifing must realise what happens when drivers become sleepy through working long hours. This case ought to be a warning to all trucking companies that try to evade the laws laid down in Britain for public safety."

**SCOTLAND** Yard is still trying to trace two men who tricked a jeweller out of more than \$25,000 worth of diamonds. They are believed to be international "con men" who used a classic spiel for their crime.

The chance that they will try the same trick in other capitals is naturally being borne in mind. One of them, who gave the name Joseph Zuckerman, had a Guatemalan passport, and is about 60 years old. His accomplice is about 40. Both speak Yiddish.

They booked in at a leading West End hotel, then visited the jeweller's shop in the foyer, where they asked to see diamonds from Hatton Garden.

They left a \$6,000 deposit while they examined the stones. But under the jeweller's eye they switched the gems for a worthless packet of cut-glass stones before he suspected the trick—and the deposit turned out to be a packet of scrap-paper with a dollar-bill at each end.

## Lawyer hits 'conspiracy of silence'

**SEATTLE**—At a joint meeting of the legislative council's judiciary committee and a committee on public health and public assistance, the president of the American Trial Lawyers Assn. denounced a "great conspiracy of silence" between physicians and insurance companies, which he claims exists over making patient medical records available to attorneys in malpractice suits.

Leon Wolfstone told the committee here that present rules prevent a patient's attorney from examining a physician's medical records to determine if a malpractice suit will stand up in court.

Under present rules, to obtain these records, an attorney must initiate a suit to subpoena them. Later, in many cases, it turns out the whole action is without grounds. This is not until after a great deal of time and effort has been expended, he added.

He said if the silence conspiracy were shattered, many doctors would avoid malpractice suits altogether. He asked for new legislation to provide attorneys access to the physician's records without having first to obtain the doctor's or his malpractice insurer's permission.

## Can management control rising construction and building operating costs? Here's one inflation fighter you must not ignore.

These construction statistics show that in 1969 construction costs increased abnormally—faster than most businesses could absorb without a real crimp in profits. These figures also suggest that cost increases on buildings generally protected by automatic sprinklers are far less than increases on buildings usually left unsprinklered. Specifically, changes in sprinklered building costs ranged between -9.0% and +8.1%, while non-sprinklered types increased from +11.7% to +15.6%. See for yourself. Compare your buildings.

**Construction Costs Per Square Foot**  
Based on October 1969 F.W. Dodge Statistics

Classification	Usually Sprinklered or Usually Not Sprinklered	\$ Per Sq. Ft. 1968	\$ Per Sq. Ft. 1969	% Change 1968 vs 1969
Stores & mercantile	Sprinklered	14.41	14.38	-0-
Warehouses (exl. mfr. owned)	Sprinklered	7.02	7.36	+4.8
Office & bank bldgs.	Not Sprinklered	24.17	27.96	+15.6
Commercial garages & service stations	Sprinklered	10.36	10.61	+2.4
Total Commercial	See Above	15.36	17.03	+10.8
Manufacturing Plants	Sprinklered	14.03	12.76	-9.0
Warehouses (mfr. owned)	Sprinklered	8.14	8.80	+8.1
Laboratories (mfr. owned)	Sprinklered	19.66	18.16	-7.7
Total Manufacturing	See Above	13.13	12.22	-7.0
Schools	Not Sprinklered	21.40	23.91	+11.7
Laboratories (not mfr. owned)	Not Sprinklered	34.42	39.00	+13.3
Libraries, museums	Not Sprinklered	31.50	31.07	-1.4
Total Educational	See Above	22.89	25.01	+9.2
Total Hospitals & health	Some Sprinklered	31.01	32.30	+4.1

### These economies are facts. Are they coincidence?

#### 1. Proven construction economies with "Automatic" Sprinklers

Building codes let you cut costs when an "Automatic" Sprinkler system is designed in. Here are some of the ways:

Building codes permit, with *sprinklers*:

- Increased area
- Increased height
- Increased distance to exits
- Less flame-resistant materials
- Lighter roof framing
- Fewer fire walls
- More fire wall openings, and larger ones
- Smaller corridor and exit widths
- Fewer draft stops
- Less fire-stopping

Let the codes help you cut construction dollars. Ask your architect to show you how.

#### 2. Increased rental income with "Automatic" Sprinklers

During recent planning and construction of the new Georgia-Pacific headquarters, a modern 27-story structure in Portland, Oregon, these facts presented themselves: Architects Skidmore, Owings & Merrill found that the cost-saving offsets provided by full automatic sprinkler protection enabled them to install the sprinkler system at no additional cost.

This approach also resulted in *more usable rental space*. The owner's annual gain from additional rental income and insurance savings will be approximately \$50,000, or *two and a half million dollars* over a 50-year building life. Every extra square foot of usable space can mean savings for industrial and commercial businesses alike.

#### 3. Insurance savings and increased coverage with "Automatic" Sprinklers.

A leading manufacturer in Mansfield, Ohio recently reduced its insurance premiums by 80% by installing an "Automatic" sprinkler system. (Insurance savings such as this are not uncommon and generally range between 40% to 90%.) More important, this manufacturer was able to apply a portion of these savings toward much needed additional insurance coverage.

They are now fully protected against loss because of fire and lack of sufficient insurance coverage.

**Obtain this "Inflation Fighter" file.** Are these unusual situations? Or can you save this kind of money?

Our "Inflation Fighter" file will help you fight high building costs. Send for it.

**The Code Book** details the many permissive clauses of building codes to allow greater design flexibility and make your dollars stretch farther.

**Construction Cost Statistics** allow you to completely analyze sprinklered and non-sprinklered building costs.

**Georgia-Pacific Building** is a reprint from *Fire Journal* detailing the cost savings, insurance savings, and increased rental income achieved with sprinklers.

**The High Cost of Burning** is a detailed booklet about leasing, insurance savings, other financial facts and figures.

Send for a file. And copies for your architect, your treasurer, your president, your plant manager, and everyone else who must protect investments, expenses, and lives. Send your request to: Richard L. Pardee, Manager of Marketing Services, "Automatic" Sprinkler Corporation, Dept. AB, PO Box 180, Cleveland, Ohio 44141.



**"Automatic" Sprinkler**  
CORPORATION OF AMERICA  
A Division of A-T-O Inc.



# “Hello, Front Desk? You’ve given me the keys to the wrong wife.”

A myopic desk clerk hands Staff Sergeant Andrews the keys to Master Sergeant Andrews’ room. The staff sergeant walks in on the master sergeant’s wife.

Enter the master sergeant. Exit everybody’s cool.

Except maybe yours, gentle reader. Because it’s not your hotel. And it’s not your wife.

It’s only your insurance company.

But if the company that insures you is the kind of company that always bails out its policyholders with money, you don’t even have an insurance company. All you’ve really got is a policy. A very expensive policy. Because somebody (meaning everybody) has to pay for all those paid-up claims.

Consolidated thinks you deserve more than placated claimants to show for all those premiums.

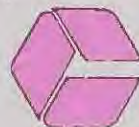
Consolidated thinks you deserve a genuine, loss-preventing, claims-investigating insurance company. A company that knows when and how to use its ingenuity and when and how to use its money.

As in the case of Andrews vs. Andrews, when a Consolidated claims man bargained on the theory that true love could even avert a possible invasion of privacy suit.

In the hotel when the comedy of errors occurred, he settled the fracas on the spot by scouting down Staff Sergeant Andrews’ young bride and bringing her to the elder Andrews’ room.

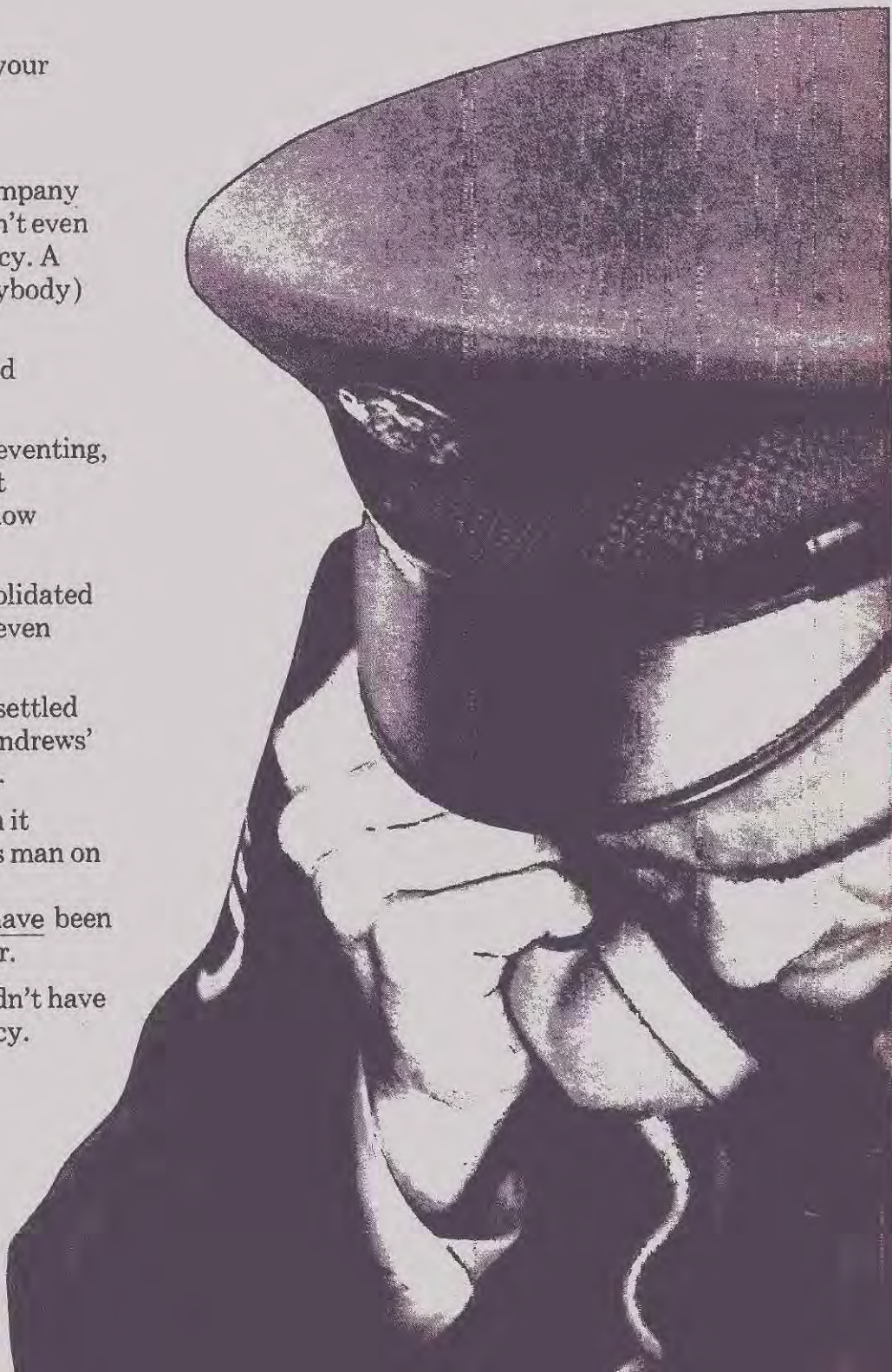
Not that all potential claimants are push-overs when it comes to honeymooners. Not that there’s always a claims man on the scene to save the day. But in the absence of either, Consolidated’s omnipresent loss prevention engineers have been known to send more than one desk clerk to the eye doctor.

Something to think about if your agent or broker didn’t have the foresight to find you a company instead of just a policy.



**Consolidated Insurance Companies**  
345 Adams Street, Brooklyn, New York

**When you need a company.  
Not just a policy.**



# School vandalism cost '67-'68: \$6.5 million

WASHINGTON—Thirty-six school systems participating in a vandalism survey conducted by the Baltimore public school system reported a \$6.5 million vandalism and arson loss for the 1967-68 school year.

The survey, released by a U.S. Senate juvenile delinquency subcommittee, was dubbed by a Senate aide as "one of the firmest indications we have had that the problems of school vandalism and violence are getting out of hand."

In the year studied, New York City schools paid \$1.21 million to replace 243,652 broken windows. The New York system reported 2,757 school larcenies at a cost of \$1.22 million and 196 school fires, blamed on arson, causing \$278,585 in damage.

Other cities reporting incidents of vandalism and their costs were: Los Angeles, 5,133 incidents costing \$940,124; Baltimore 747 and \$716,612; Milwaukee, 11,060 and \$406,699; Washington, 43,728 and \$410,463; and Newark, 27,457 and \$346,391.

**THE NATIONAL** survey indicated that some of the largest school systems are now using barbed wire, floodlights, police dogs, heavy iron grilles, plastic windows and an array of alarms and electronic surveillance systems to decrease losses. Orlando F. Furro, an assistant Baltimore school superintendent and head of his system's research and development office, said the study is being updated.

## Fleets in N.J. not changed by increase

TRENTON, N. J.—Commercial auto, truck and fleet coverages will not be affected by the recent huge increases granted motor vehicle insurers doing business in this state, according to industry spokesmen.

The increase, more than double the biggest one ever granted to the industry, will ultimately affect every private passenger car owner in the state. It took effect Feb. 23 on all new policies. Existing renewals will be affected Apr. 1.

The increases, which came less than a month after William T. Cahill took the governor's chair and appointed Robert L. Clifford the new commissioner of banking and insurance.

# Actuarial consultants formed by CNA group

CHICAGO—CNA Financial Corp. has formed a wholly owned actuarial consulting service. The subsidiary, CNA Actuarial Consultants Inc., will be completely independent of the holding company's insurance operations.

A CNA spokesman told *Business Insurance*, "We will be aiming at medium- and large-sized corporations, although we will certainly work for the smaller corporation that prefers to have an actuarially planned program. As a rule, though, the company with a smaller number of people in its pension or profit-sharing plan prefers to use an off-the-shelf package."

CNA Actuarial will work both with companies that are develop-

ing their first plans and those that are updating their existing programs. "Modifications of present plans may be a very important part of our business," the CNA source said.

**"WE EXPECT** that people will come to us because we have competent operation," he continued, "since CNA Actuarial will not be used as a vehicle to tie in with our insurance operations."

"We really see the prime market as the corporate treasurers and financial vps," he said. "They are the ones who make the key pension and profit-sharing decisions. But we will also work with the fund managers and benefit executives involved."

President of the new consulting firm is Loren G. Logan, a veteran of actuarial work with Continental Assurance Co., major life insurance subsidiary of CNA Financial.

## Park sues carriers for \$2 million

SAN FRANCISCO—Refusal of insurers to pay for loss of the scenic Glacier Point hotel and restaurant in a fire last July has resulted in a \$2 million law suit filed in superior court here.

Yosemite National Park and Curry Co. charged in the suit that 22 property-liability insurance companies shared in coverage of the Yosemite Park properties, through a policy arranged by Marsh & McLennan Inc. here.

Attorneys contend that failure to receive \$1,058,000 allegedly due under the insurance policies has stalled replacement of the hotel. The suit asks that the court compel the insurance firms to pay \$93,533 for snow damage to the hotel last February, as well as \$620,244 for destruction by the July 9 fire and an additional \$334,323 to complete estimated replacement costs.

**THE SUIT** also contends the company will lose \$200,000 in profits it would normally obtain from the hotel and restaurant each year and asks the court to award it compensation for losses caused by the delay of the insurance firms in paying the claims. Finally, the company also is asking for \$1 million of "exemplary" damages.

Attorney John Sparks, who filed the suit, said the insurance adjusters had claimed value of the hotel was lower than the owners had estimated.

He added that "the insurance companies have used this as a pretext not to pay the claim and also to rescind the policies, which expired last September."

## FAIR plan 1% of market

LOS ANGELES—California's FAIR Plan Assn., in its first 15.5 months, has written 20,298 fire policies for buyers who could not get insurance through normal channels.

Edgar L. Kale, chairman of the FAIR governing committee, said the normal market "takes care of well over 99% of the property insurance needs of California." Only 421 applicants were rejected because their risks proved uninsurable.

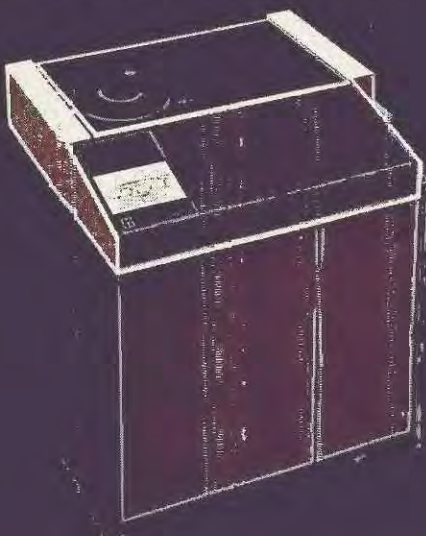
# REMARKABLE

The Litton 9209 Tape-to-Tape Converter allows you to store more than 300 MTST/MTSC cartridges on one reel of computer magnetic tape. This in itself makes the 9209 remarkable. And there's more.

The 9209 is the only stand alone system with automatic search and retrieval abilities. It's easy to use. And all controls are interlocked to prevent data destruction by operator error.

These are just a few of many capabilities of the 9209. All were designed to save you time, space and money. Truly remarkable.

Contact Marketing, 1001 West Maude Avenue, Sunnyvale, California 94086. Phone (408) 245-0795.



MELLONICS SYSTEMS DEVELOPMENT DIVISION  
LITTON INDUSTRIES



# financial briefs

**CONSOLIDATED** net income per common share in 1969 was \$5.22 as compared to \$5.15 in 1968, reported Lincoln National Corp., Fort Wayne, Ind.

The reported consolidated net income on 1969 operations was \$57.47 million. New sales of ordinary life insurance, direct and reinsurance, were \$2.92 billion, and new group life insurance sales amounted to \$815 million in 1969. Consolidated assets of the firm were \$2.87 billion.

Principal members of the Lincoln National Corp. are: the Lincoln National Life Insurance Co., Fort Wayne, Ind.; American States Insurance Cos., Indianapolis, Ind.; Dominion Life Assurance Co., Waterloo, Ontario; Chicago Title and Trust Co., Chicago, Ill., and its affiliates.

**COMBINED ASSETS** of the 10 property and casualty companies of the Kemper Insurance Group, Chicago, Ill., totaled \$877.18 million, an increase of \$63.28 million in 1969. Net premiums written increased by 17.3%. Net earnings after taxes and payment of \$21.13 million in dividends to policyholders totaled \$10.61 million in 1969.

Life insurance sales totaled \$195.91 million face value for the three life companies.

**JOHN HANCOCK** Mutual Life Insurance Co., Boston, Mass., reported assets increased 4% in 1969 valued at \$9.7 billion. Premium and investment income totaled \$1.8 billion, an 8% gain for the year.

Total investment income for 1969 was \$447 million. Group insurance sales equaled more than \$2 billion and group life in force was \$25.8 billion at year-end. New pension premium sales totaled \$121 million for 1969.

**THE REPORTED** combined sales of individual and group life for Phoenix Mutual Life Insurance Co., Hartford, Conn., totaled \$828.82 million in 1969.

The firm's group operation recorded \$387.67 million sales.

**IT HAS BEEN** agreed in principle by the respective managements for the sale of all of the shares of Intercoast Life Insurance Co., Sacramento, Cal., a legal reserve life insurance company, to Richmond Corp., Richmond, Va., for \$6.69 million in cash, pending approval of the directors and stockholders and the California insurance commissioner.

Richmond Corp. is the parent firm of the Life Insurance Co. of Virginia, Lawyers Title Insurance Corp., and others. Richmond will operate Intercoast as a wholly-owned subsidiary.

**EQUITY** Educators Assurance Co. has been formed from the merger of Great Heritage Life Insurance Co., St. Louis, Mo., with Educator's Life Insurance Co., Denver, Col., and will operate in Missouri and nine Western States.

Equity Educators specializes in educator, student, and graduate student life insurance programs, and provides mass-marketed, group-purchase ordinary programs for medium-sized and small businesses.

**THE REPORTED** 1969 sales of Northwestern Mutual Life Insurance Co., Milwaukee, Wis., totaled \$2.01 billion, a 10% increase over the 1968 total.

**TOTAL NET** income on a statutory basis for 1969 reached \$46.9 million, \$2.16 a share, for Hartford Fire Insurance Co., Hartford, Conn. Net investment income, excluding capital gains equaled \$65.5 million, a 11.2% increase over 1968.

**NET STATUTORY** gain from operations in 1969 totaled \$21 million reported Royal Globe Insurance Cos., New York. An underwriting loss of \$9.5 million was reported. Investment income reached \$30.5 million from \$25.3 million the previous year.

**EARNINGS** for 1969 of \$2.7 million, 78¢ per share, were up from \$1.7 million, 49¢ per share in 1968 reported Georgia Interna-

tional Corp., Atlanta, Ga. Included in the 1969 total were extraordinary income items amounting to \$539,221, primarily from the sale of Great International Life Insurance Co., New York, a subsidiary.

**IT HAS BEEN** agreed in principle for Union Mutual Life Insurance Co., Portland, Me., to rehabilitate the insolvent Hamilton Life Insurance Co., New York, and to acquire a 90% interest in the insurer. The plan is subject to the approval by the state agency and the New York state supreme court.

**A NET INCOME** rise of 23% in 1969, \$26.2 million, up from \$21.3 million was reported by Combined Insurance Co. of America, Chicago, Ill. Investment income was reported at \$7.6 million and premium income equaled \$183.5 million.

**OHIO CASUALTY** Insurance Cos., Hamilton, O., reported a 1969 net operating gain, including capital gains and net investment income, of \$8.2 million, \$1.38 per share, down from \$8.6 million in 1968.

**NET GAINS** from operations in 1969 reached \$2.9 million, 53¢ per share, reported Kentucky Central Life Insurance Co., Louisville, Ky. Net investment income totaled \$8.8 million.

**ADJUSTED** earnings for 1969 for Indiana Insurance Co., Indianapolis, Ind., were \$1.5 million, \$2.49 per share, over the reported \$1.4 million, \$2.36 per share, recorded in 1968. Statutory earnings fell from \$4.21 the previous year to \$2.11 per share in 1969.

**NET GAIN FROM** operations in 1969 were \$20.5 million, down from \$22.1 million reported in

1968 by the Franklin Life Insurance Co., Springfield, Ill. Net investment income was up from \$47.7 million earned in 1968 to \$52.3 million.

**A QUARTERLY** dividend of 25¢ per share on outstanding common stock to stockholders of record Feb. 10, 1970, has been declared by Marlennan Corp., the parent firm of Marsh & McLennan Inc.

**THE REPORTED** 1969 net income of the Continental Corp., New York, totaled \$59.9 million, \$2.81 per share, after taxes and preferred dividends. Revenues were reported at \$1.3 billion.

The Continental Corp. was established in 1969 as the holding company of The Continental Insurance Cos.

The firm made a tender offer for the stock of Franklin Life. ■



## Teamwork makes the difference in business insurance

Putting the right package of business coverages together for your company can be a complex assignment.

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That's why, behind each of our representatives there's a team of experts—underwriters, safety counselors, claims specialists and others—who work together to develop the policy or package of policies that will provide the protection your business needs. No more. No less. At the lowest possible cost.

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# MORSE Signal Devices

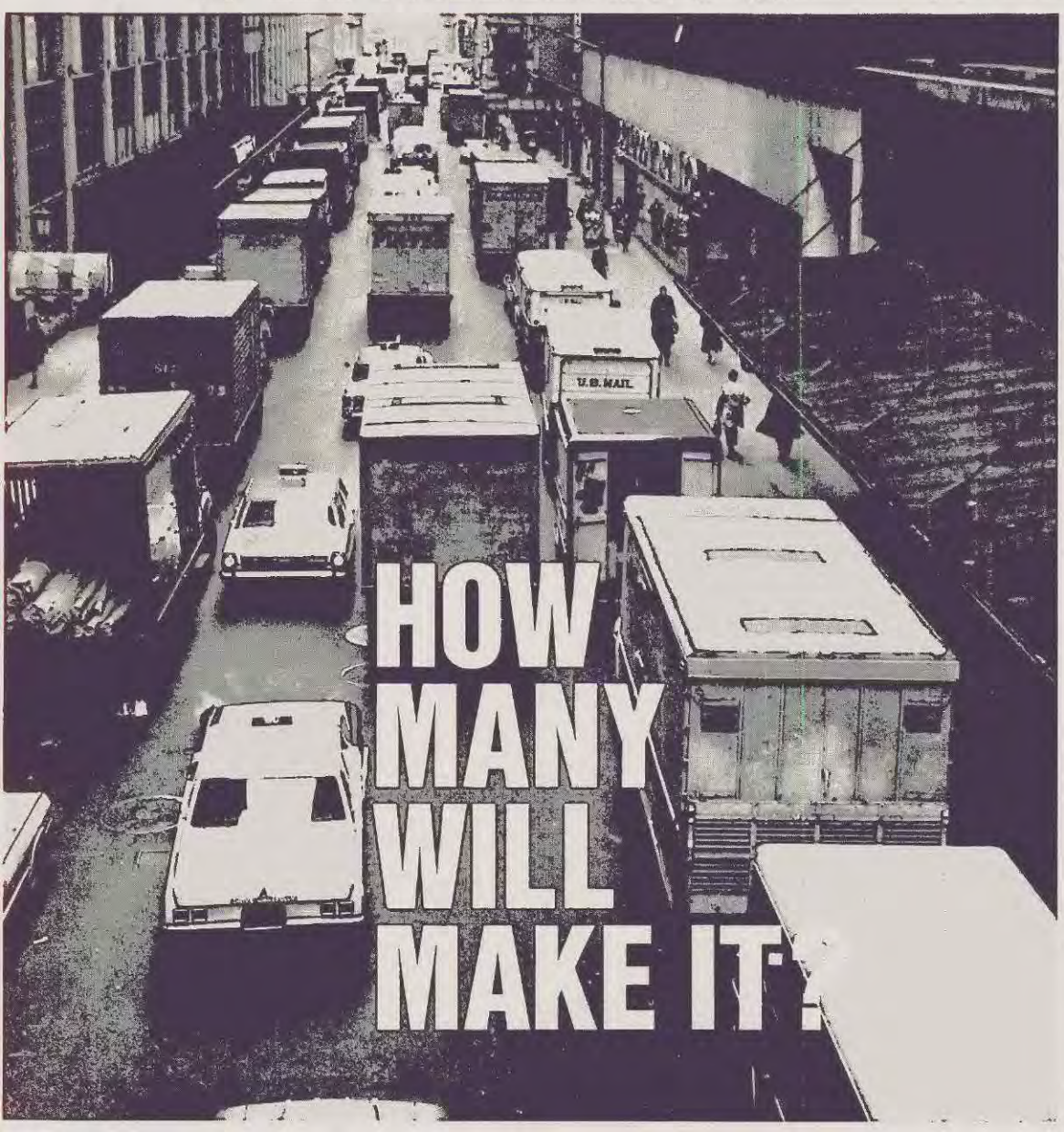
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Some of these commercial vehicles are headed for destruction. Perhaps, this very day! The pity of it is that many an accident needn't have happened.

### FEWER ACCIDENTS MEAN LESS COST OF INSURANCE

Insuring motor fleets has been a major function of Pacific Indemnity for nearly a half century. Our department of skilled safety engineers keeps PI insured vehicles out of dent/damage/destruction trouble.

Pacific Indemnity engineers make a complete inspection of all vehicles and check drivers as to experience and training. They meet with fleet owners and supervisors, and assist in setting up a safety program and organizing a safety committee to make periodic inspections and to review all accidents in which the insured vehicles were involved. Instruction in defensive driving is also a vital PI aid toward avoiding accidents.

HOW TO "MAKE IT" SAFELY...



## PACIFIC INDEMNITY GROUP MULTIPLE LINES

Pacific Indemnity Company • Texas Pacific Indemnity Company • Northwestern Pacific Indemnity Company

Affiliated with FEDERAL INSURANCE COMPANY through THE CHUBB CORPORATION

AUSTIN, ATLANTA, DALLAS, FORT WORTH, HOUSTON, KANSAS CITY, LOS ANGELES, OAKLAND, PORTLAND, ST. LOUIS, ST. PETERSBURG, SAN FRANCISCO, SEATTLE, SPOKANE

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

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

• A new line of safety self-ejecting keys has been introduced by Miracle Instrument Co., 1569 Third Ave., New York, N. Y. 10028. A patented spring-loaded, ejection device prevents 'flying key' injuries caused by chuck keys accidentally left in power and machine tools when the units are activated. Information on the keys, which range in price from \$2 to \$5.95, is available from the manufacturer.

• **What Every Lawyer and Accountant Should Know About Business Life Insurance** is a 24 page booklet offered for 10¢ from Provident Mutual Life Insurance Company, P. O. Box 7379, Philadelphia, Pa. 19101. The booklet covers estate valuation problems, long periods of litigation, conflicting interests, permissible investments, defective agreements, the value of keyman insurance, life underwriters and trust officers, and many other interesting categories. The booklet can be obtained by writing the company.

• Johnson & Higgins has released an illustrated brochure entitled **People Keep Asking Us . . .** describing how they work with clients in planning and coordinating employe benefits. It is available free by writing the firm at 63 Wall St., New York, N. Y. 10005.

• **Fire Escape for Office Workers** is an educational folder published by the National Fire Protection Assn. Emphasis is on knowing areas of refuge and exit in the building and case histories stress the need to avoid panic. Copies are \$2.50 per 100 and \$20 per 1,000 from the NFPA Publications Service Dept., 60 Battery-march St., Boston, Mass. 02110.

• Grayarc Co. Inc. offers information on its pressure-sensitive **Packing List and Invoice-enclosed Envelopes**. The water-proof, polyethylene envelopes come in fluorescent red and samples are available by writing the firm at 882 Third Ave., Brooklyn, N. Y. 11232; Dept. 12L-A.

• A 28-page text, **Standard for Type Designations, Areas of Use, Maintenance and Operation of Powered Industrial Trucks** (NFPA No. 505), is available for 75¢ from the National Fire Protection Assn., at 60 Battery-march St., Boston, Mass. 02110. Recommendations on the use of industrial trucks powered by LP-Gas have been clarified to give basic guidelines for safety while filling, storing, removing and handling the fuel containers. The current text was adopted at the 1969 NFPA annual meeting.

• A free sample of **Employee Benefits Check** is available by writing V. W. Eimicke Associates Inc., 15 Park Pl., Bronxville, N. Y. 10708. The form is non-negotiable and is printed on special safety check paper so that each employe can see, in dollars and cents, just how much the company has spent on him over and above his regular pay.

• A 70 page illustrated book covering safety precautions to be taken during hurricanes, tornadoes, earthquakes, floods, storms, nuclear attack, civil riots, and even what to do if your airplane

• **Life Insurance Price Measurement** is a 22 page booklet written by Joseph M. Belth, a professor of insurance at Indiana University. The booklet is divided into four sections: Section I describes the level-price method; Section II describes the benefits-premiums method; Section III compares selected data from 15 major companies gathered in 1968-69; and Section IV contains the author's conclusions. The booklet is available for \$1 from the Bureau of Business Research, Indiana University, Bloomington, Ind. 47401.

• How much life insurance do you need? Bankers Security Life Insurance Society, 1701 Pennsylvania Avenue, N. W., Washington, D.C. 20006, offers a computerized Family Financial Planner questionnaire service. The answers are fed to a computer and a print-out showing how much insurance is needed in response to the questionnaire is returned to the reader. Copies of the brochure may be obtained free of cost from the Agency Department of the firm.

• Advanced Devices Laboratory, Inc., has prepared a brochure on its Microwave Intruder Detector, a one-piece, solid-state microwave radio transmitter and receiver. The brochure compares this type of system with other detection systems and carries a few installation diagrams for department stores, banks, etc. For the brochure write the firm to the attention of Charles Handley, 316 Mathew Street, Santa Clara, Cal. 95050.

• The Mine Safety Appliances Co., Pittsburgh, has developed a plastic bump cap that has been successfully tested by employes of Continental Airlines and is endorsed by that company's director of safety. A suspension between the cap and the head allows cool air to circulate and the items can easily be color coded for quick identification of employes. More information is available by writing David R. Drobis, Mine Safety Appliances Co., c/o Ketchum, MacLeod & Grove Inc., Four Gateway Ctr., Pittsburgh, Pa., 15222.

• Electric Wastebasket Corp., 145 West 45th St., New York, New York 10036, has released a revised 8-page folder **Record Retention Timetable**. The folder opens into a chart which lists the government authorities and the specified time the law demands for the retention of over 165 office records. The folder also includes information covering the legal disposal of important records. The folder is available free when requested on business letterhead from the company.

# The ocean: A booming insurance market

NEW YORK—James Dawson is a pioneering Lloyd's man who sees the insurance industry's new frontier waiting at the bottom of the sea like buried treasure, and he's just the man to go down and get it.

As managing director of Ocean Industry Insurers Ltd., the only brokerage in the world placing coverage for underwater projects, Mr. Dawson has insured 12 submersibles in the last year and he feels that by 1975 the ocean will provide a booming insurance mar-

ket.

"The lack of understanding between insurance men and oceanographers has been the main block to the development of this market," Mr. Dawson told *Business Insurance*. "They just aren't aware of each others problems. But we're breaking through that barrier. We're bringing them together."

MR. DAWSON is a perfect bridge between the two worlds. He comes from a family of Canadian pioneers in the fields of ge-

ology, education and oceanography and is a member of the Marine Technological Society. Also, he has been with Lloyd's since 1942. He is able to talk risks to the scientists and deep sea exploration to the underwriters, and he has the enthusiasm for adventure that moves them both into action.

"I believe in taking a gamble," he said. "You have to in order to get things going, and in oceanography there's so much to explore. The opportunities are limitless."

Mr. Dawson has insured underwater equipment for iceberg study in Greenland's waters, dredging for beach improvements off the Florida coast, fish farming in Japan, mining operations, and observation submersibles for research of deep sea life and conditions. In addition to supplying food, he feels that eventually the sea could be used for storage.

"Apples and soup have been found in wrecks and even after being on the ocean floor for sev-

*Continued on page 16*

is hijacked, is available for \$1.25 per copy, including postage and handling. Lower prices are offered when ordering in quantity. **Timely Tips When Disaster Strikes** also includes matters of insurance coverage against disaster, and insurance procedures thereafter and deals with proper medical preparation for prolonged emergencies. Copies can be ordered from Howard Warren Publishers, P. O. Box 6112, Cherry Creek Station, Denver, Colo. 80206.

• **Supervisory Responsibility For Safety** is an 8 page booklet offered by the U. S. Printing Office for 10¢. The booklet offers hints on how the supervisor can maintain safe work conditions and promote safe work methods. For a copy write the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

• **Standard for the Installation of Gas Appliances and Gas Piping** (NFPA No. 54) clarifies physical damage from which such installations must be protected. Copies of the 152-page document are \$1.25 from the National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110.

• Information on the nationwide facsimile network operated by the Transceiver Corp. of America is now available. This network makes it possible for insurance executives to send or receive policy or claims documentation or any printed, written, drawn, typed or photographed material to or from major cities of the United States in minutes. For further information write Charles A. Morrison, The Biddle Co., Bloomington, Ill. 61701.

• An illustrated brochure from Willson Products Div., ESB Inc., describes **Air-supplied Respirators** used in a wide range of industrial environments as a non-emergency device to combat the long-range cumulative effects of dusts, vapors and mists. For more information, write: Merchandising Mgr., Willson Products Div., ESB Inc., P.O. Box 622, Reading, Pa. 19603.

• Materials explaining International Benefits Information Service offered by Charles D. Spencer & Associates Inc., is free by writing the firm at 222 W. Adams St., Chicago, Ill. 60606. A monthly briefing service is also available.

• **What Everyone Should Know about Mutual Funds** is a new booklet from Fund Aids Inc. that explains what mutual funds are and how they operate in easy-to-understand terms. Types of funds, withdrawal plans and legal obligations are among the subjects discussed. The color-illustrated booklet is available from the corporation for 50¢ by contacting them at 1007 Fifth Ave., San Diego, Cal. 92101. Quantity discount prices can be obtained.

• The Arrowhead **Panoramic Surveillance Camera** and processing system have been designed for photographic surveillance of banks and other locations where security is critical. The camera may be set for stationary photography or for a sweep of up to 180°. The remote control unit features exposure interval selector, scan indicator, film footage and battery voltage indicators. For further information write John Galley, Arrowhead Enterprises Inc., Diamond Ave., Bethel, Conn., 06801.

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# eye24

# The ocean . . .

Continued from page 15  
 eral months, the food is perfectly edible," Mr. Dawson said. "I think research into this area could lead to the development of storage operations under the sea."

**HE EXPLAINED** that the average submersible, or underwater craft, costs about \$8 million. Some are manned, some just contain equipment and with the proper handling and know-how behind these projects, all are presumably safe.

He said that one danger is implosion caused by outside equip-

## Bay banks recover from carriers

SAN FRANCISCO—A number of insurance companies for banks have agreed to a \$255,000 settlement with the Assn. of Bay Area Governments covering a huge embezzlement by ABAG's former executive assistant Thomas Truax.

The organization will recover at least 80% of the \$511,000 theft for which Mr. Truax is now serving two to 20 years in state prison.

The insurance companies provided policies for the banks in which Mr. Truax had secret accounts where he deposited Federal checks destined for the regional ABAG.

**COMBINED** with recoveries from its bonding company of \$60,000; some \$30,000 from liens on Mr. Truax' property by IRS; and \$50,000 from both Caesar's Palace, Las Vegas gambling establishment, and the San Francisco Savings and Loan Assn., ABAG will make up \$405,000 of the missing \$511,000.

ABAG counsel Arthur Harris is still negotiating for a few smaller recoveries that could add another \$25,000.

The executive committee of the regional organization had been told by finance subcommittee chairman Joseph Bort, Alameda county supervisor, that the alternative to accepting the insurance company settlement would be "expensive litigation that might take as much as four years and involve a big risk."

Attorney Harris estimates that "the time and energy I spent in negotiating with the insurance companies" will cost ABAG approximately \$7,000. ■

## Dental plan is in effect

WASHINGTON—The first major United Auto Workers dental care plan, benefiting some 23,000 union members in five states is now in operation.

The dental plan, won in 1968 contract negotiations with McDonnell Douglas Corp., covers McDonnell Douglas union employes and their dependents, according to UAW vp Leonard Woodcock. The plan was implemented at plants in California, Oklahoma, Tennessee, Arkansas, and South Carolina.

Non-contributory for the workers, the dental plan's benefits are subject to a \$25 deductible per patient for each calendar year. It provides payment of 75% of dentists' fees, for diagnostic, preventive and restorative care, oral surgery, root canal work and gum treatment. Benefits are limited to \$600 per patient in any one calendar year. ■

ment not being pressurized.

"Submersibles often have external lights, power sources or scientific instruments attached to the hull," he explained. "If they are not properly pressurized, they can act just like depth charges."

But he stressed the fact that submersible accidents were few and that one of the main purposes of his company was affirming the safety of a deep sea project before insuring it.

**"IF A FIRM** wishes to do some kind of ocean research, we can put them in touch with experts who know what safety precautions should be taken and what type of equipment is needed," Mr. Dawson said. "Then we can give them the insurance men who will write the coverage for the project because the whole operation has been fully explained to them also. Ocean Industry Insurers provides sort of a cross pollination of in-

formation between the two areas."

Mr. Dawson began organizing his firm in 1962 and started placing insurance in January, 1969. The company is part of the Alexander Howden Group and is backed 40% by Lloyd's and 60% by American companies. Some of the U.S. firms are Insurance Co. of North America, Home Insurance Co., and Phoenix of Hartford. The brokers here are Wholreich & Anderston Ltd.

Policies are written for a year's coverage with a \$3.5 million limit and a 2.5% deductible. He said the premium depends on conditions of the project and environment, but the one particular policy cost 5% per \$100.

"There are no capacity problems and no exclusions," he said. "We cover just about anything that goes under water."

**HE FEELS HIS** market will not

only grow tremendously in five years, but that it will bring London and American markets closer together.

"I feel that more and more insurance companies will be coming into the field and that the business will create stronger ties between Lloyd's and U.S. companies," he observed.

He also feels that sea exploration is indicative of a changing attitude on the part of people in general.

"It's been said that we care more about the backside of the moon than we do about the bottom of the sea, but I think people are now really becoming aware of the potentials of the ocean," he noted. "The sea used to be the enemy, snatching husbands from the fishing villages, but now it is definitely a friend."

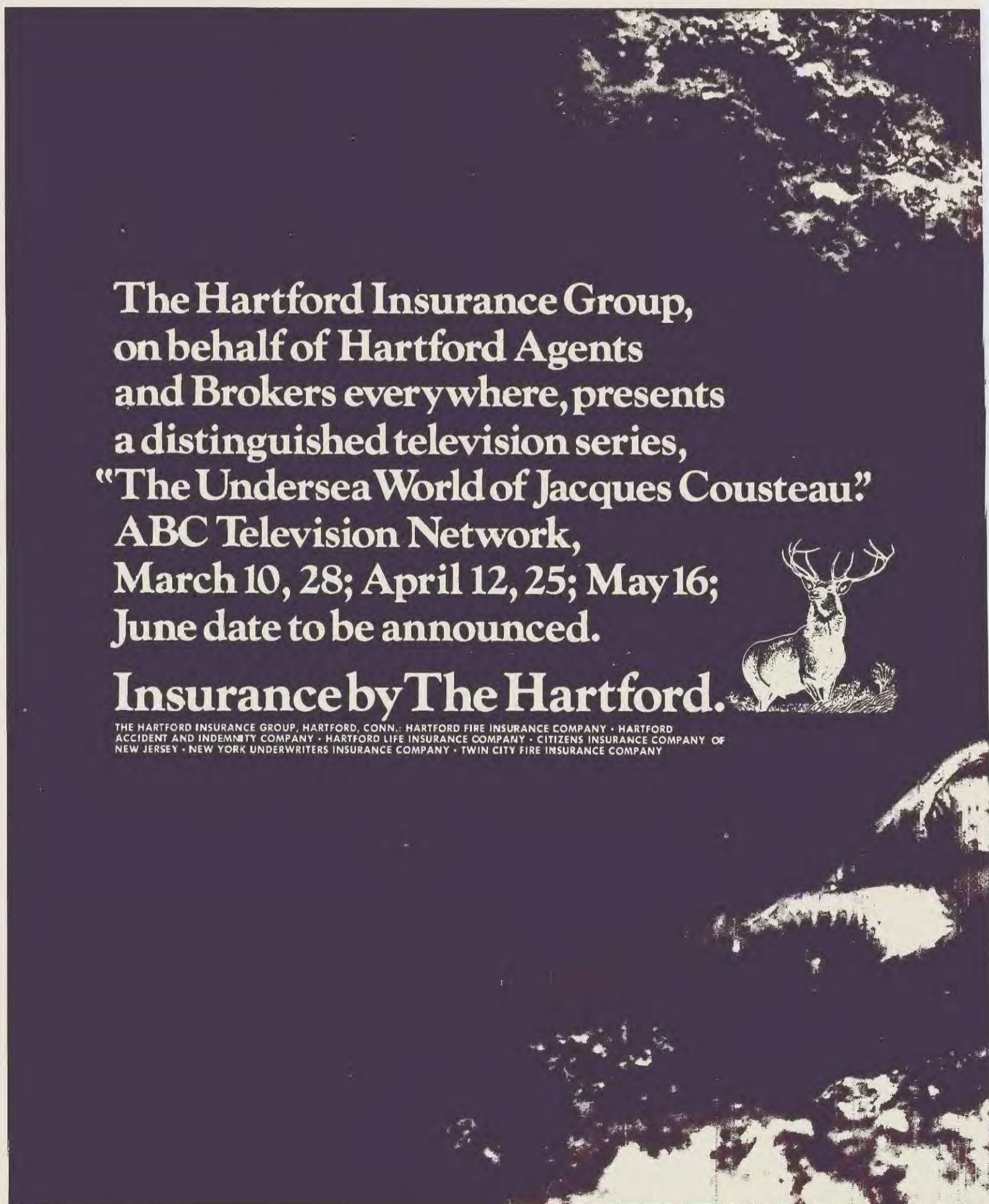
Mr. Dawson, who lives in a 14th Century house in Kent, England, with his wife and seven

## Bear bears high premiums

NEW YORK—Corporate managers who think their insurance rates are high should meet Tuffy Truesdell who pays 5% of his gross income to obtain various types of insurance, according to Sports Illustrated.

Mr. Truesdell insures Victor, his traveling wrestling bear. The owner and trainer says it is financially impossible for him to pay the premiums that would be necessary to cover the people that climb into the ring with the Canadian black bear. The participants, therefore, wrestle at their own risk.

sons, believes in imagination. "I read a lot of Jules Verne," he said with a wink. ■



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# Seminars start stock exchange life sales plans

CHICAGO—Four major insurance carriers presented plans for bringing members of the Midwest Stock Exchange into the life insurance business at a closed meeting here.

In line with its November decision to allow the sale of life insurance by members, the exchange selected CNA (Chicago), Insurance Co. of North America (Philadelphia), Connecticut General Life Insurance Co. (Hartford), and Continental American Life Insurance Co. (Wilmington, Del.) to give the educational seminar to its members throughout the country. Representatives of 40 MSE firms attended the first program.

In an open meeting before the seminar, Frank Rothing, senior vp of the exchange, said, "The reason that we're recommending

these four companies is that they have taken the time and effort to study and assure us that they are now ready to respond to the individual needs of MSE members." Two other insurers not present at the seminar, he added, were also approved by the MSE. "To chose the companies with which we would confer," he continued, "we asked Management Programs Inc. (the consultant retained by the exchange) to set up criteria based on sound business reasons, and solicited their views on what types of insurers were most likely to meet these criteria. Using these standards, we contacted specific companies."

**MICHAEL E. TOBIN**, president of the Midwest Stock Exchange, noted that in order to

avoid antitrust problems, "MSE members will be absolutely free to select any carrier they wish."

"The carriers will work with us to provide training, sales and accounting support for MSE firms," said Eugene A. Sloane, director of public relations for the exchange, "but as soon as practicable our personnel will assume this responsibility."

The lines of group and individual insurance into which the exchange plans to enter include life, disability income, pensions; annuities, and variable annuities. When asked if the exchange plans to broaden its services even more by entering the health and property-liability fields, a spokesman replied, "We are taking this one step at a time."

Mr. Rothing told *Business In-*

*urance* that he expects the group business to be concentrated in large metropolitan areas, with MSE firms in smaller cities serving primarily individual clients.

**DANIEL P. KEDZIE**, principal, Management Programs Inc., said he views the prospect for life insurance on a brokerage house level as mainly "the young person who is into securities but hasn't concentrated enough on his life insurance needs."

Member firms are expected to begin selling life insurance in 1970, Mr. Rothing said. "Since the rule change in November, Financial Services Corp., Atlanta, Ga., was admitted to the exchange and they were already selling life insurance," he said.

Mr. Kedzie pointed out that

one advantage to obtaining life insurance through MSE members is that the carriers they will be working with are developing new products that will be available through the exchange first. "Of course," he added, "if a product is developed for us it will also be available to anyone else who wants it; but the point is that the exchange will have the jump on them."

The potential sales force of the exchange includes all of its 1,800 to 2,000 registered representatives working for its 180 registered member firms. Members who are also affiliated with the New York Stock Exchange, which does not allow life insurance sales, will not be able to participate in the program.

Licensing of life salesmen, Mr. Kedzie said, will be done according to state laws, which vary considerably, and in compliance with MSE regulations. If an employe of the exchange wants to sell life insurance and has two years of appropriate experience out of the last five, he will simply take the exchange's life insurance examination. If he has not had the experience he must take an exchange-approved training course, which is at the college level, Mr. Kedzie said.

## Financial services vp

Lawrence J. McEntee, formerly senior fund administrator of Investment Cos. Services Corp., Boston, has joined Bankers National Life Insurance Co., Montclair, N. J., as second vp for financial services.



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# European avalanches giving U.S. Forestry Service reason for pause

NEW YORK—Faced with a rash of avalanches that have killed 76 so far in a severe European winter, foreign insurance companies are expecting heavy claims in property damage and bodily injury, according to knowledgeable international insurance sources here.

The snow avalanche is an old foe to countries that traditionally have many people visiting and living in mountainous areas above timberline. However, the U.S., a relative newcomer to the problem of containing nature in the winter, may soon have to face it from both a dollar risk and humanitarian aspect.

"Countries like Switzerland, France and Italy have been doing

research and implementing prevention programs on avalanches for quite a few years," a U.S. Forestry Service (the Federal agency responsible for supervision of snow safety in U.S. ski areas) spokesman told *Business Insurance*. "And, in the U.S., we've begun to experience an upsurge both in heightened interest in skiing and in building in mountainous areas.

"YOU CAN imagine," he continued, "how much danger we're entering once you realize how well-funded and well-prepared the European avalanche prevention programs are. Even with all their excellent methods, falling snow is killing a lot of people and

breaking up buildings this year."

In Europe, where the avalanche hazard is well-known, lines of personal property and bodily injury insurance coverage include avalanches among the insured risks. Lloyd's, for example, writes direct coverage for bodily injury resulting from avalanches under their normal personal accident and winter sports policies.

"Property damage is normally covered by local companies," a source close to Lloyd's said. "These policies include avalanche coverage as a matter of course," he explained, noting that a small amount of reinsurance is placed with Lloyd's in some cases. "Local insurance regulations normally prevent foreign insurers from



Vacation center of the Union of Fresh Air Centers in Val D'Isere, France, is inundated with snow after an avalanche. Forty-two persons were killed and more than 50 were injured. —Wide World photo

writing property damage directly, reserving this line for local companies within the country," he added.

In the U.S., however, where avalanche experience is relatively limited because of the lack of traditional exposure to the hazard, insurance coverage is a

vague area. "Responsibility for preventive measures against avalanches and various other snow safety hazards belongs to the U.S. Forestry Service in most instances," explained one insurance specialist. "The only exception might be where a ski area operator had leased the land on which the slopes his patrons skied were located. In such a case the public liability for which he might possibly be held would be an insurable item," he said.

**OBVIOUSLY**, that coverage which Lloyd's offers in Europe for bodily injury due to winter sports is available in the U.S. as well. In addition, Lloyd's offers a form of all-risk insurance in the U.S. that covers property damage resulting from avalanches.

But the problem of the avalanche is really one of loss prevention, most experts believe. In Switzerland, several means are utilized to control the build-up of snow and to prevent that build-up from cascading down the slopes below wreaking havoc in its path. The Swiss army has a very sophisticated avalanche prevention and forecast program that it operates through a 50-station reporting network situated throughout the country's hazardous regions. These "look-outs" keep a constant watch on avalanche-building ridges, calling for preventive measures when necessary.

The Swiss (other countries have adopted them as well, including the U.S.) developed frames for holding the snow in place in the avalanche-starting zones that they call "direct protection structures." In addition, diversion walls, catchment dams (for catching a snowslide and preventing its progress) and avalanche sheds that carry snow on across highways rather than letting it pile up on the roads are all utilized in a coordinated program.

"Since a great deal of research has already been conducted in several countries, the problem of controlling avalanches is not technological," explained the U.S. Forestry spokesman. "Rather, it becomes a simple matter of having enough money to do the things it takes to keep avalanches in their place."

**THE SWISS ALSO** developed a method of placing hand demolition charges (small mortars are also used for this purpose) in such a way that large quantities of snow building up on the edge of a ridge can be made to fall in the opposite direction from the slope or property that is being protected.

An interesting incident was noted by one expert involving this process of "shooting the snow down." A gentleman who had built a large plant in the path of an avalanche heard of this process and decided to acquire a howitzer. He wanted to "shoot down" a large overhanging precipice whose winter snow build-up annually threatened the roads giving access to his new plant.

Continued on page 35



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# Lawmaker asks auto assembly line safety check

WASHINGTON—Decrying the National Safety Bureau's recent announcement of an 11% defect rate among new cars tested, Rep. Leonard Farbstein (D., N. Y.) has introduced legislation that would establish Federal factory inspection for safety defects in new cars.

Such assembly line inspection is nothing new for the Federal government, Rep. Farbstein points out. The Federal Aviation Agency has had analogous power in the aircraft field since 1923, he said, and last year Congress gave the Agriculture Department a similar power with respect to meat and other food products.

"The auto industry may be averse to it, but that is only because such a procedure might be effective," he continued.

**IN ADDITION** to the startling findings by the National Highway Safety Bureau, the California highway patrol found that 50% of the new car equipment it tested was defective, Rep. Farbstein said. And, he added, during the first nine months of 1969, the auto manufacturers themselves recalled 7.7 million cars. Since September, one major auto company has already recalled half of one of its 1970 lines.

"When so large a number of new cars are found with defects, it is obvious the current procedure for policing auto safety standards is grossly defective. Whether it is willful negligence or simple neglect makes little difference to the driver whose car brakes have just failed because of a loose screw or substandard cable," Rep. Farbstein said.

Under current practices, the National Highway Safety Bureau polices the auto safety standards it establishes by inspecting new cars it has purchased from dealers. Critics say, therefore, that some models are never tested, and on others, the driver has to wait two years to know whether his car was safe when he bought it.

For the 1970 model year, the bureau purchased 23 cars. There are approximately 150 make-models on the road today, Rep. Farbstein points out. Furthermore, he says, these 23 cars were bought in November, a full two months after the new models were made available to the public.

**FOR THE 1969** model year, 20 vehicles were purchased for inspection. This was in the spring

of 1969, more than 6 months after the beginning of the new model year, he continued. For the 1968 model year, the first year the program was in operation, 72 cars were acquired. This, however, did not take place until June of 1968, just as the major automakers were beginning to phase out their old models to begin manufacture of the new model, he says.

Token Federal inspections for industry compliance are apparently not enough. And, similarly, the limited size of the fine that can be imposed upon an auto company for a safety violation is also inadequate," Rep. Farbstein said in introducing his legislation.

Section 109 (A) of the National Traffic and Motor Vehicle Safety Act of 1966 sets a limit of \$1,000

on the fine that can be imposed for any single violation and a maximum fine of \$400,000 for "any related series of violations."

This level of fines "encourages violations," Rep. Farbstein charges. "It is cheaper in many cases for the auto company to produce substandard autos and pay an occasional fine rather than invest in a safe car. Unfortunately, the cost to the driver in terms of death and injury is increased when a manufacturer pursues such a course."

To remedy this, Rep. Farbstein's proposed legislation would increase the limit on penalties for single violations of \$10,000 and remove the ceiling on fines payable in connection with related series' of violations.

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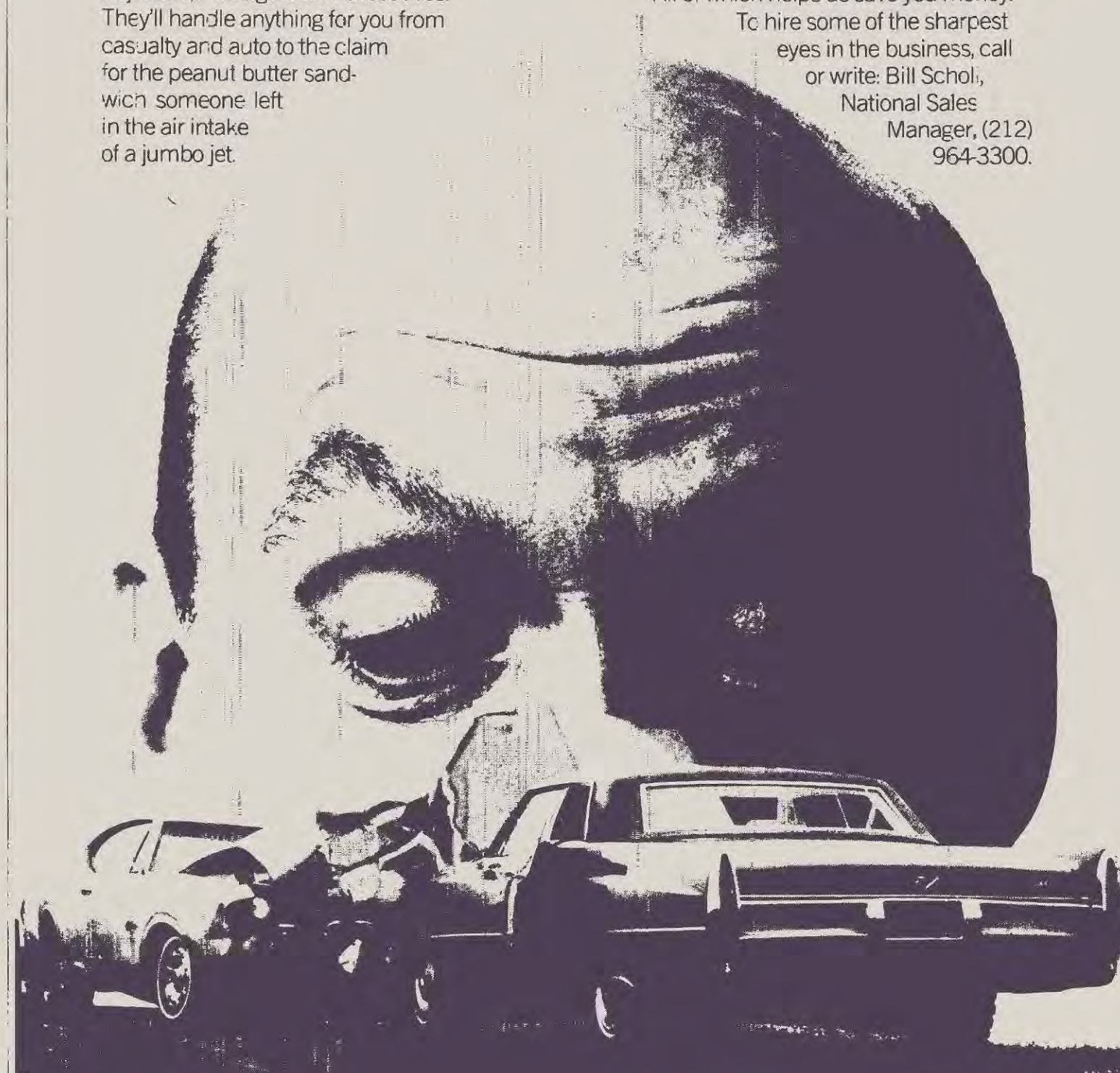
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### Berkeley students help foot riot bill

BERKELEY, Cal.—Insurance companies anticipating an avalanche of claims from damages to business firms in recent student rioting here, can breathe a bit easier . . . because of a baked goods sale.

A group of 150 University of California students have collected nearly \$500 so far to help pay the damages. The students raised the money by a student-sponsored and-conducted bake sale.

The window breaking rampage by militant students and others resulted in \$163,000 in damages to business firms operating near the campus. A spokesman said more fund raising activities to help small shop owners are planned, as well as meetings to review ways of preventing and controlling future outbreaks.

# Federal government lends ear to noise pollution

By GEORGE LANGWORTH

NEW YORK—"We do not feel that it is any longer necessary, if it ever was, for a man to pay daily for his job with part of his health."

The man talking was Dr. Floyd A. Van Adda, assistant director of the office of occupational safety in the Bureau of Labor Standards. His statement epitomizes the Federal government's attitude in establishing a maximum permis-

sible noise level for industry through an amendment to the Walsh-Healey Act.

The amendment is the first vibration in a government mobilization aimed at regulating noise. Six bills are currently filed in

Congress. Any one of them could push Federal noise regulation to virtually every industrial concern in the U.S. (The Walsh-Healey Act applies only to those firms with government contracts.)

come inevitable where industry has not been able to help itself.

**THE WALSH-Healey Act** was amended in May of 1969 and Dr. Leo Beranek of Bolt, Beranek and Newman, industrial research consultants, explained the new noise rule: "It specifies maximum permissible noise exposures, which, if exceeded, are considered dangerous to the health of employees engaged in the performance of government contracts in excess of \$10,000."

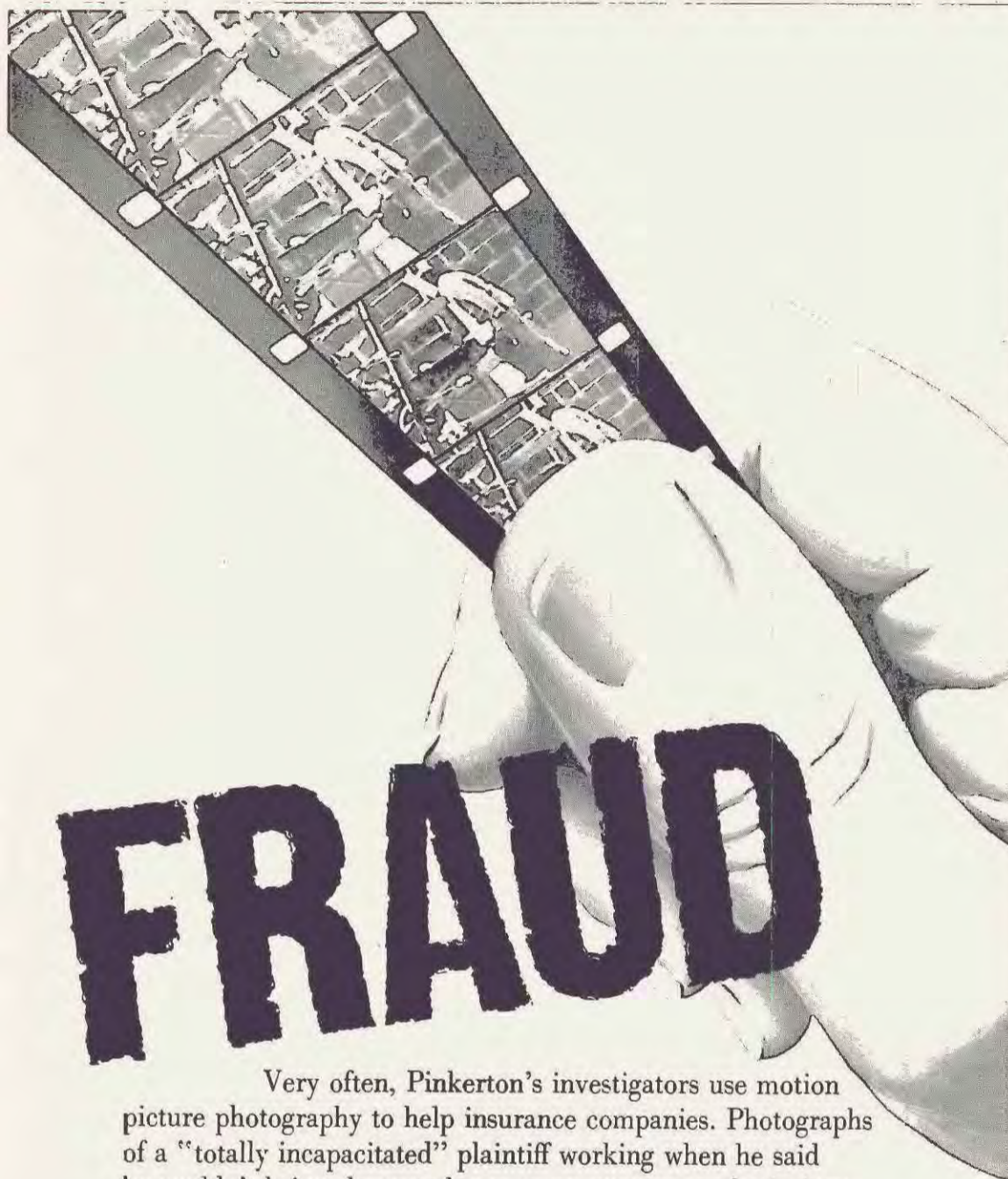
A general noise regulation has been a part of the Walsh-Healey Act since it was first enacted in 1960. What is unique in the amendment is that a single "magic number," acting as a noise level ceiling has been decided on to establish a hearing conservation criterion. Noise as measured in decibels on the "A scale" of sound measurement was used, according to Dr. Van Adda, because "it represented the level of human sensory response to the energy in the sound, which apparently has a direct relationship to the amount of damage that the energy can do."

"When the Bureau decided to write a regulation on noise," he continued, "we adopted the A scale noise level as the basis for hazard evaluation and took another look at the data on the percent of the population impaired by long exposures to noise. It appeared to us to indicate that with 30 to 35 years of noise exposure the percentage of those people exposed showing impaired hearing will be 6% to 8% at 85 decibels on the A scale (85 dBA) and 15% to 17% at 90 dBA."

"The upshot, eventually," Dr. Van Adda explained, "was that the department settled on a level of 90 dBA as the limit for eight hours per day of habitual exposure to such noise and a permissible increase in intensity of five dBA for each halving of the exposure time up to a maximum noise ceiling for 15 minutes' duration of 115 dBA."

**DR. VAN ADDA**, as well as various other members of his

*Continued on page 44*



# FRAUD

Very often, Pinkerton's investigators use motion picture photography to help insurance companies. Photographs of a "totally incapacitated" plaintiff working when he said he couldn't brings honesty home to an over-sympathetic jury.

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# ABA shows interest in group legal insurance

ATLANTA, Ga.—There is little doubt, according to an official of the American Bar Assn., that insurance companies "have great big eyes watching" an ABA experiment in group legal insurance.

Charles L. Goldberg of Milwaukee, Wis., chairman of the ABA committee that set up experimental projects in two cities, added that "there is no doubt in my mind that there is an enormous need for such insurance coverage."

The projects, to run three years with private and ABA financing, are underway in Shreveport, La., and Los Angeles. Mr. Goldberg said in an interview while attending the ABA's mid-year convention here.

**THE BIGGEST** need for pre-paid insurance for legal services is in the vast middle class, he said, because the rich can easily pay for a lawyer's services and poverty level people have access to free legal aid organizations.

However, he said, there are no statistics for use by insurance companies in determining whether they could offer reasonably priced policies for legal services.

In the Shreveport experiment,

## City transit drivers lose costly plan

SAN FRANCISCO—Operators of this city's buses and streetcars have lost their costly industrial accident insurance plan and San Francisco will probably save at least \$200,000 as a result.

The civil service commission will certify that the municipal railway compensation plan "shall be the same" as it is for the operators in Boston and Washington. The two cities are the source of San Francisco's municipal railway employees' wage formula.

The change will mean that local bus drivers will receive the industrial accident compensation beginning on the eighth day of absence due to on-the-job injury rather than immediately as in the former plan.

San Francisco's city charter provides that the operator pay be based on the average of the two highest wage schedules of transit operators in other major cities. Until last August these were the two transit companies in New York, which also paid the first-day compensation plan.

Then Washington and Boston pay scales went beyond those of New York. So did San Francisco wages. The fringe benefits, however, were lower. City attorney Thomas O'Connor ruled the operators would have to accept the lower accident compensation along with the higher pay.

The change will be retroactive to last July 1 and the city will recover at least \$200,000 by deductions from paychecks of drivers who received the higher disability payments.

## AIU appoints vp

Howard L. Kleinoeder, president of American International Marine Agency, San Francisco, has moved to the American International Underwriters home office, New York, to become an AIU vp and worldwide marine manager. He succeeds Sidney J. Jackson, who will assume special executive functions within the AIU organization.

800 union construction workers kick in about 2¢ from each hour's pay for group insurance. In Los Angeles, he said, about 2,000 school teachers are taking part in the experiment.

There is little doubt, the Milwaukee lawyer said, that insurance firms "have great big eyes watching this project" to determine whether it will be economi-

cally feasible for them to get into such a program.

**HE POINTED** out that if 50 million employees took out legal insurance and paid 5¢ for each hour's work—an amount which would then be matched by their employers—the total weekly premium would amount to \$200 million.

At the outset, he said, such a program would have to be limited to group insurance because of the large number of people who would be covered. Mr. Goldberg predicted that it still will be a long time before individuals will be able to buy such policies.

There would be objections to certain types of group insurance, he said, in which employees would

have to use the services of a group lawyer—such as certain labor union setups required—rather than each individual being allowed to select his own attorney.

He said he felt any legal services insurance program ought to operate similar to such medical insurance as Blue Cross whereby an employe can choose his own doctor.

## Our new rain insurance symbol. What else could it stand for but disaster.



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# Strive to provide retail credit for high-risk ghetto residents

WASHINGTON—No insurance company has ever thought about offering coverage for a consumer credit account against the debtor's insolvency if for no other reason than the risk would render the profit margin a laughing matter. Furthermore, the last person an insurance company would want to insure is the one most desperately in need of credit—the inner city ghetto resident.

Legitimate business and investors increasingly avoid the ghetto because of the high rate of crime and the high risks involved. This leaves the low-salaried black or welfare recipient who lives there at the mercy of any rules the

ghetto merchants and slum landlords want to make for what is essentially "their" economy.

Such vague terms as "black capitalism" and "minority enterprise," bandied about during the last presidential campaign, were supposed to serve notice that something drastic needs to be done to rehabilitate the ghetto. However, only recently have two "solutions" to the problem—one from the public, the other from the private sector—surfaced which hold hope of aid being aimed in the right direction.

**A SENATE BILL**, proposes to create a financial institution spe-

cifically for the ghetto resident as well as to unleash funds in an effort to bring consumer, mortgage and business credit to the residents of the nation's impoverished urban and rural areas. This bill and an independent, private sector measure to persuade reputable retailers to grant credit to the welfare recipient members of the National Welfare Rights Organization, both are aimed at increasing the ghetto resident's buying power and promoting his involvement in the economic growth and development so badly needed in his community.

Operating independently of one another, these two measures are

starting at both ends of the candle—one from the business man's point of view, the other from the poor man himself—in a nationwide campaign to combat the source and causes of poverty from all sides.

In introducing his bill, entitled the Community Credit Expansion Act, Sen. Proxmire told the Senate that the measure would "get more private funds moving into our troubled inner cities and depressed rural communities."

"This would be accomplished, first by establishing a new kind of private financial institution to specialize in investments in poverty areas; second, by amending the various banking laws to remove restrictions on such investments by existing financial institutions; and, third, by providing Federal guarantees to encourage the flow of private credit into poverty areas."

**IN CARRYING** the effort to private business, the National Welfare Rights Organization has decided to keep its efforts segregated from the federal move. "The Proxmire bill provides some guarantee to business that if they get into ghetto consumer credit they won't lose their shirt," said Dr. George Wiley, executive director of NWRO here.

"We don't plan to push the bill," he said. "We're much more concerned about the fact that welfare recipients are already involved in credit transactions. They are forced into it by their limited buying power." Dr. Wiley explained that because they were not deemed "creditworthy" by reputable retail concerns welfare recipients were forced to deal with "unscrupulous" ghetto merchants.

"Retail outlets in the ghetto are charging outrageous credit interest charges in return for granting credit to the man on welfare," Dr. Wiley declared. "We've found cases where these charges reach 100% of the total amount of purchase."

NWRO, started last February in Jackson, Miss., now boasts some 100,000 members in 300 local affiliates located in 180 cities. Since its inception, the organization has attempted to persuade large retail outlets to make credit available to NWRO members.

The most recent credit agreement of this kind began in December of last year at Montgomery Ward & Co. The national retail concern, operating over 475 stores nationally has agreed to make available a \$100 limit revolving credit account (based on monthly payments) to some 3,000 NWRO members situated in ten of its 19 metropolitan operating areas across the country. Cities involved in the project include Baltimore, Washington, Detroit, Cleveland, Chicago, Kansas City, Fort Worth, Dallas, Oakland and Los Angeles.

"In our development meetings for this pilot program," said Dr. Wiley, "Montgomery Ward explained that none of our member applicants would normally be awarded enough points to be granted credit under their credit evaluation system" the NWRO director continued.

**"HOWEVER**, the company has agreed to consider credit applicants screened from among NWRO membership rolls and deemed responsible and likely to fulfill their credit obligations by local and national NWRO committees," he said. Montgomery Ward will evaluate each NWRO credit applicant using certain "abridged credit criteria" based on the NWRO recommendation, a Montgomery Ward spokesman told *Business Insurance*.

"We receive credit reports on our applicants from many different rating bureaus," the Ward spokesman said. "In the event an NWRO applicant is rejected his name will be given to NWRO along with the name of the credit bureau which turned in a negative report," he explained. In this way, NWRO may be able to clear up a bad credit rating for a member by dealing directly with the source of complaint.

The Montgomery Ward project is slated to remain in an experimental category for the first 12 months of its existence, Dr. Wiley explained. During this period a continuous process of evaluation of the program will be conducted under the joint cooperation of officials from the National Welfare Rights Organization and Montgomery Ward. The company hopes to extend the project to other geographical areas during the first months of 1970, said the

Continued on page 32

Straight talk from men who know the Atlantic Companies:

## "Atlantic brings you in at top management level"

Mr. Arthur W. Pinkerton, President,  
Pinkerton-Madden-Burford, Omaha, Nebraska

"The President of Atlantic takes two days of his time to listen to you at Council meetings. It is the most impressive Council I have ever been associated with. There is great sincerity and genuine interest."

Mr. Pinkerton represents 30 insurance companies. During his nine-year association with Atlantic his firm has experienced a major expansion. He was a member of Atlantic's Regional and National Agents Advisory Council in 1966, 1967 and 1968.

"This is the greatest age of turmoil the industry has ever known. Personal relationships are disappearing. The computer is taking over. But Atlantic is the shining exception."

Atlantic believes, as it always has, that people are important and that person to person contacts between producer and company at all levels are more important now than ever before.

"Atlantic has outstanding field men. Their morale is high. And they are imaginative."

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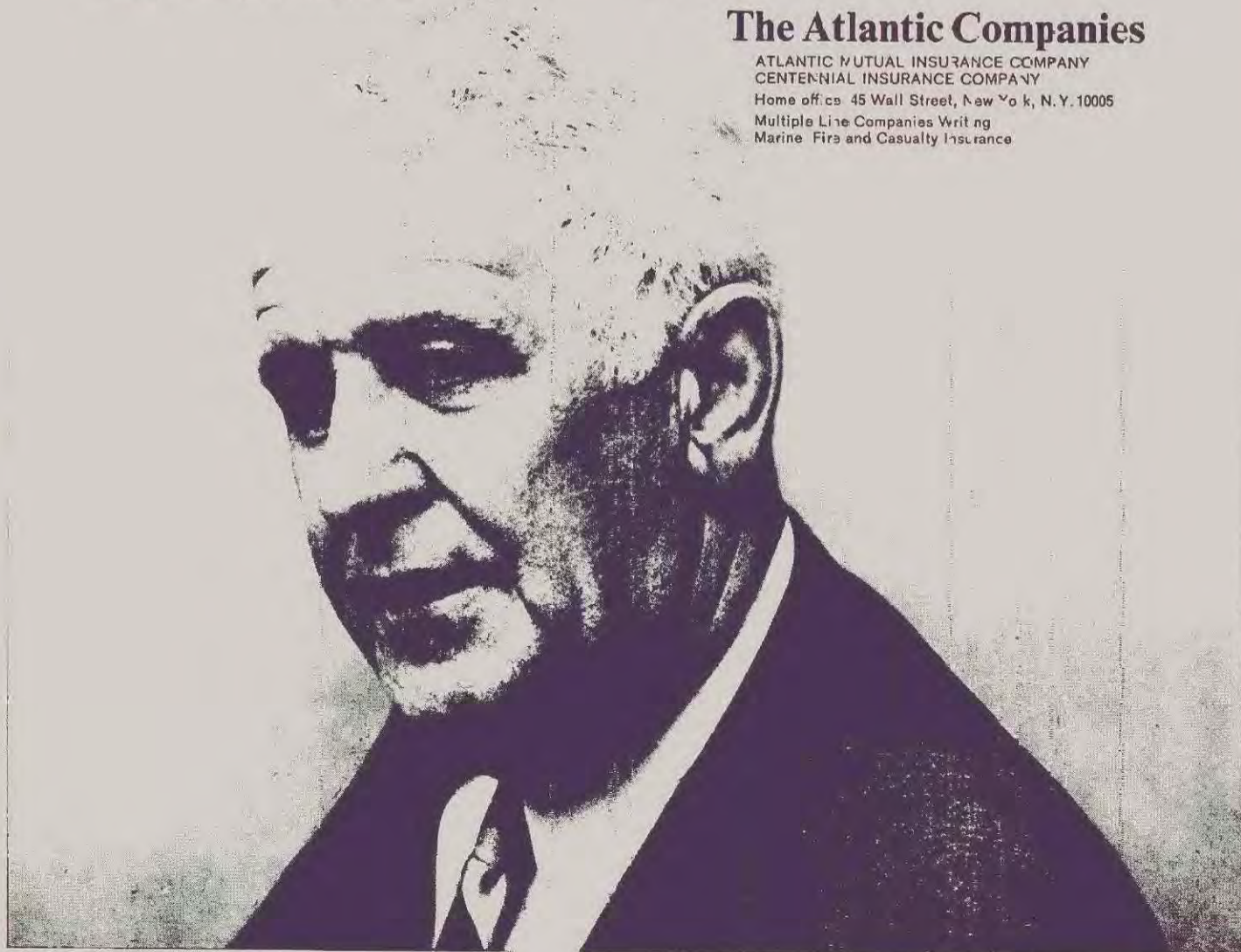
"I like Atlantic's quality standards in selecting new agents. We don't bump heads with other Atlantic agents in Omaha. This helps when an account calls in more than one agent."

Atlantic's quality standards have been maintained for 128 years. Atlantic's solid growth record was enhanced last year by new highs in written premiums and assets.

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# Proposes state vehicle insurance fund

SACRAMENTO—The State of California may go into the liability insurance field under a "massive reform" bill introduced in the legislature by San Francisco Democrat assemblyman Willie L. Brown Jr.

"If we pass this bill," Mr. Brown declared, "we will finally put a stop to the vast number of uninsured drivers on the road. At the same time we will assure that minimum liability coverage is always available at competitive rates for all drivers."

"We will make proof of insurance coverage a condition of registering an automobile in this state," he added.

**HIS PROPOSED** bill would prohibit the registration of any vehicle unless the owner can show purchase of the minimum insurance coverage offered by a new State Automobile Accident Liability Fund.

The automobile owner would have the alternative of proving his or her possession of more comprehensive or identical coverage from a private insurance carrier.

The Brown proposal would establish the new fund, provide for its administration and would mandate that rates charged be no more than sufficient to make the fund self supporting.

Mr. Brown explained that, "I feel that if the state requires minimum coverage, which it certainly should, we have the obligation to see to it that the coverage is reasonably available to all drivers."

"**THOSE WHO** need or want more coverage," he continued, "or who can gain it more favorably through private industry, will, of course, continue to be able to do so."

"However," he added, "the state should assume the responsibility of covering all the others on the road who are now victimized by unattainable insurance and who in turn victimize those who find themselves involved with an uninsured driver."

## Shoflick gets benefits post

NEW YORK—Donald L. Shoflick has been named director of personnel at North American Reinsurance Corp.

For the past two years Mr. Shoflick has worked in the personnel department of the Remington Rand division of the Sperry Rand Corp. Previously, he also worked for Bell Telephone Laboratories.

Mr. Shoflick explained to *Business Insurance* that he will be in charge of recruitment of all areas, manpower and organization planning as well as personnel counseling. In addition, he will administer the company's employe benefits.

North American Reinsurance now provides group life insurance, Blue Cross and Blue Shield coverage, a major medical plan as well as a pension plan for its employes, according to Mr. Shoflick. In preventive medicine, North American provides a clinic in its building for its office personnel, and an officer's health program is administered by an outside physician.

Mr. Shoflick explained that the company's employe benefits consultant was currently reviewing the company's program. He anticipates some changes in the company's executive health program among the consultant's recommendations for improvement ■

The insurance industry was quick to respond to Mr. Brown's introduction of the radical proposal.

James R. MacKay, senior vp of Fireman's Fund American Insurance Companies, San Francisco, declared that "putting the state in the automobile insurance business would not cut the number of traffic accidents."

"**NEITHER** would it reduce injuries and deaths or bring down the costs of insurance," he added. "All this would do is create an unenforceable law and another bureaucratic agency at Sacramento." Mr. MacKay pointed out that the legislature established the California automobile accident study commission "to explore the entire area of driver

training and licensing, traffic laws and enforcement and the insurance system.

"Until this commission has had time to complete its study and issue recommendations," he said, "it doesn't seem right to have the state jump into the automobile insurance business."

"As long as there are accidents, someone is going to have to pay for them and the state cannot pay them any cheaper than can private insurance companies."

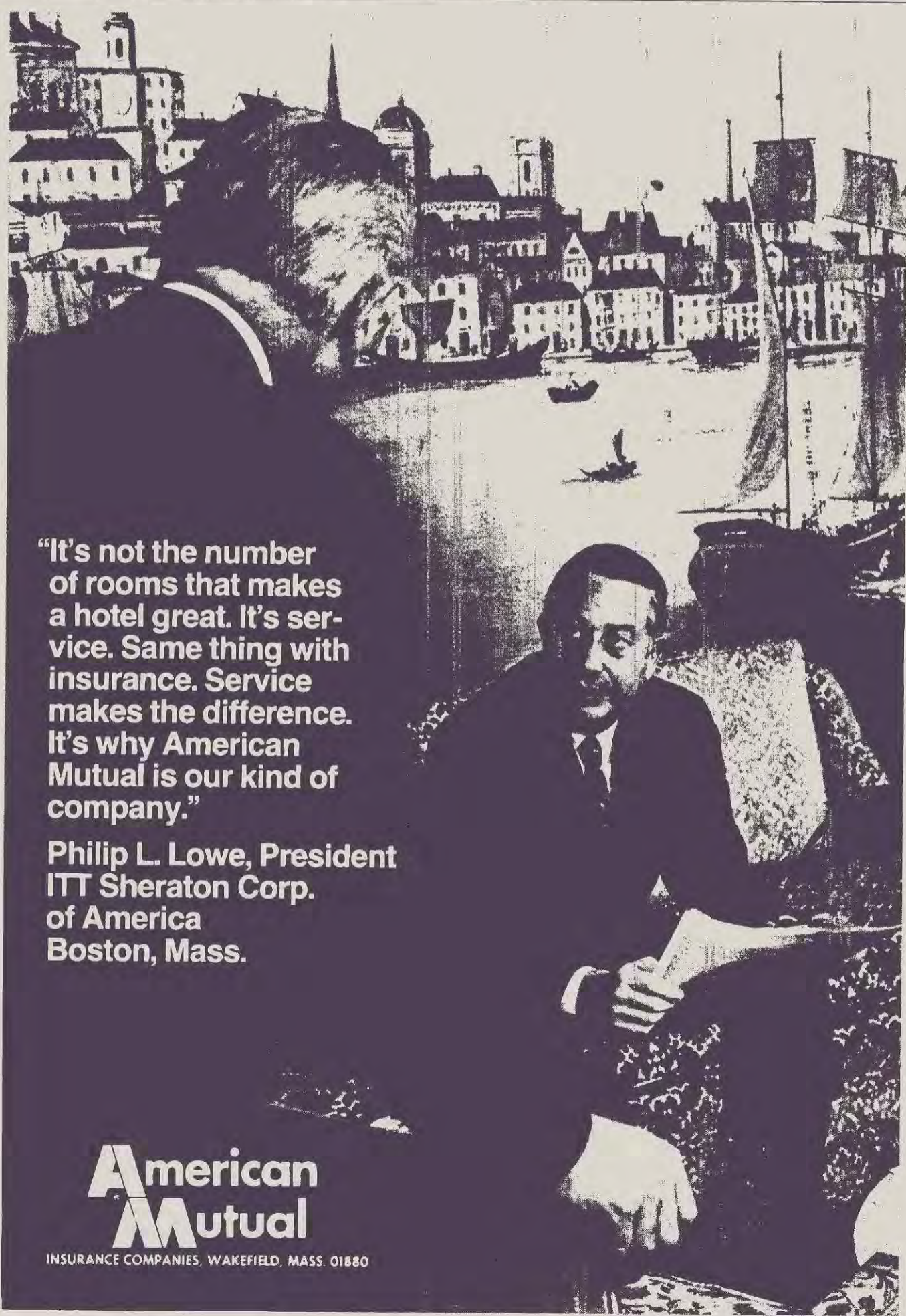
Mr. MacKay, who also is chairman of the California Traffic Safety Foundation, said the way to start bringing insurance rates down "is to make automobiles less vulnerable to damage" and to "put some teeth in highway safety programs and law enforcement.

"**THE DAMAGEABILITY** of the modern car is shocking," he said.

"Tests," Mr. MacKay said, "show that bumpers are often ineffective at crashes over 2.8 miles per hour. Testimony before the U.S. Senate revealed that billions of dollars in repair costs could be saved if bumpers were designed to absorb the impact of a 7½ mile per hour crash. Think what that would mean to insurance rates."

The insurance industry, he declared, "is as concerned as anyone else over high automobile insurance rates."

"That is why the industry spends more than \$50 million each year on highway safety. If we can make cars safer and reduce accidents, insurance rates will come down." ■



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# opinions

## Pragmatic approach

The advocacy of a no-fault auto insurance plan by New York's Gov. Nelson Rockefeller and Insurance Commissioner Richard E. Stewart has stirred anew the national debate on auto victim compensation.

Giants of the auto insurance industry are divided on the question of how to reform the present system, which, most agree, is costly and cumbersome. Officials of the New American Insurance Assn. endorse the no-fault principle and the New York plan. Yet even companies within AIA apparently feel lukewarm about the no-fault concept, a feeling demonstrated last July when AIA's executive committee split 14-9 in support of no-fault auto victim compensation.

AIA's initial endorsement of a no-fault system did not differentiate between commercial and private vehicles. This part of the AIA plan came under insistent criticism from opponents of the no-fault system who maintained that failure to recognize the additional exposure of the commercial vehicle discriminated against private passenger car owners by imposing an additional premium burden on them.

T. Lawrence Jones, president of AIA, then sent up a cautious trial balloon suggestion that operators of commercial vehicles be held absolutely liable for property damage and personal injuries their vehicles cause in collisions with private passenger cars. This suggestion was roundly denounced by corporate risk managers and by members of a committee of the American Society of Insurance Management that met with AIA to discuss the no-fault concept and how it would affect fleet operators.

This protest by fleet operators caused AIA to again reverse its field in the Jan. 5 issue of *Business Insurance*. In that statement, AIA asserted that the no-fault plan should assess commercial vehicles an equitable percentage of the cost of damage and injuries in collisions with private passenger cars. Mr. Jones said in response to the Rockefeller-Stewart proposal that AIA now favors shifting 75% of the burden of accident costs to commercial vehicles with a maximum of \$1 million for any one accident.

Risk managers who assess the New York no-fault proposal ought to take a pragmatic approach, one that asks what effect the proposal has on the liability of motor fleet operators. It appears to us that the New York plan takes a step backward in imposing absolute liability on commercial vehicles. AIA, the chief advocate of no-fault auto victim compensation, has already conceded that there would be an inequity in imposing absolute liability on fleet operators.

Throughout the great debate on auto victim compensation we have advocated fairness to both the private and commercial sectors of the motoring public. To achieve fairness it is essential that some independent actuarial study be made that would find an equitable percentage of liability to be imposed on commercial vehicles. The pragmatic approach of risk managers should begin with an insistence upon sound actuarial evidence and an avoidance of the hysteria that has gripped the no-fault plan debaters, particularly those opponents of the plan who make shrill statements every time a no-fault system is proposed.

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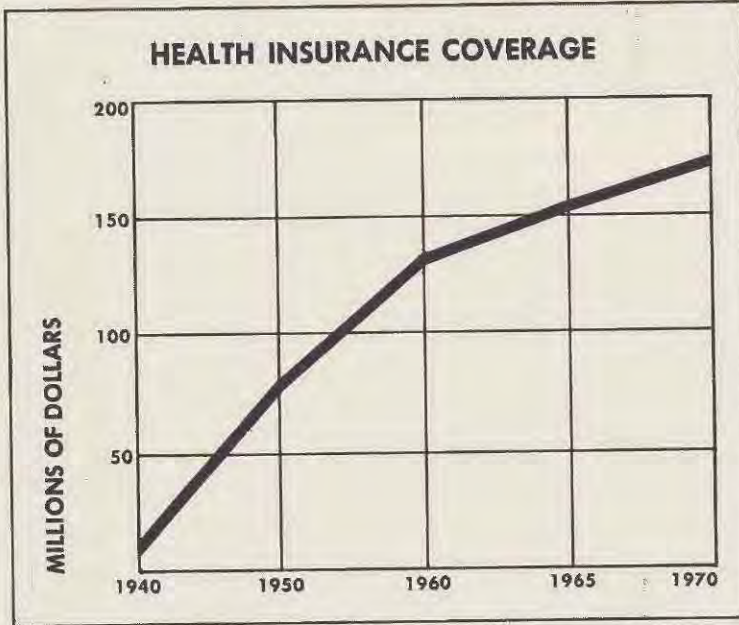
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Assistants: BERNICE STELTER, MARCY GARESCHER

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These figures represent the number of Americans with basic hospital insurance coverage, now held by 85% of the civilian resident population of the U.S. Totals for other forms of health insurance protection in 1968 were: surgical expense, 155,725,000; regular medical expense, 129,105,000; major medical expense, 66,861,000; short-term disability income, 54,955,000, and long-term disability income, 7,718,000. A major share of all health insurance protection is purchased by employer-employee groups.

Source: Health Insurance Institute

## More than 'the envelope'

Labor unions have historically insisted that management put employes' compensation "in the envelope." In this traditional view profit sharing and even pensions to some extent have been viewed as "iffy" money that might be more welcome if it came in the form of pay increases.

Walter Reuther's United Auto Workers, the most creative collective bargainer, gives evidence that the old view of "iffy" money may be changing. In an article setting forth "thoughts and suggestions" for 1970 collective bargaining program, UAW's *Solidarity* magazine included this:

"Year-end cash bonus to provide equity for the workers out of the profits of the company as is now provided for executives."

Though UAW terms its suggestion a "bonus," it is in fact a form of profit sharing that ought to get serious consideration from management and employe benefits administrators who may be confronted with the demand at bargaining tables in the future.

It is possible that UAW is proposing the "bonus" idea as a lever for more "in the envelope" compensation, but there is good reason to believe that the suggestion is a serious one that represents a creative turn in unionists' thinking.

One benefits expert points out that profit sharing, particularly deferred profit-sharing plans, is a boon to lower income families that otherwise would not be able to build up substantial savings. Many workers, including members of the UAW and other industrial unions, live from paycheck to paycheck. They can only dream of building up the financial resources that accrue in a profit-sharing account.

"Put it in the envelope" may be a fading union battlecry. Whether it's called a "bonus" or "profit sharing," the idea of workers sharing equitably in the profits of business has appeal and a great deal of financial utility.

One salutary result of union-negotiated profit sharing would be that many more workers would become aware of the meaning and importance of profits in our controlled capitalistic system. For management this could mean greater cooperation in introducing economies. And profit sharing could also mean greater understanding at the bargaining table of management's problems in meeting incessant wage demands brought about by inflation.

## Status seekers

Susan Trausch, a *Business Insurance* associate editor, went in search of the corporate status of risk managers and reported her findings (or lack of them) in our March 2 issue. "Many of their voices within their companies seemed to be a whisper," she concluded.

For more than two years we have been reporting on the responses of risk managers to the challenges of corporate problems and the complicated insurance market. We have urged on many occasions that risk managers participate as full partners in major corporate decisions involving product development, mergers and acquisitions, plant expansion, safety and loss prevention. They should play a part, in fact, in the full range of corporate activity, including the administration of employe benefits, which now frequently involves mass-merchandised insurance coverages.

Some risk managers do indeed fulfill their proper roles as corporate planners and protectors. Many others—as Miss Trausch sadly reported—have scant status in their companies. They fulfill only the role of insurance clerk, the one who dutifully buys insurance recommended by a carrier or broker and renews the policies as they expire.

It's time for alert risk managers to do some table pounding and to assert themselves as vital links in the corporate hierarchy. To the extent that they do this, they will gain the corporate status they now lack.

# letters

## What tax effect?

To the Editor: I am a regular reader of your excellent periodical, and find it very useful, particularly in its coverage of pension and profit-sharing news. I was especially interested in the front-page item in your Feb. 2, 1970, issue, headlined "Kroger to drop profit sharing . . ."

The article did not discuss the tax consequences of such a termination and lump-sum distribution. Would it be possible for a future article to take up these questions? For example, is the distribution ordinary income (except for the portion representing the participant's own contributions) because it is made other than by reason of the participant's separation from employment by reason of death, disability or retirement? Additional complications may result from the new tax reform act.

I think such an article would be of great interest to many, many readers.

Edward M. Spector

President, Dial Shoe Co. Inc., Philadelphia, Pa.

Editor's note: Material on the effect of the new tax law on pensions and profit-sharing plans will appear in the special pension and profit-sharing report in the March 30 issue of *Business Insurance*.

## Only one trial

To the Editor: The article "Widow wins policy suit but husband not on 'business'" on page 11 of your publication on Jan. 5, 1970, has been called to my attention. I wish to point out that the facts stated therein are erroneous.

There was only one trial in this case and this was held in October, 1969. It is true that after all the testimony was presented, the court discharged the jury only because there was no factual dispute and the only question to be decided was one of law; that question being whether on the basis of the facts the deceased was on a business trip at the time of his death, in December, 1969, ruled that the insured was on a business trip at the time of his death. This decision is now being appealed by our company.

Thus, there was only one trial and the decision was that the insured was on a business trip and not as reported in your article.

Donald M. Lowry

Attorney, Accident and Health Claim Dept., CNA Insurance, Chicago, Ill.

## Strange layout man?

To the Editor: I can't imagine a head-and-shoulder picture of Miss Walters with the headline "Mini-skirted actuary for IRB" (Feb. 16). You have to believe that your layout artist is a little strange.

A. R. Quinby

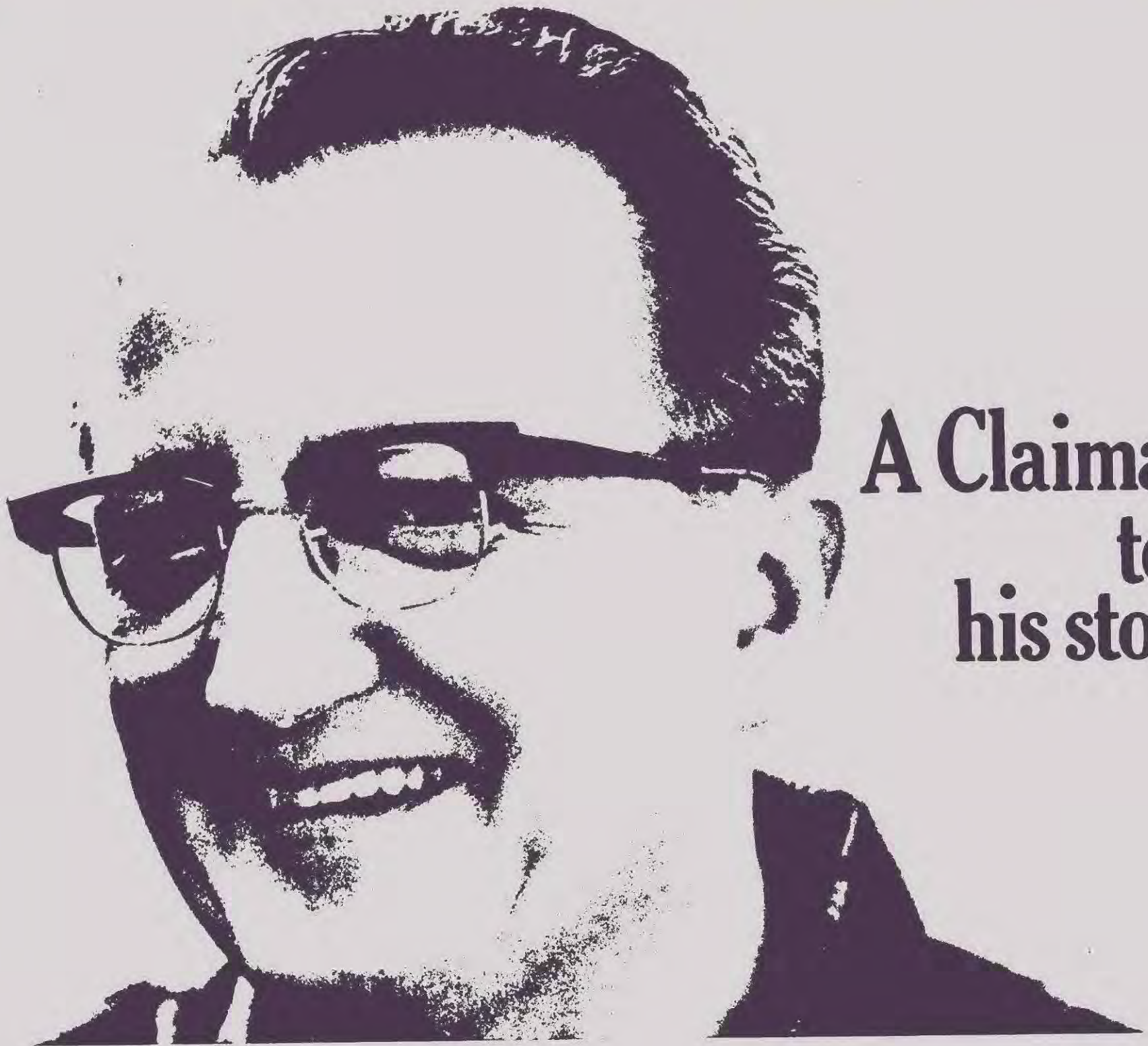
Vice President, Doremus & Co., New York, N.Y.

Editor's note: Our managing editor says, "The one who's strange is the photographer who missed Miss Walters' headlined assets."

## Tax bite reprint

To the Editor: In the Feb. 16 issue of your publication, you featured a column entitled "Social Security hike coming with tax bite." I wonder if it would be possible for us to reprint this article for use as a mailing to our field representatives. If it is desirable on your part, we will, of course, give the *Business Insurance*

Continued on page 36



# A Claimant tells his story:



■ Mr. and Mrs. Harvey Klafke and Charles Nicoud, Zurich claim superintendent in the Milwaukee branch office.



■ Harvey Klafke on north woods canoe trip with Boy Scouts.

**A** 1,500-pound metal door I was installing fell on me, leaving me a paraplegic.

In a hospital far from home, all I could think of was what would happen to my family. I knew there was workmen's compensation, but friends kept telling me to watch out for the insurance company and not to sign anything. They didn't even know the name of the company.

I remember giving a claim man a statement to get compensation started, and the next thing I was transferred to a hospital close to home. The branch claim superintendent for Zurich (by now I knew what company it was) came around to see how I was doing. My wife says the compensation checks not only started promptly, but always came on time. In fact, they were early during the Christmas holidays.

Then the Zurich people started working on me to go to a rehabilitation center. They didn't have to send me there; all they had to do was make compensation payments. But they wanted me to go. When a man is in the shape I was, he doesn't want to go anywhere, and particularly doesn't want to leave his family. But they talked me into it.

You can imagine my wife's surprise, about three months later, when I got out of a car and walked into the house with my braces and crutches.

Thanks to Zurich, I can now do everything I ever did except walk normally. I'm district activities chairman and a merit badge counsellor for the Boy Scouts, and served as an assistant scoutmaster. With the Scouts, I've made canoe trips along the Canadian border 500 miles from home. When they hike, I cook, but in a canoe I paddle with the best.

We're happy the way things turned out. It's been a long, hard road, but I've met lots of fine people. Now when someone says he got a rough time from an insurance company, I tell him it couldn't be Zurich. Look at how they helped me.

*Harvey Klafke*

HARVEY KLAFKE

*NOTE: Like most people, the Klafkes had had little experience with the operation of insurance. They now have a profound understanding and appreciation of the significant part it can play in human lives. If you want to represent Z-A—the companies which demonstrate that insurance is not an impersonal business of dollars and paperwork, but of people and problems—call or write to your nearest Z-A office.*



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1374



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# business insurance/perspective

## Products liability: A wrestling match over manufacturers' money

by C. P. Bonotto,  
attorney-at-law

I want to talk to you about products liability in terms that you understand. Let me give you a defense trial lawyer's definition of products liability: It is a legal wrestling match over *your* money. It's a game lawyers play, and the stakes are: 1) The reputation of your product and your engineering; 2) the reputation of your company; and 3) if the plaintiff has lost both hands, for example, they could be all of your company's assets.

A little while ago, an airliner went down with 35 or so vacationers aboard. Suppose, for example, 150 neurosurgeons, on their way to a convention in Hawaii, were aboard that plane. What's the life of an eminent prominent neurosurgeon worth? Multiply it by 150. How would you like the FAA investigation to pin the responsibility of the whole crash on your \$90 plastic switch or component part? That's not so hard to do. As a manufacturer you would be sued under "strict liability."

There's our legal magic language. It means the plaintiff doesn't have to prove that you were negligent. He only has to prove that he was injured as a direct and proximate result of a defect in design or manufacturing that was in the product when it left your control.

**WHO LEGALLY** cares that you couldn't possibly anticipate or foresee this use or

misuse of your product? Who legally cares that you designed it and manufactured it within all of the knowledge that existed in the known state of the art at the time that it was designed and/or manufactured?

Who cares, from a legal point of view, that you perhaps never saw the product, never designed it, and never manufactured it? If it passed through your hands or "control," you're in. Judges have said it doesn't matter how you got into the "stream of commerce." If you're in this stream of commerce, you're exposed to

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**"Judges have said it doesn't matter how you got into the 'stream of commerce.' If you're in . . . you're exposed . . ."**

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liability. Who legally cares whether you jumped in or were pushed in?

If you think you can answer everything I've said until now with the magic word "insurance," forget it. You can't afford to pay the premium for the kind of insurance you need. Even if you could, you don't have the coverage that you think you have. You better believe as the manufacturer of a product that you are exposed. Talk to the people in your industry that made the bottle cap for a lye solution that is used to open up drains. One plaintiff received a jury verdict for \$940,000. That is a lot of bottle caps.

But strict product liability is really only a secondary problem. Let me tell you what I think is a greater problem. We defense lawyers planted a tree in 1967. It's about to bear fruit—bitter fruit, and like it or not you're going to eat that fruit when it ripens.

**YOU'VE GOT A** machine in your plant that is 18 years old. Four or five people owned it and operated it before it ever came into your hands. You've got a 19-year-old high school dropout with both of

save yourself an increase of \$25 on your premium, and occasionally someone will print in a program, "Profit is the name of the game."

Let's turn the coin over. You have manufacturers bleeding to death as a result of the flood of litigation that has been filed in products liability cases under the legal theory of "strict liability." In order to defend the manufacturers I made the following suggestions:

- Put a sign on your machinery telling the whole world it is the user of the machinery's responsibility to provide his employee with a safe place to work, which includes tools, devices, and "safety devices."

- The manual sent with the machine gives you the same message.

- Our advertising literature gives you the same message.

- Blueprints and shop drawings will give you the same message.

Tell me if it sounds fair: Who was it that hired the high school dropout to start with? Who was it that bought the 18-year-old used machinery? Who was it that didn't adequately train the high school dropout? Who was it that didn't have a preventive maintenance program for this ancient, creaking machinery?

Who was it that didn't have a safety program? Who was it that didn't have adequate supervision to protect his own employee from his own stupidity? It was you. No, I am not the only one who says

## Can anyone define 'actual cash value?'

by Harold P. Hertzog,  
vice president and manager of operations,  
Marshall and Stevens Inc.,  
Los Angeles, Cal.

A business insurance policy is concerned with a property value at a specific period of time. A typical policy states that the insured is protected "to the extent of the actual cash value of the property at the time of loss but not exceeding the amount which it would cost to repair or replace the property with material of like kind and quality within a reasonable time after such loss . . ."

No further definition of actual cash value is given in the typical policy. Insurance companies have never actually defined actual cash value, yet continue to write policies that contractually bind both the carrier and the insured.

This situation has resulted in a dilemma in the valuation areas and much litigation.

Emerging from all this litigation are three general value criteria categories:

- The market value criteria.
- The reproduction cost or replacement cost less depreciation criteria.
- The "broad evidence rule."

It is generally questionable which of

these is applicable at any one time or place. And, to some extent, there is also a question as to the actual value determination under each of the criteria.

Market value has been generally defined as the amount at which property will sell on the open market allowing a reasonable time period, both buyer and

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**" . . . the 'broad evidence rule' is emerging as a third general value criteria category."**

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seller being fully informed, and neither acting under compulsion.

**WHERE PROPERTY**—usually personal property—is of such nature that its market value can be easily determined, such value has been used as the basis for determining the actual cash value. Thus, while there have been differences of opinion on market value, at least the basis of estimating value is well defined.

Reproduction cost or replacement cost, less depreciation—where building losses

are concerned—usually refers to a depreciation allowance for observed physical condition. This, too, does not present any great problem in valuation.

However, the "broad evidence rule" is emerging as a third general value criteria category. This "rule," now recognized by courts in 21 states, presents a totally dif-

ferent set of circumstances which vary in different areas.

In the most general sense, the "broad evidence rule" means that the court will consider any evidence that logically tends to allow the most accurate estimate of the value of damaged or destroyed property. A New Jersey court stated the concept this way:

**"VALUE IS A** matter of opinion. The adoption of an invariable test of value would only serve to shackle sound opinion

in a situation where other factors may overcome or qualify its influence. This cannot be done in the name of speedy simple administration. . . . Consider every facet and circumstance which would logically tend to the formation of a correct estimate of the building's value, including the original cost, the economic value of the building, the income derived from the building's use, the age and condition of the building, its obsolescence, both structural and functional, its market value, and the depreciation and deterioration to which it has been subjected." (*Messing v. Reliance Insurance Co.*, 77 N.J. Super. 531.187 Atlantic 2d 49, 51-52.)

The "broad evidence rule" does not replace either market value or reproduction/replacement less physical depreciation value. Rather, courts using the "rule" seem to consider these traditional measures as guidelines which, in conjunction with additional factors, help make a determination of value.

The goal of the "rule" is to place ". . . all facts and circumstances which would logically enable the trier of such facts to determine a correct estimate of the loss . . . of property as it stood on the day of the fire." (*National-Ben Franklin Fire Insurance Company v. Short* (1953) 207 Okla. 673.252 Pac. 2d 495,496.)

The "broad evidence rule" has been recognized either explicitly by name or implicitly by the courts' holdings in Colorado, Connecticut, Florida, Georgia, Iowa, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, North Dakota, South Dakota, Tennessee, Texas, Virginia, Vermont, Washington and Wisconsin.

## Bonotto...

so. Look at Volume 34, No. 96 of the Federal Register published May 20, 1969. I'll grant you that it relates to government contracts. It directly puts the responsibilities I suggest are yours in your lap. Within a year's time there'll be a Federal Occupation Safety Act that will spell out exactly what you must do.

Our Supreme Court in *Sargent v. Interstate* agreed in the fall of 1967 that when your employe sues the manufacturer that the manufacturer in turn can sue you. Our Supreme Court held that the legislative body had never intended that you, the employer, be protected from any suit other than a suit directly by your employe.

Let me tell you as a manufacturer of a product what dollar value products liability means to you. I had a machinery builder who was somewhat surprised to be approached by a conglomerate offering to buy his plant. He really didn't want to sell

it. When the conglomerate asked us for a figure, we gave them a multimillion dollar figure, for we really didn't want to sell the plant. My client was astonished when without hesitation the conglomerate immediately met his asking price.

**IT WAS ONLY** after we had traded papers back and forth for 60 days that the

**“. . . the legislative body had never intended that you . . . be protected from any suit other than . . . by your employe”**

conglomerate lawyers came to our office to ask us about “potential liability.” An analysis of the 43 products claims then and there outstanding revealed that our potential liability from a realistic evaluation indicated liability of \$2.5 million to \$3 million in excess of any potential insurance coverage. There went the deal. An

analysis revealed that 25% of our entire operation could be wiped out by the then-existing products liability claims. How do you know that this isn't true for you? You'd better go home and take a realistic look at your situation.

Look at it this way: In the past five years you have undoubtedly had five bad accidents. With five bad accidents you

have paid on an average \$7,500 in workmen's compensation for each injured employe. That means \$7,500 a year for five years, or \$37,500.

Take the same five years and the same five injured people who brought suit against the manufacturers for loss of hands and you would pay a valuation of

\$150,000 per plaintiff. Five times \$150,000 equals \$750,000. That is your new exposure for five injured plaintiffs where we can file third-party actions against you. Do you still want to save \$25 a year on your premium? Try to imagine the flood of litigation that is going to be filed against you by way of third-party complaints.

You had enough problems as an original defendant in strict liability suits where you were a manufacturer. Now add to that this whole new field of exposure and liability, where you will almost automatically be named as a third-party defendant because you are the user of the machinery. What the new exposure means is that many of your people won't be here for next year's meeting—they'll be out of business.

*Reprinted from Modern Plastics, December, 1969, from a talk on products liability. Mr. Bonotto presented at a meeting of the Midwestern Section of the Society of the Plastics Industry.*

## Hertzog...

**THE “RULE” CAN** be traced to a basic case decided in 1928 by the New York Court of Appeals. (*McAnarney v. Newark Fire Insurance Co.*, (1928) 247 N.Y. 176, 159 N.E. 902.) In this case the plaintiff Mr. McAnarney, had purchased real estate from Lembeck & Betz Eagle Brewing Co. under written contract for the sum of \$8,000. The property included seven large buildings designed for the manufacture of malt for brewing.

The National Prohibition Act was passed in March, 1918, resulting in a halt in the manufacturing of malt and the discontinuance of use of the buildings

In January, 1920, policies insuring the plaintiff against loss of the buildings by fire were taken out in the sum of \$42,750. In April, 1920, the buildings were destroyed by fire.

Subsequently, the plaintiff served proofs of loss in which he valued the buildings at approximately \$60,000 and made claim for the total amount of the insurance.

**THE DEFENDANT**, Newark Fire Insurance Company, was one of the insuring companies. It had issued a policy insuring the plaintiff against fire loss in the amount of \$2,500. The plaintiff demanded payment from the insurance company and, upon its refusal, brought action to recover the sum of \$2,500 promised by its policy.

The jury returned a verdict specifying the value to have been \$55,000. The trial court directed judgment in favor of the plaintiff against the insurer for the amount of its policy with interest.

This judgment was reversed, however, in part for the position of the trial judge “. . . in charging the jury that upon the

question of value they must consider no other subject than cost of reproduction less depreciation. . . and in further charging that the obsolescence of the structures or their utility for commercial or manufacturing purposes might not be considered.”

In addition, the trial court refused to receive evidence that the plaintiff had been unable to obtain a purchaser for the property in 1919, and that in the same year had erected a sign on the premises advertising it for sale for \$12,000.

**IT ALSO REFUSED** to receive in evidence an affidavit made by the plaintiff in 1919 which was filed with the local board of assessors. In the affidavit, the plaintiff had stated that the property had no value except for the production of malt; that the production of malt on the premises had entirely ceased; that the owners would accept \$15,000 for the property; and that the best offer which had been received was \$6,000.

In the reversal of the judgment of the trial court, it was made clear that market value was not the exclusive measure of loss and neither was the cost of reproduction less physical depreciation.

It was further stated that “the trier of fact may, and should, call to its aid, in order to effectuate complete indemnity, every fact and circumstance which would logically tend to the formation of a correct estimate of the loss. It may consider original cost and cost of reproduction, the opinions upon value given by qualified witnesses, the declarations against interest which may have been made by the assured, the gainful uses to which the buildings might have been put, as well as any other fact reasonably tending to throw light upon the subject.”

A new trial was granted but the matter was ultimately settled outside of court.

**ANOTHER NEW YORK** case, (*Gervant v. New England Fire Insurance Co.* 1954, 306 NY 393, 118 N.E. 2d 574) in addition to some of the factors already mentioned, suggests that rental rates prior to the damage are very relevant.

In a case in Wisconsin, (*Wisconsin Screw Co. v. Fireman's Fund Insurance Co.* 3297 F. 2d 697 [CA-7-1962]) the court of appeals held that the district court did not err in determining loss or damage to machines and tooling on the basis of market value rather than by reference to replacement value new less depreciation.

A South Dakota case (*Lampe Market Co. v. Alliance Insurance Co.* (1946) 71 S.D. 120, 22 N.W. 2d 427) included a very detailed instruction to the jury, including consideration of the following:

- Cost of restoration or replacement less depreciation.
- Obsolescence.
- Size of the building.
- Material of which composed.
- Age of the building
- State of preservation.
- How much the building could be sold for cash.
- The opinions of value of qualified witnesses.
- Gainful uses for the building.
- Value for purposes of rental.
- Location in the community.
- “Any other facts disclosed by the evidence which will throw any light upon the actual cash value of the building at the time of the loss.”

In a case in Texas, (*Home Insurance Co. v. Tydal Co.* (1945, 5th Cir. Texas) 152 F 2d 309) the court was willing to reach a market value by comparing the price of similar plants and also determining the costs of repairs part by part.

An Iowa court (*Britven v. Oxidental Insurance Co.* (1944) 234 Iowa 682, 13

N.W. 2d 791) listed the factors it would consider in determining the actual cash value of the building. It ruled that the jury should be aided by such information as the size and dimensions of the building, the kind and quality of the materials from which it was constructed, its age, the amount of wear and tear to which it was subjected, its state of repair, and even, unless too remote, the original cost of the building.

A Maryland case (*Schreiber v. Pacific Coast Fire Insurance Co.* (1950) 195 Md. 639.75 A. 2d 108) held that the area in which a building is located and the obsolescence of its decoration may also be legitimate considerations.

All of these cases—and there are many more not cited here—point up the fact that the words “actual cash value” found in the typical insurance policy have no precise definition. They have been variously interpreted by the courts.

In general, litigation in the valuation area has held that where certain classes of property can be readily evaluated by one of the traditional methods (market value or reproduction/replacement cost less depreciation), such method can be employed. However where the nature of the property or some other element make it impractical to apply either of these methods alone, the courts apply the “broad evidence rule” in order to allow whatever additional evidence there may be to estimate more accurately the “value” of the property.

Thus, there are no universal or standard rules which apply to all jurisdictions in regard to “actual cash value.” And this dilemma will persist until some faction—be it in law, insurance or in the appraisal profession—comes up with a universally-acceptable definition of “actual cash value” which can be inserted in the standard property insurance policy.

Dear Gerry

## Deductibles as risk retention

by Gerald W. Wilson,  
analyst of corporate insurance,  
New York, N.Y.

**DEAR GERRY:** What is the fallacy of deductibles as risk retention?

**ANSWER:** To the carrier, a deductible is risk retention by the insured. However, the fallacy is that what is not insured is retained. Exclusions and unnamed perils in peril policies all constitute risk retention. Difference between replacement cost and ACV is also a form of risk retention.

The fallacy of risk retention in a de-

ductible is caused by the frequency of loss factor, which makes any risk retention stated in terms of a deductible meaningless. If, however, risk retention were expressed in terms of a percent of premium it might have some statistical meaning, i.e. with a stop loss as part of the deductible.

**DEAR GERRY:** What is meant by “third-party image?”

**ANSWER:** You have probably heard this term used in reference to the posture assumed by the insurance carrier regarding third-party claimants and in particular, that stance taken between the insured

and his employes with regard to claims by the employes. In short the insurance carrier plays the role of “black knight” allowing the employer to play the role of “white knight” or good guy. It can be one of the more important peace-of-mind services for which a premium is paid. The insured or employer is said to have a “third-party image” even though the claim may be against him or the insurance he has arranged.

**DEAR GERRY:** How important is it for an insurance manager to have a written corporate policy?

**ANSWER:** It depends on the corporation. Sometimes it is good to have a club you may never have to use against the corporate hardheads and empire builders. For the insecure it can furnish a psychological placebo and for the overly secure it can be a piece of paper best written in general terms.

At a very minimum such a policy should state the basic methods of static risk management and state the interdependence of other corporate functions and the authority of the risk manager in the insurance function.

The main reason for a corporate policy is to eliminate the need for going constantly to upper management for instructions and in setting out the area of decisions in handling specific risk management problems.

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So after you've decided to self-insure, think CNA. Either talk to your agent, or write to us. We want to help you. Even when you're helping yourself.

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# Alcorn sees domestic capacity increase

SAN FRANCISCO—While the insurance capacity of Lloyd's of London has shrunk, the domestic capacity is on the increase, in the opinion of Samuel A. Alcorn, vp, Bayly, Martin & Fay. Mr. Alcorn discussed structure and maintenance of catastrophe liability protection at a meeting of the Northern California chapter of the American Society of Insurance Management Inc.

"The scope and terms of coverage provided by the primary carrier," he said, "directly influence the availability and cost of catastrophe limits. Excess carriers still rely on the judgement of the primary carrier in pricing their product."

Mr. Alcorn warned that "there are really only a small number of carriers that are structured to meet the needs of most large business organizations today."

HE LISTED some of these needs as: the need for sophisticated coverage within the primary policy, such as broadened care, custody and control coverage, sistership coverage or the cost of replacing a product itself; safety engineering service from the insurer, adequate to assure manufacturing product quality control.

"For the very large corporation with complex operations," he added, "the manuscript policy frequently is the only practical

approach to securing coverages on particular risk exposures.

"However," Mr. Alcorn added, "this approach does limit the market to a small number of specialty carriers and it may work against the firm by reversing the doctrine that a policy be interpreted against the insurer in case of doubt.

He added that "today the two-part standard umbrella excess policy is coming into wide and increased use as a valuable adjunct to primary manuscript liability insurance."

In terms of capacity, Mr. Alcorn said, "for normal business, a truly competitive market exists. World capacity is something in excess of \$100 million. However, the market is much tougher in such areas as aviation, pharmaceuticals, cities and petroleum products refining and even in transportation. A minimum level of \$10 million is realistic for con-

ventional corporate exposures. This should be considerably increased as size, diversity and geographic spread of a company's operation occurs.

"Limits of insurance," he added, "also should reflect the nature of a company's products and the exposures to potential risk." ■

## \$300,000 award in air

A \$300,000 award to an Akron, O. youth paralyzed in a diving accident is in question because a beach association where the accident occurred doesn't have insurance. The youth, Roger J. Buck, had asked for \$1.2 million from the Cottage Grove Community Beach Assn., but the association's lawyer said the lake owners might not be able to pay off. The attorney for the Bucks, however, expressed confidence that the property could be sold to satisfy at least a part of the award.

# Retail credit.

Continued from page 22  
Ward spokesman.

WARD EXECUTIVES expressed a cautious optimism for the welfare recipient credit program. "We believe that our mutual efforts in this pilot program will demonstrate that large numbers of welfare recipients will be able to enjoy the same credit account benefits as other responsible consumers," said Edward S. Donnell, president of Montgomery Ward.

In addition to the revolving credit account, the company has a consumer credit education program which it will implement for successful NWRO credit applicants. It is designed to provide the individual with information which will help him to manage his account at the lowest cost to himself.

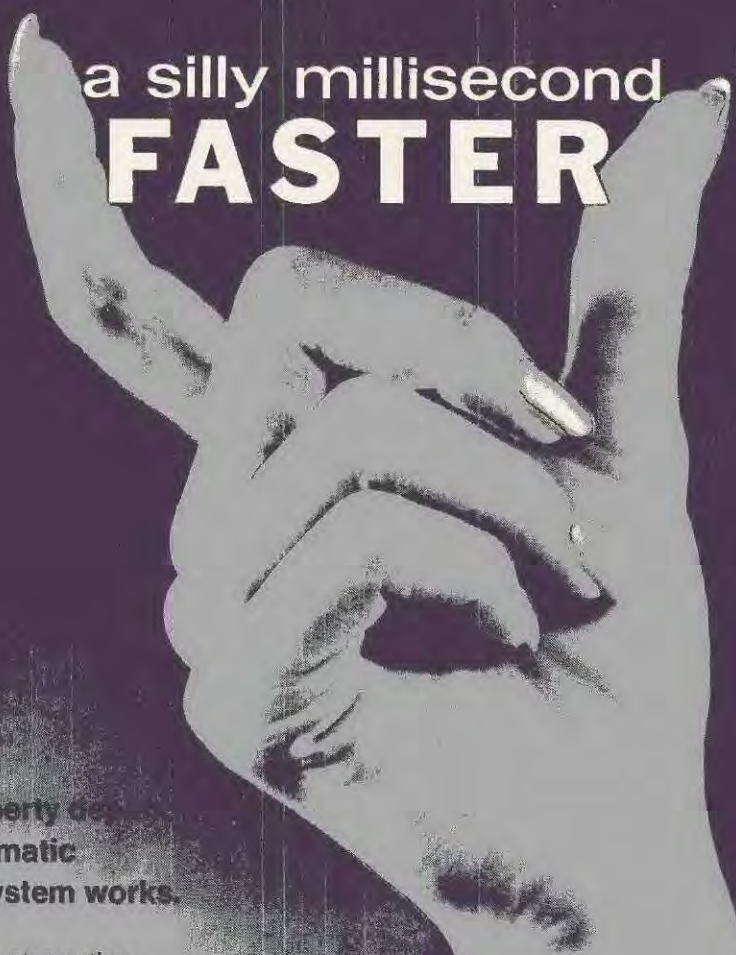
Although Dr. Wiley expressed satisfaction with the Ward pilot program he told *Business Insurance* that other large chains had been hesitant about opening up their credit accounts to welfare recipients. One of the most notable examples he mentioned was a consumer boycott action which the organization initiated last spring against Sears Roebuck & Co. "We've had several meetings with Sears. However, serious negotiations on a program similar to Ward's are at a standstill," he said.

"WE'VE HELD one meeting with J. C. Penney's but they seem to be dragging their feet. W. T. Grant has a local agreement in operation but they aren't ready to talk about a national plan as yet. We have contacted the McCrory Corp. but their management has yet to respond. Lane-Bryant stores, cooperating on an individual basis, have produced some good results. We initiated a 200 member credit agreement with Filene's of Boston late last spring, and to date only one person has been late in his monthly payments," said Dr. Wiley, in summing up the state of his organization's efforts nationwide.

Other stores cooperating in Boston are Jordan Marsh and Gilcrest department stores. Brooklyn's Abraham & Straus rounds out the Lane-Bryant roll of stores participating in NWRO welfare recipient credit programs. Other retail chains currently involved in credit plan negotiations with NWRO are S. Klein, Lerner Shops, and Best & Co.

"The first thing that retail management has to realize is that in terms of a credit risk the welfare recipient is surprisingly enough more dependable and stable than the average middle-class credit applicant," Dr. Wiley noted. "It is in the member credit applicant's interest to fulfill his credit agreements in order not to hurt his welfare organization as well as not to destroy his own reputation for self-respect and sense of responsibility," he explained.

"ANOTHER dividend of our attempts to bring reputable credit to the welfare recipient will be a welter of new information on just what are good and bad criteria for issuing credit. This will open up new marketing areas for the business interest and provide more readily available, more adequate credit for the person who must depend most heavily on credit to maintain sufficient buying power," Dr. Wiley said. "It's pretty obvious that if credit involvement is more reputable and affordable for the welfare recipient he will be able to do much more with what resources he has." ■



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# financial services

## INA sees no 'instant' way to financial services

By STEPHEN GILKENSON

PHILADELPHIA—When John T. Gurash, chairman and chief executive of the INA Corp., talks about financial services he does not exactly sit on the edge of his thick leather chair and stutter excitedly about INA leading us all into the year 2525 centuries sooner than we'll be there.

Mr. Gurash is not an excitable man. Rather, he is soft spoken; one might almost say restrained. The large holding company he heads, however, has been doing some rather exciting things lately. This is not a value judgment. Instead, it is one gathered from many conversations in the insurance buying, selling and broker communities in recent months.

The most recent conversation piece, of course, was the announcement that INA had acquired Blyth & Co., one of the country's leading investment banking firms.

**IN AN INTERVIEW** with *Business Insurance* Mr. Gurash discussed the role he hopes INA may play in the financial services future and the role companies may have to play as increasing demands by employees that the employer get more deeply involved in the financial well-being of his employe are met.

Mr. Gurash believes that future is hard upon us, and INA is gearing up accordingly. "What we're doing here at INA," the chairman said, "is bringing together the capabilities that will help us meet those eventualities."

"I don't believe there are going to be any instant—as we say, department-store—approaches to financial services."

"But," he continued, "I think the problem of delivering to the consumer not only insurance products but other financial products as well is becoming a very expensive thing. The public is going to demand more efficiency."

**AS AN EXAMPLE** he used the case of a mutual fund salesman.

"If he's calling on one consumer to make one sale, it's too expensive," he said. "You've either got to get the consumer to come to you or you can mass market. I don't have any doubt that this (mass marketing) is the way it

will go." And, again, INA is gearing up accordingly. The company "is about to go into registration" with a mutual fund tentatively called INA Fund. It is also casting admiring glances at mutual fund management companies, which would just about round out the INA investment services family.

"Payroll-deducted financial products are one way of getting these to the consumer at a low cost. When you do that, of course, you're going to lose some of the personal touch, but the public will have to make that decision," Mr. Gurash said.

Continued on page 34



John T. Gurash of INA looks to the future.

# Action Beats Conversation

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### Prudential urges brokers to cut rates

NEW YORK—The president of the Prudential Insurance Co., Donald S. MacNaughton, has urged stock brokers to reduce commission rates on large purchases by companies such as his own or Prudential might buy a brokerage house in an effort to cut commissions directly.

If Prudential did make such a move it would follow closely the recent INA Corp. acquisition of Blyth & Co., an investment banking firm.

John Gurash, INA chairman, commented: "Realistically you have to recognize that this is a possibility." He admitted that INA will now, in effect, be paying commissions (about \$1 million a year) to itself. "But," he added, "we wouldn't have done it just for that. It is a fringe benefit of the acquisition. The bigger picture we see is the ability to fit Blyth into our long-range financial services future."

Prudential had been paying about \$3 million a year in commissions. Late last year it was able to cut this amount by about 25% through large-volume discounts, Mr. MacNaughton said, but now seeks to cut it by another 25%.

Mr. Gurash told *Business Insurance* he doesn't believe Prudential is on the verge of broker acquisition, but is merely using the possibility "in an effort to get commissions down."

# INA sees . . .

Continued from page 33

"I think of myself," he went on, as an example. "Here I am, responsible for a rather large business, but I just can't keep up with managing my own financial affairs. I'd love to have someone say, 'Now, look, I'll manage these affairs for you for such and such a fee.'"

**MR. GURASH** is fairly confident that employers will have to get involved in the financial affairs of their employes in the future as one big fringe benefit and that companies like INA might be the axis on which the whole system revolves.

When?  
"Well, it certainly won't be during my lifetime," the executive, whose next birthday will be his 60th, said. He noted that em-

ployers will eventually be asked to solve all sorts of insurance related woes for their employes (auto, homeowners, drug and dental in addition to the traditional life and health coverages), as well as packages that would insure their financial futures (mutual funds and other investments).

Asked if he foresees the day when U.S. companies may return to the company-store approach—that is, whether Joe Smith of XYZ Co. will one day look not for a paycheck but a statement from a computer that tells him where his salary went—Mr. Gurash responded:

"I think that could be a very dramatic thing. I hadn't thought of it in that way before. The idea intrigues me. But," he added with a smile, "you are not simply offering him a loaf of bread at a discount this time."

**THE INA** chief took the reins

of the large holding company upon the retirement of Bradford Smith Jr. In Nov. 1, INA Corp. was formed in May, 1968, by the stockholders of the Insurance Co. of North America, the nation's oldest stock insurance company (177 years). INA's total assets now reach some \$2.3 billion, and the company does business in 110 countries throughout the world.

In 1964, Insurance Co. of North America acquired Pacific Employers Group, a large West Coast-based insurance group. The Philadelphia company also acquired Mr. Gurash, who was president of the California company at the time. He later moved up to chairman of Pacific Employers and at the same time was named executive vp and a director of INA Corp. He was named INA president and chief administrative officer about a year ago.

"I don't think the corporation as such has a formalized corpo-

rate dream," Mr. Gurash said. "I have the beginnings of a corporate dream and that is the accumulation of a broad range of financial services.

"But the thing that is becoming apparent is that there is a vast difference in providing these services for business and providing them for individuals," he said, noting that INA will continue to direct its major marketing thrust into commercial channels. Individuals, he explained, would not be neglected by INA but more and more of them may find themselves in mass marketed programs that by their very nature are commercial business to INA.

**ELABORATING** on mass marketing techniques, Mr. Gurash said that he feels they will evolve rather slowly and only when demanded by the employee.

"Take mass marketed auto in-

urance," he said. "I think the corporate buyer is going to be damn slow in getting into bed with this problem.

"You'll see a greater growth in this business from governmental agencies and institutions such as schools and churches because they are already equipped to administer such programs. As far as public corporations go," he went on, "few will do it on their own. I think the results so far prove that. There's been no dramatic breakthrough in the area of mass marketed auto insurance. Now, if you ever get to a no-fault system, which would simplify the whole business, then you'll see a great burst."

When the burst comes INA intends to be ready.

**"THE BASIC** character of the business we're mainly in, which is insurance, is the creation of capital," Mr. Gurash said. "The financial services that we are and will be engaged in will use that capital." The acquisition of Blyth, for example, will help INA create that necessary capital.

"Why are we doing this?" the INA chief asked.

"We're moving head-on into competition with banks. They have been invading our area for a while now without us moving into theirs. But," he went on, "I think we have a tremendous advantage over banks because they have more restraints on them than we do."

And the possibility of insurance companies being restrained one day?

**"THAT'S ALWAYS** possible. Of course, I would deplore it and think it would be against the public interest," he said, reciting the straight party line.

Mr. Gurash, greying but appearing more youthful and quietly energetic than his 59 years, now lives in Philadelphia with his wife, Katherine. He is a native Californian, however, and misses his home state accordingly. He and his wife still maintain a home in Pasadena where they retreat as often as possible. On this particular morning he appeared somewhat revitalized from a recent trip there. "I got in a couple of days on the golf course and I almost wish I hadn't," he said, noting that it had only whetted his appetite for more, which just isn't possible this time of year in the Philadelphia area.

"When he was with Pacific Employers on the West Coast," an associate who was with him there says, "he wasn't above getting up at 4:30 in the morning, dressing and going to the office. He would sometimes even call a colleague at 5:30 and say, 'I'm sorry to wake you up, but I was wondering what we are going to do about this . . .'"

**THE INA** chief executive's California upbringing is also said to be somewhat responsible for the company's recent innovations. "The business climate is different out there," the associate says. "People are more willing to try new ideas, new things."

Thus, perhaps, results the recent description by one insurance buyer that INA is "the swiftest company in the business."

John Gurash smiled.  
"We want to retain all of the very wonderful things about the 177 years of doing business and add to it a forward push. I don't think we are quite as impressed with the past as we once were. We respect it, of course, but this is a changing world. We have all the resources to change with it, resources we can employ intelligently. If the present management can't do it," he admonished, "some other should."



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# Canadian audience told business has gone 'too far, too fast' with benefits

TORONTO—Peter Pangman, manager of policy and benefits for Shell Canada Ltd., told a meeting of the Canadian Pension Conference here recently that business has gone too far and too fast in providing fringe benefits for employees. A union executive speaking at the same session, however, noted that even more will come.

Telling the gathering that business is getting very little back in return for its generousities in the benefit area, Mr. Pangman declared that a very critical point has been reached in the evolution of employee benefits.

"Obviously," the Shell man said, "benefits are and will be provided to attract and retain qualified people, but if we are spending 25% to 40% of payroll on benefits . . . it is essential that the employer begin to relate benefit programs to the corporate objectives."

**MANY BENEFITS** now are required by law and are taken for granted by employees as part of the pay package, Mr. Pangman said, noting, however, that the proliferation of benefits bears little relationship to the needs of employees, and there is nothing in the benefit statements given to employees to suggest that the level of individual's benefits is even remotely connected with the contribution he makes to the company.

Benefit programs are needed only to prevent loss of income from one of five causes—retirement, death, disability, absence

## Avalanches

*Continued from page 18*

The man obtained the weapon, aimed at the hazard and fired.

Unfortunately, the howitzer's aim proved faulty. The snow-laden precipice was missed and its mountain was hit directly. This caused a huge rockslide that did some \$250,000 damage to the man's new plant.

Such preventive measures, successful or otherwise, are not yet common among property owners in the U.S., however. The U.S. exposure of people and property to the hazard of avalanches is only now becoming very significant. The U.S. Forestry Service is consequently being faced with a preventive maintenance problem, previously confined to a few public ski areas, of gargantuan proportions.

"We are facing, the forestry spokesman said, "a tremendous problem with avalanches with new developers."

There are several buildings (condominiums and homes primarily) already completed or in advance stages of completion that lie in the direct paths of avalanches in many mountainous areas of the U.S. It's true that these avalanches run infrequently, some as seldom as once every 20 years. However, nothing has been done, either by the developer himself or through local government action to make the potential avalanche area safe, according to the Forestry Service spokesman.

"Consequently, such buildings are in constant danger," he said, predicting that the Forestry Service would probably be asked to watch these areas as well. "We hardly have the funds to fulfill our current responsibilities in ski areas, however," he concluded ruefully.

(vacations, for example) or loss of employment.

"Five programs should take care of the whole problem. But what an unholy mess we have made of it. In our company we have managed to develop some 20 separate programs to meet these needs, and we are not alone," Mr. Pangman declared.

The reason for the "unholy mess," Mr. Pangman explained, is pressure from governments, unions and insurance companies that results in the addition of one program on top of another until it is impossible to determine whether real needs are being met.

"THIS IS particularly true with

respect to death benefits. We find group life, widow's pensions, survivor benefits, government pensions, accidental death, travel-accident, and so on," he said.

Quoting an American Management Assn. study that found that a company will often pay to the deceased employee's estate between one and 15 times his annual salary, Mr. Pangman said that the amount paid "depends on how he chose to die." He said it is time for companies to consider integration of their benefit programs with a view to ensuring both that they meet the needs of employees—as determined by age, sex and family circumstances—and that, wherever possible, they

encourage effort and not imply long service.

Integration, Mr. Pangman noted, should lead to savings. However, he said there is no way such savings will find their way back to the company, and that the challenge will be to develop plans where such savings can be used to encourage individual effort and initiative.

"One can see many things down the road, such as group automobile insurance, housing insurance, dental insurance, longer vacations, vacation bonuses, educational assistance for employees' children, pensions geared to the cost of living. These things will come," he declared. "The question is: when? The bigger question is: what can the employer do to get something in return for the additional expenditure? Can benefits be used to reward performance?"

**ALSO SPEAKING** to the meeting was Donald H. Taylor, assist-

ant research director of the United Steelworkers of America, who indicated that the extension of benefit programs still falls short of union objectives.

The fringe benefit emphasis in current contract bargaining, he noted, is on long-term disability insurance, prescription drug plans, pension plan improvement and extension of vacations.

The union executive predicted that within five to 10 years full pension benefits will be available to many industrial workers at age 60 or after 25 years of service. After 25 years' service, workers would be guaranteed total retirement income (private and government) equal to 75% of their best earnings while employed, he further declared.

Pension credits, he added, would be fully maintained during layoff or disability, and there would be almost immediate vesting of pension rights



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# letters

Continued from page 24  
 publication a byline credit.  
**Stephen J. Storey**  
 American Life Insurance Co.,  
 New Orleans, La.  
*Editor's note: Permission granted.*

## Tax law clarification

To the Editor: I am writing you with regard to the article headed "Tax law" in your Feb. 2, 1970, issue. First let me agree with Mr. Bret that the law regarding the allocation of lump sum contributions as to those subject to capital gains or ordinary income tax treatment are at best illogical if not rather asinine. It is high time that our lawmakers leave technical problems to the professional technicians. It is timely that we realize that attorneys are not all things to all people at all times.

Had time been taken and our profession consulted, a more

workable law surely could have been written. I do not concur with Mr. Bret's statement that the large consulting firms will be better equipped to handle the problem created by the new law than the smaller ones. The new law will have very little effect on the great majority of pension plans, especially the larger ones, since a very insignificant minority of participants has historically elected or has been permitted to elect a lump sum distribution. This situation can be expected to continue.

The small consulting firm with smaller plans, which always has had problems of dealing with individuals on a more intimate basis and has qualified actuaries on its staff, should have no problem with the necessary calculations that, in my experience, should represent a rather simple matter. The employer cost of any pension for a specific individual should, in

the final analysis, represent the accumulation of a sum of money with interest at the assumed rate.

The actuality of funding for a group using turnover, mortality, and other probabilities discounted in advance is merely a measure of aggregate costs, which, the Internal Revenue Service has previously agreed with the actuarial profession, cannot be applied to individuals (viz., requirement with respect to information concerning 25 highest paid employees under Section 1.404 a-2 of the regulations). I would possibly suggest that the smaller firm will, in view of its closeness to the client's needs, be able to perform this function better.

Your article includes a table showing some calculations made by a consulting firm. I find the figures and statements to be at considerable variance. A 50% benefit provided by Social Security to a degree of 74.1% will

leave but 12.9% to be provided by the employer. The cost for a 12.9% benefit at age 65 is not likely to exceed 180% of salary as compared to 400% of salary shown in the examples. I suspect that the explanation of the benefit was not printed in its entirety; possibly it should have read as 50% reduced by 74.1% of Primary Social Security. In any event, it would require a 7% interest assumption in order that a \$700 annual contribution over a 25-year period produce a sum of \$46,000, a rather liberal assumption.

The capital gains subject has been over emphasized, and since it affects only a minority of employees (owners), why all this fuss? The qualified status of pension plans was not envisaged to provide estate accumulations for the well-to-do, but was designed to permit the supplementation of Social Security benefits by the

business sector. The arguments on the profit-sharing plan side are different, since a profit-sharing plan is obviously a deferment of compensation with no promise of retirement benefit for life implied.

**J. Goldberg**  
 Vice President and Actuary,  
 Thompson Pension Employee  
 Plans Inc., New York, N. Y.

*Editor's Note: Mr. Goldberg's contention about the improper wording in our chart is correct. Our examples were based on 50% of salary reduced by 74.1% of primary Social Security under the 1967 schedule. As far as the "liberal assumption" to which he refers, this question is still up for grabs. Further clarification by IRS is necessary before the actual means of computation is specified. The means of computation used in our chart was one of several alternatives possible.*

## Melzer is new Chicago ASIM head

CHICAGO—Arthur H. Melzer, assistant insurance manager for General American Transportation Corp., has been elected president of the Chicago chapter of the American Society of Insurance Management Inc. He succeeds James R. Mascarella, insurance manager for the Quaker Oats Co.

Mr. Melzer told *Business Insurance* he is seeking a more active participation of members in the chapter's present programs. Crawford Black Jr., exec vp of Caroon & Black, New York, will speak on the current state of insurance markets at the March meeting in Chicago.

The chapter elected William J. Gibbons Jr., insurance manager at Standard Kollsman Industries Inc., vice president; Geoffrey J. Burns, second vp of Continental Illinois National Bank & Trust Co. of Chicago, treasurer; and Ann Auerbach, manager of insurance at Goldblatt Bros. Inc., secretary. ■

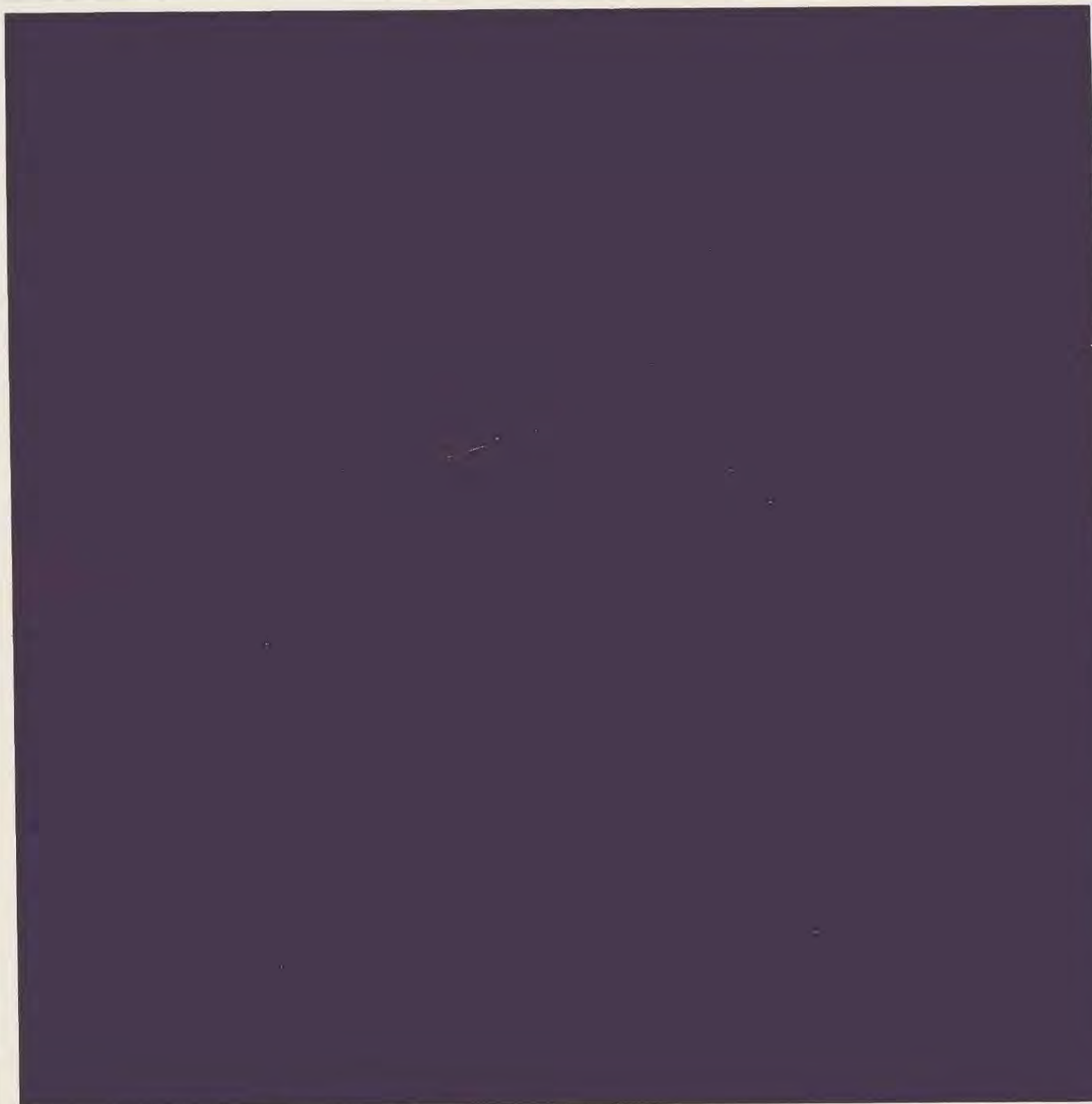
## Volpe vows noise curb by April

WASHINGTON—Secretary of Transportation John Volpe said he will issue a curb on aircraft noise and sonic boom by no later than April.

In a letter to Rep. Henry Reuss (D., Wis.), Secretary Volpe said the transportation department is "taking positive action on the control of sonic boom" and plans soon to issue a notice of proposed rule making.

"As you know," Secretary Volpe wrote, "President Nixon and I, on numerous occasions, have stated that it is the unequivocal position of this administration that no commercial supersonic aircraft will be allowed to fly over populated areas at boom-producing speeds."

The proposed rule making is now being prepared by the FAA, following which the public, industry and other interested parties will be given an opportunity to make their views known to the FAA at a public hearing. ■



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Giles on the law

# Defamation policy did cover this advertiser's poor choice of words

By JOHN W. GILES  
Attorney-at-law

WASHINGTON—If your beautiful model is posed on a motorcycle, with the caption "You get more nookie on a Suzuki," and she sues you for violation of her right of privacy, are you covered by your defamation policy?

The U. S. district court in Illinois says that you are. The policy here provided indemnity for losses for defamation and copyright infringement. The insurance company refused to defend the suit because the exclusionary clause of the policy stated that it

did not cover liability for suits brought against the insured because of an act committed by that insured with knowledge that the same constituted any of the hazards insured by the policy. The court said the question is whether an allegation of intentional or malicious conduct in a complaint against the insured entitles the insurer to refuse to defend.

The court said "No." Any well drawn complaint for libel, slander, defamation, or even invasion of privacy, will invariably include an allegation of willful or malicious conduct. If that allegation entitled the insurer to walk out,

this policy would insure practically nothing. (U.S.D.C. N. Ill.—*Stern, Walter & Simmons, Inc. v. Seaboard Surety Co.*—1/8/70.)

**THE PRESSES** continue to roll and turn out more and more products liability cases. This time the long-range guns are being trained on British Motor Corp. Ltd. and the complaint is that their car was not properly designed.

The issue was narrowed down to what is "intended use." The manufacturer cited in defense, the case of *Evans v. General Motors Corp.*—359 Fed. 2nd 822, as

authority for its position that the intended use of a car does not include its participation in a collision with other objects, despite the manufacturer's ability to foresee that such collisions may occur. The proposition that the manufacturer owes no duty to make his product accident proof, is supported by numerous cases.

But the court does not go along with these decisions. It says: "While all risks cannot be eliminated, nor can a crash-proof vehicle be designed under the present state of the art, there are many factors in design that are or should be well-known to the manufacturer that will minimize the injurious effects of a collision. The standard of reasonable care is applied in many other negligence situations and should be applied here. To adopt the position of the Evans case would be to ignore reality, for the foreseeability of accidents is a matter of

public and common knowledge. Thus, the manufacturer must accept the duty of protecting the user from unreasonable risk of injury due to negligence in design." (U.S.D.C. E. Wis. *Grundmanis v. British Motor Corp. Ltd.* 1/16/70.)

**IT IS APPROPRIATE** that we here offer you a case of first impression, since we have not formerly mentioned title insurance.


The case has its embarrassing features for the plaintiff. When the homeowner's concrete rear-entrance platform was removed and his walk broken up by his "friendly" neighbor, he asked his title insurance company to seek injunctive relief.

After the title company refused, the homeowner brought suit himself, only to find that he, not his neighbor, was the encroacher. Based now on the fact that the title survey was defective, the homeowner seeks damages caused by the defective title—and also counsel fees and the expenses incurred in connection with the litigation against his neighbor.

The defendant title company claimed that the plaintiff's claim cannot be sustained because the policy of title insurance is one of indemnity and the policy does not obligate it to undertake the prosecution of an action—but only to defend the insured. In fact, said the insurer, the action against the neighbor had no basis in fact.

The court said that since the import of the indemnification extends to the insured's title—it would be unreasonable to construe the indemnity as not covering the precise situation that exists here. When the neighbor employed self-help rather than legal process in destroying the homeowner's property and claiming title thereto, such action by the neighbor effectively put the plaintiff's title in dispute.

At this point, it was the duty of the title insurance company to defend the title. However, it refused to do so. It is immaterial that the plaintiff's claim of title against the neighbor proved to be baseless. The fact remains that the title company did nothing to protect the plaintiff's title when it was put in dispute. And so, the homeowner is entitled to recover his expenses for legal services as the result of his suit against his neighbor. (N. J. Super. Ct. Bergen City. *McMinn v. Chicago Title Ins. Co.* 31469.)



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# Can companies begin 1st nationwide and uniform dental insurance plan

NEW YORK—The Continental Can Co. and American Can Co. have recently instituted a dental insurance plan for about 6,000 employes who are covered by a contract with the International Assn. of Machinists (IAM). It is believed to be the first nationwide, uniform, noncontributory dental program established in American industry.

According to Walter E. Klint, director of employe benefit programs at Continental Can, the coverage is written by Metropolitan Life Insurance Co. The policy is the same at both Continental and American Can and it may become a prototype for dental insurance agreements that most certainly will be sought by unions in upcoming negotiations with

managements throughout the country.

"While we did not volunteer dental coverage," Mr. Klint told *Business Insurance*, "it soon became apparent during our last master agreement negotiations that we had to install a dental program if we hoped to get a settlement." Mr. Klint feels that other unions will subsequently get similar agreements. Salaried employes may have to wait longer, but it is a "reasonable bet" they will be given similar coverage in the not-too-distant future, he noted.

**EUGENE C. ECKER**, administrator of corporate benefits at American Can, agrees. "We expect it on the Steelworker's agen-

da next," he said. "We have to be a little more careful with salaried employes," he noted, adding that with them it was a case of "damned if you do and damned if you don't. But," he said, "we probably will get some sort of modified plan for them in the future."

In the dental coverage just begun for IAM workers and their families, Mr. Klint said, "we did propose and were able to negotiate what we hope will be reasonable safeguards." Among them, he noted, are:

- An annual \$25 deductible for each covered person.

- All procedures are to be reimbursed in accordance with a regular schedule of benefits. ("This was taken from the Cali-

fornia Dental Service Schedule B program," he said.)

- With respect to procedures covered under the schedule, there is a 75% reimbursement, with 25% co-insurance (50% in cases of orthodontics) absorbed by the covered employe.

**THE RESPONSE** from employes covered to date has been excellent, Mr. Klint said, with no major problems developing in administering the program.

"Of course, when it first went into effect in December we had a rash of claims. They (the IAM employes) knew the coverage was coming for about a year and apparently a lot of employes held off on dental care until it went into effect. Four days after the plan became effective we got one claim from an employe and three of his kids," he said.

In other benefit areas, Mr. Klint noted that "vision care is somewhere down the road." Hearing care may follow that. He

warned, however, that unions should take great care in their demands because "you spend an awful lot of money administering small things that the employe might well pay for himself." Employes should remember, he said, that whatever is being spent administering such programs comes "off the top" of labor-management contract settlements.

The \$25, calendar-year deductible does not apply to the first cleaning or scaling of teeth in any one year. However, such expenses may not be used towards satisfying the deductible. In addition deductible amounts are determined separately for each covered person. If three covered members of a family satisfy the deductible amount no further deductible amount will be applied during the remainder of that calendar year against any "covered dental expenses" incurred by any covered members of the family on or after the date on which the last of the three deductible amounts was satisfied, according to the agreement.

**THE PLAN** pays up to \$1,000 in any one calendar year, and up to \$5,000 during a lifetime for the covered IAM employe and each of his covered dependents.

The agreement covers a wide range of dental expenses, from extractions, fillings and oral examinations, to X-rays, orthodontic treatment or correction of an improper bite and root canal therapy.

Not covered are surgery or treatment for cosmetic purposes, except for correction of damage caused by accidental injury; initial or replacement dentures or bridgework replacing only natural teeth that were extracted prior to the effective date of a person's coverage; replacement of lost or stolen dentures; or services received because of dental injury on the job or dental defect entitling the person to benefits under workmen's compensation or occupational disease laws.

## Union to challenge new law

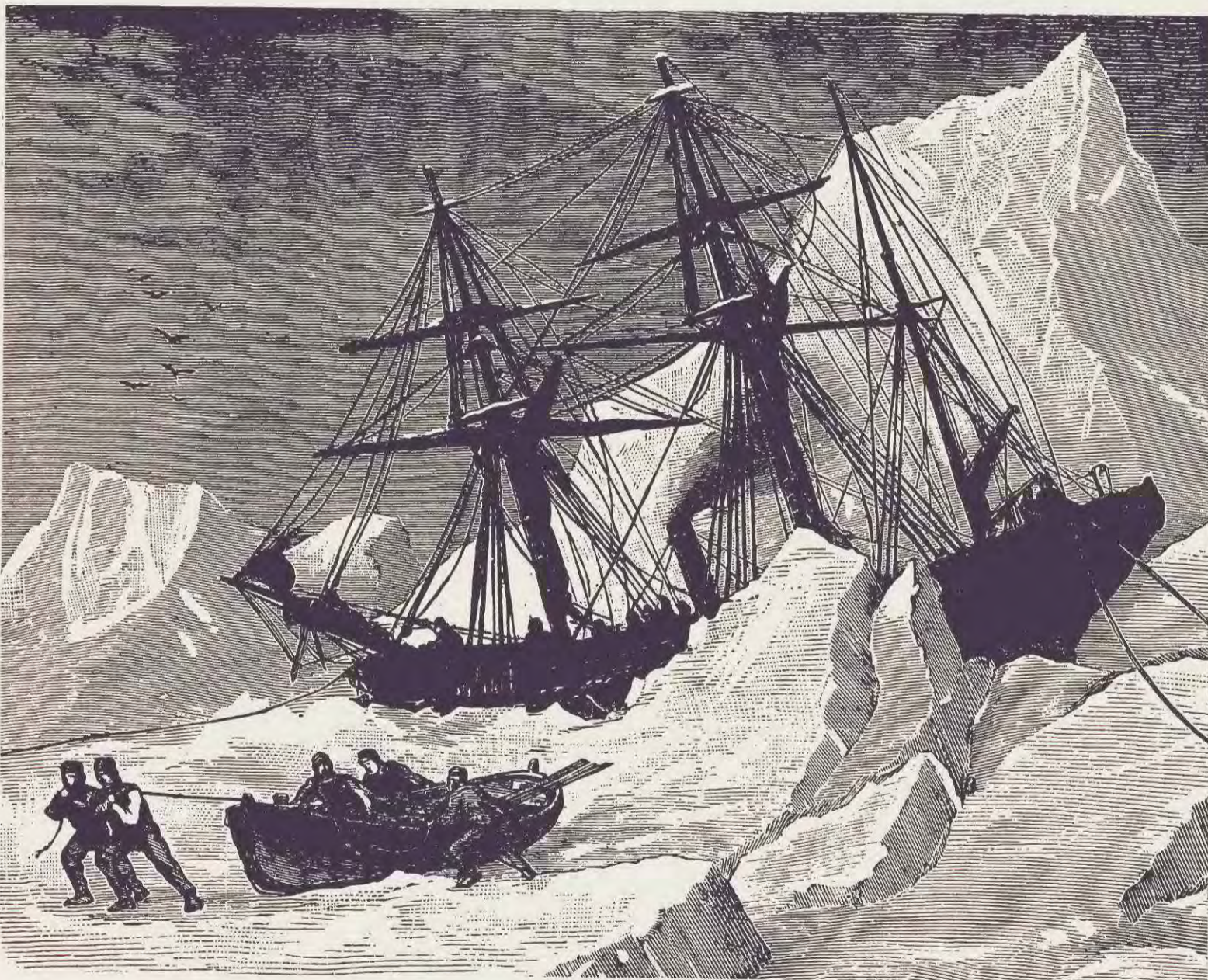
MONTREAL—The Quebec Federation of Labor is going to court in an attempt to recover control of a \$50 million pension fund for construction workers.

Federation leaders have charged that a bill passed by the National Assembly violates the property rights of the workers and should be declared invalid. The recent legislation, known as Bill 81, placed the construction pension fund under the control of the provincial agency that invests funds accumulating under the Quebec Pension Plan.

"This is a private pension plan our members have built up over the years and it is up to us to decide how to invest our funds," said Marcel Raymond, president of the provincial Building Trades Council. Mr. Raymond charged that Bill 81 was rushed through the assembly without enough consultations and without committee hearings.

Construction workers in Quebec contribute five cents per hour into the pension plan, with matching contributions from the employers. The fund has been administered by General Trust and Societe de Fiducie of Montreal under an annual contract.

The federation has indicated that if the courts uphold Bill 81, the unions will fight at the next contract talks to transform the pension plan into another form of benefits to escape provincial control of the fund.



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# compensation trends

## Fringe benefits get first priority in 70s collective bargaining talks

WASHINGTON—Full employment and rising taxes . . . these are the indicators that determine a labor union's decision to shoot for bigger and better non wage benefits on behalf of their members. They're also the ingredients for obtaining the employer's acceptance of such demands without stiff opposition.

These are among the significant findings contained in a report submitted by Lowell Robinson to the Economics Department of the University of Wisconsin.

Says Mr. Robinson: "There's a growing tendency to direct a greater portion of collective bargaining 'goodies' to increased protection against the twin hazards of sickness and old age. Labor leaders are well aware of the rising costs of illness; they also read the statistics on life longevity, making retirement income virtually a necessity. Therefore, such fringes are given top priority, not only because they benefit the worker, but because fringes tend to strengthen the union position as an institution.

"IT IS interesting to note that the government encourages the non-wage compensation formula as less inflationary than current pay raises. The latter produces more spendable dollars posing an added danger to an already overheated economy."

What is the worker's preference? Is it cash on the line or the supplementary benefits? "It depends in large measure on his present hourly wage rate and his financial health in general" says Mr. Robinson. "The higher a worker's current income, the more willing he is to substitute more fringe benefits for a fatter paycheck. Not overlooked are the tax savings. For instance, in the case of pensions, the tax is deferred until a later date when it is distributed—unlike the Christmas bonus which is taxed immediately. Other benefits may not be taxed at all, e.g. meals, medical care, uniforms, workmen's compensation, disability income, etc."

Mr. Robinson made an analysis of trends and changes in employee benefits over the past decade and translated his findings in the following chart.

Settlements establishing or liberalizing one supplementary benefit or more	92.9
paid vacations	69.2
paid holidays	56.8
premium pay	19.5
pensions	65.19
health and welfare plans	83.4
supplemental unemployment benefits	19.2
severance pay	3.7
jury duty	15.4
paid funeral leave	21.0
paid sick leave	4.4
other practices	27.6

Supplementary practices negotiated in major collective bargaining settlements by workers.

### Gerry gets boost

Charles T. Gerry has been named underwriting manager for commercial lines in the Eastern division of Crum & Forster Insurance Cos., New York.

In examining the improvement of benefits among union members involved in major collective bargaining agreements, we see that in 1968, almost 93% benefited by having at least one fringe benefit added or liberalized as opposed to 80.3% in 1966 and 76.7% in 1961. However, priorities shifted among these years in having benefits liberalized. For instance, in 1968, 1966, and 1961, health and welfare plans, pensions, and paid vacations were the top three bene-

fits most often improved, exemplifying the greater stress on more leisure and improved retirement plans.

IT IS interesting to note the different trends from one year to another, i.e., the new enthusiasm placed on certain supplementary benefits. For example, the liberalizing of paid holidays in 1964 in addition to the added importance given to severance pay and jury duty being partially paid for.

The cost of these non wage payments is not a subject the employer passes off lightly. It was estimated that in 1968, fringe benefits would cost the employer 82.2 cents per man hour or \$33 per week, or \$1,719 per year. The breakdown of this hourly non wage rate is as follows:

Legally required employer payments—social security, unemployment compensation, workmen's compensation	18.3¢ per manhour
Agreed on payments—pension and insurance plans, severance pay, employe discounts	24.7
Cost of time not worked—rest and lunch time, wash-up time, change of clothes time, travel time	8.5
Cost of other items—	

holiday pay, vacation pay, sick leave, jury duty	24.3
Payments for other benefits—profit sharing, thrift plans, Christmas and other bonuses	6.4
Total	82.2

Whether or not the employe of a union will ever receive the full value of these fringe benefits which the employer pays on the average 82.2 cents per man hour is not an easy answer; it is only speculation. We must however, remember that the value of each benefit is determined by a cost accountant who must put some price tag on liberalized benefits in order that settlements of collective bargaining agreements can be looked upon as one lump sum package deal; it cannot take into consideration each employe's personal situation and what the fringe benefit will mean to him. ■

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## Anatomy of an unmerger

# Brokers' breakup: Case of partners not getting into bed with each other?

BOSTON—John C. Paige & Co. and O'Brien Russell & Co., two insurance brokers, were joined in marriage on a pleasant summer day here in July of 1968 and thus became Paige O'Brien Russell. On Feb. 1, 1970, the marriage was dissolved.

It was a quiet divorce, indicative perhaps of those that occasionally do occur within a good Boston Irish family. No reason for the breakup was publicly offered. Those close to the family said it was simply a case of irreconcilable differences of "operating philosophy." The parting was said to be as amicable as possible under the circumstances.

In a day when insurance brokerages are increasingly setting

up house together—and with apparent success—the Paige O'Brien Russell dismerger is an interesting if not totally earthshaking departure.

"IT DIDN'T COME as a complete surprise," one source familiar with the brokerage business said in Boston the other day. "Even after the merger in 1968 both seemed to operate independently of each other. Why, they didn't even have offices together," he told *Business Insurance*.

While it is likely that such parlance would not be heard in blue-blood Boston insurance homes, it appears that the divorce came at least partially as a result of the fact that the couple never really

slept together.

When the merger occurred July 1, 1968, John C. Paige & Co. was occupying headquarter offices at 40 Broad St. O'Brien Russell was just around the corner at 141 Milk St. The residences were the same on Feb. 1 when the dismerger was announced.

"We maintained separate offices throughout," a spokesman at John C. Paige said. "We never integrated for practical reasons," he added, explaining that both firms had leases running on their respective office space. However, the firm had planned to consolidate offices in a new downtown Boston office building when completed but that of course has since been cancelled. Both firms will instead occupy separate offices when the new Boston Co. Building is completed.

IN ESSENCE, the dismerger means that both firms are going their singular ways, much as they had been doing during the 19-month association. Practically the only change is that each firm has opened a fresh set of books.

Both companies claim that they have not lost any accounts as a result of the dissolution of the partnership.

Five large accounts brought to the partnership in 1938 were Sperry-Hutchinson, Rexall Drug Co., Port of New York Authority, Gulf & Western and Northeast Airlines. The first three were with John C. Paige & Co. prior to the partnership and will stay with that firm. The latter, similarly, came with O'Brien Russell and will stay with that broker.

John C. Paige & Co., in addition to its Boston office, has three others in Maine and one each in Manchester, N. H., Hartford, Atlanta and Los Angeles. It is planning one more on the West Coast, *Business Insurance* learned. It will be a new office, not one made through acquisition, but final arrangements have not been com-

## dates for buyers

April 6-8, American Management Assn., Managing benefits impacted in the economic and social environment of the '70s, 8655 W. Higgins Rd., Chicago, Ill.

April 7-10, American Society of Insurance Management, Annual national risk management conference ins/expo '70, Americana Hotel of Bel Harbour, Miami, Fla.

April 13-14, Management Seminars Inc., Excess and surplus lines annual conference, Biltmore Hotel, New York City.

April 22-24, American Management Assn., Mass merchandising in the insurance industry, Biltmore Hotel, Los Angeles, Cal.

April 22-24, American Management Assn., Risk management, Biltmore Hotel, Los Angeles, Cal.

April 26-27, Indiana University School of Business, Sesquicentennial conference, Insurance in the future, Bloomington, Ind.

April 27-29, American Management Assn., Insuring fire business interruption and boiler exposures, Dallas, Tex.

pleted as yet. There are 200 employees in the Boston location, 150 in New York and 60 in Atlanta. Another 100 or so are based in the other locations.

O'Brien Russell, in addition to its Boston headquarters, has a smaller office in Needham, Mass. The firm, which until the merger in 1968 had been in business by itself since 1876, employs "more than 160" persons, a spokesman said.

THE FIRM DOES NOT contemplate any major expansion at the moment, said the spokesman. "It all depends which way this business goes. We're a very successful concern. We're just as sound and big as we always were

and hope to grow even bigger," he added.

A spokesman at John C. Paige, on the other hand, told *Business Insurance* that his firm planned to "continue to expand and open other offices through the country."

More than one source in the industry cited "an apparent earnestness" on the part of Paige to branch out and expand as one reason for the fall out. "O'Brien Russell was the more conservative of the two," it was said.

Also mentioned as a difference of operating philosophy is the fact that Paige does most of its business on a direct basis, while O'Brien Russell has in the past done considerable business with outside smaller brokers. ■



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## Senate probers check UMW pension outlays

WASHINGTON—The Senate labor and public welfare committee has approved a resolution authorizing a \$365,000 expenditure for a broad scale investigation for a broad scale investigation by Sen. Harrison Williams' (D., N.J.) labor subcommittee into the 1969 United Mine Workers' election and into the union's pension and welfare fund.

"There have been serious allegations made concerning the \$180 million fund and I think it is imperative that we look into those claims," Sen. Williams said.

"Certainly, we have a clear duty to our nation's coal miners to make sure that they are getting the maximum benefit from their pension fund. We have a duty to determine whether the pension fund is being administered in accordance with the law and to make certain that those funds have not been used to subvert the democratic operation of the UMW," he continued.

Allegations concerning the fund include one that \$75 million has been kept in a non-interest bearing account in the \$500 million bank which is controlled by the union and that salaries and expenses are paid by the fund to friends and relatives of union officials for little or no work. The bank involved is the National Bank of Washington.

IT ALSO HAS been charged that benefits paid by the fund were increased without actuarial justification to win support for A. W. "Tony" Boyle in his campaigning for reelection to the union presidency.

The funds for the investigation must be approved by the Senate rules committee and then by the Senate itself.

Terms of the resolution granting the committee the funds call for it to conduct an examination, investigation and to make a complete study of "any and all matters pertaining to the United Mine Workers of America election of 1969 and a general study of pension and welfare funds with special emphasis on the need for protection of employees covered by these funds." ■

### Hawaiian storm claims

A violent winter windstorm in mid January in the Hawaiian Islands caused insured losses of \$1,200,000. Between 1,500 and 2,000 claims for wind damage are expected to result, according to the Insurance Information Institute here.

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# Hangar fire decision holds an insurer liable

LITTLE ROCK, Ark.—A Federal district court here has judged that the Insurance Company of North America is liable for two twin-engine airplanes that were damaged in a fire on Aug. 2, 1968, in a West Memphis, Ark., airport hangar.

The planes were owned by E. M. Radcliffe, president of the Radcliffe Investment Co. of West Memphis, who owned a twin Beechcraft jointly with the Bunge Corp., a worldwide grain marketing firm, and Harold Ohlendorf, of Osceola, Ark., president of the Arkansas Farm Bureau Federation, who owned a twin Bonanza. The Radcliffe-Bunge plane was insured for \$140,000 and the owners sold it for salvage for \$50,000. The jury awarded \$90,000 to Mr. Radcliffe and Bunge.

**MR. OHLENDORF** sold his plane for salvage also, receiving \$25,500. He had the plane insured for \$58,000. The jury gave him a \$32,500 judgment against INA.

The owners contended during the trial that the planes were totally destroyed. The insurance company claimed that the planes could be repaired and restored to safe flying condition.

The company said the Radcliffe-Bunge plane could have been repaired at a maximum cost of \$22,700, and that Mr. Ohlendorf's plane could have been restored for \$15,625. The jury said the planes were a total loss.

The fire occurred in a hangar of the West Memphis Aviation Service. The jury absolved the service of negligence.

**AN UNINSURED** single-engine airplane owned by the First American Farms, a subsidiary of Bunge, was also damaged in the fire. First American sued the service for \$13,000 for loss of the

## Calls for regulation shift study

PHILADELPHIA—Herbert S. Denenberg, president of the American Risk and Insurance Assn., has called for a careful study of the choice between state and Federal regulation of insurance.

Mr. Denenberg made the declaration after appointing Spencer L. Kimball, dean of the University of Wisconsin Law School, chairman of the insurance and public policy section of the ARIA.

Mr. Denenberg said, "There is a need to carefully consider the staggering implications of a shift to Federal regulation. The shift should not take place merely on the basis of a cataloging of conveniences of insurers in marketing and other operational areas. The shift to Federal regulation involves the most basic questions of Federalism, of the preservation of political and economic liberty, and of a safe distribution of power within our society."

**HE ALSO** pointed out that "those who advocate Federal regulation should consider not only the known inadequacies of state regulation, but also the known and unknown inadequacies of Federal regulation. The insurance and public policy section of ARIA should fully develop all facets of this state-Federal issue."

Mr. Denenberg called Dean Kimball "uniquely qualified" to study the issue.

plane, but the jury rejected the claim.

Testimony revealed that the Radcliffe-Bunge plane was sold to a Dallas airplane firm, which restored the craft for \$8,500 and sold it to a Lubbock, Tex., contractor. The contractor testified that he flew the plane for a year but grounded it the last week of January. He said the Dallas company told him that the plane only suffered smoke damage.

Mr. Ohlendorf's plane was stripped of parts by a San Antonio company that bought it as salvage. The parts were then resold and placed in another plane under construction by a Florida firm, testimony showed.

Two metallurgists and an aeronautical engineer also testified.

## Report compensation payment promptness

SACRAMENTO — California's Div. of Industrial Accidents has issued its sixth semi-annual report on promptness of payment of compensation benefits.

With an average of 11.9 days between date of disability and start of payment and an index rating of 96.75, California Casualty Indemnity Exchange heads the list of the larger carriers, for the second time.

Others among the top ten are Liberty Mutual, National Surety of California, Hartford A&I, Employers Mutual Liability, Eldorado, INA, Republic Indemnity, Hardware Mutual Casualty and Pacific Employers.

## Fight victim wins award

LITTLE ROCK—An assaulted employe who suffered injuries from another employe can collect workmen's compensation benefits, the Arkansas supreme court has ruled.

Curley Butler, an employe of Townsend Paneling, Inc., here, lost an eye during an altercation with Charles Wilson, 22, another employe who was assisting Mr. Butler working with a rip saw.

The Arkansas workmen's compensation commission ruled that Mr. Butler was entitled to benefits of \$38.50 a week for a healing period to be established, all medical expenses and a maximum attorney's fee, plus an additional \$38.50 a week for 100 weeks for the loss of his eye.

The commission's ruling was upheld by a chancery court, but the Townsend firm appealed to the state supreme court on the

ground that Butler's injuries were the result of a private matter and not his employment.

Mr. Butler, who was 69 at the time of the altercation, said that Mr. Wilson was lumber stacker for him as he operated the rip saw. He said that Mr. Wilson became angry because Mr. Butler wouldn't bet on the amount of change in Mr. Wilson's pocket.


Mr. Butler said that Mr. Wilson struck him with an oak board about four-feet long and four-inches wide, knocking him unconscious and causing severe injuries.

## Director named

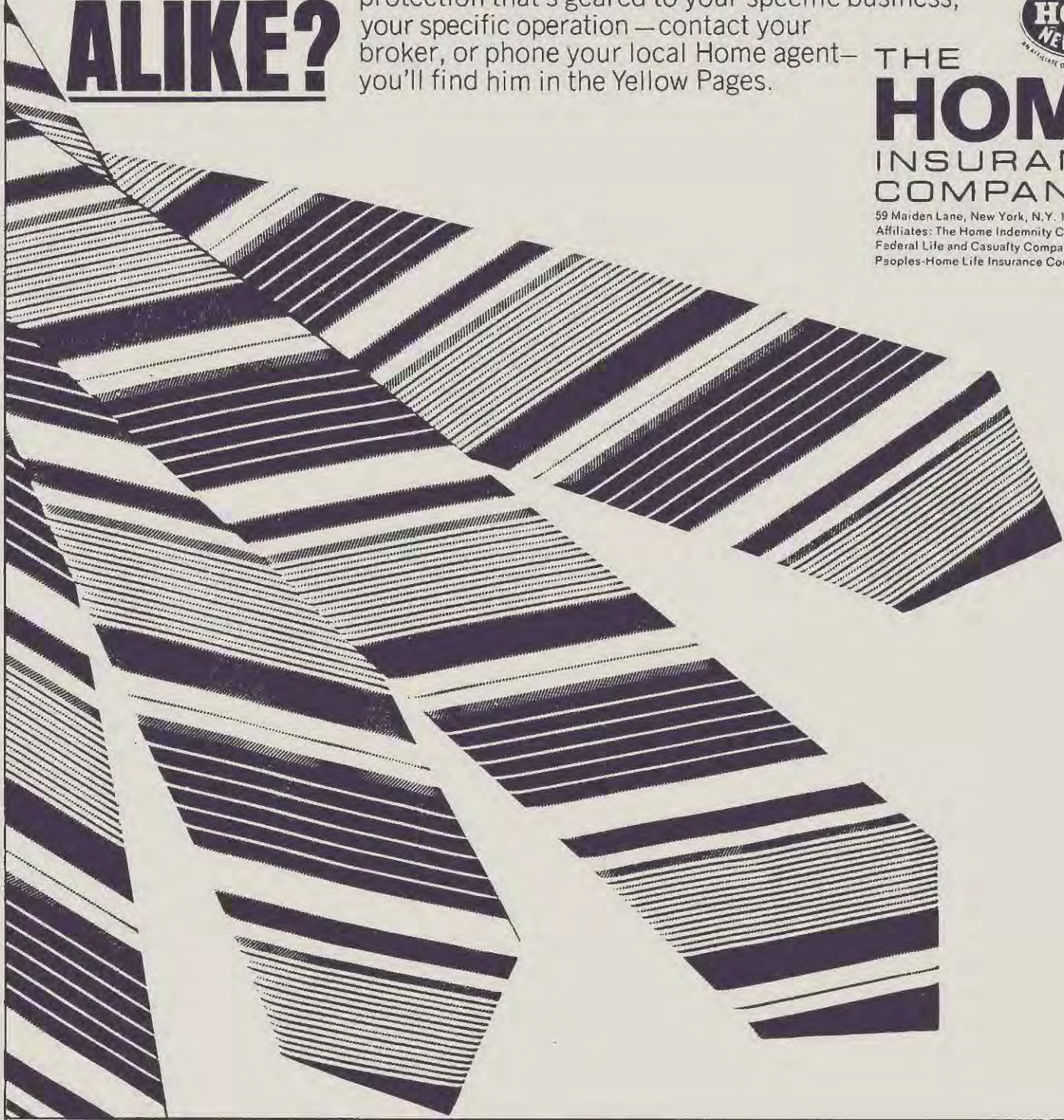
Donald A. Kramer has been named director, group special risks, and an officer of the company at Phoenix Mutual Life Insurance Co., Hartford.

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# Changes coming in this decade key ASIM's Ins Expo 70 conference

NEW YORK—The annual American Society of Insurance Management conference, to be held April 8-10 at the Americana Hotel, Bal Harbour, Miami, Fla., has been whipped into shape by its planners who promise several innovations.

William J. Jones III of W. R. Grace & Co. is this year's program chairman. He's been riding herd on this particular session for over a year now, but is rather pleased with the results.

The annual ASIM fest has a title for the first time. It's Ins/Expo 70. "The connotation of the title," Mr. Jones told *Business Insurance*, "is the newness of the 70s and the changes that are bound to occur. We hope it to be

a self-examination, a look at what the insurance industry will do to meet our needs in the 70s, what brokers will do and what we ourselves as risk managers might do in the corporate role of risk management."

**THIS YEAR'S ASIM** conference includes several new items. Among them are exhibits and industry sessions. The sessions, according to Mr. Jones, will zero in on specific problems in specific industries. Included, for instance, will be sessions keyed specifically to risk managers at banks, chemical companies, trucking firms, retail stores, paper and pulp manufacturers, municipal governments and food processors, he said, rattling off a

list. These sessions are scheduled for Monday and Tuesday prior to the official opening of the conference. In addition, he noted, audiovisual aids will be used to illustrate risk management processes.

Also new to this session, the program chairman said, is an increased emphasis on areas not normally included on ASIM conference agendas.

The industry exhibits, according to Ron Judd, managing director of ASIM, have been planned with great care and are "not just booths thrown up so an insurance company can sell its wares."

**REGISTRATIONS** for the three-day session is "running much better than last year," according to Mr. Judd, who noted that 861

were registered at last year's meeting in New York. About 900, not including wives and complimentary registrants, are expected this year, Mr. Judd said.

The complete schedule of meetings is:

## WEDNESDAY, APRIL 8

**9 a.m.**—Opening of conference with remarks by Douglas Barlow, vp, conference activities, ASIM; L. C. Cantin, president, Florida chapter ASIM; William S. Mortimer, outgoing president of ASIM.

**9:20 a. m.**—Remarks by Rollyn L. Storey, first vp and incoming ASIM president: "Things are Changing."

**10 a.m.**—"The Insurance Institution in the 70s:" chairman, William J. Jones; co-chairman, James Dykes, insurance manager, Alabama power Co., Birmingham, Ala. Remarks by Jacque Sammet, president, CNA Insurance, "Will the Insurance Business Meet Needs?"

**10:50 a. m.**—Robert H. Volk, president, Unionamerica Inc.: "Diversification and Financial Changes in the Insurance Industry."

**11:30 a. m.**—Felix Kloman, vp, Alexander & Alexander: "Wither the Insurance Broker?"

**12:15 p. m.**—Past presidents' luncheon. Chairman, William S. Mortimer, ASIM outgoing president. Guest speaker: Ned Price, chairman of the state board of insurance of Texas and president of the National Assn. of Insurance Commissioners.

**2 p. m.**—"Risk and Insurance Management in the 70s": chairman, Raymond Severin, director, corporate insurance, American Metal Climax Inc., N. Y.; co-chairman, Don Stehr, insurance manager, Joseph Schlitz Brewing Co., Milwaukee, Wis. Panel discussion titled "Wither the Risk Manager?" panelists: William Smith, vp, insurance, Gulf & Western Inc.; James Mahoney, vp, Airco Industrial Gases Inc.; Miles Chenault, president, Midland Insurance Co.

**3:20 p. m.**—"Risk Management in Evolution." Address by James Christy, pension fund administrator, the Upjohn Co., Kalamazoo, Mich.

**4 p. m.**—"Employee Benefits in the 70s." Address by Richard Shoemaker, assistant director of the department of social security, AFL-CIO.

## THURSDAY, APRIL 9

**9 a. m. to noon**—ASIM annual meeting, restricted to members. Included are addresses by James Bailey, ASIM legislative counsel, and by Gerard Roche, vp and manager of Heidric & Struggles Inc., a New York management consultant firm. Mr. Roche will speak on a study of risk management recently concluded by his firm.

**12:15 p. m.**—Luncheon speaker Marshall Berges, assistant publisher and special correspondent for Time magazine, who will speak on "Business and the New Left."

**2 p. m.**—Chairman is Robert Wilson, director of insurance, Ryder Systems Inc., Miami; co-chairman is J. E. Hall, manager of insurance and employe benefits, Crown Zellerbach Canada Ltd., Vancouver, B. C. Subject and speaker to be announced.

**2:45 p. m.**—"The Automobile Risk Problem." Address by Leslie Peterson, attorney general of British Columbia, on "British Columbia's Automobile Legislation"

**3:30 p. m.**—"The Co-operative Claims System." Address by Charles R. Carpenter, senior vp, CNA Financial Corp.

**4:05 p. m.**—"Solutions Mooted in the U. S. A.," an address by Charles K. Cox, president, Insurance Co. of North America.

## FRIDAY, APRIL 10

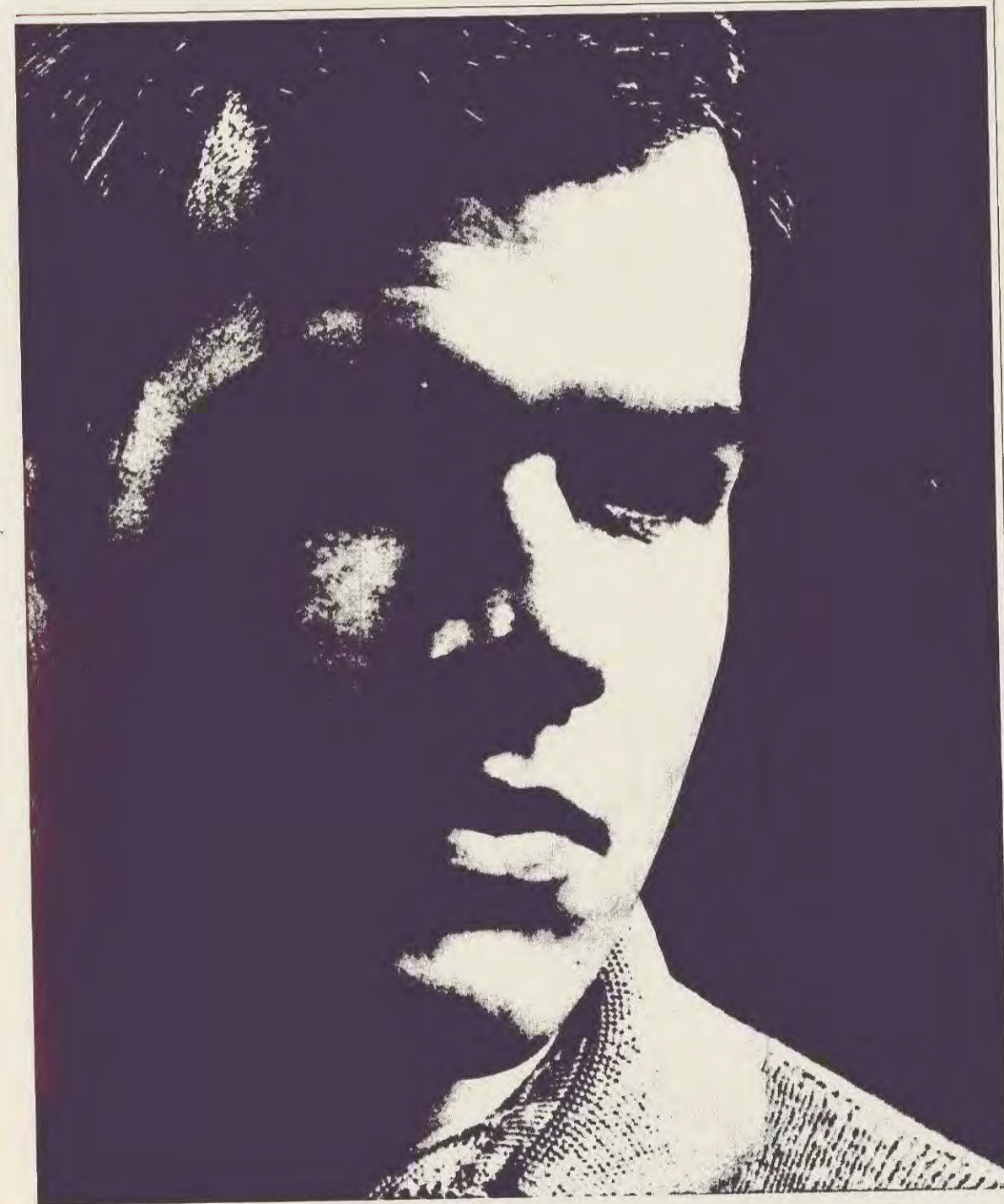
**9:30 to 11 a. m.**—Problem clinic. E. P. Lalley, insurance manager, Kraftco Corp, chairman. Panelists are Duane E. Allen, William Altstaetter James R. Mascarella, Daniel Sullivan, A. J. Trimble, Howard T. Weber and Russell Drake Jr.

**8:30 a. m.**—Directors & officers liability insurance. A debate between Vincent Stahl, vp, Marsh & McLennan, and John Olsen, attorney and manager, insurance department, Ingersoll-Rand Co.

**9:30 a. m.**—"Organization for International Risk Management" an address by William E. Toyne, executive vp, Tomenson, Saurders Ltd.

**10:15 a. m.**—"The Perils of Expert Advice," an address by David L. Johnson, assistant general counsel, Factory Mutual legal department.

**11 a. m.**—Closing remarks by outgoing president and president-elect.



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But 97% will renew

## D&O held by 55% of MAPI firms but survey shows only 6% file claims

WASHINGTON—The Machinery & Allied Products Institute has found that although 55% of its members responding to a survey have taken out directors and officers liability insurance, only 6% of the companies had filed claims under the policy and not a single claim had been settled.

Nevertheless, 97% of the MAPI companies queried indicated they planned to renew their D&O coverage when it expired. Only one company said it doesn't plan to renew.

MAPI said there were "a number of pressures" for continued growth in the field, such as: increasing requests by directors and officers for the coverage; the growth of companies through mergers and acquisitions; enactment of legislation in various states okaying the purchase of D&O; and successful marketing efforts by insurers.

THE MAPI survey was filled out by 261 member firms, which makes it about the broadest study on the subject to date. An earlier study, done a year ago among 51 members of MAPI's insurance council, showed that some 80% of those companies had purchased or were in the process of purchasing D&O coverage, but that only one of the 36 companies covered had filed a claim.

In its most recent survey, MAPI said the results indicated "that at least some of the companies now insured are not wholly free of skepticism regarding the value of the coverage. Furthermore, the survey suggests that respondent companies, whether or not they have directors and officers liability insurance, would agree that it is probably premature to make any conclusive evaluation of the need for, and the worth of, this form of insurance."

MAPI said at least three factors contribute to the doubts about the coverage: (1) the cost of such insurance is "spiraling rapidly upward;" (2) the policy language is "to some extent ambiguous and the scope of the coverage uncertain;" and (3) claims and settlement experience publicly available are "insufficient."

The survey pointed out that one of the drawbacks of the coverage is that the market is not competitive, since "the overwhelming percentage" originates in London. This fact, among other things, has led to "relatively inflexible provisions in the basic insurance coverage and a rapid increase in the cost," the survey noted.

MAPI SAID the cost of D&O coverage "appears to be increasing much more rapidly than can be justified either by risk or loss experience or by improvements in and/or expansion of the coverage."

One company responding to the MAPI survey cited an increase of more than 300% in the amount of the premium when it renewed after two years. Several others reported premium hikes in excess of 100% without any changes in limits, significant liberalizations in the contract or coverage of additional personnel.

Of the 261 companies responding to the questionnaire, 144 (or 55%) carry D&O coverage. Another 15% said they have the matter under consideration.

Among those firms not buying the coverage were closely held firms that didn't consider expo-

sure to liability claims great enough to warrant the insurance or that thought they couldn't get the coverage; companies that balked over the limited scope of the insurance and the ambiguities in the contract; and companies that thought the cost of the insurance was too high.

OF THE 144 companies with D&O coverage, 65% had limits of between \$1 million and \$5 million; 23% had limits of between \$6 million and \$10 million; 11% had more than \$10 million; and 1% less than \$1 million.

Thus, almost 90% of the com-

panies have coverage ranging between \$1 million and \$10 million. Several firms, MAPI said, wanted higher limits than were available in the market.

The survey noted that 79% of member companies had a standard deductible of \$20,000, with another 14% having deductibles from \$20,000 through \$50,000. Four percent of the companies responding to the questionnaire had deductibles of more than \$50,000, 1% had less than \$20,000 and 2% had "other."

MAPI said that a considerable number of the companies have, in addition to the deductible, a coin-

surance feature calling for the payment of 5% of the loss in excess of \$20,000 for the first \$1 million of liability.

THE MAPI SURVEY noted a trend for insurers to require a \$50,000 deductible upon renewal. "Some concern was expressed that the adoption of a \$50,000 deductible would permit insurers greater freedom to avoid involvement during liability suits and, in effect, would require directors and officers to incur larger uninsured expenses," said MAPI.

For 61% of the companies, the D&O premium was not shared between the company and the directors and officers but was paid entirely by the company. Of those companies in which the premium is shared 92% have a 90-10 split, with the company paying the larger amount.

"Several of the companies now sharing the premium cost indicat-

ed they will pay the entire cost when their insurance is up for renewal," MAPI said. "This is apparently due to a combination of factors, such as recent liberalization of state laws relative to indemnification and liability insurance, competition among companies for outside directors and a growing body of legal opinion (MAPI's) to the effect that company payment of the entire premium is lawful."

Companies were asked to suggest areas in which the D&O policy could be enlarged or clarified, and MAPI reported that firms commenting "were most concerned about the vagueness of the policy language and conditions. A number of these respondents suggested that the underwriters should either completely rewrite the policy or publish a memorandum explaining their position on the specific coverage provided."

Continued on page 44

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# Noise . . .

Continued from page 20  
 staff, has been traveling around the country appearing at seminars to explain the new Federal noise regulation. Perhaps the most important of these was held in Washington in November under the auspices of the new National Council on Noise Abatement. Many representatives from industry were there to ask questions of the various government officials assembled.

The most common concern was the question of how the new regulation would be enforced. Eugene Newman of the Labor Department's office of contract safety explained that his office had the responsibility of conducting safety inspections under the Walsh-Healey Act. "We have a small crew that conducts around 3,000 safety inspections a year.

These inspections are usually in response to some complaint."

Mr. Newman's inspecting staff consists of 28 safety engineers and five industrial hygienists. He expressed the hope that several new positions his office had applied for would be authorized; if successful he plans to double the number of annual inspections.

Dr. Van Adda, also present at the conference, discussed another method of increasing the inspections. "Under one of our maritime regulations we have for a number of years accepted the certification of specified private firms that they have inspected the gear specified by the regulation and that it meets minimum standards. We are now considering whether something similar could not be done with respect to noise."

MR. NEWMAN amplified this approach, revealing that a list of around 300 acoustical consultants available through the American

Mutual Insurance Alliance were currently under evaluation. He explained that an accrediting program to certify those consultants that exhibited technical competence in acoustical engineering and dealt exclusively in services to make noise level surveys around the country was being prepared. The list of those consultants accredited by the office of contract safety will be available around March, he said.

Industry is also concerned about what kind of requirements those people enforcing the Walsh-Healey noise amendment would make upon them. Mr. Newman, in discussing his office's guidelines, listed engineering improvements and administrative control as the primary means of combating dangerous noise levels that will be expected of industry by the office of contract safety.

"We are telling them (companies with noise problems) to do some engineering work first in

addition to providing personal ear protection devices," he said, explaining that engineering improvements were more effective in controlling dangerous noise because many employees frequently discard earplugs or earmuffs. Various complaints have been cited, he said, such as discomfort or inconvenience while on the job.

"Many employees who work in large indoor areas where forklifts or other vehicles are operated have expressed the fear that ear protection devices may prevent them from hearing a shouted warning of an approaching vehicle," Mr. Newman explained. In addition, several companies have reported that their female employees have shied away from similar ear protection devices because they "mess up their hair."

ANOTHER approach, administrative assignment of those employees exposed to dangerous noise levels, could be used to help alleviate the problem, Mr. Newman noted. "By assigning more than one shift of people to a high noise level area, each for only a few hours a day, and re-assigning each shift to a more quiet work area for the remainder of the eight hours, the individual's amount of dangerous noise level exposure might be decreased to within tolerable limits," he explained.

The first step in the inspection process, said Mr. Newman, is to take a detailed scientific survey of all points of noise origination within each problem area, determining both the general noise level from several vantage points as well as specific machines that produce exceptionally high noise levels.

"We usually give a company a reasonable period of time to take corrective measures," explained Mr. Newman, noting that 90 days is the normal time limit imposed in such cases. He praised those companies that have undergone noise level inspections so far under the new regulation. "On the whole, most people have been very cooperative in following our suggestions," he said.

Mr. Newman noted that the Department of Labor has blacklisted only five companies out of the 50 that were involved in hearings with the Secretary of Labor to show cause why they had failed to reach the noise level ceiling in their plants. "Our only recourse really is to make sure that such a blacklisted company does not receive any further government contracts until its noise problem is cleared up," he said.

THE LIMITED application of the Walsh-Healey noise regulation (applying only to those firms with government contracts of

\$10,000 or more) and its lack of any real penalties for failure to comply have been the major reasons for the other noise regulation measures now pending in Congress.

At the Council on Noise Abatement seminar Rep. William D. Hathaway made a comparison between a safety bill containing a wide noise regulation, which he has proposed, and the Administration's five-man safety board proposal. The major bone of contention between the two, he said, was that the Administration bill proposes to phase out existing Federal noise regulations by the end of 1975, leaving only its own noise regulation as the sole existing Federal standard.

"There is no point in doing away with the existing noise regulations, which have been a long time in coming," said Rep. Hathaway. The Congressman said there would be no conflict between the Walsh-Healey Act noise regulation and any new legislation on the subject because whatever bill is passed by Congress will only serve to extend noise regulation to a wider segment of industry.

Rep. Hathaway's proposed bill would extend the 90 dBA noise level ceiling to all business firms that effect interstate commerce. He noted that this jurisdiction was in contrast to the Administration bill, which would not affect medium to small businesses. He termed the Administration's bill exclusions "unnecessary."

"Safety can hardly be viewed as an unnecessary hardship," he said. UNLIKE the Walsh-Healey Act, the Hathaway bill has some teeth. The bill calls for a \$10,000 maximum fine to be levied against any willful violators of its provisions. In addition, Rep. Hathaway noted that his bill provides for adequate penalties for interfering with any Federal inspector.

"There are several reasons why far-reaching Federal noise regulation is necessary," he said. "It will mainly act to get the states on the ball to get the job done better than they are doing it now. They'll be given three years to bring up their standards in those cases in which state regulations are below the Federal standard."

"Also, more people will be protected by the Federal noise regulation," Rep. Hathaway noted.

"For example, under the Walsh-Healey Act the operator of a tractor is not affected by the 90dBA standard, however, under mine of the Administration's bill he would be included under its umbrella protection," Rep. Hathaway concluded.

(This is the first of three articles on noise pollution. It deals with the new Walsh-Healey Act amendment. Succeeding articles will discuss legislation and medical effects of noise pollution, and the subject of hearing conservation.)

## Predicts Lloyd's premiums will double

LONDON—Predictions that in the next five years annual premium income of Lloyd's will rise to \$2.5 billion, and that it could double to \$5 billion yearly by the end of the 1970s, have been made by R. J. Kiln, a leading non-marine underwriter.

He believes that there will be more specialist syndicates, with a consequent break-up of large syndicates into smaller units, but that there will always be an advantage because of the concentrated market Lloyd's can provide.

Branch underwriting offices for Lloyd's overseas may become necessary, however, because of the expanding market created by world demand.

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## D&O held . . .

Continued from page 43

MAPI said a number of companies recommended that protection should be clearly provided for antitrust actions, liability connected with plans or programs to acquire or merge with other companies and liabilities of newly-acquired companies when they are continued in operation as subsidiaries.

The questionnaire also asked whether the MAPI members had ever bought Securities & Exchange Commission liability insurance, designed to protect parties involved in a public stock offering from misstatements in the prospectus and other areas of the registration. Only 9% of the companies had purchased SEC liability coverage, mostly because they didn't know about the coverage, MAPI said.

# following the funds

## Patman's housing bill satisfies almost no one

WASHINGTON—Rep. Wright Patman's housing bill is under attack from all sides, both by pension fund managers who think it goes too far and by the unions and construction industry who feel it doesn't go far enough.

As previously reported, pension fund administrators view as a dangerous infringement on their investment freedom the Texas democrat's proposed bill which would require private pension funds to invest in fixed mortgage investments to support lower and middle-income housing. However, supporters of reform for the housing industry's money ills think the bill is either too narrow in scope or its methods are not quite on target.

"We're in favor of the concept of the bill," said Karl Coan, assistant legislative council for the National Homebuilders Assn., "but we don't feel it really goes far enough." Mr. Coan explained to *Business Insurance* that the Patman bill would only underwrite 6 million of the needed 26 million new and rehabilitated housing units which were called for by the 1968 Housing Act.

"BY LIMITING the pension funds' support to lower and middle income housing, the bill will miss the boat on 20 million more units which we need just as desperately," he said.

"Our belief is that the funds should provide a reasonable sum for all residential mortgages," Mr. Coan said. He mentioned a bill (HR 15660) reintroduced early this February by Rep. Hanna which incorporated this more far-reaching scope. Rep. Hanna's

bill was first introduced into Congress a year ago.

In reply to pension fund administrators' complaints about the high costs of servicing mortgages, Mr. Coan pointed out that these costs were currently ranging from 3/8% to 1/2% of the principal. In addition, he countered fund administrators' qualms about low rates of return, noting that the provision in Rep. Patman's bill stipulated an 8 1/2% rate of return to be guaranteed by the federal government.

"I FEEL THAT we as a nation have failed to grasp the urgency of meeting the housing needs of low and moderate income families," said Joseph D. Keenan, international secretary of the International Brotherhood of Electrical Workers (IBEW) in testimony for the Patman bill during hearings of the House Banking and Currency Committee earlier this year.

The union head complained that "mortgages traditionally have always been and will always be the least competitive form of investment. Large, powerful corporations will always have a distinct advantage over the home buyer. In a struggle for funds, the end result is always the same—higher interest for all and still a shortage of funds in the mortgage market."

Mr. Keenan noted that this was evidenced by the fact that "housing is down when the economy is up and it is up when the economy is down." He reminded the committee that the AFL-CIO at its 1969 convention had adopted a resolution urging all union trustees of pension funds to invest a

portion of their total assets into the AFL-CIO mortgage investment trust on a continuing basis.

"WE IN organized labor," he said, "feel that investment in FHA-insured and V.A.-guaranteed mortgages provides a reasonable rate of return, a high degree of security and provides funds for the construction of socially desirable housing so urgently needed. He revealed that the IBEW had begun increasing its purchases of real estate mortgages in 1955. Mr. Keenan explained that the union utilized the services of a mortgage banker, noting that "the servicing of mortgages has, for all practical purposes, been reduced to a clerical operation by him (the mortgage banker)."

Mr. Keenan also scored the bill's formula for determining the investment required of each pension, terming it "arbitrary" and "subject to political pressure." He also complained of its unpredictability, noting that "its requirement of adjusting funds on a monthly basis is impractical since commitments are usually made a year in advance." He offered an alternative formula based on a fixed annual percentage investment cumulative to a pre-determined percentage of the pension fund's total portfolio as possibly more acceptable.

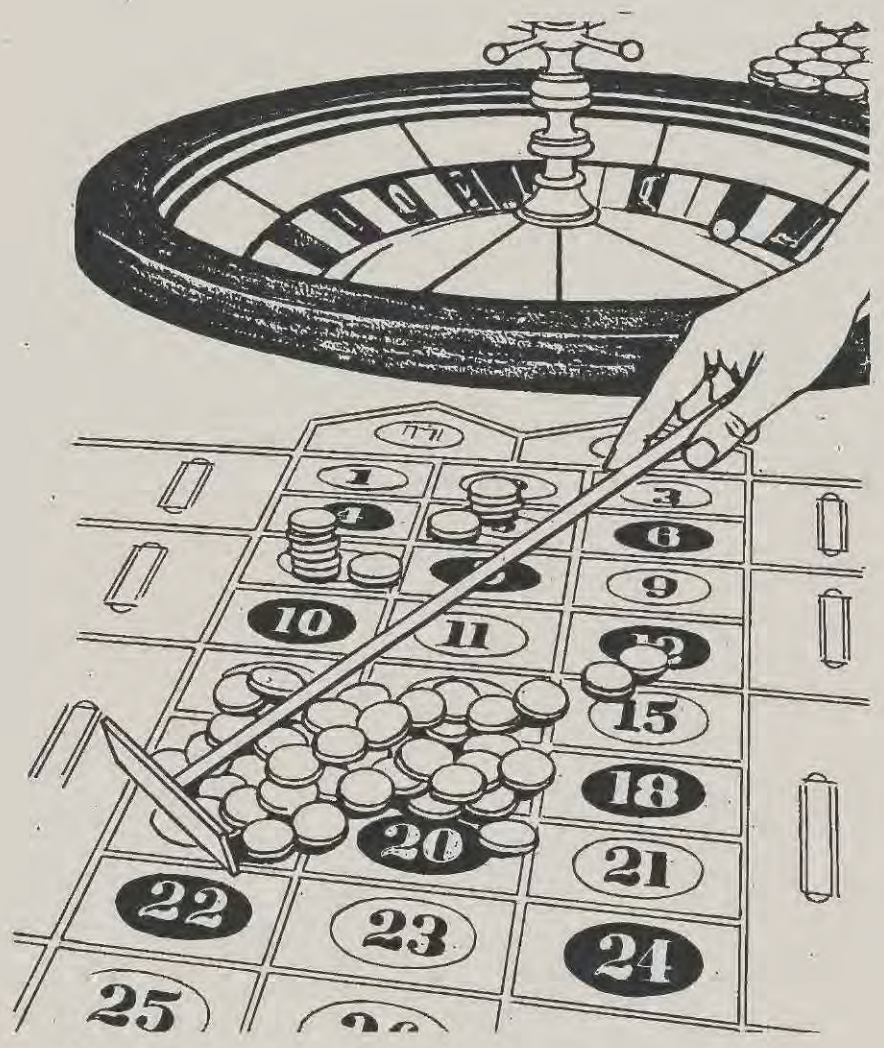
"I would very much like to see this approach applied to all tax-privileged investment," he added. The Mortgage Bankers Assn. sided with the pension fund managers, terming the Patman bill's method "inappropriate." "While we agree with its purpose," said John Reusing, government relations liaison for the organization, "we feel that forcing the pension fund managers to make any specific investment is not proper. Besides, the government would have to gear up an entire bureaucracy in order to implement

### Insurance coverage for drug arrests

VICTORIA, B.C.—Is the insurance business going to pot? C. F. and S. Contracting Co. Ltd., here, offers four types of insurance policies to fight drug arrests.

The annual premium is based on the number of previous arrests: a minimum of \$30 for people with no previous criminal record; for one previous arrest, \$50; for two previous arrests, \$80; and people with three or more convictions pay \$125.

such a device. The way the bill reads, the bigger the pension fund, the more it would have to contribute. We would much rather convince pension fund managers that mortgages are a good deal."



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# Workmen's comp improvements will cause 11% increase in premiums

NEW YORK—Workmen's compensation premiums are expected to go up to \$3.5 billion, an increase of 11%, in 1969, according to an annual meeting report of the National Council on Compensation Insurance held here earlier this month.

The council's report revealed that the average rate levels in the U.S. for workmen's compensation insurance increased by 3.3%. The rate increases resulted from 51 rate revisions filed in 40 different jurisdictions. George F. Reall, general manager of the council, explained that "had there been no statutory benefit changes, and medical and hospital rate schedule changes, experience would have caused an overall decrease of 0.9% in premiums.

In addition, Mr. Reall explained in the report that "responsible committees of the national council altered the handling of catastrophe losses for experience rating and ratemaking in 1969." He explained that any accident causing

the injury of two or more workmen presently constitutes a catastrophe for workmen's compensation insurance ratemaking purpose. This definition was revised to include only accidents involving three or more workmen injured and when the total amount of indemnity and medical loss exceeds twice the state accident limitation.

**A ONE-PERSON** accident, at present, is not limited for rate level regardless of the costs incurred. The new program provides a limitation for the single accident and permits more loss from the multi-claim accident to go into the calculation of rates and experience ratings. Due to the inclusion of more loss the council's program provides for the elimination of the 1¢ charge per each classification in the present rates.

Mr. Reall also unveiled a new facility, the National Workmen's Compensation Reinsurance Pool, developed by the council to pro-

vide complete reinsurance for those carriers writing workmen's compensation assigned risks. He explained that "the need for the pool arose because of a disproportionate sharing of high-hazard, assigned risks between carriers who had filed reinsurance exclusions under assigned risk-plans and those that had not.

"Those carriers not filling reinsurance exclusions were receiving more than their fair share of the more hazardous assigned risks so they notified the national council that if this situation was not corrected they, too, would file reinsurance exclusions. This would have created a serious contraction of the workmen's compensation market and jeopardized the efficacy of the assigned risk plans," Mr. Reall said.

**THUS FAR** 318 carriers have subscribed to the national pool since its inception on the first of this year. These carriers wrote approximately 95% of the 1968 premiums in the 28 states in which the pool operates.

The National Council on Compensation Insurance covered 32,248 assigned risks in its 24 jurisdictions in 1969, an increase of 6.1% more than those risks covered in 1968. ■

## Insurers war with brokers in Britain

LONDON—Insurance brokers are blaming major British insurance companies for prolonging the broker-insurer war which has caused a sharp market shake-up in recent months.

Speaking for a thousand brokers at the annual convention of the Association of Insurance Brokers, their president John R. Poel said:

"The underlying cause is primarily in the dwindling and often non-existent margins which many underwriters have produced in the past decade."

**OUTLINING REASONS** for the continuance of the conflict in Britain between insurers and brokers (as reported in *Business Insurance* Sept. 15) and its importance to risk managers in their future assessment of policy-writing, he warned that no business could go on for ever living on long-past profitability.

Insurers must get a realistic margin on which to build up reserves for future risk-bearing, but competition had got so intense that it could only be rectified by either a realistic rise in rates, or drastic cuts in production and marketing costs.

Mr. Poel complained: "Companies are taking the usual line of least resistance by squeezing marketing costs, and no attempt is being made to reach an honourable settlement with brokers who are main buyers of their goods."

Surveys earlier this year, he declared, showed that several major companies were cutting out brokerage costs by going direct to big industrial clients. Mr. Poel anticipated that there were many more companies which were still undecided whether to keep up the old broker-client traditions, or to move into direct-selling themselves. Brokers ought to meet this competition by studying their markets more thoroughly so that they could give more efficient service to their clients. ■

## Disappearing home costs \$15,000

SAN FRANCISCO—The case of the missing house has finally been solved, but Fireman's Fund Insurance Co. is still out \$15,000 in settlement of the claim.

It seems that in El Cajon, in southern California, the County Retarded Children's Assn. owned a three-bedroom frame house, being rented at \$100 a month until the association could build on the site.

A few weeks ago the family renting the house moved out. Then one day attorney John Sorbo, an active volunteer in the retarded children's organization, stopped by with a friend to look at the site.

That's right. He found no house. Everything was stripped except a brick chimney.

Mr. Sorbo reported the missing house to the sheriff and then presented Fireman's Fund insurance adjuster George Lindley with a claim for \$15,000 for the missing house.

Mr. Lindley eventually discovered the house had been dismantled and hauled away by accident. Someone hired a moving outfit to tear down two next-door houses. In their enthusiasm, the wreckers also got a third house—and Fireman's Fund got a claim. ■

## Meet on oil slick losses

BRUSSELS—Delegations from 40 COUNTRIES meeting here have agreed on two new conventions that will help nations protect their coastlines and place on ship-owners strict liability for any damage from oil pollution.

Interestingly enough, under one of the new conventions the liability settlement for the recent Torrey Canyon case might have been double the \$7.2 million insurers of the tanker recently paid the governments of England and France for damage caused when the ship spilled her cargo off their coasts in March, 1967.

The first agreement, known as the public law convention, stipulates that a nation may intervene immediately, even by destroying a vessel, if there is imminent danger of pollution. However, to guard against overreaction, the convention also imposes on a country the obligation to pay compensation for any damage resulting from unjustified action.

The second is the civil liability convention. It places on shipowners a limit of \$135 liability for each gross ton, up to a maximum of \$14 million for any one disaster.

The 163,000-ton gross weighted Torrey Canyon would have been liable for the maximum under the agreement.

Both conventions will go into effect after ratification by a specified number of countries, which may take several years. ■

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## Offer forest fire cost bill

WASHINGTON—A bill to establish a Federal fund to pay the costs of non-negligent forest fires caused by lumber firms that are harvesting timber from national forests has been introduced by Republican Senators Robert Packwood and Mark Hatfield, both from Oregon, and George Murphy from California.

Sen. Packwood said accidental fires are a major problem faced by the timber industry, adding that the control and cost of such fires "can be an overwhelming burden for one operator."

Fires caused by negligence would still be the responsibility of the operator, the senator pointed out. But, he said, something should be done to spread the expense of non-negligent fires to the entire industry. Such fires can be started by the friction of logs rubbing on the forest floor, or when metal strikes metal or rock, he said, and this can occur even when great care is

exercised by the operator.

**THE BILL** would establish a fund from deposits by timber purchasers, based on cut of national forest timber. A limit would be placed on the amount of the fund to meet the total cost of suppressing operations fires over the past three years. Excess funds would be transferred to miscellaneous receipts of the Treasury.

A board would be established to fix rates of deposits into the fund by regions, review expenditures from the fund and establish additional amounts timber purchasers must pay toward the initial cost of fire suppression.

Sen. Packwood said it is anticipated that in the western regions the purchasers would assume the obligations for the first \$2,500 in suppression cost for each operations fire. The remaining cost of suppression would be met through the operations fire fund. ■

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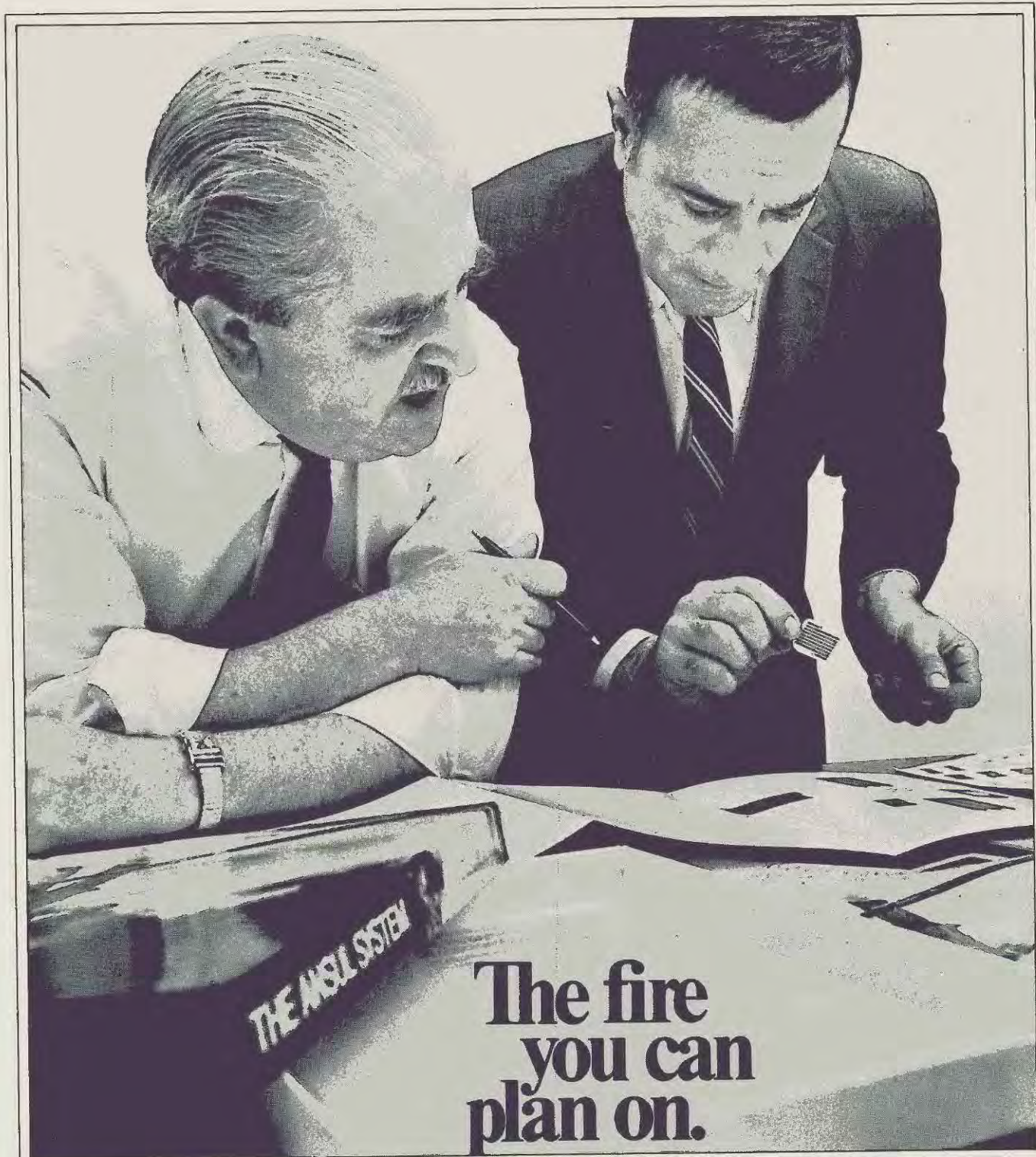
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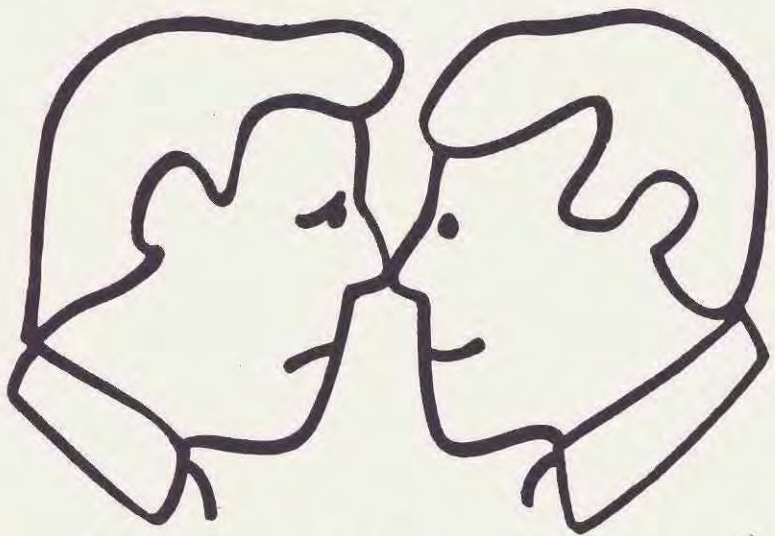
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